Post Hearing Information Pack of

Guanze Medical Information Industry (Holding) Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

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Guanze Medical Information Industry (Holding) Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED])**
Number of [REDACTED] Shares	**:**	**[REDACTED] Shares (subject to [REDACTED] and the [REDACTED])**
[REDACTED]	**:**	**Not more than HK[REDACTED] per [REDACTED] and expected to be not less than HK[REDACTED] per [REDACTED], plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
[REDACTED]	**:**	**[REDACTED]**

Sole Sponsor

西證國際 SOUTHWEST SECURITIES

[REDACTED]

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The [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED] and the [REDACTED]) may, with our consent, reduce the number of [REDACTED] being offered under the [REDACTED] and/or the indicative [REDACTED] range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, an announcement will be published on our website (www.guanzegroup.com) and the Stock Exchange's website (www.hkexnews.hk) not later than the morning of the day which is the last day for lodging applications under the [REDACTED].

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in "Risk Factors" in this document. The obligations of the [REDACTED] and the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED] and the [REDACTED]) if certain grounds for termination arise prior to 8:00 a.m. on the [REDACTED] Date. Such grounds are set out in "[REDACTED]" in this document.

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

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SUMMARY

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

OVERVIEW

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

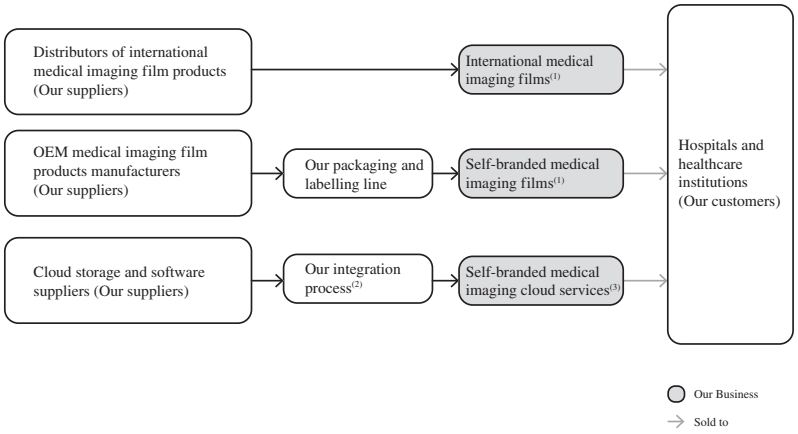
We have been the distributor of international medical imaging film products since 2016. Leveraging on our established customer base in the medical imaging market in Shandong Province and with a view to increasing our profitability, we have provided our self-branded medical imaging film products to our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

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

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

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

The following diagram illustrates our main business model.



Notes:

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

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

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

(i) Sale of medical imaging films

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

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

(ii) Provision of medical imaging cloud services

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

Revenue generated by our products and services

During the Track Record Period, the medical imaging film products business segment accounted for the majority of our revenue. For the three years ended 31 December 2021 and the six months ended 30 June 2022, our sale of medical imaging film products accounted for approximately 91.5%, 93.7%,

93.3% and 94.1%, respectively, of our total revenue, and our provision of medical imaging cloud services accounted for approximately 8.5%, 6.3%, 6.7% and 5.9%, respectively, of our total revenue. The table below sets out our revenue of our products and services during the Track Record Period:

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

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

Gross profit and gross profit margin of our products and services

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

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

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

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

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

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

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

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

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

OUR CUSTOMERS

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

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

OUR SUPPLIERS

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

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

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

RELATIONSHIP WITH HONGHE GROUP

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

TWO INVOICE SYSTEM

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

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

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

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

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

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

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

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

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

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

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

SALES AND MARKETING

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

PRICING

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

COMPETITIVE LANDSCAPE

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

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

COMPETITIVE STRENGTHS

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

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

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

OUR STRATEGIES

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

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

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

KEY OPERATIONAL AND FINANCIAL DATA

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

Consolidated statements of profit or loss

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

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

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

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

Our gross profit increased by approximately RMB15.2 million, or 32.8%, from approximately RMB46.4 million for the year ended 31 December 2019 to approximately RMB61.6 million for the year ended 31 December 2020. The increase was primarily attributable to the increase in our gross profit for the sale of medical imaging film products from approximately RMB36.6 million for the year ended 31 December 2019 to approximately RMB51.8 million for the year ended 31 December 2020, primarily

attributable to the decrease in our purchase of medical imaging films from third parties' brand medical imaging films suppliers as a result of the continued growth of our self-branded products which led to a slower growth in cost of inventories sold as compared to our revenue.

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

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

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

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

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

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

Selected items of the consolidated statements of financial position

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

Our net current assets increased from approximately RMB132.2 million as at 31 December 2021 to approximately RMB145.6 million as at 30 June 2022, which was primarily attributable to (i) the increase in our trade receivables of approximately RMB29.6 million; and (ii) the occurrence of amount due from

a shareholder of RMB8.0 million, as partially offset by (i) the increase in interest-bearing bank borrowing of approximately RMB14.1 million; and (ii) the decrease in inventories of approximately RMB9.1 million.

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

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

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

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

Highlight of consolidated statements of cash flow

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

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

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

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

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

Summary of key financial ratios

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

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

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

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

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

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

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

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

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

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

- approximately HK$[REDACTED] million, representing approximately [REDACTED] of the [REDACTED] from the [REDACTED], will be used to expand our customer base and further consolidate our market presence in Shandong Province by expanding to the eastern part of Shandong Province;
- approximately HK$[REDACTED] million, representing approximately [REDACTED] of the [REDACTED] from the [REDACTED], will be used to enhance the delivery of our medical imaging cloud services through strategic acquisition, obtaining the medical device registration certificate and upgrade of our hardware and software;
- approximately HK$[REDACTED] million, representing approximately [REDACTED] of the [REDACTED] from the [REDACTED], will be used to horizontally expand our value chain by broadening our product offerings;
- approximately HK$[REDACTED] million, representing approximately [REDACTED] of the [REDACTED] from the [REDACTED], will be used to continue to promote our brands and increase market awareness by participating in exhibitions;
- approximately HK$[REDACTED] million, representing approximately [REDACTED] of the [REDACTED] from the [REDACTED], will be used to upgrade our information technology systems; and
- the remaining balance of approximately HK$[REDACTED] million, representing approximately [REDACTED] of the [REDACTED] from the [REDACTED], will be used for additional working capital and other general corporate purposes.

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

[REDACTED] EXPENSES

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

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

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

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

RISK FACTORS

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

- Our largest supplier accounted for over 70% of our total purchases throughout the Track Record Period. If our relationship with it deteriorates or terminates, our business and results of operations would be adversely affected.
- Our business operation, financial results and our cashflow may be adversely affected if the "Two Invoice System" is fully implemented in medical imaging film products in Shandong Province.
- Rapid changes in the medical imaging industry may render the products we distribute obsolete. If we fail to effectively respond or adapt to market changes for our products, our business, financial position and prospects could be materially and adversely affected.
- Our business depends on the level of activity and growth in the medical imaging industry in Shandong Province.
- Any disruption to the supply, increase in the prices, or quality or safety problems of our raw materials could adversely affect our operation, turnover and profitability.

CONTROLLING SHAREHOLDERS AND [REDACTED] INVESTMENTS

Controlling Shareholders

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

[REDACTED] Investments

Pursuant to an equity transfer agreement dated 14 January 2021 between Mr. Li and Lingyun HK (the then wholly-owned investment vehicle of Dr. Tang), Lingyun HK acquired 1% equity interest in Shanghai Guanze from Mr. Li at a consideration of RMB460,000. To reflect the investment of Lingyun HK at our Company's level, pursuant to a sale and purchase agreement dated 9 April 2021 between our Company and Tang Operation, which was the wholly-owned investment holding company of Dr. Tang, Tang Operation transferred one share, representing the entire issued share capital of Tang B Capital, to

our Company in consideration for the [REDACTED] and issue of one Share in our Company to Tang Operation. Upon completion of the aforesaid transfers and prior to the [REDACTED] Investment made by Billion Vantage, Dr. Tang, through Tang Operation, held 1% of the then issued share capital of our Company and Tang B Capital became a wholly-owned subsidiary of our Company.

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

DIVIDENDS

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

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

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

IMPACT OF THE COVID-19 PANDEMIC

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

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

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

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that the COVID-19 pandemic and the Recurrence have no material or sustained adverse impact on the business operation and financial performance of our Group on the basis that (i) no large-scale lockdown had been imposed in Shandong Province, where our major premise is situated in, since the Recurrence

and up to the Latest Practicable Date; (ii) the governmental authorities have put into significant resources and efforts to contain the regional COVID-19 outbreaks; (iii) we have maintained stable operation of our business during the Track Record Period, despite the outbreak of the COVID-19 pandemic and the Recurrence; (iv) our operations have not experienced any material disruption since the outbreak of the COVID-19 pandemic; (v) although we experienced some minor delays in logistics and supply of some direct materials since the outbreak of the COVID-19 pandemic, our inventory levels were sufficient to support our operations; (vi) to the best of our Directors' knowledge, most of our hospitals customers have resumed full services.

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

Contingency Plans and Precautionary Measures

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

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

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

— daily sterilisation of our offices and warehouse; and

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

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

SHIFT FROM TRADITIONAL MEDICAL IMAGING FILMS TO MEDICAL IMAGING CLOUD FILMS

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

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

films to medical imaging cloud films and hence demonstrate an inevitable trend for hospital and medical institutions to shift from traditional medical imaging films to medical imaging cloud films at both state and provincial levels, including Shandong Province.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RECENT DEVELOPMENT AND NO MATERIAL CHANGE

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

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

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

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

[REDACTED]

[REDACTED]

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

"AFRC"	Accounting and Financial Reporting Council
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles of Association" or "Articles"	the articles of association of our Company (as amended from time to time), conditionally approved by the written resolutions of the Shareholders on 7 December 2022 and effective from the [REDACTED] Date, a summary of which is set out in Appendix III to this document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Billion Vantage"	Billion Vantage Asia Limited (潤億亞洲有限公司), a limited liability company incorporated in Hong Kong on 2 December 2015 which is directly wholly-owned by Mr. So, one of the [REDACTED]
"Board" or "Board of Director"	the board of Directors
"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
[REDACTED] or [REDACTED] or [REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Century Honghe"	Shandong Century Honghe Medical Equipment Co., Ltd.* (山東世紀鴻河醫療器械有限公司), a company established in the PRC with limited liability on 31 August 2018, a member of the Honghe Group and an Independent Third Party
"Chairman"	the chairman of our Board, namely, Mr. Meng
"CIC"	China Insights Industry Consultancy Limited, an independent consulting firm that provides market research and analysis

"CIC Report"	an industry report prepared by CIC on the medical imaging film products and medical imaging cloud services market in the PRC, which was commissioned by the Company
"CFDA"	China Food and Drug Administration (國家食品藥品監督管理總局)
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Act" or "Cayman Companies Act"	the Companies Act (As Revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company" or "our Company"	Guanze Medical Information Industry (Holding) Co., Ltd. (formerly known as Guanze Intelligent Medical Information Industry (Holding) Co., Ltd.), an exempted company incorporated in the Cayman Islands with limited liability on 11 December 2020
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to Meng A Capital and Mr. Meng
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"CSRC"	the China Securities Regulatory Commission (中華人民共和國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity dated 7 December 2022 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), details of which are set out in the paragraphs headed "Statutory and General Information — D. Other Information — 1. Estate duty, tax and other indemnity" in Appendix IV to this document
"Deed of Non-competition"	the deed of non-competition dated 7 December 2022 entered into by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), details of which are set out in the paragraphs headed "Relationship with our Controlling Shareholders — Deed of Non-competition" in this document

"Director(s)"	the director(s) of our Company
"Dr. Tang"	Dr. Tang Yanghua (湯揚華), the sole shareholder of Tang Operation and one of the [REDACTED]
"EIT Law"	the Enterprise Income Tax Law (中華人民共和國企業所得税法) promulgated by the National People's Congress on 16 March 2007 and became effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"General Mandate"	the general mandate granted to our Directors by our Shareholders in relation to the issue of new Shares, further information of which is set out in the section headed "Statutory and General Information — A. Further Information about our Company — 3. Written resolutions of all the Shareholders passed on 7 December 2022" in Appendix IV to this document
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Group", "our Group", "we" or "us"	our Company and its subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Guanze BVI"	Guanze Intelligent Medical Information Industry (BVI) Co., Ltd., a BVI business company incorporated in the BVI on 22 December 2020 and a direct wholly-owned subsidiary of our Company
"Guanze HK"	Guanze Intelligent Medical Information Industry (Hong Kong) Co., Limited, a limited liability company incorporated in Hong Kong on 15 January 2021, which is directly wholly-owned by Guanze BVI, and is an indirect wholly-owned subsidiary of our Company
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
"HKFRSs"	Hong Kong Financial Reporting Standards
"Honghe Group"	a group of three PRC companies which comprises Weifang Changhe, Century Honghe and Huijukangyuan Technology and are ultimately controlled by the same individual, who is an Independent Third Party, either through direct shareholding arrangement or nominee arrangement
[REDACTED]	[REDACTED]
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Huijukangyuan Technology"	Shandong Huijukangyuan Technology Co., Ltd.* (山東慧聚康源科技有限公司), a company established in the PRC with limited liability on 6 November 2020, a member of the Honghe Group and an Independent Third Party

"Independent Third Party(ies)"	a person, persons, company or companies which is or are independent of, and not connected with (within the meaning under the Listing Rules), any directors, chief executive or substantial shareholders of our Company, any of its subsidiaries or any of their respective associate(s)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Jinan Guanze"	Jinan Guanze Medical Equipment Co., Ltd.* (濟南冠澤醫療器材有限公司), a company established in the PRC with limited liability on 30 August 2018 and an indirect non-wholly owned subsidiary of our Company
[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Latest Practicable Date"	5 December 2022, being the latest practicable date for the inclusion of certain information in this document prior to its publication
"Lingyun HK"	Lingyun Scientific Instrument Engineering (Hong Kong) Co., Limited, a limited liability company incorporated in Hong Kong on 13 January 2021 which is directly wholly-owned by Tang B Capital and an indirect wholly-owned subsidiary of our Company
[REDACTED]	[REDACTED]
"Listing Committee"	the Listing Committee of the Stock Exchange
"[REDACTED] Date"	the date, expected to be on or about [REDACTED], on which our Shares are [REDACTED] and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the Main Board of the Stock Exchange
"Medical Imaging Products Manufacturer"	a leading medical imaging products manufacturer and medical information technology solutions provider with its headquarters located in USA, according to CIC and an Independent Third Party
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company adopted on 7 December 2022 and as amended from time to time
"Meng A Capital"	Meng A Capital Limited, a BVI business company incorporated in the BVI on 10 December 2020 which is directly wholly-owned by Mr. Meng and being one of the Controlling Shareholders
"mm"	millimetre(s)
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)

"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Li"	Mr. Li Mengfang (李孟芳), the brother-in-law of Mr. Meng
"Mr. Meng"	Mr. Meng Xianzhen (孟憲震), the Chairman, the chief executive officer and an executive Director of our Company and one of the Controlling Shareholders
"Mr. So"	Mr. So Heung Yeung (蘇向陽), the sole shareholder of Billion Vantage and one of the [REDACTED]
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)"
"NHFPC"	National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會) which no-longer retained since March 2018
"NMPA"	National Medical Products Administration (國家藥品監督管理局)
"NPC"	the National People's Congress (全國人民代表大會)
"OFAC"	the Office of Foreign Assets Control of the U.S. Department of the Treasury
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
"PRC" or "China"	the People's Republic of China, except where the context requires otherwise excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Legal Advisers"	Jingtian & Gongcheng (Shanghai Office), the PRC legal advisers of our Company in connection with the [REDACTED]
[REDACTED]	the [REDACTED] in our Company undertaken by the [REDACTED], details of which are set out in the section headed "History, Reorganisation and Corporate Structure — [REDACTED] Investments" in this document
[REDACTED]	collectively, Dr. Tang and Mr. So
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Regulation S"	Regulation S under the US Securities Act
"Reorganisation"	the corporate reorganisation undergone by our Group in preparation for [REDACTED] as described in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this document
"Repurchase Mandate"	a general and unconditional mandate granted to our Directors by the passing of resolutions by our Shareholders referred to in "Statutory and General Information — A. Further Information about our Company — 7. Securities repurchase mandate" in Appendix IV to this Document, pursuant to which our Directors may exercise the power of our Company to repurchase Shares the aggregate number of which shall not exceed 10% of the total number of Shares in issue as at the [REDACTED] Date
"RMB"	Renminbi, the official currency of the PRC

"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAFE Circular 37"	Circular of the State Administration of Foreign Exchange on Issues Related to Foreign Exchange Administration in Terms of Overseas Investment and Financing via Special Purpose Companies and Return Investment by Domestic Residents (關於境內居民通過特殊目的的公司境外投融資及返程投資外匯管理有關問題的通知) promulgated by the SAFE on 4 July 2014 and became effective from the same day
"SAMR"	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"State Council"	State Council of the PRC (中華人民共和國國務院)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shandong Guanze"	Guanze Zhihui Medical Technology (Shandong) Co., Ltd.* (冠澤智慧醫療科技(山東)有限公司), a company established in the PRC with limited liability on 25 February 2021 and an indirect non-wholly owned subsidiary of our Company, which was held as to 98.9% by WFOE and 1.1% by Mr. Meng
"Shanghai Guanze"	Guanze International Trading (Shanghai) Co., Ltd.* (冠澤國際貿易(上海)有限公司), a company established in the PRC with limited liability on 27 November 2015 and an indirect non-wholly owned subsidiary of our Company
"Shareholder(s)"	holder(s) of our Share(s)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company
"Sole Sponsor"	Southwest Securities (HK) Capital Limited, a corporation registered under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor of the [REDACTED]
"sq.m."	square metre(s)

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs in Hong Kong as approved by the SFC and as amended, supplemented or otherwise modified from time to time
"Tang B Capital"	Tang B Capital Limited, a BVI business company incorporated in the BVI on 10 December 2020 and a direct wholly-owned subsidiary of our Company
"Tang Operation"	Tang Operation Limited, a BVI business company incorporated in the BVI on 10 December 2020 which is wholly-owned by Dr. Tang, one of the [REDACTED]
"Track Record Period"	comprises the three years ended 31 December 2021 and the six months ended 30 June 2022
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"U.S." or "United States" or "USA"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933 (as amended from time to time)
"US$" or "US Dollar" or "USD"	United States dollars, the lawful currency of the United States
"Warranting Directors"	Mr. Meng and Mr. Guo Zhenyu
"Warranting Shareholders"	the Controlling Shareholders
"Weifang Changhe"	Weifang Century Changhe Trading Co., Ltd.* (濰坊世紀長河經貿有限公司), a company established in the PRC with limited liability on 6 December 2002, a member of the Honghe Group and an Independent Third Party

"WFOE"	Guanze Zhihui Medical Technology (Jinan) Co., Ltd.* (冠澤智慧醫療科技(濟南)有限公司), a limited liability company established in the PRC on 22 February 2021 and an indirect wholly-owned subsidiary of our Company
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"%"	per cent.
"°C"	degrees Celsius

* *for identification purposes only*

In this document, the English translations of the official Chinese names of PRC laws or regulations, PRC government authorities, companies or other entities organised in the PRC or project names are furnished for identification purposes only. Should there be any inconsistency between the Chinese names and the English translations, the Chinese names shall prevail.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments or approximation. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Words importing the singular include, where applicable, the plural and vice versa. Words importing the masculine gender include, where applicable, the feminine and neuter genders.

All dates and times refer to Hong Kong dates and time unless otherwise stated.

Unless otherwise specified, all references to any shareholdings in our Company are based on the assumption that the [REDACTED] is not exercised.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this document in connection with our Company and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"CAGR"	compound annual growth rate
"CR"	computed radiography
"CT"	computed tomography
"DR"	digital radiography
"DSA"	Digital subtraction angiography
"Grade II Hospitals"	the regional hospitals designated as Grade II hospitals by the National Health Commission hospital classification system, typically having 100 to 499 beds, as for a comprehensive hospital providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions. The Grade II hospitals are graded into three sub-levels (A, B and C) based on the assessment of competent authorities and Grade IIA hospitals are the highest ranking hospitals among Grade II hospitals
"Grade III Hospitals"	the largest and best regional hospitals in China designated as Grade III hospitals by the National Health Commission hospital classification system, typically having more than 500 beds, as for a comprehensive hospital providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives. The Grade III hospitals are graded into three sub-levels (A, B and C) based on the assessment of competent authorities and Grade IIIA hospitals are the highest ranking hospitals among Grade III hospitals
"GDP"	gross domestic product
"GFA"	gross floor area
"ISO"	International Organisation for Standardisation
"MRI"	magnetic resonance imaging
"OEM"	acronym for "original equipment manufacturing", whereby products are manufactured in accordance with customer's specifications for sale under the customer's or third-party's brand

GLOSSARY OF TECHNICAL TERMS

"PACS System"	Picture Archiving and Communication System, a medial imaging system for the storage, retrieval, management, distribution and presentation of medical images in multiple formats from various medical imaging instruments
"RIS"	Radiology Information System
"Tier-1 distributor"	distributors who purchase products from manufacturers directly and onsell to next tier-distributors or to end customers

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that state our Group's intention, belief, expectation or prediction for the future that are, by their nature, subject to significant risks and uncertainties.

These forward-looking statements include, without limitation, statements relating to:

— the industry regulatory environment as well as the industry outlook in general;

— the amount and nature of, and potential for, future development of our Group's business;

— our Group's business objectives and strategies;

— our Group's capital expenditure plans;

— our Group's operations and business prospects; and

— our Group's future plans

The words "believe", "intend", "anticipate", "estimate", "plan", "potential", "will", "would", "may", "should", "expect", "seek" and similar expressions, as they relate to our Group, are intended to identify a number of these forward-looking statements. All statements (other than statements of historical facts included in this document), including statements regarding our Group's strategy, plans and objectives of management for future operations, are forward-looking statements. These forward-looking statements reflect our current view with respect to future events, but they are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risks factors as disclosed under the section headed "Risk factors" and elsewhere in this document. One or more of these risks or uncertainties may materialise, or the underlying assumptions may prove to be incorrect. Although our Directors believe that our current views as reflected in those forward-looking statements based on currently available information are reasonable and that our Directors have exercised due care in expressing our views, including the forward-looking statements, in this document, we can give no assurance that those views will prove to be correct, and the investors are cautioned not to place undue reliance on such statements.

Subject to the requirements of the Listing Rules or the applicable laws, we undertake no obligation to publicly update or revise any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

You should carefully consider all of the information set out in this document, including the risks and uncertainties described below before making an investment in the [REDACTED]. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that a substantial part of our Group's operations are conducted in the PRC and are governed by a legal and regulatory environment that differs from that prevailing in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the [REDACTED] could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND OPERATIONS

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

During the Track Record Period, we procured most of the medical imaging film products from Honghe Group. For each of the three years ended 31 December 2021 and the six months ended 30 June 2022, our purchase from Honghe Group amounted to approximately RMB91.8 million, RMB84.5 million, RMB94.5 million and RMB37.0 million, respectively, representing approximately 83.1%, 77.0%, 73.8% and 73.0% of our Group's total purchase for the relevant period, respectively. For information on the reasons for and other details of our relationship with Honghe Group, please refer to the section headed "Business — Our Suppliers — Relationship with Honghe Group" in this document.

We have entered into a framework distribution agreement with Honghe Group for the supply of medical imaging film products for a term of ten years. However, there is no assurance that we are able to maintain business relationship with Honghe Group or there may be unfavourable changes in our current arrangement, such as a substantial reduction of its volume of supply to us or an unexpected termination of its relationship with us for any reason. If Honghe Group terminates or does not renew the agreement with us, we cannot assure that we can continue to source the aforesaid medical imaging film products from it. If we are unable to do so, our performance and financial results would be materially and adversely affected.

The stability of operations and business strategy of Honghe Group which are beyond our control will also affect us. Any material disruption to its operations due to natural or other causes, such as weather, riots, natural disaster, fire or other technical and mechanical problems could adversely affect our inventory levels and results of operations could be adversely affected. If Honghe Group changes its business strategy substantially, for instance, with regards to its brand management, distribution channel and geographical coverage, it could reduce its volume of supply to or cease business relationship with us, which could in turn materially affect our volume of business and performance.

Also, if the distributorship relationship between the Medical Imaging Products Manufacturer and Honghe Group are terminated for any reasons which renders Honghe Group unable to provide any medical imaging film products manufactured by the Medical Imaging Products Manufacturer to us, our business relationship with Honghe Group may be adversely affected, in which case our performance and financial results would be materially and adversely affected.

Any insufficient supply and fluctuations in inventory levels due to a substantial reduction of volume of supply by Honghe Group and our failure to obtain substitutes of products could impact our ability to provide products and services to our customers in a timely manner and harm our reputation, which could in turn result in lost sales opportunities or delayed revenue as potential customers could turn to competitors' services that are readily available.

There can be no assurance that we will be able to source the medical imaging film products on similar terms under which we sourced from Honghe Group during the Track Record Period or on commercially acceptable terms, particularly so when we source from a new supplier with whom we have yet to develop a strong and mutually dependent business relationship. If we fail to secure any new brand or if the new brand fails to generate sufficient sales due to ineffective marketing strategies or other reasons, our revenue will be materially and adversely affected.

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

As part of the measures for the PRC healthcare system reform, the State Council together with seven other central government departments (including the NHFPC and the State Administration of Food and Drug) jointly issued the Notice on Opinions on the Implementation of the Two Invoice System in Drug Procurement by Public Medical Institutions (for Trial Implementation) (《關於在公立醫療機構藥品採購中推行兩票制的實施意見(試行)》) on 26 December 2016. Pursuant to the above notice, public medical institutions are required to implement the "Two Invoice System" for drug procurements gradually and encourage other medical institutions to promote the same with an aim to promote the "Two Invoice System" across the nation by 2018. The aim of the "Two Invoice System" is to only allow a maximum of two invoices to be issued in the value chain with the first invoice to be issued by manufacturers to distributors and the second one to be issued by distributors to hospitals and healthcare institutions.

On 5 March 2018, six government departments including the National Health Commission and MOF jointly issued the Notice on Consolidating the Achievements of Cancelling Drug Markups and Deepening Comprehensive Reforms in Public Hospitals (《關於鞏固破除以藥補醫成果持續深化公立醫院綜合改革的通知》), which stipulates the implementation of the centralised purchase of high value medical consumables, and that the "Two Invoice System" in relation to high-value medical consumables shall be gradually implemented. According to the General Office of the State Council issued the Notice on Printing and Distributing the Reform Plan for the Management of High-value Medical Consumables (《關於印發〈治理高值醫用耗材改革方案〉的通知》) issued on 19 July 2019, high-value medical consumables refer to the medical consumables that are directly used for human bodies, and are strictly required for safety, and are in great clinical demand and priced relatively high, and can impose heavy burdens on patients for affording them. On 30 September 2019, ten local government departments of Shandong Province including Health Committee of Shandong Province (山東省衛生健康委員會) (the "**Health Committee**") issued the Notice on "Two Invoice System" Implementation Plan in Medicines Procurement by Public Medical Institutions in Shandong Province (《關於印發〈山東省公立醫療機構藥品採購推行"兩票制"實施方案〉的通知》), which stipulates that all public medical institutions in Shandong Province shall implement the "Two Invoice System" on the procurement of drugs from 30 October 2019. As at the Latest Practicable Date, according to the Health Committee, Shandong Province was yet to implement the "Two Invoice System" on the procurement of high-value or low-value medical consumables and it has no concrete plan to implement the "Two Invoice System" on the procurement of

medical consumables in Shandong Province. As advised by our PRC Legal Advisers, the Health Committee is the competent authority to consult with in respect of the implementation of the "Two Invoice System" in Shandong Province. Please refer to the section headed "Regulatory Overview — Two Invoice System" in this document for more details on the implementation of the "Two Invoice System" in the PRC and please refer to the section headed "Business — Two Invoice System — Potential impacts of the "Two Invoice System" on our business operation" in this document for more details on the PRC Legal Advisers' views that the Health Committee is the competent authority to consult with the implementation of the "Two Invoice System".

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

Except for our self-branded products and our provision of maintenance services, we sourced medical dry laser films and self-service film output printers from Honghe Group, the Tier-1 distributor of the Medical Imaging Products Manufacturer in Shandong Province as at the Latest Practicable Date. Please refer to the paragraph headed "Business — Two Invoice System" in this document for a detailed analysis on the potential impact of the "Two Invoice System" on our current business operation. In the event that the "Two Invoice System" is fully implemented, our sale of medical imaging films and self-service film output printers of the Medical Imaging Products Manufacturer will possibly to be counted as the third invoice which is not permitted under the "Two Invoice System", and we may have to discontinue such mode of business operation. During the Track Record Period, our revenue attributable to the sale of medical imaging film and self-service film output printers of the Medical Imaging Products Manufacturer were approximately RMB114.8 million, RMB131.0 million, RMB142.1 million and RMB63.4 million, respectively, representing approximately 89.1%, 75.8%, 72.1% and 68.4% of the total revenue of our sale of medical imaging film products business and approximately 81.5%, 71.1%, 67.3% and 64.3% of our total revenue for the same periods, respectively. In the event that the "Two Invoice System" is fully implemented, our Group's business operation and financial performance going forward may be adversely affected.

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

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

During the Track Record Period, we derived a significant proportion of our total revenue from our sale of medical imaging film products. Our sale of medical imaging film products accounted for approximately 91.5%, 93.7%, 93.3% and 94.1% of our total revenue for the three financial years ended 31 December 2021 and the six months ended 30 June 2022. We cannot assure that our future sales of our medical imaging film products will generate revenue and profit at a level comparable that of our

historical sales. If the market demand for medical imaging film products decreases in the future or if we fail to develop or distribute new medical imaging film products which appeal to our customers, our business and financial position could be adversely affected.

The medical imaging industry is characterised by rapid changes in technology, constant enhancement of industrial know-how and frequent emergence of new products. Future technological improvements and continual product developments in the medical imaging industry may render existing products distributed by us obsolete or affect our viability and competitiveness. Therefore, our future success will largely depend on our ability to: (i) diversify the portfolio of products we distribute; and (ii) source and develop new and competitively priced products which meet the requirements of the constantly changing market. If we fail to respond to this environment by sourcing or developing new products in a timely fashion, or if the products we distribute do not achieve adequate market acceptance, our business and profitability may be materially and adversely affected.

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

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

In the event of the full replacement of traditional medical imaging film products with medical imaging cloud films at both state and provincial level, the market demand of our medical imaging film products may be significantly reduced and accordingly, our business and financial position derived from the traditional medical imaging film products business segment may be adversely affected.

The medical imaging cloud services market in China is highly competitive. Leveraging on their established cloud storage platforms and their competent research and development technical staff, some large-scale cloud services providers may be strategically focused on growing their customer base of medical imaging of cloud services even they incurred significant losses during the provision of medical

imaging cloud services. Hence, we cannot ensure our medical imaging cloud services can compete with other large-scale cloud services providers with abundant financial resources and significant cost advantage. Further, we cannot ensure our medical imaging cloud services can fulfil our customer's requirement and survive in the industry competitor if we fail to anticipate future changes in relation to the technological advancement or implement our plans in response to such changes (for example, compete with other medical imaging cloud services providers). In such case, our business and profitability may be materially and adversely affected.

Our customers may have stringent requirements on supplier selection, technical competence, product quality and timing of delivery. We cannot assure you that we will be successful in continuing to meet their selection criteria, fulfil the required technical standards, maintain our product quality to their satisfaction or deliver our products to them in accordance with the agreed delivery schedule. If any of these factors materialises, we may lose our customers and business opportunities, and our business, financial position and prospects could be materially and adversely affected.

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

Our customers are generally hospitals and healthcare institutions in Shandong Province. During the Track Record Period, all of our revenue were derived from our sales in Shandong Province. As our medical imaging film products and medical imaging cloud services are principally sold in Shandong Province, the demand for our products and services is predominantly dependent on the level of activity and growth in the medical imaging industry in Shandong Province, which in turn depends on factors such as general economic conditions, government policy, GDP growth, fixed asset investment, consumer confidence, inflation and demographic trends in Shandong Province. Our lack of geographical diversity exposes us to risks associated with fluctuations in the political and economic conditions of Shandong Province.

We have historically benefited from the growth in the economy of Shandong Province. We cannot assure you that the GDP, fixed asset investment or the demand for medical imaging film products and medical imaging cloud services in Shandong Province will continue to grow at historical rates, or at all. Any slowdown in the growth of Shandong Province's economy or a downturn in the medical imaging industry in Shandong Province could affect the demand for our products, which in turn could have a material and adverse effect on our business, financial condition and results of operations.

Failure to obtain, maintain or renew required government permits, licences and approvals could materially and adversely affect our business, results of operations, financial position and growth prospects.

In accordance with applicable PRC laws and regulations, we are required to obtain and maintain different licences and permits for the sale of our products in the ordinary course of our business. Major aspects of our operations are regulated by comprehensive local, regional and national regulatory regimes. For example, pursuant to the applicable PRC laws and regulations, in addition to the registration certificates, companies engaging in the operation and sale of medical devices are required to obtain and maintain the Medical Device Business Operation Certificate (醫療器械經營許可證). For further details, please refer to the section headed "Regulatory Overview — Laws and Regulations relating to Medical Devices" in this document. Such permits, licences and certificates are subject to periodic reviews and renewals by relevant government authorities, and the standards of such reviews and

renewals may change from time to time. As at the Latest Practicable Date, as confirmed by PRC Legal Advisers, all licences, permits and other necessary approvals required for our business operation are current and valid. Please refer to the section headed ''Business — Licence and Permits'' in this document for further details. We have never encountered any refusals or delays in renewing certain licences, permits and/or approvals during the Track Record Period. However, there can be no assurance that the authorities will approve our application for such permits, licences and certificates or their renewals in the future. Failure to comply with the relevant regulations or any loss of or failure to renew, obtain or maintain the relevant licences, permits and certificates necessary for our operations in the future could lead to penalties, fines, governmental sanctions, proceedings and/or temporary or permanent suspension of our business operation. If we fail to obtain, maintain or renew required government permits, licences and approvals, our business, results of operations, financial position and growth prospects could be materially and adversely affected.

Further, we intend to expand our value chain by diversifying our product offerings through the offering of mobile X-ray system and high pressure injector. According to the PRC Legal Advisers, our Group has to apply for the registration of the syringe of the high pressure injector as a Class III medical device and the mobile digital radiography system and the equipment of the high pressure injector as a Class II medical device and obtain the relevant medical device registration certificates before the launch of the products. For further details, please refer to the paragraph headed ''Our Business strategies — Horizontally expand our value chain by broadening our product offerings'' in the ''Business'' section. If we cannot obtain the relevant certificates or permits under our business strategies as planned, we may not be able to implement our business strategies and our future plan and our business, financial condition and results of operation may be adversely affected.

Unpredictable regulatory changes may result in increased compliance costs or prevent our successful development, manufacture or commercialisation of products in the PRC, which would adversely affect our business, financial condition and results of operations.

The regulatory framework for the medical imaging industry in the PRC is constantly evolving, and we expect it will continue to evolve. We cannot predict the likelihood, nature or extent of regulatory changes that may arise from existing or future legislation in the PRC. Furthermore, if the interpretation or implementation of the existing laws and regulations changes or new regulations come into effect, we may be required to obtain additional permits, licences or certificates. There is no assurance that we will respond successfully to such changes in a timely manner. Such changes may also result in increased compliance costs or prevent our successful development or commercialisation of products in the PRC, which would adversely affect our business, financial condition and results of operations.

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

Our business requires a number of raw materials including medical imaging films, accessories, packaging materials and equipment components. We rely on our suppliers to supply us with such raw materials. We may experience shortage in the supply of certain raw materials, in particular such specified raw materials, in the future due to various unforeseen events, which could materially and adversely affect our operation and results of operations. If any supplier is unwilling or unable to provide us with high quality raw materials in the required quantities or specifications and at acceptable prices,

we may be unable to find alternative sources at commercially acceptable prices, on satisfactory terms, in a timely manner, or at all. Our inability to find or develop alternative sources could result in delays or reductions in operation, product delivery or a reduction in our profit margins.

We also cannot assure you that our suppliers will not intentionally or inadvertently contaminate our raw materials or provide us with sub-standard raw materials that will adversely impact the quality of our products. If we experience any quality or safety problems in relation to our raw materials, our product quality may be adversely affected, and we may have to recall our products from the market and we may be subject to product liability claims. Even though we may bring claims against the relevant supplier for damages in such event, we cannot assure you that we will be able to obtain a judgment in favour of us, which may in turn materially and adversely affect our competitive position, reputation and business results.

We may fail to effectively manage our deliverers. Actions taken by our deliverers in violation of the framework sales agreements could materially and adversely affect our business, prospects and reputation.

Since it is the hospitals who select their deliverers in general, we have limited control over the performance, operations and actions of our deliverers. We rely on the framework sales agreements and the policies and measures we have in place to manage our deliverers, including their compliance with laws, rules, regulations and our policies. For further details, please refer to the paragraph headed "Our sales channels — Sales through deliverers" under the section headed "Business" in this document. We cannot guarantee that we will be able to effectively manage our deliverers, or that our deliverers would not breach our agreements and policies. If our deliverers take one or more of the following actions, our business, results of operations, prospects and reputation may be adversely affected:

— breaching the framework sales agreements or our policies and measures, including by selling products to customers other than their designated hospitals;

— failing to maintain the requisite licences, permits or approvals, or failure to comply with applicable regulatory requirements when selling our products; or

— violating anti-corruption, anti-bribery, competition or other laws and regulations of China or other jurisdictions.

Any violation or alleged violation by our deliverers of the framework sales agreements, our policies or any applicable laws and regulations could result in the erosion of our goodwill, a decrease in the market value of our brand and an unfavourable public perception about the quality of our products, resulting in a material adverse effect on our business, financial condition, results of operations and prospects.

Our prospects are dependent upon the successful commercialisation of new or improved products that meet our customers' needs.

Our ability to continue to develop and launch new and improved medical imaging products and expand our product portfolio is crucial to our continued success, and the prospects of our business are dependent upon the design, development and successful commercialisation of new medical imaging products which meet the evolving customer demands and expectations in a timely manner. We cannot

guarantee that we will be successful in developing new products or that we will be able to identify promising product development opportunities. Development of new products and technologies and improvements of existing products and technologies require substantial technical, financial and human resources. For further details, please refer to the section headed ''Business — Research and Development'' in this document. However, the research and development process could be costly and time-consuming and there is no assurance that such costs will be accepted by our customers or we can complete our research projects within the anticipated timeframe. Any failure of these new products could have a material adverse effect on our financial performance and our reputation.

In addition, medical imaging technology is a fast-developing field with new breakthroughs being made and new treatments and technologies being developed frequently, and there is no assurance that we will always be able to respond to emerging market trends and introduce new products in a timely and effective manner. We cannot assure you that the results of our research and development projects will always lead to successful development of any new products and there may be a lack of market demand for such products. Such research and development projects, and other similar arrangements we may enter into in the future, could have the effect of limiting our ability to develop and commercialise new products. Moreover, our competitors may launch new and competing products ahead of us or market such products in a more effective manner, or our end customers may prefer their products. If we are unable to successfully and efficiently develop new products or expand our product line which meet market requirements and achieve market acceptance, we may not be able to retain or attract customers or generate revenue, and our business and financial condition may be materially and adversely affected.

Our medical imaging cloud service is still in a growing stage with relatively small revenue contribution.

We tapped into the medical imaging cloud services market by providing hospitals and healthcare institutions with medical imaging cloud services in 2017. For the three years ended 31 December 2021 and the six months ended 30 June 2022, revenue generated from the provision of medical imaging cloud services amounted to approximately RMB11.9 million, RMB11.6 million, RMB14.2 million and RMB5.9 million, accounted for 8.5%, 6.3%, 6.7% and 5.9% of our total revenue for the same periods, respectively. As at 31 December 2019, 2020, 2021 and 30 June 2022, and the Latest Practicable Date, the number of customers subscribing for our cloud services was 42, 51, 53, 53 and 55, respectively.

The relatively small contribution of our medical imaging cloud services makes it difficult for us to assess our prospects or forecast our future results with respect to such business, which may be subject to many factors beyond our control. We cannot guarantee you that in the future, we will able to secure popularity from our potential customers. If our medical imaging cloud services do not gain sufficient popularity or any future technology arise which is able to replace our medical imaging cloud services, our business and results of operation may be adversely affected.

Certain of our revenue is derived from contracts awarded through competitive tendering which are non-recurring in nature and there is no guarantee that we will succeed in the tender process or our customers will award new contracts to us in the future.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, approximately 0.8%, 7.5%, 20.2% and 22.8% of our revenue were generated from tendering, respectively, and our tender success rates were approximately 60.0%, 70.0%, 80.0% and 100% for the same period. There is no assurance that we will be invited to or are made aware of the tendering process

or that we will succeed in the tender process in the future. There is also a risk that our Group may not be awarded with new contracts by customers upon the expiry of the contracts on hand and there is no assurance we will be able to maintain or increase our success rate in obtaining tender and quote in the future. In the event that we are unable to secure new contracts, our results of operations, financial condition as well as business prospects may be materially and adversely affected.

The track record of our self-branded medical imaging film products is relatively short.

We started to supply our self-branded medical imaging film products in Shandong Province in 2018. The sale of medical imaging film products of our own brand constitute approximately 9%, 19%, 28% and 32% of our revenue under the medical imaging film products business segment during the Track Record Period.

The relatively short operating history in our self brand makes it difficult to evaluate the prospects and financial results of generated therefrom. We face certain risks related to our self brand, including, we may not able to successfully compete with other market players. If we are not able to meet the challenges of building, marketing and managing our self-branded business, our business and profitability may be adversely affected.

We currently do not own manufacturing facilities for our raw materials.

As at the Latest Practicable Date, we do not own manufacturing facilities for producing raw materials. As a result, we rely on certain suppliers to supply us with raw materials and/or the finished goods. Any failure to secure a stable supply for raw materials and/or finished goods from our suppliers or on similar terms may adversely affect our business and results of operation.

We have limited control over the quality, availability and costs of our OEM manufacturers.

During the Track Record Period, we engaged OEM manufacturers for the provision of OEM medical imaging film products. Our OEM manufacturers are specialised in the production of medical imaging film products. During the Track Record Period, our OEM expenses incurred were approximately RMB6.7 million, RMB14.1 million, RMB33.1 million and RMB13.3 million. We were responsible for the standard of work provided by our OEM manufacturers. In order to control and ensure the quality and progress of their products, OEM manufacturers were evaluated based on, among others, (i) its infrastructure and production capacity; (ii) licences held; (iii) financial condition; and (iv) its ability to meet the specific quality and quantity for medical imaging film products. To monitor our OEM manufacturers and to ensure their service quality is up to standard, we implement stringent quality requirements on the products. For details, please refer to the section headed "Business — Our Suppliers — OEM manufacturers" in this document.

Our Directors confirm that the Group did not receive any material claims or complaints by our customers in respect of the quality of our products produced by our OEM manufacturers nor experience any material delay in the provision of products by our OEM manufacturers which has caused disruption to our Group's operation during the Track Record Period. However, despite the regular monitoring and quality checks on the performance of our OEM manufacturers, we may not be able to monitor our OEM manufacturers as closely and as effectively as our own staff. We cannot assure you that each of our OEM manufacturers has the level of skill and competence required by us. If the products produced rendered by the OEM manufacturers are not timely delivered or where product defect arises, we may

incur extra costs in carrying out replacement or subsequent maintenance and remedial work. Extra costs may also be incurred for engaging alternative OEM manufacturers or to compensate our customers, which in turn would affect our results of operations and profitability.

If our customers fail to comply with the applicable laws and regulations governing public tenders in the PRC, our business, financial conditions and results of operations may be adversely affected.

The Law of the PRC on Government Procurement (《中華人民共和國政府採購法》) (the "**Procurement Law**") promulgated by the Standing Committee of the NPC on 29 June 2002 and last amended and implemented on 31 August 2014 sets forth a set of mandatory public procurement requirements that certain public institutions including public hospitals have to follow. Therefore, certain of our customers are required to participate in the procurement process pursuant to the Procurement Law. For details of the Procurement Law, please refer to the paragraph headed "Procurement of Medical Devices by public hospital and healthcare institutions" under the section headed "Regulatory overview" in this document. Our Directors confirm that, during the Track Record Period, our Group had not experienced incident that our customers did not comply with the mandatory public procurement requirement which had materially affected our Group. Nonetheless, we cannot assure you that our customers are presently or will always be in compliance with the applicable PRC laws and regulations regarding procurement process. As advised by our PRC Legal Advisers, if any of our customers fails to comply with the mandatory public procurement requirement, the relevant unperformed sales contract may be rendered invalid, which may lead to our failure to collect the payment under the relevant contract and would adversely affect our business, financial condition, results of operations and prospects.

If the PRC government decides to impose price control on our products or services, our business, profitability, results of operations and prospects would be materially and adversely affected.

There is currently no price control imposed by the PRC government in relation to our medical imaging film products and medical imaging cloud services distributed or sold in the PRC whereas the prices of certain pharmaceutical products sold in the PRC, primarily those included in the national and provincial medical insurance catalogue, are subject to price controls mainly in the form of fixed prices or price ceilings. Manufacturers and distributors cannot set the actual price for any given price-controlled product above the price ceiling or deviate from the fixed price imposed by the government.

In the recent years, the PRC government has been making continuous and increasing efforts in stepping up the healthcare system reform. We are unable to predict any future changes to the price control policy to be adopted by the PRC government in our industry. In the event of any changes in such policy resulting in all or some of our products and services being subject to price control, our business, profitability, results of operations and prospects would be materially and adversely affected.

If we fail to maintain or obtain applicable regulatory clearances or approvals for our existing or new products, or if such clearances or approvals are delayed, we will be unable to commercially distribute and market our products at all or in a timely manner, which could significantly disrupt our business and materially and adversely affect our sales and profitability.

The sales and marketing of our products are subject to regulation in the PRC. The processes for obtaining regulatory clearances or approvals can be lengthy and expensive, and the results are unpredictable. In addition, the relevant regulatory authorities may introduce additional requirements or

procedures that have the effect of delaying or prolonging the regulatory clearance or approval for our existing or new products. If we are unable to obtain clearances or approvals needed to market existing or new products, or obtain such clearances or approvals in a timely fashion, our business would be significantly disrupted, and our sales and profitability could be materially and adversely affected.

If we fail to maintain an effective quality assurance and control system, our business could be materially and adversely affected.

We place great emphasis on product quality and adhere to stringent quality assurance and control measures. To meet our customers' requirements and expectations on the quality and safety of our products, we have adopted quality control procedures to implement stringent measures from procurement of raw materials and equipment to completion and inspection of our products to ensure that our operation is strictly monitored and managed. Please see the section headed ''Business — Quality Control and Assurance'' for further information.

Failure to maintain an effective quality control and assurance system or to obtain or renew our quality standards certifications may result in a decrease in demand for our products, or product return or loss of purchase orders from our customers. Moreover, our reputation could be impaired. As a result, our business and results of operations could be materially and adversely affected.

We are subject to product liability exposure and have limited insurance coverage. Any product liability claims or safety-related regulatory actions could require us to pay substantial damages, harm our reputation and materially and adversely affect our business, financial condition and results of operations.

Our products are used in the medical and healthcare field. Accordingly, our products expose us to potential product liability claims if their use causes or is alleged to have caused adverse effects. Product liability claims against our products may include allegations of defects in design and manufacturing, improper handling or transportation of products, negligence, strict liability and a breach of warranties. We may be subject to product liability claims if our products have latent quality issues that were undetected during our inspections and quality control. Even if our products do not have latent defects, other factors that are out of our control, such as the quality and skill of physicians using our products, may affect the safety and performance of our products. Patients may still initiate legal proceedings against us under such circumstances, and the hospitals and physicians may claim, with or without merit, that our products have latent defects. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our products;
- damage to our reputation;
- losses of financial resources and consuming the time and attention of our management to defend the related litigation;
- diversion of management's time and our resources;
- substantial monetary compensation to trial participants or patients;

- product recalls, withdrawals or marketing or promotion restrictions;
- loss of revenue;
- the inability to commercialise our pipeline products; and
- a decline in our [REDACTED] price.

Any product liability claim or regulatory action, with or without merit, could be costly and time-consuming to defend. If the product liability claims were successful, we may be required to pay substantial damages. Further, in any such event, our business, financial condition and results of operations would be adversely and materially affected.

If we fail to accurately project demand for our medical imaging film products, we may encounter problems of inadequate supply or oversupply, which would materially and adversely affect our financial condition and results of operations, as well as damage our reputation.

Our customers typically order our medical imaging film products by purchase order. We project demand for our medical imaging film products and formulate our operation and procurement plan primarily based on the existing inventory level, customer demand based on estimates and confirmed sales orders provided by the sales department and market conditions. Lack of significant order backlog and the fluctuating sales and purchasing cycles of our customers, however, make it difficult for us to project future demand accurately at all times.

It is difficult for us to accurately project the demand of our medical imaging film products as adequate information, on which we base our projections, may not be available. If we overestimate the demand for our products, we may purchase more raw materials or finished goods than required. But if we underestimate such demand, our suppliers may have inadequate raw materials or product inventories, which could interrupt our manufacturing and delay delivery and could result in lost sales. Our inability to accurately predict the demand for our medical imaging products and to meet such demand in a timely manner could materially and adversely affect our financial conditions and results of operations as well as damage our reputation and corporate brand.

We recorded negative operating cash flows during the Track Record Period.

We had negative cash flow from operating activities of approximately RMB2.3 million for the six months ended 30 June 2022, which was primarily the result of the increase of RMB29.8 million in trade and bills receivables because most of the trade receivables were not fall due for the sales we made in the previous year, while we continued to record sales during the six months ended 30 June 2022. For further information, please refer to ''Financial Information — Discussion of certain items from the consolidated statements of financial position — Trade and bills receivables'' and ''Financial Information — Liquidity and Capital Resources''.

Although we believe that the negative cash flow from operating activities for the six months ended 30 June 2022 is temporary, and that we are able to improve our cash flow during the ordinary course of business in the subsequent period, given our liquidity management measures in place, we cannot assure you that we will be able to generate positive cash flows from operating activities in the future. Our liquidity and financial condition may be materially and adversely affected should our future operating

cash flow remain negative, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us or at all.

We may not be able to efficiently manage our inventory risks.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, our Group's inventories were approximately RMB34.2 million, RMB21.6 million, RMB12.6 million and RMB3.4 million respectively. We depend on our demand forecasts to make operation decisions and to manage our inventory.

During the Track Record Period, our Group was able to maintain a reasonable inventory level of finished goods of approximately one to three months to ensure sufficient products in stock to meet our sales projection and the demand of our customers. For the three years ended 31 December 2021 and the six months ended 30 June 2022, our Group's average inventory turnover days were 110 days, 85 days, 46 days and 25 days, respectively. However, we cannot guarantee that we will be able to maintain a proper level of inventory for our products and raw materials. In the event that the amount of sales orders from our customers differs significantly from what we purchase from our suppliers or in the quantities we expect, our inventory level might increase or decrease to an excessive level. Inventory levels in excess of product demand may result in inventory write-downs, expiration of products and increase in inventory holding costs. Conversely, we may experience inventory shortages if we underestimate the demand for our medical imaging products, which may result in unfilled orders and have a negative impact on our relationship with customers. Further, there is no assurance that our customers will not return the products placed with us due to the change of their technical specifications or requirements of the products including brands and sizes of medical imaging films and if it happens, we may not be able to resell those products or to sell them in time before their respective expiry dates. If any of these events happen in the future, our financial condition and cash flow could be materially and adversely affected.

Our sales may be materially and adversely affected by the delay in the delivery of our products to customers or poor handling by third-party transportation service providers.

We have a logistic team and two self-owned vehicles specifically used for delivering and transporting the products from our warehouse to destinations designated by our customers. During the Track Record Period, we only engaged one logistics company to deliver our products to customers. For details, please refer to the section headed "Business — Logistical Arrangements" in this document. Our timely delivery depends on, among others, the service quality of our transportation teams and the third-party transportation service providers. Any failure to provide timely delivery may have a material adverse impact on our business operations and reputation, as well as exposing us to potential contractual claims with our customers. In such events, we may not be able to seek full indemnity from the third-party transportation service providers or enforce in full any favourable judgements obtained. Further, we may also be obligated under the respective service contracts with our customers to compensate them for any loss or damages incurred due to our failure to comply with the contract terms. Any contractual disputes for material breaches by our transportation team or third-party transportation service providers, which may arise in the future, may severely affect our business operations and divert our management attention and resources.

We may not be able to price our products at our desired margins or sustain the average selling prices of our products as a result of any decrease in our bargaining power or changes in market conditions.

We set prices for our products primarily based on the estimated costs. For further details, please refer to the paragraph headed "Pricing and Settlement Terms" under "Business" section. Our ability to set favourable prices at our desired margins and to accurately estimate costs, among other factors, has a material impact on our profitability, particularly for our business. For the three years ended 31 December 2021 and the six months ended 30 June 2022, our gross profit margin was approximately 33.0%, 33.4%, 35.9% and 40.2%, respectively.

We cannot assure you that we will be able to maintain our pricing power or the average selling price of our products or that our gross profit margin will not be driven down by market conditions or other factors. In the event that we face higher pricing pressure due to intensified competition from other suppliers, continued decrease in prices to our customers in the end market or any other reasons, or if we otherwise lose bargaining power due to weaker demand for our products, we may need to lower the prices and margins of our products. Moreover, we may not be able to accurately estimate our costs or pass on all or part of any increase in our costs of sales, in particular the costs of raw materials to our customers. As a result, our results of operations could be materially and adversely affected.

Furthermore, we are vulnerable to increases in the prices of raw materials. The prices of our raw materials are determined principally by market forces and our bargaining power against our suppliers. For a discussion of changes in our raw material costs during the Track Record Period, please see the section headed "Financial Information — Key Factors Affecting our Results of Operations and Financial Condition — Fluctuation in cost of our raw materials and reliance on our largest supplier". Raw material prices may fluctuate as a result of inflation and other factors in the future. We may not be able to offset all the increase in their prices by raising the prices of our products. Moreover, we may lose our competitive advantage if the prices of our products increase significantly. If the prices of raw materials increase in the future and we cannot pass on such increases to our customers, we may not be able to maintain our current gross profit margins, and our business and results of operations may be materially and adversely affected.

We may not be able to fulfil the minimum purchase commitment required by our suppliers.

During the Track Record Period, we entered into certain distribution agreements with our suppliers. Under such agreements, we are required to meet minimum monthly and/or yearly purchase commitment. For details, please refer to "Business — Our Suppliers — Salient terms of the typical distributionship agreements with the distributors of medical imaging film products". Although we have fulfilled the minimum purchase commitment during the Track Record Period, we could not guarantee that we will be able to do so in the future. Should we fail to meet the minimum purchase commitments, our suppliers are entitled to terminate the distributorship in accordance with the terms of the distribution agreements. Any disruption in the supply of medical imaging films and equipment would limit our ability to meet our customers' demand, increase the cost of purchasing medical imaging films and printers and may adversely affect our financial condition and results of operations and have a negative impact on our reputation.

Failure to manage our growth could strain our managerial, operational and financial resources, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Our current business strategy includes, among others, expand our customer base and strategic acquisition. Executing these components of our strategy could place considerable strain on our managerial, operational and financial resources. In particular, the management of our growth will require, among other things:

- strengthening of financial and management controls in an efficient and effective manner;
- enhancement of information technology systems;
- increased marketing, sales and sales support activities;
- continued enhancement of our research and development capabilities;
- raising adequate capital to fund our operations; and
- hiring and training of new personnel.

If we are unable to effectively manage our growth and implement these components of our business strategy, our business, financial condition, results of operations and prospects would be materially and adversely affected.

Our business and financial performance will be materially and adversely affected if we cannot maintain good relationships with, and provide high quality products and services to, our customers.

Our growth and future success are reliant upon our ability to maintain good relationships with our customers by further diversifying our product and services portfolio and solidifying our market position. Our ability to maintain good relationships with existing customers and attract new customers depend significantly on, among others, our ability to (i) continuously anticipate and effectively respond to changing customers' demands and preferences; (ii) anticipate and respond to changes in the dynamic landscape of the medical imaging industry; (iii) identify and adopt evolving technologies to facilitate customers' purchasing or procurement experience with us; and (iv) develop and upgrade our products and services that cater to the needs of our existing and potential customers. In the event that we cannot (i) maintain good relationships with our customers; (ii) maintain or guarantee the high quality of the products we distribute; or (iii) meet the needs of our customers (particularly the hospitals and healthcare institutions), our business and financial performance will be adversely affected.

We may be exposed to payment delays and/or defaults by our customers which would adversely affect our cash flows or financial results.

We grant a credit term of a maximum of 365 days to our customers while we are generally required to make payment to our suppliers before the delivery of products to our customers. As at 30 June 2022, our Group had an aggregate trade and bills receivables of approximately RMB166.9 million. Our Group's trade receivables turnover days for the three years ended 31 December 2021 and the six

months ended 30 June 2022 were approximately 179 days, 149 days, 181 days and 251 days respectively. On the other hand, the trade payables turnover days for the three years ended 31 December 2021 and the six months ended 30 June 2022 were approximately 1 day, 4 days, 24 days and 41 days, respectively. Our trade receivables amounted to approximately RMB66.6 million, RMB84.7 million, RMB125.6 million and RMB149.6 million as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively, while our impairment losses on trade receivables amounted to approximately RMB104,000, RMB122,000 and RMB124,000 for each of the years ended 31 December 2019 and 2020 and the six months ended 30 June 2022, respectively. We recorded a reversal of impairment losses on trade receivables of approximately RMB73,000 for the year ended 31 December 2021. Any significant difference in the trade receivables turnover days and trade payables turnover days or in the event our customers defaults in their payment may lead to cash flow mismatch and have a negative impact on our Group's working capital sufficiency.

Our liquidity and operational cash flows may be materially and adversely affected if the trade receivables cycles or collection periods lengthened or if we encounter a material increase in the default of payment from customers. We cannot assure you that our customers will meet their payment obligations on time or in full, or that our trade receivables turnover days will not increase. Any inability on the part of our customers to settle or promptly settle the amount due to us may materially and adversely affect our business, financial conditions and results of operations.

The data and information that we process in our software could be inaccurate, which could compromise the service quality of our medical imaging cloud services we delivered and could in turn harm our business, reputation, financial condition and results of operations.

Our software involves the processing of medical data and information which include, among other, medical images and data and patient's information. If any mistakes, inaccuracy or technical failures associated with our software, including those caused by power loss, natural disasters, computer viruses or hackers, network failures or other unauthorised tampering arise during the processing of these data, interruptions in our ability to provide services to the hospitals or even medical accidents may occur. The service quality of our medical imaging cloud services we delivered could be compromised and could in turn harm our business, reputation, financial condition and results of operations.

Future acquisitions could expose us to risks that may have a material adverse effect on our business, financial condition and results of operations.

We plan to acquire a company which possesses the technical know-how in developing a PACS system and medical imaging cloud storage platform and a start-up company in AI healthcare industry, which possesses the technical know-how in building an AI system and is currently developing or has developed an AI system relating to forming a diagnosis as part of our business strategies. For further details, please refer to the paragraphed headed ''Our Business strategies — Enhance the delivery of our medical imaging cloud services through strategic acquisition, obtaining the medical device registration certificate and upgrade of our hardware and software'' under the ''Business'' section.

However, we cannot assure that we will be able to identify suitable opportunities. We may face fierce competition for high-quality medical imaging cloud storage software companies that could be our potential targets for acquisitions and investment, and we may not be able to acquire suitable targets and seek investment opportunities in a competitive market environment. Also, acquisitions involve inherent risks and uncertainties, including, without limitation, potential ongoing financial obligations and

unforeseen or hidden liabilities in connection with the acquisition targets, inability to apply our business model or standardised business processes on the acquisition targets, failure to achieve the intended acquisition objectives or benefits, diversion of resources and management attention from managing our existing business operations, and increase in depreciation and amortisation costs arising from the acquired property, plant and equipment and intangible assets as a result of the acquisition.

In addition, we may not be able to complete the acquisitions on terms favourable to us, in a timely matter, or at all. As a result, our competitiveness and growth prospects could be materially and adversely affected. Furthermore, we may face difficulties in integrating acquired operations as we continue to expand our operations through acquisition. Such post-acquisition difficulties could disrupt our business operations, distract our management or increase our operating expenses, any of which could materially and adversely affect our business, financial condition and results of operations.

We intend to finance the acquisition by the [REDACTED] from the [REDACTED], depending on the amount of purchase price and commercial terms of the potential acquisition. For further details, please refer to the section headed "Future plans and use of [REDACTED]". If we fail to identify suitable acquisition opportunities or fail to compete effectively for such acquisition opportunities with other medical imaging companies, or our future acquisition transactions fail to consummate for other reasons beyond our control, our [REDACTED] from this [REDACTED] may not be effectively used.

Acquisition of other companies may result in goodwill recorded in our future consolidated financial statements. However, if we fail to achieve our desired objectives with respect to our acquisition, we may need to record impairment losses on our goodwill, which may materially and adversely reduce our assets and impact our profitability that would, in turn, have an adverse effect on our financial position and results of operations. Also, there is no assurance that such acquisitions would yield the expected level of return.

We may be subject to fines as a result of unregistered lease.

As at the Latest Practicable Date, we leased two properties in Shanghai. Under PRC law, all lease agreements are required to be registered with the relevant real estate administration bureaus. However, as of the Latest Practicable Date, they had not been registered and filed with the relevant land and real estate administration bureaus in the PRC. For further details, please refer to the paragraph headed "Properties — Leased properties and property occupied by us for free — Failure to register leased properties" under the "Business" section in this document.

As advised by our PRC Legal Advisers, failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in our being required to vacate the leased properties. However, the relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000. The aggregate amount of maximum fine will be approximately RMB20,000.

We cannot assure you that the other parties to our lease agreements will be cooperative and that we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future.

Certain of our leased properties are not used for the permitted usage under the relevant building ownership certificate and we may be subject to challenge, lawsuit or other actions taken against us with respect to these properties.

As at the Latest Practicable Date, we leased two properties in Shanghai. The current usage of one of our leased properties is inconsistent with its permitted usage. We currently use this premises as warehouse while its permitted usage under the relevant title certificate is industrial. For further details, please refer to the paragraph headed ''Properties — Leased properties and property occupied by us for free — Inconsistency with permitted use'' under the ''Business'' section in this document.

We may be subject to challenge, lawsuit or other actions taken against us with respect to these properties. We may be forced to relocate our operations on the affected properties. If we fail to find suitable replacement properties on terms acceptable to us for the affected operations, or if we are subject to any material liability resulting from third-party challenges for our lease of properties, our business, financial condition and results of operations may be materially and adversely affected.

Cyber-security and privacy breaches may hurt our business.

Our software are rooted in the vast volume of healthcare data integrated for hospitals and the different departments thereof. As of the Latest Practicable Date, we have not experienced incidents of security breach. We cannot guarantee, however, that we and the hospitals will not experience cyber-attacks of varying degrees, including attempts to attack the loopholes or bugs of our software and/or the information technology systems of our customers, which may lead to a leakage of sensitive personal medical information. The security measures we had may also be breached due to error, malfeasance or otherwise of our employees or the hospitals' employees. Additionally, outside parties may attempt to fraudulently induce employees or doctors to disclose sensitive or account information in order to gain access to the system, or may otherwise obtain access. Any such breach or unauthorised access could result in significant legal and financial exposure, damage to our reputation and a loss of confidence in the security of our solutions and services that could have an adverse effect on our business and results of operations. Because the techniques used to obtain unauthorised access, disable or degrade service or sabotage systems change frequently, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of security occurs, the market perception of the effectiveness of our security measures could be harmed, we could lose customers and we may be exposed to significant legal and financial risks, including legal claims and regulatory fines and penalties. Any of these actions could have a material and adverse effect on our business and results of operations.

We may not be able to attract and retain our core management team and other key personnel for our operation.

Our business growth largely depends on the continued contribution from, and our ability to retain, our Directors, senior management and key personnel. In particular, we rely on the expertise and experience of our founder, Mr. Meng, and our senior management in the industry, which is crucial to our success. Our success also depends on our key personnel with extensive managerial, technical, research and development or sales experience. We cannot assure you that the contribution of our founder and the service of our senior management and key personnel will continue in the future. Should any of our founder, current Directors, senior management or key personnel become unable or unwilling to work for us, we may incur additional expenses to recruit and retain suitable replacements. In the event that we are

unable to recruit new talents who have similar knowledge or experience, or if any of our founder, Directors, senior management or key personnel joins our competitors or establishes a new company that becomes a competitor, our business may be adversely affected.

The shortage of experienced and skilled labour may materially and adversely affect our business, financial condition and results of operations.

We consider experienced sales personnel with strong product knowhow and product developers with sophisticated research and developing capabilities, who are instrumental to our business development, are not readily available in the market. There is no assurance that we are able to attract or retain experienced sales personnel, product developers or skilled labour in a timely manner for our existing and future operations at reasonable wages, or at all. If we fail to retain our existing staff, or recruit sufficient sales personnel or skilled labour or locate suitable product developers with competitive product developing experiences in a timely manner, our business and results of operations may be adversely affected.

We are subject to PRC laws, rules and regulations on occupational health and safety and may be exposed to liabilities and costs for occupational health and safety issues.

Our business is also subject to PRC laws, rules and regulations relating to occupational health and safety for the medical imaging industry. For additional information regarding the Company's compliance with respect to health and work safety laws, rules and regulations, please refer to the section headed "Business — Environmental, social and corporate governance" and "Health and Work Safety" in this document. Companies in the medical imaging industry that fail to comply with applicable safety laws, rules and regulations may be subject to fines, penalties or even suspension of operations. At the same time, relevant governmental authorities may conduct safety inspections of the facilities regularly. The timing and outcome of such safety inspections, nevertheless, is hard to predict since their standards are somewhat obscure. Failure to pass the safety inspections may harm our corporate image, reputation and the credibility of our management, and thus have a material adverse effect on our financial conditions and results of operations.

We may not have sufficient insurance coverage to cover the risks relating to our operations.

Although we have not encountered any major accidents in the course of our operations during the Track Record Period, there is no assurance that we will be able to prevent any unforeseeable accidents in the future. We have procured the necessary insurance coverage. Please refer to the section headed "Business — Insurance" in this document for more details. Although there had been no material insurance claims during the Track Record Period, we are exposed to such claims in the event that any of our products are alleged to have caused property damage, accidental disclosure of patient information or other adverse effects. Losses incurred or payments that we may be required to make as a result of the above claims could have a material adverse effect on our results of operations if such losses or payments are not adequately insured.

Our business operations, reputation and financial performance may be adversely affected by our employees' wrongdoings.

As at the Latest Practicable Date, we had a total of 43 employees. Employee wrongdoings at different operational levels may reduce the operational efficiency and disrupt our business performance and may even result in violations of laws, third-party claims and regulatory actions against us causing reputational or financial damage to us. There is no assurance that all of our employees will conduct their duties at all times in good faith and in a manner which is in full compliance with the laws and our internal policies.

We have designed and implemented policies and procedures to ensure that we, our employees and customers comply with applicable anti-corruption laws. We cannot assure you that our employees and customers will observe our policies and procedures at all times. If we are not in compliance with the applicable anti-corruption laws, we may be subject to criminal and civil penalties and other remedial measures, which could cause reputation damage and have a material and adverse impact on our business, financial conditions or results of operations.

The PRC laws and regulations relating to incentive payments are not always clear. Hence, the relevant governmental authorities may have considerable discretion in determining the misconduct with respect to corruption under certain circumstances. If our employees and customers either knowingly or unknowingly engage in corrupt or improper conduct in connection with the marketing, promotion or sales of our services and products, our reputation and sales activities could be materially and adversely affected.

We may be subject to intellectual property infringement claims and successful claims of infringement could materially and adversely harm our business and reputation.

We operate in an industry in which we and our competitors or customers may utilise or own similar technology and product designs. Consequently, both we, our competitors or customers may claim intellectual property rights over the technology and product design used in our products. While we do not believe our products infringe on the intellectual property rights of our competitors or any third parties, we cannot assure you that any third parties may not raise a claim of intellectual property infringement. Consequently, we may become subject to legal proceedings and claims relating to the intellectual property rights of third parties. Legal proceedings involving intellectual property rights can be expensive and time-consuming, and their outcomes are uncertain. Successful infringement claims by third parties against us could subject us to substantial monetary liability, require us to obtain licences (which we may not be able to obtain on commercially reasonable terms or at all), pay on-going royalties, modify aspects of our technology and product design or subject us to injunctions prohibiting the sale of products or the use of our technologies, which could materially and adversely harm our business and reputation.

Unauthorised use of our brand name by third parties may adversely affect the value of our brand name, reputation and business; legal actions to enforce our rights to our brand name may involve significant costs and may divert our resources.

We regard our "Guanze Huiyi" ("冠澤慧醫") brand name as critical to the success of our business. Unauthorised use of our brand name by third parties may adversely affect the value of our brand name, business and reputation, including the perceived quality and reliability of our products. We

rely on trademark law to protect the value of our brand names. As at the Latest Practicable Date, we had registered 15 trademarks and 43 registered software copyrights. Despite our precautions, we may be unable to prevent unauthorised use of our brand names by third parties. In certain circumstances, litigation may be necessary to protect our brand names. However, because the validity, enforceability and scope of protection of trademarks in the PRC and overseas are uncertain and still evolving, we may not be successful in prosecuting these cases. Further, litigation could also result in substantial costs and diversion of our resources, and could disrupt our business.

We may not be successful in implementing our business strategy.

Our business objectives and strategies as set out in this document are based on our existing plans and intentions. However, our objectives and strategies are based on prevailing circumstances and the development trends of our industry currently known to our Directors, the bases and assumptions that certain circumstances will or will not occur, as well as the risks and uncertainties inherent in various stages of development. There are significant challenges and uncertainties involved in our strategic plans, including whether (i) we will be able to complete these plans on schedule and within the anticipated budget, or at all; (ii) we will be able to generate anticipated revenues and profits from these plans to cover our indebtedness, costs or contingent liabilities associated with such plans; and (iii) these plans will be in line with the market demand and the national and local policies in the future. Our future prospects should be considered in light of the risks, expenses and difficulties which may be encountered by us in various stages of our development of business. We cannot assure you that we will be successful in implementing our strategies or that our strategies, even if implemented, will lead to successful achievement of our objectives. If we are not able to implement our strategies effectively, our business, financial condition and results of operations may be adversely affected.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future may have a material adverse effect on our business, financial condition and results of operations.

Our business is primarily subject to the general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Our business could also be under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or the novel COVID-19 outbreak. In response to the COVID-19 outbreak, the PRC government has introduced a series of disease containment and treatment measures, as a result of which business activities and hospital services in the PRC have been temporarily disrupted. Moreover, the COVID-19 outbreak may have a negative impact on the local, national and global economy and financial and market conditions. We cannot predict when the COVID-19 outbreak will become completely under control and we cannot guarantee that the COVID-19 outbreak will not worsen. Having considered that the past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC, the COVID-19 outbreak and any other public health crisis in the PRC may result in disruptions to our operations, which in turn may adversely affect our financial condition and results of operations.

The positive impacts on our financial results due to the outbreak of COVID-19 may not be sustainable.

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

However, we cannot ensure such an increase in demand for our thermal films and medical dry laser films resulting from the outbreak of COVID-19 and its recurrence is sustainable. In such a case, our business and profitability may be materially and adversely affected.

We could be exposed to liability by litigation or legal proceedings which may divert our resources and adversely impact our reputation.

Our operational and financial stability are subject to any litigation or legal proceedings we may face in the future. During the ordinary course of our business operations, we are exposed to liabilities arising from product quality claims, labour disputes, contractual claims under sales agreements, supply agreements, and other potential third-party disputes. These actions could also expose us to adverse publicity, which might adversely affect our brands, reputation and customer preference for the products we distribute. Our operational and financial resources, as well as the attention of our management may be diverted in handling such proceedings from our business and operations. Our financial performance may be materially and adversely affected as substantial legal costs may be incurred during the often-prolonged process of litigation while the outcome remains uncertain. Furthermore, any settlements or judgments against us may tarnish our reputation or strain our financial resources and adversely affect our profitability.

Our profit margin will be reduced if there are reductions or withdrawal of any of the subsidies granted to us by the PRC government.

Our Group has recognised income in the form of government grants including, but not limited to, those in relation to subsidies received from the local government. Such income recognised amounted to approximately RMB713,000, RMB1.0 million and RMB1.5 million for the years ended 31 December 2020 and 31 December 2021 and the six months ended 30 June 2022, respectively.

Since these government grants awarded to us are subject to the discretion of relevant governmental authorities, they are not derived from the ordinary and usual course of our business and are not recurring in nature. There is no assurance that these government grants will also be awarded to us in the future. Moreover, since there can be unexpected changes in the laws, regulations and governmental policies of the PRC, the availability of government grants is uncertain. Any reductions or withdrawal of the subsidies granted to our Group by the authorities would have an adverse effect on our Group's financial performance and results of operations.

We may be subjected to certain risks relating to contractual arrangements during the course of implementation of our business strategies.

One of our business strategies is to develop a AI aided diagnosis software through strategic acquisition and staff recruitment. Please refer to the paragraph headed "Our Business Strategies — Enhance the delivery of our medical imaging cloud services through strategic acquisition, obtaining the medical device registration certificate and upgrade of our hardware and software" under the "Business" section for further details.

As advised by our PRC Legal Advisers, the services provided in the course of such business strategies may fall within the classification under "Special Management Measures (Negative List) for the Access of Foreign Investment" and hence foreign investors are restricted from holding more than 50% equity interest in companies (the "**Acquisition Target(s)**") providing such services.

After consultation with our PRC Legal Advisers, we may determine that it will be not viable for our Company to hold the Acquisition Target(s) in carrying out such business directly through equity ownership. Instead, we may decide that, in line with common practise in the PRC for industries subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the intended business to be operated by our PRC company through the contractual arrangements.

As a result, we may be subjected to the following risks relating to our possible contractual arrangements:

— if the PRC government finds that the agreements that establish the structure for operating the businesses of the Acquisition Target(s) in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subjected to severe consequences, including, without limitation, the nullification of the contractual arrangements, the relinquishment of our interest in our targeted company, revoking our business and operating licences, discontinuation or restricting our operations, imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations, imposing conditions or requirements with which we or our PRC subsidiaries and target company may not be able to comply or requiring us or our PRC subsidiaries and target company to restructure the relevant ownership structure or operations, etc.;

— our contractual arrangements with the Acquisition Target(s) may not be as effective in providing operational control as direct ownership. If the Acquisition Target(s) or their shareholders fail to perform their respective obligations under the contractual arrangements, we may incur substantial costs and expend substantial resources to enforce our rights;

— there are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration. In the event we are unable to enforce these contractual arrangements or we experience significant delays or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our affiliated entities and may lose control over the assets owned by the Acquisition Target(s);

— the shareholders of the Acquisition Target(s) may have conflicts of interest with us, which may materially and adversely affect our business. These shareholder may breach or cause the target company to breach the existing contractual arrangements. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings;

— if we exercise the option to acquire equity ownership and assets of our target company, the ownership or asset transfer may subject us to certain limitations and substantial costs. After entering into contractual arrangements, we will have the exclusive right to purchase all or any part of the equity interests in the Acquisition Target(s) held by the relevant shareholders at a nominal price, unless relevant government authorities or PRC laws require that another amount should be used as the purchase price, in which case the purchase price shall be the lowest amount under such requirement. The equity transfer may also be subject to the approvals from and filings with the MIIT, the SAIC and/or their local competent branches;

— we do not have priority pledges and liens against the assets of the Acquisition Target(s). If the Acquisition Target(s) undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and we may not have priority against such third-party creditors on the assets of the Acquisition Target(s). In the event that the shareholders of the Acquisition Target(s) initiate a voluntary liquidation proceeding without our authorisation or attempts to distribute the retained earnings or assets of the Acquisition Target(s) without our prior consent, we may need to resort to legal proceedings to enforce the terms of the contractual arrangements. Any such legal proceeding may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceeding will be uncertain;

— there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the contractual arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned contractual arrangements will be handled; and

— our contractual arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our combined profit and the value of your investment.

RISKS RELATING TO OUR INDUSTRY

The medical imaging industry is highly regulated in the PRC. Any change in the applicable laws, regulations or standards may prevent or restrict us from conducting certain business or subject us to increased costs of compliance.

The medical imaging industry is highly regulated in the PRC. We are subject to various regulations which govern different aspects of our operations, including licencing and certification requirements and procedures for manufacturers of medical imaging products, operating and safety standards, as well as environmental protection regulations. Any change in the applicable laws, regulations or standards may prevent or restrict us from conducting certain aspects of our current business.

We cannot assure you that the sales or distribution of any of our medical imaging products will not be subject to any prohibitions or restrictions imposed by competent authorities in the future. Such changes may also result in increased costs of compliance. Any changes in, and any promulgation of, laws, regulations or standards which we are subject to may materially and adversely affect our business, financial condition and results of operations.

Our cloud services are subject to evolving regulatory requirements, non-compliance with which, or changes in which, may materially and adversely affect our business and prospects.

Due to the nature of our business, we are subject to legal and regulatory requirements of multiple aspects in the PRC which include laws relating to, among others, medical devices and data privacy. Various regulatory authorities of the PRC government are empowered to promulgate and implement regulations governing broad aspects of the medical imaging industries.

Meanwhile, the regulations of the medical imaging sector are still evolving, and their interpretation and enforcement may involve significant uncertainty. As a result, under certain circumstances, it may be difficult to determine what actions or omissions would be deemed in violation of applicable laws and regulations. These uncertainties entail risks that may materially and adversely affect our business prospects.

Our operations may be subject to direct and indirect adoption, expansion or reinterpretation of various laws and regulations. Compliance with these future laws and regulations may require us to change our business models and practises at an undeterminable and possibly significant financial cost. These additional monetary expenditures may increase future overhead, which may, in turn, have a material adverse effect on our business, financial condition and results of operations.

Due to the uncertainty and complexity of the regulatory environment, we cannot assure you that subsequent laws and regulations would not render our operations non-compliant or that we would always be in full compliance with applicable laws and regulations. In the event that we must remedy any violations, we may be required to modify our business models as well as product and service offerings in a manner that undermines our solution's attractiveness to our users. We may also be subject to fines or other penalties or, if we determine that the requirements to operate in compliance are overly burdensome, we may elect to terminate the non-compliant operations. In each case, our business, financial condition and results of operations may be materially and adversely affected.

Furthermore, the introduction of new services and products, particularly in relation to our cloud services, may require us to comply with additional, yet undetermined, laws and regulations. Compliance may require obtaining appropriate permits, licences or certificates as well as expending additional resources to monitor developments in the relevant regulatory environment. The failure to adequately comply with these future laws and regulations may delay, or possibly prevent, some of our products or services from being offered to users, which may have a material adverse effect on our business, financial condition and results of operations.

If the PRC government decides to impose price control on our products, our business, profitability, results of operations and prospects would be materially and adversely affected.

In the recent years, the PRC government has been making continuous and increasing efforts in stepping up the healthcare system reform. We are unable to predict any future changes to the price control policy to be adopted by the PRC government in the healthcare sector and the medical imaging industry. In the event of any changes in such policy or adoption of any new policies being resulting in all or some of our products being subject to price control, our business, profitability, results of operations and prospects would be materially and adversely affected.

We have a limited operating history and are in an emerging industry, and our historical results of operations and financial performance are not indicative of future performance.

We operate in an emerging market in the PRC. According to CIC, medical imaging informatisation is still in its infancy, and it is uncertain whether it would achieve and sustain high levels of demand, consumer acceptance and market adoption. Risks and challenges we may face in this emerging industry include our ability to, among other things:

— develop and maintain relationships with our existing business partners and attract new business partners;

— enhance and maintain the value of our brand;

— navigate in an evolving regulatory environment;

— develop and launch diversified and distinguishable products to effectively address the needs of our customers;

— grow our customer base in a cost-efficient manner;

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

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

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

Meanwhile, we have a limited operating history. Our historical results and growth may not be indicative of our future performance. There can be no assurance that we would be able to remain profitable in the future. Our ability to achieve profitability is affected by a variety of factors, many of which are beyond our control, and our results of operations may vary from period to period in response.

Our relatively short operating history, together with the emerging characteristics of the medical imaging informatisation industry, makes it difficult to assess our future prospects or forecast our future results. In addition, as our business develops and in response to competition and changes in the industry and regulatory environment, we may have to continue to introduce new products, improve our existing

products or adjust and optimise our business model. There can be no assurance that we may be able to achieve the expected results for any such changes, and our financial condition and results of operations may be materially and adversely affected as a result.

RISKS RELATING TO THE PRC

Political and economic policies of the PRC government could adversely affect our Group's business.

Before its adoption of the economic reforms and open policy in late 1970s, the PRC had been primarily a planned economy. With the PRC government's effort to reform the Chinese economy since 1978, the PRC government introduced changes to its economic system, as well as its government structure. These reforms have led to significant economic growth and progress in social development. Although the PRC government still owns a significant portion of the productive assets in the PRC, economic reform policies have placed much emphasis on creating autonomous enterprises and the utilisation of market mechanisms. Factors that may cause the PRC government to modify, delay or even discontinue the implementation of certain reform measures include political changes and political instability and such economic factors as changes in the pace of national and regional economic growth, amount of unemployment and inflation.

Our Directors anticipate that the PRC government will continue to further implement these reforms, reduce government interference on enterprises, and rely more on free market mechanisms for the allocation of resources, bringing positive effect to our overall and long-term development. Any changes in the political climate, economic and social situation, the laws, regulations and policies of the PRC arising therefrom, may have an adverse effect on the present or future operations of our Group. With our business and operations substantially based in the PRC, our operations and financial results could be adversely affected by the restrictive or austere policies introduced by the PRC government. We may not be able to capitalise on economic reform measures adopted by the PRC government. We cannot assure you that the PRC government will not impose economic and regulatory controls that may adversely affect our Group's business, financial position and results of operations.

Uncertainties in the PRC legal system could have an adverse effect on our business.

Our operations are subject to the uncertainties of the PRC legal system which is essentially a civil law system based on written statutes where, unlike common law systems, decisions of past legal cases have limited precedential value. The PRC government has, since 1979, begun promulgating a comprehensive system of laws and regulations governing economic matters in general. These laws and regulations are, however, relatively new and are often changing while published cases concerning these laws and regulations are limited. Their interpretation and enforcement therefore, involve a fair amount of uncertainty. We may be required in the future to procure additional permits, authorisations and approvals for our existing and future projects and we cannot assure you that we will obtain these in a timely manner or at all.

Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. For example, the intellectual property rights and confidentiality protections in the PRC may not be as effective as in other countries. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in significant costs to us and a diversion of our resources and management

attention. We cannot predict future developments in the PRC legal system, particularly those with respect to the PRC pharmaceutical industry, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof.

Government control on currency conversion and changes in the exchange rate between RMB and other currencies could negatively affect our ability to pay dividends and hence the value of your investment.

RMB is not currently a freely convertible currency and our Group needs to convert RMB into foreign currency for payment of dividends, if any, to the Shareholders. Our PRC subsidiaries are subject to the PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of RMB into foreign currencies. Foreign invested enterprises ("**FIEs**") are required to apply to SAFE or its local branches for Foreign Exchange Registration Certificates.

Under the relevant PRC foreign exchange laws and regulations, payment of current account items, including profit distributions and interest payment are permitted to be made in foreign currencies without prior government approval but are subject to certain procedural requirements. Strict foreign exchange control continues to apply to capital account transactions, which must be approved by and/or registered with SAFE. We cannot assure you that the PRC regulatory authorities will not impose further restrictions on foreign exchange transactions for current-account items, including payment of dividends.

Distribution and transfer of funds may be subject to restrictions under the PRC law.

Our Company is a holding company incorporated in the Cayman Islands and does not have any business operations other than the investments in the subsidiaries. Our Company relies entirely on the dividend payments from our subsidiaries.

Under the PRC laws, dividends from our subsidiaries in the PRC may only be paid out of distributable after-tax profit, less any recovery of accumulated losses and allocations to statutory funds which are not available for distribution as cash dividends. Any distributable profit that are not distributed in a given year will be retained and made available for distribution in subsequent years. The calculation of distributable profit under PRC accounting principles is different in many respects from Hong Kong accounting principles.

Distributions by our subsidiaries in the PRC to our Company may be subject to governmental approval and taxation. These requirements and restrictions may affect our ability to pay dividends to our Shareholders. Any transfer of funds from our Company to our subsidiaries in the PRC, either as a shareholder loan or as an increase in registered capital, is subject to registration and/or approval granted by PRC governmental authorities. These limitations on the free flow of funds between our Company to subsidiaries in the PRC could restrict our ability to act in response to changing market conditions in a timely manner. Furthermore, members of our Group may obtain credit facilities from banks in the future which restrict them from paying dividends to their Shareholders, which may have an adverse impact on their ability to pay dividends to their Shareholders.

PRC tax law may affect tax exemptions on dividends received by our Company and the Shareholders and increase the enterprise income tax rate applicable to us.

Our Company is incorporated under the laws of the Cayman Islands and holds interests in our PRC subsidiaries through a number of subsidiaries incorporated in the BVI and Hong Kong. According to the EIT Law and the Implementation Regulations on the EIT Law (《中華人民共和國企業所得税法實施條例》), if our Company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to our Company, unless our Company is entitled to reduction or elimination of such tax, including by tax treaties. Under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), such dividend withholding tax rate is reduced to 5% if a Hong Kong tax resident enterprise owns over 25% of equity interests in the PRC company distributing the dividends. Pursuant to the Measures for Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Treaties (《非居民納税人享受協定待遇管理辦法》) which was promulgated by the SAT on 14 October 2019, and came into effect on 1 January 2020, non-resident taxpayers who need to enjoy the treatment of the agreement shall submit the report forms and materials by themselves or by the withholding agent at the time of tax declaration. Any new enactment of PRC tax law affecting tax exemptions on dividends may reduce the amount of dividends that could be distributed to our Company and Shareholders.

In addition, the EIT Law provides that, if an enterprise incorporated outside the PRC has its "de facto management organisation" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and thus may be subject to statutory enterprise income tax at the rate of 25% on its worldwide income. Substantially all members of our management are located in the PRC, we may be deemed as a PRC tax resident enterprise and therefore subject to a statutory enterprise income tax rate of 25% on our worldwide income, excluding the dividends received directly from another PRC tax resident. As a result of these changes described above, our historical operating results will not be indicative of our operating results for future periods and the value of the Shares will be adversely affected.

There is no assurance that our status as a High and New Technology Enterprise will be renewed or our enjoyment of the preferential tax rate of EIT attached to such status will be continued.

The status as a High and New Technology Enterprise of our principal operating subsidiary, Jinan Guanze is valid for 3 years from 15 December 2021 to 14 December 2024. Pursuant to the EIT Law which became effective on 1 January 2008, Jinan Guanze is subject to enterprise income tax at a statutory rate of 25% on the assessable income derived during the Track Record Period. However, with the status as a High and New Technology Enterprise, Jinan Guanze enjoyed preferential income tax rate of 15% from 2021.

We cannot assure that our status as a High and New Technology Enterprise can always be retained or renewed in the future, and we cannot guarantee that we will always be able to enjoy the preferential tax rate of EIT attached to such status. Loss of our status and/or our enjoyment of the preferential EIT tax rate may materially and adversely affect our operations and financial results.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for our Shares and an active [REDACTED] for our Shares may not develop or be sustained.

Prior to the [REDACTED], no [REDACTED] for our Shares existed. Following the completion of the [REDACTED], the Stock Exchange will be the only market on which the Shares are [REDACTED]. We cannot assure you that an active trading market for our Shares will develop or be sustained after the [REDACTED]. The pricing and trading volume of the Shares may be volatile. The market price of the Shares may fluctuate significantly and rapidly as a result of the following factors, among other things, some of which are beyond our control:

- our financial results;
- changes in securities analysts', if any, analysis of our financial performance;
- the history of, and the prospects for us and the industries which we compete;
- an assessment of our management, our past and present operations, and the prospects for and;
- timing of our future revenue and cost structures such as the views of independent research analysts, if any;
- addition or departure of our key personnel;
- the present state of our developments;
- the valuation of publicly traded company that are engaged in business activities similar to ours;
- general market sentiment;
- our inability to compete effectively in the market;
- changes in laws and regulations in Hong Kong and China; and
- political economic, financial and social developments in Hong Kong and China.

In addition, we cannot assure you that our Shares will be [REDACTED] in the [REDACTED] subsequent to the [REDACTED] at or above the [REDACTED]. The [REDACTED] for the Shares is expected to be fixed by agreement among the [REDACTED], the [REDACTED] (on behalf of the [REDACTED]) and us, and may not be indicative of the market price of the Shares following the completion of the [REDACTED]. If an active [REDACTED] for our Shares does not develop or is not sustained after the [REDACTED], the market price and liquidity of the Shares could be materially and adversely affected.

The [REDACTED] prices and volume of our Shares may be volatile, which could result in substantial losses to you.

The [REDACTED] prices of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. Various broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance. In addition to market and industry factors, the price and [REDACTED] volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and [REDACTED] price of our Shares.

Since there will be a gap of several days between pricing and trading of our [REDACTED], holders of our [REDACTED] are subject to the risk that the price of our [REDACTED] could fall during the period before trading of our [REDACTED] begins.

The [REDACTED] of our Shares is expected to be determined on the [REDACTED]. However, our Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be four business days after the [REDACTED]. As a result, investors may not be able to sell or otherwise [REDACTED] in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before [REDACTED] begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Our Controlling Shareholders have substantial influence over our Group and their interests may not be aligned with the interests of our other Shareholders.

Immediately after the [REDACTED], our Controlling Shareholders will directly and indirectly own an aggregate of [REDACTED]% of our Shares, if the [REDACTED] is not exercised, or [REDACTED]% of our Shares, if the [REDACTED] is exercised in full. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of the Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of the Company or may reduce the market price of our Shares. In addition, to the extent the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders may be disadvantaged or harmed.

The sale or availability for sale of substantial amounts of our Shares could adversely affect our trading price.

Sales of substantial amounts of our Shares in the public market after the completion of the [REDACTED], or the perception that these sales could occur, could adversely affect the market price of our Shares and materially impair our future ability to raise capital through [REDACTED] of our Shares.

The Shares owned by our Controlling Shareholders are subject to certain lock-up periods. There can be no assurance that they will not dispose of these Shares following the expiration of the lock-up periods, or any Shares they may come to own in the future. We cannot predict what effect, if any, significant future sales will have on the market price of our Shares.

There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all.

We currently do not have any dividend policy. After the completion of the [REDACTED], we may in the future distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the recommendations of our Board and approval of our Shareholders. Under the Articles, our Directors have the power to pay interim dividends but only if they are justified by the profits of our Company. The decision to pay dividends will be reviewed in light of factors such as our results of operations, financial condition and position, and other factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and are available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be [REDACTED] in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our future declarations of dividends will be at the absolute discretion of our Board.

Because the [REDACTED] of our Shares is higher than our net tangible book value per Share, purchasers of our Shares in the [REDACTED] will experience immediate dilution.

If you purchase our Shares in the [REDACTED], you will pay more for your Shares than our net book value on a per Share basis. As a result, investors of our Shares in the [REDACTED] will experience an immediate dilution in the net tangible asset value and our existing Shareholders will receive an increase in the [REDACTED] adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our Shares may experience a further dilution of their interest if the [REDACTED] (on behalf of the [REDACTED]), exercises the [REDACTED] or if we obtain additional capital in the future through [REDACTED].

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Islands Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of Cayman Islands company law is set out in Appendix III to this document.

Certain statistics and forecasts in this document were derived from third-party sources and have not been independently verified.

This document includes certain statistics and facts that have been extracted from official government sources and publications or other sources and we cannot guarantee neither the quality nor the reliability of such source material. They have not been prepared or independently verified by us, the Sole Sponsor, the [REDACTED] or any of its or their respective affiliates or advisers, and therefore we take no representation as to the accuracy of such facts and statistics. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place, on such facts, statistics and forecasts in this document.

There are risks associated with the forward-looking statements contained in this document.

This document contains certain forward-looking statements and information relating to us and the subsidiaries comprising our Group, which are based on the beliefs of our management as well as the assumptions made by and information currently available to our management. Such statements reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document.

You should not rely on any information contained in press articles or other media regarding our Group and the [REDACTED].

Prior to the publication of this document, there may be certain press and media coverage regarding our Group and the [REDACTED] which may include certain information relating to the business operations, financial information, industry comparisons and other information about our Group that does not appear in this document. We did not authorise the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Prospective investors should not rely on any such information and should only rely on information included in this document in making any investment decision.

In preparation for the [REDACTED], we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer applying for a primary [REDACTED] on the Main Board of the Stock Exchange must have sufficient management presence in Hong Kong. This normally means that at least two of the issuer's executive directors must ordinarily reside in Hong Kong. However, our Group's management, business operations and assets are primarily based outside Hong Kong. The principal management headquarters and senior management of our Group are primarily based in the PRC. Further, our Directors consider that it would be practically burdensome and not commercially viable for our Company to appoint more Hong Kong residents as additional executive Directors or to relocate any of our executive Directors in the PRC to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

(a) **Authorised representatives:** pursuant to Rule 2.11 and Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives, being Mr. Meng, the Chairman, the chief executive officer and an executive Director of our Company, and Mr. Zhang Senquan, our Company's company secretary, to be the principal communication channel at all times between the Stock Exchange and our Company. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange.

(b) **Directors:** all of the authorised representatives will have means to contact all members of the Board (including the independent non-executive Directors), each of whom is authorised to communicate on behalf of our Company with the Stock Exchange, as well as the senior management team promptly at all times as and when it wishes to contact our Directors on any matters. We shall promptly inform the Stock Exchange of any changes of the respective contact details of any of our Directors.

To enhance the communication among the Stock Exchange, the authorised representatives and our Directors, all Directors (including the independent non-executive Directors) have provided their respective office phone numbers, mobile phone numbers, fax numbers and email addresses (where applicable) to the authorised representatives and the Stock Exchange. In the event that any of our Directors (including the independent non-executive Directors) expects to travel and/or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation or other means of communications to the authorised representatives.

The Directors who are not ordinarily resident in Hong Kong (including the independent non-executive Directors) possess or are eligible to apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

(c) **Compliance adviser:** we have retained the services of a compliance adviser, being Yue Xiu Capital Limited (the "**Compliance Adviser**"), in accordance with Rule 3A.19 of the Listing Rules. The Compliance Adviser will act as an additional channel of communication with the Stock Exchange in accordance with the requirements under the Listing Rules, for the period from the [REDACTED] Date to the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year after the [REDACTED] Date. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as our principal channel of communication with the Stock Exchange when the authorised representatives are not available.

We shall also procure that the authorised representatives, Directors and other relevant officers will provide promptly such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, the authorised representatives, our Directors, the Compliance Adviser and other relevant officers, and will keep the Compliance Adviser informed of all communications and dealings between the Stock Exchange and our Company.

(d) **Other professional advisers:** we will also appoint and retain other professional advisers (including legal advisers) after the [REDACTED] to assist us in dealing with any questions which may be raised by the Stock Exchange and to ensure there will be efficient communication in between.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Meng Xianzhen (孟憲震) *(Chairman of the Board)*	Room 104, Unit 1, Building No.5 Tianmaxiangcheng North Zone Licheng District Jinan City Shandong Province PRC	Chinese
Mr. Guo Zhenyu (郭振宇)	Room 6–5–101 Yishan New Residence Shizhong District Jinan City Shandong Province PRC	Chinese
Non-executive Director		
Ms. Meng Cathy (former name: Meng Qingyang (孟慶楊))	Apartment 709 333 Fremont Street San Francisco CA 94105 The United States	Canadian
Independent non-executive Directors		
Dr. Zhao Bin (趙斌)	Room 1–703 Block B, Luxin Wenhui Garden No.1 Qingnian East Road Lixia District Jinan City Shandong Province PRC	Chinese
Dr. Chang Shiwang (常世旺)	Room 6–310 Tower 2 Block 4 No. 16 Shanda South Road Licheng District Jinan City Shandong Province PRC	Chinese
Dr. Wong Man Hin Raymond (黃文顯)	1A Devon Road Kowloon Tong Kowloon Hong Kong	Chinese

Please refer to the section headed ''Directors and Senior Management'' in this document for further details.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED

Sole Sponsor	**Southwest Securities (HK) Capital Limited** 14/F, One Hysan Avenue Causeway Bay Hong Kong
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

[REDACTED] [REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

[REDACTED] [REDACTED]

	[REDACTED]
Legal advisers to the Company	*As to Hong Kong law:* **Jingtian & Gongcheng LLP** Suites 3203–3207 32/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law:* **Jingtian & Gongcheng (Shanghai Office)** 45/F, K.Wah Centre 1010 Huaihai Road (M) Xuhui District Shanghai China *As to Cayman Islands law:* **Conyers Dill & Pearman** 29th Floor, One Exchange Square 8 Connaught Place Central Hong Kong
Legal advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law:* **Chungs Lawyers in association with DeHeng Law Offices** 28/F, Henley Building 5 Queen's Road Central Hong Kong

	As to PRC law: **Beijing Dentons Law Offices, LLP (Shenzhen)** 3F&4F, Block A Shenzhen International Innovation Center No.1006, Shennan Boulevard Futian District Shenzhen PRC
Reporting accountants and Independent Auditors	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Industry consultant	**China Insights Industry Consultancy Limited** 10F, Block B Jing'an International Center 88 Puji Road Jing'an District Shanghai PRC
[REDACTED]	[REDACTED]

CORPORATE INFORMATION

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Company Secretary	Mr. Zhang Senquan (張森泉) *HKICPA* Flat B, 22/F Tower 16, Pacific Palisades No.1 Braemar Hill Road North Point Hong Kong
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CORPORATE INFORMATION

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Remuneration Committee	Dr. Chang Shiwang (常世旺) *(Chairman)* Mr. Meng Xianzhen (孟憲震) Dr. Zhao Bin (趙斌)
Nomination Committee	Mr. Meng Xianzhen (孟憲震) *(Chairman)* Dr. Zhao Bin (趙斌) Dr. Chang Shiwang (常世旺)
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Principal bankers	**Industrial and Commercial Bank of China Limited Shanghai Waigaoqiao Free Trade Zone Sub-branch** 1st Floor 28 Maji Road Pilot Free Trade Zone Shanghai PRC

The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged CIC for preparing the CIC Report, an independent industry report in respect of the [REDACTED]. The information from official sources has not been independently verified by us, the [REDACTED], the [REDACTED], Sole Sponsor, [REDACTED], [REDACTED], any of the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

SOURCE OF INFORMATION

In connection with the [REDACTED], we have commissioned CIC to conduct a detailed analysis and prepare an industry report on the medical imaging market in the PRC. CIC is an independent consulting firm founded in Hong Kong. It offers industry research and market strategies and provides growth consulting and corporate training. We incurred a fee of RMB900,000 for the preparation of the CIC Report. The payment of such amount was not contingent upon our successful [REDACTED] or on the results of the CIC Report. Our Directors are of the view that the fee is in line with market rates and the payment does not affect the fairness of the views and conclusions presented in the CIC Report. Except for the CIC Report, we did not commission any other industry report in connection with the [REDACTED].

We have included certain information from the CIC Report in this document because we believe such information facilitates an understanding of the medical imaging market for potential investors. In compiling and preparing the CIC Report, CIC has adopted the following assumptions: (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain a steady growth trend over the next decade; (iii) related key industry drivers are likely to continue driving the growth of the China's medical imaging cloud services and medical imaging film products market during the forecast period, such as favourable policies promoting the development of the medical imaging industry, the increasing demand for remote consultation, inter-hospital information sharing and communication; (iv) the impact of COVID-19 on medical imaging cloud services and medical imaging film products market is minimal; and (v) there is no extreme force majeure or industry regulation by which the market may be affected dramatically or fundamentally. CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analysing data from various publicly available data sources, such as the National Bureau of Statistics of China, the International Monetary Fund, World Health Organization, U.S. Food and Drug Administration, Global Health Data Exchange, National Medical Products Administration of China, and National Health Commission of China. Therefore, our Directors are of the view that the sources of information used in this section are reliable. Our Directors confirm to the best of their knowledge, and after making reasonable enquiries, that there is no adverse change in the market information since the date of publication of the CIC Report which may qualify, contradict or have an impact on the information set out in this section.

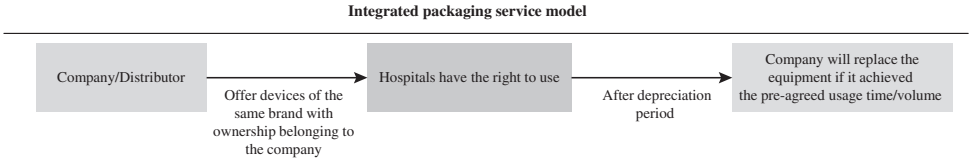
OVERVIEW OF CHINA'S MEDICAL IMAGING FILM PRODUCTS MARKET

Definition of Medical Imaging Film Products Market

Medical imaging film products mainly include different categories of medical image printing instruments and consumables. Medical image printing instruments refer to machines or equipment for processing medical imaging film or medical imaging discs, including traditional medical imaging film printer, self-service film output machine and image distribution system. Medical image consumables include medical imaging film or medical imaging discs, which refer to the medium used to carry the graphical information of medical images to diagnose patients' condition. The three main types of medical imaging films used frequently in clinical practise are medical dry laser film, thermal film and medical printing film, and the most common size is 14x17 inch. The average selling price for 14x17 inch medical dry laser film in China was around RMB25 in 2016, and decreased to around RMB17 in 2021. The average selling price for each 14x17 inch thermal film in China was around RMB25 in 2016, and decreased to around RMB14 in 2021. The average selling price for each 14x17 inch medical printing film was around RMB15 in 2016, and medical printing film have since lost significant market share due to the increasing availability of higher resolution medical imaging films such as medical dry laser film and thermal film.

The common sales model of medical imaging film products distributors is the integrated packaging service model. Integrated packaging service refers to the provision of corresponding printing instrument in the course of the sale of medical consumables. Consumables and equipment have to be used together due to technical reasons, which means the printer is only compatible with films of the same brand, and the use

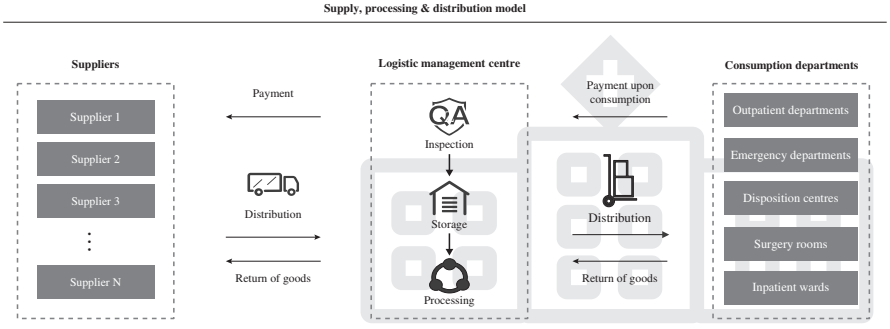
of different brands may lead to a distortion of images. Therefore, integrated packaging service model is used by more than 80% of medical imaging film products suppliers and distributors. Under integrated packaging service model, hospitals can avoid incurring substantial upfront expenditure on purchasing printing instruments whist medical imaging companies can obtain long-term stable orders.



Source: China Insights Consultancy

The common distribution model of the medical imaging film products market is the supply, processing & distribution (SPD) model, of which the procurement process, warehousing management, storage, and delivery, invoicing and collection of payment are outsourced to deliverers (配送商). This model aims to realise unified management of medical consumables in hospitals by rationally using the resources in the medical logistics supply chain, which in turn largely reduces the workload of the department of procurement and increases the efficiency of procurement. With the construction of a central warehouse, implementation of tailored-packing and barcode management, and the establishment of the inventory control model, it also realises scientific, lean, and transparent management of medical consumables, which effectively reduces the inventory costs and risks of shortage of medical consumables in hospitals. An increasing number of hospitals and healthcare institutions in the PRC are adopting the SPD model.

Below is the illustrative diagram of the SPD model.



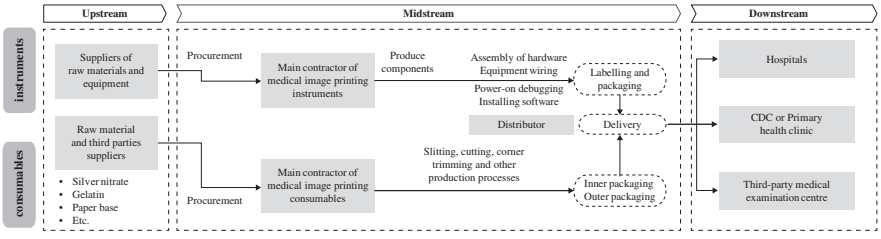
Source: China Medical Device Supply Chain Development Report (2020); China Insights Consultancy

Value Chain of Medical Imaging Film Products Market

The value chain of medical imaging film products market includes raw materials suppliers and third parties' suppliers, midstream production and sales link, and downstream hospitals and other end-use scenarios. The upstream suppliers supply raw material and equipment. The midstream manufacturers are responsible for further processing such as semi-finished goods, labelling and packaging. Medical imaging film products will be delivered to the downstream players by direct selling or distribution, or through deliverers. The terminal customers are inclined to choose those suppliers who can provide high-quality products and have a long-standing industry reputation.

The following diagram illustrates the value chain of the medical imaging film products industry:

Value chain of medical imaging film products industry

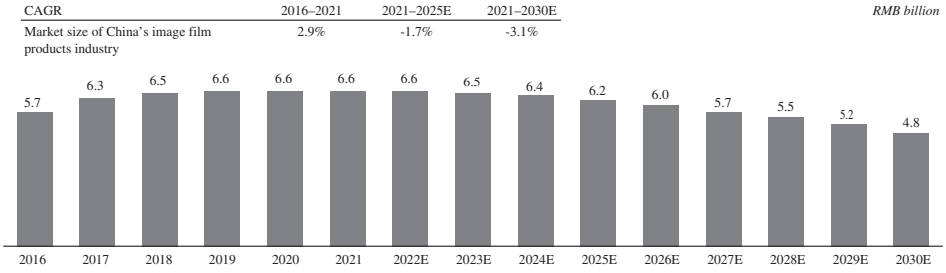


Source: China Insights Consultancy

Market Size of China's Medical Imaging Film Products Market

Medical imaging film products are essential for medical image diagnosis. The market size of that in China increased from approximately RMB5.7 billion in 2016 to approximately RMB6.6 billion in 2021 at a CAGR of 2.9%. Considering that medical imaging film products is a relatively mature market and the trend of using digital medical imaging films which needs to be supported by medical imaging cloud services, this market is expected to be around RMB4.8 billion in 2030.

Market size of medical imaging film products industry in China, 2016–2030E

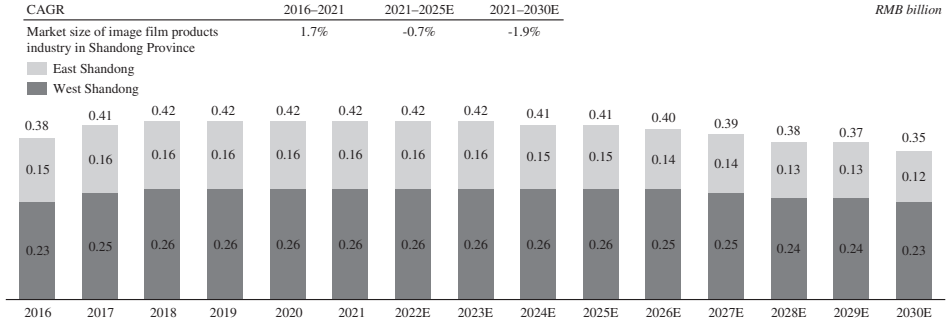


Source: China Insights Consultancy

In 2021, Shandong Province ranks the second, the second and the fifth in terms of resident population, healthcare institutions coverage, and number of outpatient visits, respectively, amongst all provinces, municipalities and autonomous regions in the PRC.

The market size of medical imaging film products in Shandong Province increased from approximately RMB0.38 billion in 2016 to approximately RMB0.42 billion in 2021 with a stable increasing rate and it is expected to be around RMB0.35 billion in 2030.

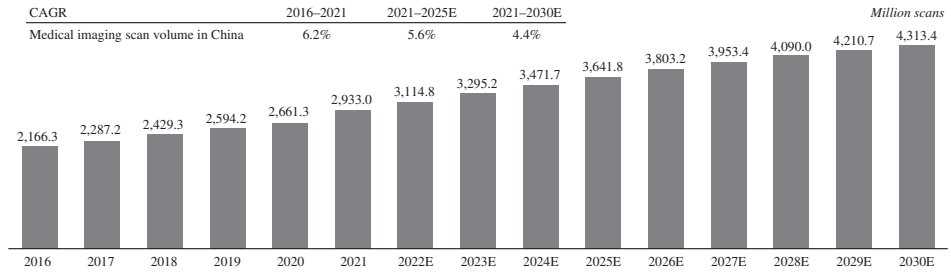
Market size of medical imaging film products industry in Shandong Province, 2016–2030E



Source: China Insights Consultancy

The decrease in growth of medical imaging film products market is mainly due to the growth of digital medical imaging films, which forms part of the medical imaging cloud services market. However, the underlying medical imaging exams performed each year is stably increasing. The medical imaging scan volume in China and in Shandong province grew from 2,166.3 million and 155.8 million in 2016 to 2,933.0 million and 211.1 million in 2021 and is expected to grow to 4,313.4 million and 314.2 million in 2030, respectively.

Medical imaging scan volume, China, 2016–2030E



The increase in scan volume will inevitably generate more demand on either medical imaging film products and medical imaging cloud services. The medical imaging film products market and medical imaging cloud services market together form a holistic historic picture of the growing trend in medical imaging examinations in China and in Shandong Province.

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

However, the demand for traditional medical imaging films in China will not be phased out completely as due to, amongst others, the following major reasons:

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

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

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

(3) While the U.S. is the largest developed country in terms of population in the world, the healthcare system in the U.S. and in China have vastly different structures. According to the annual survey conducted by the American Hospital Association on the number and types of hospitals in the U.S. in 2020, only approximately 19.0% of all hospitals in the U.S. are federal or state and local government hospitals. Since the non-government hospitals are owned and operated by private investors, it will be more competitive than those federal or state and local government hospitals in order to be financially self-sustaining and stand out from its competitors. In turn, it will stimulate the growth and development of the healthcare industry in the U.S., including driving the development of medical imaging cloud systems and the shift from traditional medical imaging films to digital films. On the other hand, public hospital is the mainstream in China, which accounted for approximately 84.3% of the total patients' visits of all hospitals in China in 2021. Since they are non-profit making in nature, they may be less inclined to change, including being open to the shift from traditional medical imaging films to medical imaging cloud films.

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

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

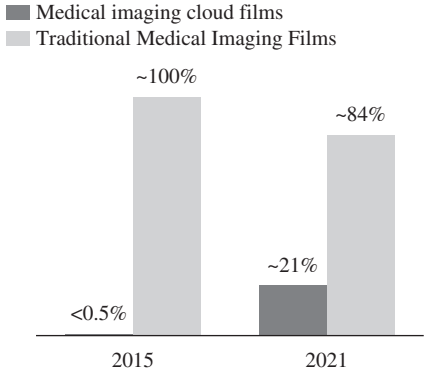
The concept of medical imaging cloud films has emerged in China since around 2015. Comparing to the U.S., the U.K. and Australia markets, the medical imaging cloud films market in China is still in its infancy. Its relevant policies and regulatory guidelines in relation to medical imaging cloud films is still at an immature stage and less sophisticated than those in these developed countries.

In 2021, the National Health Commission published ''Notice on Accelerating the Mutual Recognition of the Examination Results'' (the ''**Notice**''), which calls for the construction of the national and regional health information platform, through the establishment of medical institutions examination database including ''cloud film'' and other forms, in order to promote the sharing of examination data, to achieve the interconnection and mutual recognition of examination data between medical institutions in the same region. Despite of the presence of such a promotion of the use of medical imaging cloud services from the national government, as at the Latest Practicable Date, most provinces in China have not yet implemented any detailed policies and regulations on such a Notice, for example, most provinces in China do not have an official pricing guideline for the use of medical imaging cloud services, which in turn deters the hospital and healthcare institutions from using medical imaging cloud services, including the use of medical imaging cloud films. As of the Latest Practicable Date, there is no nationwide health platform enabling medical imaging data sharing among all hospitals in China, or province-wide health platform enabling medical imaging data sharing among all hospitals in Shandong province.

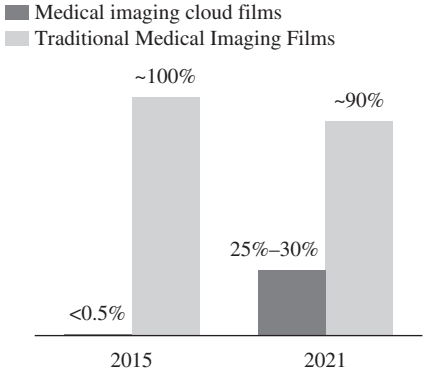
Due to favourable policies for sharing of medical examination data across medical institutions through medical imaging cloud services, and increasing availability of medical imaging cloud services, the penetration rate of medical imaging cloud films in China increased from less than 0.5% in 2015 to approximately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

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

Penetration rate of traditional medical imaging films and medical imaging cloud films, China



Penetration rate of traditional medical imaging films and medical imaging cloud films, Shandong



Notes:

(1) The penetration rate of traditional medical imaging films and medical imaging cloud films in China and in Shandong are calculated as the number of hospitals using traditional medical imaging films and medical imaging cloud films in China and Shandong divided by the total numbers of hospitals in China and in Shandong.

The sources of information for (a) hospital numbers are health authority publications including China Health Statistics Yearbook and Shandong Health Statistics Yearbook, and the sources of information for (b) penetration rate by hospital are expert interviews with major industry players.

(2) The sum of the penetration rate of traditional medical imaging films and the medical imaging cloud films over 100% means that some of the hospitals use both traditional medical imaging films and medical imaging cloud films in parallel.

As of the Latest Practicable Date, traditional medical imaging films remains to be the mainstream medical imaging carrier for most of the hospitals and healthcare institutions in China.

OVERVIEW OF CHINA'S MEDICAL IMAGING CLOUD SERVICES MARKET

Classification and Definition of Medical Imaging Cloud Services

The medical imaging cloud services is a cloud-based system for storing, sharing, or even processing medical images among medical institutions, academic organisations, and hospitals. The platform allows its users to obtain medical image data in real time, enhance the collaboration among medical institutions, and share medical imaging examination results of the patients. There are four major applications facilitated by the medical imaging cloud services, including digital medical image cloud storage system, digital medical image platform, regional imaging diagnosis platform and PACS system.

Value Chain of the Medical Imaging Cloud Services

The value chain of the medical imaging cloud services market consists of upstream providers including software provider and cloud storage provider, and midstream distributors that offer packaged cloud solutions of these two upstream provider services. Depending on the specific needs of each hospital, cloud solutions include medical image data archiving, image access and post-processing, and cloud PACS for each medical institution to consolidate and manage medical image files and business information.

Value chain of medical imaging cloud services industry

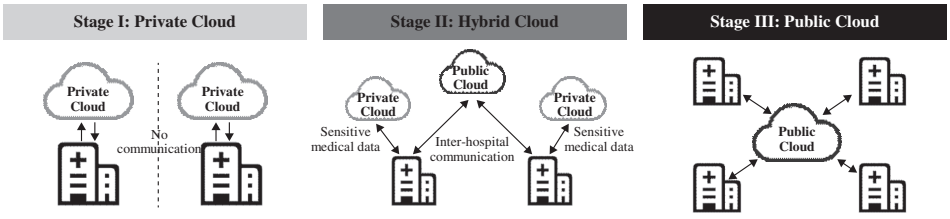
Source: China Insights Consultancy

Note: Hospitals may directly contract with software provider and cloud storage provider, and may also self-build software as well as data centres for cloud storage.

Models of Medical Imaging Cloud Services

There are three models of medical imaging cloud services. The preferred model adopted for medical imaging cloud services is expected to undergo an upgrade from private to public cloud computing formats.

Models of medical imaging cloud services



Source: China Insights Consultancy

- *Stage I: Private Cloud.* Institutes construct their own private cloud. Non-medical core systems, such as medical registration systems, payment systems, and office automation systems, are usually considered to be primary systems for integration into the private cloud. Other systems, such as Hospital Information System, Clinical Information System, and Electronic Medical Record, will also migrate to the private cloud later on.
- *Stage II: Hybrid Cloud.* Driven by the quick development of cloud computing, and the demand for medical collaboration as well as telemedicine that offers remote diagnosis and treatment of patients with electronic information and telecommunication technology, more hospitals as well as other medical institutes are gradually shifting to a hybrid cloud model, which consists of both private and public cloud computing platforms, allowing information sharing between hospitals. Our Company currently offers hybrid cloud solutions.
- *Stage III: Public Cloud.* With the continuous development of internet medical care, telemedicine, and regional medical care, information barriers among medical service institutes are expected to be gradually removed. The public cloud will become the primary choice for most hospitals and medical institutions in China. As such, the acceptance level and application rate of public cloud will increase significantly in the future. As for the data security, according to "Guidance for security of public cloud platform" (公有雲平臺的安全防護方案), sensitive

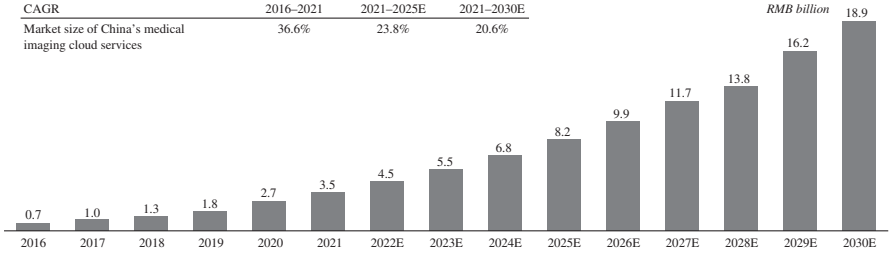
data should be identified by the system, the storage and transmission of users' data are encrypted, and users need to be verified (by passwords or other technical methods) and authorised before using any data.

Market Size of Medical Imaging Cloud Services Market in China

Because of the rapid popularisation of internet and fast development of information technology, an increasing number of healthcare institutes in China are deploying medical imaging cloud services for improving efficiency and convenient image reading, resulting in the continuous growth of the market size from RMB0.7 billion in 2016 to approximately RMB3.5 billion in 2021 with the CAGR of 36.6%. Driven by the needs of larger storage capacity due to the improvement in imaging devices and significant increase in image volume, cloud platform becomes a more cost-efficient way than traditional local storage. Coupled with the needs of information and data sharing within regions and between institutes, the market size of medical imaging cloud services industry in China is expected to further grow from approximately RMB3.5 billion in 2021 to approximately RMB18.9 billion in 2030 with a CAGR of 20.6%.

The price of medical imaging cloud services varies from the size of hospitals and the amount of data to be possessed or stored. According to the bidding information published online by provincial medical institution procurement platforms, the average price of building a medical imaging cloud services is more than RMB1.2 million with a steady increase rate of 5% to 8% overall. The construction of the medical imaging cloud solutions by cloud solution providers usually requires the lease of servers. However, since the lease term is usually 10 to 15 years, its impact on cost changes is slight.

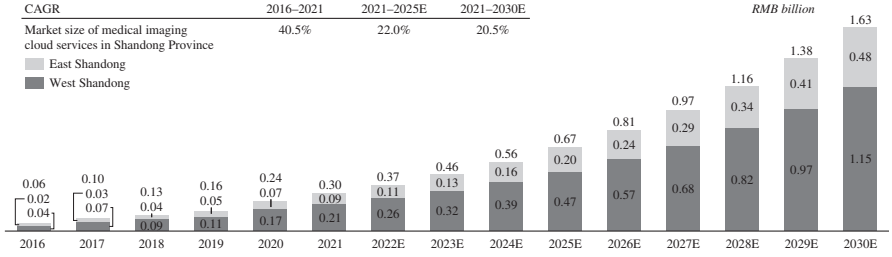
Market size of medical imaging cloud services in China, 2016–2030E



Source: China Insights Consultancy

Benefitted from the abundant medical resources, rapid informatisation development and huge demand for medical diagnosis and treatment in Shandong Province, the market size of the medical imaging cloud industry in Shandong Province increased rapidly from less than RMB0.06 billion in 2016 to approximately RMB0.30 billion in 2021 at a CAGR of approximately 40.5%, and it is expected to keep continuous growth and reach approximately RMB1.63 billion in 2030 with a CAGR of approximately 20.5%.

Market size of medical imaging cloud services in Shandong Province, 2016–2030E



Source: China Insights Consultancy

The hurdles faced by the hospitals with respect to the shifting of traditional medical imaging films to medical imaging cloud films in China and Shandong, are as follows:

(1) ***Lack of capital for medical imaging cloud system setup:*** low grade and unranked hospitals and community health centres may have outdated medical imaging equipment and healthcare information systems, and adopting medical imaging cloud films would require the update of medical imaging hardware, hospital information system on top of the upfront installation cost of medical imaging cloud films software, which in turn creates significant barrier financially for these medical institutions to transition from traditional imaging films to medical imaging cloud films.

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

(3) ***Lack of official pricing guideline for medical imaging cloud films:*** public hospitals are required to follow pricing guidelines to charge the fees from patients, and most provinces in China have not included medical imaging cloud films in pricing guidelines, which creates difficulties for public hospitals to charge patients for medical imaging cloud film services.

(4) ***Traditional medical imaging films satisfies the needs for hospital transfer in China's hierarchical medical system:*** The implementation of hierarchical medical system in China results in frequent patient transfer between low-tier hospitals and high-tier hospitals. Currently, only some of the hospitals in China with diagnostic imaging centres have employed medical imaging cloud systems, resulting in difficulties in digital imaging data transfers between hospitals with no established medical imaging cloud systems. Due to data security concerns including patient data leakage and malware infection through portable storage devices, hospitals in China do not often utilise portable storage devices such as USB and CD for storing and transferring medical imaging data. Traditional medical imaging films could provide patients with past medical imaging examination results while transferring to other hospitals.

(5) ***Traditional medical imaging films provide crucial evidence in the events of medical disputes:*** as compared to medical imaging cloud films, traditional medical imaging films are more difficult to modify and serve as crucial as evidence in cases of medical disputes.

(6) ***Users' habits:*** traditional medical imaging film has been used in the medical system for decades and is widely recognised by physicians and clinicians. Most physicians and clinicians have a long-standing habit of reading medical imaging in its physical form when making diagnosis. In addition, due to the unfamiliarity with online health applications among elderly patients, and the long-standing habit of obtaining traditional medical imaging films after medical imaging examination, traditional medical imaging films will still be preferred by the elderly patient population.

Market drivers and Future Trends

Market Drivers and Future Trends of the China's Medical Imaging Film Products Market

The primary market drivers and trends for the medical imaging film products market in China include:

- *Expanding construction of a regional diagnosis and treatment system.* The regional diagnosis and treatment system is an efficient mechanism for sharing medical resources through the rational allocation of medical resources at different levels of medical institutions and with mutual cooperation for sharing medical resources at different levels. According to the "Hospital Grading Management Standards", the hospitals in China are classified into Grade I, II, and III. Grade III hospitals are the largest and best regional hospitals in China that typically have more than 500 hospital beds. As comprehensive hospitals, Grade III hospitals provide high-quality professional healthcare services covering a wide geographic area and undertake higher academic and scientific research initiatives. The Grade III hospitals are graded into three sub-levels (A, B and C) based on the assessment of competent authorities and Grade IIIA hospitals are the highest ranking hospitals among Grade III hospitals. Grade II hospitals are the regional hospitals that typically having 100 to 499 hospital beds. As comprehensive hospitals, Grade II hospitals provide multiple communities with integrated healthcare services and undertake certain academic and scientific research missions. The Grade II hospitals are graded into three sub-levels (A, B and C) based on the assessment of competent authorities and Grade IIA hospitals are the highest ranking hospitals among Grade II hospitals. Grade I hospitals, typically having 20 to 99 hospital beds, are primary hospitals that provide preventive, medical, health care, and rehabilitation services directly to a certain population of the community. The Grade I hospitals are graded into three sublevels (A, B and C) based on the assessment of competent authorities and Grade IA hospitals are the highest ranking hospitals among Grade I hospitals. In 2021, Grade III hospitals, Grade II hospitals and Grade I and non-graded hospitals handled approximately 57.5%, 32.2% and 10.3% of the total number of patients visits in China, respectively, accounting for 2.20 billion patients visits, 1.30 billion patients visits and 0.40 billion patients visits, respectively. The system improves the capacity of medical imaging

services at lower level medical institutions, allows better patient access to medical imaging examinations, and encourages remote diagnosis through regional medical diagnosis and treatment system.

- *Government's supporting for third-party medical imaging and diagnostic centres.* In August 2016, the National Health Commission released its Basic Standards of Medical Imaging and Diagnostic Centres, which sets out several specific requirements for developing medical imaging and diagnostic centres. The medical imaging film products market is expected to see a growth opportunity due to the increase in number of medical imaging and diagnostic centres in order to solve the unmet diagnostic needs of developing areas.
- *High industry concentration.* Hospital procurement teams are inclined to repurchase medical imaging film products from previous providers, which means that existing companies have a higher possibility to secure orders in the future.
- *Self-service substitution trend.* Self-service film output printers can save labour costs because it eliminates the need for specific physicians responsible for printing and distributing imaging results and improves patient satisfaction due to reductions in distribution errors and shorter waiting times.
- *Import substitution.* With the government's issuance of its "Made in China 2025" and "Outline for Healthy China 2030", substitution of imported medical devices by local medical devices has become an inevitable trend. The market for domestic medical imaging film products is expected to benefit from this policy support, with an increased share of medical device purchases shifting from multinational companies to domestic companies.

Market Drivers and Future Trends of China's Medical Imaging Cloud Services Market

The primary market drivers and trends for the medical imaging cloud services market in China include:

- *Favourable government policy.* "The plan of construction of demonstration province for "Internet + healthcare"(2019–2020)" (山東省推進"互聯網+醫療健康"示範省建設行動計劃（2019–2020年）encourages the implementation of digital imaging "cloud film" service of medical institutions based on the provincial health information platform, as it is a crucial step to realise medical imaging data sharing between hospitals. In addition, during the 2021 National Medical Management Conference, the NMPA also listed the construction of smart hospitals, including the integration of information systems and development of Internet- and tele-medicine as the main path for primary care patients to access high-quality medical resources.
- *Requirement for precise diagnosis.* For doctors reading images online, cloud platforms can provide additional functions including zooming, marking and AI-aided comparison between similar images, enabling doctors to precisely detect and locate abnormalities and reduce the risk of misdiagnosis.
- *Demand for automation in hospitals.* Cloud platforms can help realise high-level automation in hospitals by simplifying procedures, including outputting, printing, programming and distributing medical image archives. Since medical images are automatically uploaded to the cloud server, doctors can always browse the archives and data online on mobile devices or workstations. They no longer need to extract and print the images from imaging devices themselves. Likewise, cloud platforms also provide automatic archiving storage and backup services, which reduces the maintenance cost of the storage system for hospitals.
- *Demand for remote consultation.* The demand for online medical consultation and diagnosis has increased continuously in recent years, indicating an expanding base of patients in need of the services provided by imaging cloud platforms. In order to conduct remote diagnosis, patients need to share their medical images to experts through the cloud platform, with experts then conducting AI-aided diagnosis based on those images and providing digital reports or prescriptions to patients. Digital images and cloud servers are the basic technologies needed for the AI-aided recognition of lesion locations and online consultation.
- *Increasing demand for inter-hospital information sharing and communication.* The development level of healthcare services varies widely across different regions within China, which leads to an imbalance in the allocation of medical resources among people living in urban and rural areas. With medical imaging cloud services, medical scans imaging can be completed in Grade I hospitals while the results can then be sent to Grade II and III hospitals for remote diagnosis, which means that patients in less-developed areas can also be readily diagnosed by experts within a shorter period of time. In addition, the patient triage function

built into cloud platforms will prioritise allocating patients with acute diseases to top-tier hospitals and redirect patients with less serious diseases to lower-tier healthcare institutions. Thus, the allocation of medical resources will be improved with the use of cloud platform. When a patient is transferred to another hospital during the course of treatment, doctors can directly perform a diagnosis if the patient's information is shared between hospitals via the medical imaging cloud services, which therefore simplifying the treatment procedures including medical scans and improving the efficiency of hospitals.

- *Advancements in medical imaging technology.* Along with advancements in imaging technology, the volume of images is also projected to undergo further expansion in the future, implying higher requirements for data storage. Since medical data must be kept for at least 15 years, hospitals are not allowed to delete their data and therefore the need for storage capacity will be a hard requirement for hospitals/medical institutions. In contrast with the limited capacity of offline-based local storage, cloud platforms are more readily expandable, allowing medical data and images to be saved permanently, which in turn enhances the security of hospitals/medical institutions against unforeseen accidents and providing a backup of data archives.

Entry Barriers

Entry Barriers of China's Medical Imaging Film Products Market

- *Brand Stickiness.* The first-mover advantage gives existing companies superiority in terms of their customer base and customer stickiness. Hospital procurement departments have the tendency to continue purchasing contracts with existing providers unless any significant adverse events occur.
- *Sales channel establishment.* Medical imaging film products market usually requires a strong marketing network, and good relationship between manufacturers, distributors and hospitals. Once this relationship is established, it is usually relatively stable. Therefore, this will create obvious industry barriers for new manufacturers and distributors.

Entry Barriers of China's Medical Imaging Cloud Services Market

- *Technological barrier.* The construction of a medical imaging cloud services relies heavily on technology, with high standards in terms of both the depth and breadth of related technical knowledge. Incumbents always have to face the challenge posed by competitors and potential new entrants, and thus need to continually update and improve existing techniques, as well as retaining patents and operational excellence. New entrants require talented personnel for the development of their platform, the design and operation of cloud computing services, and the customisation of databases as well as cybersecurity. At present, skilled technicians mainly integrate into the large incumbents in the industry, which means that it is difficult for new entrants to directly hire these talents in the labour market. In addition, it requires years for a new team of technicians to accumulate experience in operations and innovative knowledge.
- *Customer stickiness.* According to the China Hospital Information Management Association, 80% of hospitals in China prefer local suppliers, while price is relatively less important than factors such as reputation and supplier size. First movers which have built their own brands, are broadly recognised by local hospitals and healthcare institutions in terms of their knowledge of medical needs and qualified infrastructure. Stable long-term relationship between incumbents and healthcare institutions forms natural barriers for new entrants to enter the market, and further increases the difficulty of accumulating data and operational experience.
- *Political and regulatory barrier.* Data and archive storage forms one of the basic functions of medical imaging cloud services. For companies operating regional cloud platforms, data security and information privacy are always the most critical factors that governments will consider when deciding whether a company is qualified for providing data centre services. In contrast with new entrants, local incumbents with more successful cases and mature data security systems are more likely to meet the regulatory requirements of governments. Likewise, since regional platforms are directly under the inspection of both local and national governments, professional staff with compliance, management and communications experiences with the government is also necessary for companies to operate successfully in the market.

Threats & challenges

Threats and challenges of China's Medical Imaging Film Products Market

- *Policy change.* Macro-industrial policies bring uncertainties to the medical imaging film products market. The implementation of the two-invoice or even one-invoice policy for medical devices, which aims to reduce the procurement cost of medical consumables by reducing the layers of distributors, have led to a decrease in profit margin for distributors of medical devices regulated

under this policy. Please refer to the section headed "Regulatory Overview — Two Invoice System" in this document for more details on the implementation of the "Two Invoice System" in the PRC. The sales models of related companies are constantly changing and optimising in accordance with the political environment. With the implementation of national policies and the continuous expansion of the scope of centralised procurement, it will bring more potential challenges to the industry.

- *Shortage of the core technology.* The overseas manufacturers have taken up the majority of market share in this industry and domestic companies lack core technologies like the production of medical dry laser film to compete with the overseas manufacturers. The barriers of technology will restrict the further development of the industry and bring more potential challenges.

Threats and challenges of China's Medical Imaging Cloud Services Market

- *Large number of competitors.* As of the end of 2021, the medical imaging cloud services industry in China is relatively disperse and there exists no key players with a market share which is larger than 10%. Currently, only few hospitals in China have realised the importance of imaging cloud platform, and most hospitals only have low requirements when deploying new PACS system (for example, only storage requirement), which makes it difficult for suppliers to differentiate from each others in bidding, resulting in low technical entry barrier and large number of small-size competitors. With more promotion and development of informatisation in hospitals, more specific and complicated requirements (for example image processing functions and reinforced data security) will be expected on the cloud platform, which will contribute to higher entry barrier and eliminate unqualified companies.
- *Strong regional customer stickiness.* Due to high downtime costs, local suppliers can solve various technical problems quickly. Hospitals have established strong regional customer stickiness, which forms the entry barrier for suppliers from other provinces, resulting in large number of regional players and difficulties for incumbents to expand to other markets.

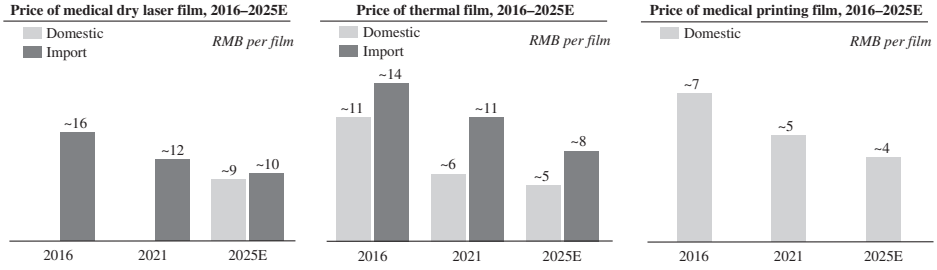
COST ANALYSIS

Cost of Medical Imaging Films

The cost of medical imaging films is the main cost in the medical imaging film products market. The cost of medical imaging films is steadily declining due to technological advancement, increasing number of domestic suppliers, centralised procurement policy, and the increasing availability of cloud film substitutes.

The cost of medical imaging films has minimal impact on the end selling price. The price floor of end selling price of medical imaging film products from distributors is limited by medical imaging film products manufacturers. For public medical institutions, volume procurement process limits the ceiling price for medical imaging films and other types of medical consumables, and the eventual transaction price is based on the bidding outcome of market participants.

Below are the average Tier-1 distributor sales prices of medical dry laser film, thermal film and medical printing film.



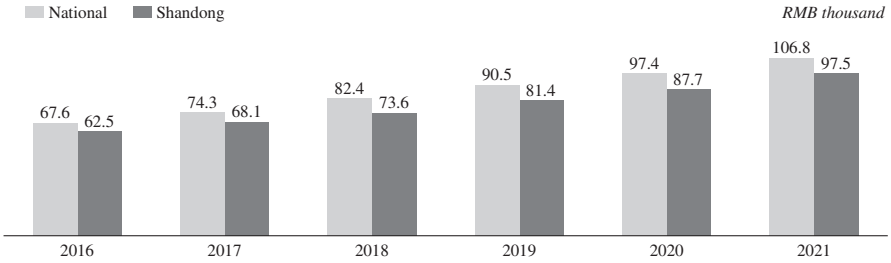
Source: China Insights Consultancy

Note: Domestic OEM laser film products have only become available in recent years. The import prices are generally higher than domestic OEM medical imaging film products due to higher transportation and storage cost, as well as its brand reputation.

Labour Cost

The labour cost is a significant cost in the medical imaging cloud services market. The overall labour cost is showing a slow upward trend, while the labour cost in Shandong Province is lower than the national average.

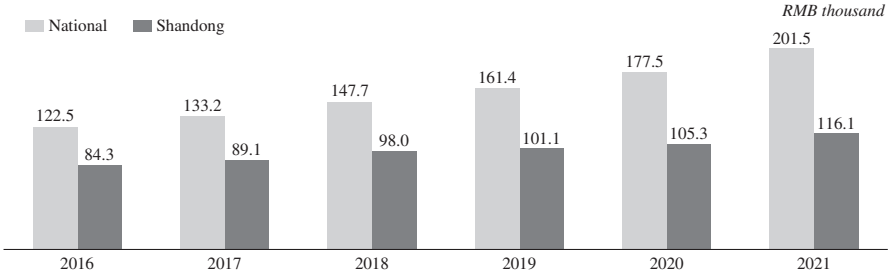
Average annual salary of Urban employees, national and Shandong, 2016–2021



Source: National Bureau of Statistics
Note: the average annual salary calculated by the National Bureau of Statistics is based on government-owned enterprises.

The average annual salary of urban employees in the information transmission, computer service and software industry is higher than that of urban employees overall. Since Shandong Province is a province with a large population and resources, labour costs are lower than the national average.

Average annual salary of Information transmission, computer service and software industry, national and Shandong, 2016–2021



Source: National Bureau of Statistics
Note: the average annual salary calculated by the National Bureau of Statistics is based on government-owned enterprises.

COMPETITIVE LANDSCAPE

Competitive Landscape of the Medical Imaging Film Products Market in China and Shandong Province

China's medical image film products market is a highly concentrated market. The top five manufacturers account for more than 60% of the market share. The technical barriers of medical dry laser films are relatively high. At present, only a few overseas manufacturers possess the know-how of manufacture of medical dry laser film, which results in market concentration. In the field of thermal film and medical printing film, local companies have possessed the independent production capabilities, and they can develop rapidly by virtue of their price advantages.

Top 5 manufacturers in medical imaging film products market, China, 2021

Rank	Company	Location	Listing Status	Description	Approximate Revenues	Approximate Market share
					RMB billion	*%*
1	Medical Imaging Products Manufacturer	USA	Listed	It provides medical imaging systems and IT solutions worldwide, as well as advanced materials for the precision film and electronics markets. It has branches in more than 170 countries around the world, and has always been a leader in various technologies in medical imaging and medical IT.	1.9	28.0%
2	Fujifilm Holdings Corporation	Japan	Listed	Its business areas include imaging vision, medical health, high-performance materials, and printing industry, mainly providing products and related services such as photographic equipment, medical systems, and life science systems.	0.9	14.0%
3	Agfa-Gevaert N.V.	Belgium	Listed	Its businesses are divided into three business segments: imaging, medical and special products. It mainly develops, produces and sells various digital imaging systems and IT solutions, which are mainly used in the printing industry and the healthcare industry.	0.7	10.4%
4	Konica Minolta, Inc.	Japan	Listed	Its business involves office business, professional print business, healthcare business and industrial business. It is the world's leading medical image printing integrated service provider and solution provider.	0.5	7.6%
5	J	China	Unlisted	It is a leading domestic medical imaging film products manufacturer in China with focus on the R&D of medical dry laser film.	0.3	4.8%

Note: The top five manufacturers in aggregate accounted for approximately 64.8% of the market share in China in 2021.
Source: China Insights Consultancy

Top 2 manufacturers in medical imaging film products market, Shandong Province, 2021

Rank	Company	Location	Listing Status	Description	Approximate Revenues	Approximate Market share
					RMB billion	*%*
1	Medical Imaging Products Manufacturer	USA	Listed	It provides medical imaging systems and IT solutions worldwide, as well as advanced materials for the precision film and electronics markets. It has branches in more than 170 countries around the world, and has always been a leader in various technologies in medical imaging and medical IT.	0.23	55%
2	Fujifilm Holdings Corporation	Japan	Listed	Its business areas include imaging vision, medical health, high-performance materials, and printing industry, mainly providing products and related services such as photographic equipment, medical systems, and life science systems.	0.13	30%

Note: The top two manufacturers in aggregate accounted for approximately 85% of the market share in Shandong province in 2021.

Source: China Insights Consultancy

Shandong Province is one of the largest medical imaging film products markets in China, therefore, all major manufacturers consider Shandong Province as a key region for development. The competitive landscape in Shandong province is the same as the one in China. The concentration of leading companies in Shandong Province is also obvious. The top two manufacturers accounted for more than 80% of the market share.

Our Group engages in the distribution of medical imaging film products from third-party brands and the sale of our self-branded medical imaging film products. For the distribution business, our Group is the biggest Tier-2 distributor of Medical Imaging Products Manufacturer in Shandong Province in terms of sales volume in 2021. As at the Latest Practicable Date, Honghe Group is the only Tier-1 distributor of Medical Imaging Products Manufacturer in Shandong Province. It is an industry norm for the distribution companies like our Group to rely heavily on a few suppliers due to the dominance by a few players in the medical imaging film products market in the PRC.

Competitive landscape of medical imaging cloud services market in China and Shandong Province

China's medical imaging cloud services is scattered and the top 5 companies in medical imaging cloud services market account for approximately 13.6% market share. The reasons are as follows:

- The medical imaging informatisation is still in its infancy at all levels hospitals in China. Therefore, there is a lot of unmet market demand.
- The primary consideration for most hospitals at all levels to choose informatisation construction is localised and personalised services due to the concern over timely response for any technical assistance. Therefore, many regional manufacturers have entered this market driven by lucrative profit.
- Due to the limited application space, the industry has not formed obvious technical barriers, such as storage space, transmission speed, etc.

With the improvement of medical imaging cloud services, the area involved is wider and the problems dealt with are more complex. Companies with regional influence and national layout will have a competitive advantage.

Top 5 companies in medical imaging cloud services market, China, 2021

Rank	Company	Location	Listing Status	Description	Approximate Revenues	Approximate Market share
					RMB million	*%*
1	A	Shanghai	Unlisted	A leading and one of the earliest integrated service providers focusing on medical imaging and information solutions in China.	124.3	3.4%
2	Winning Health Technology Group	Shanghai	Listed	A domestic high-tech enterprise focusing on overall digital solutions and services in the medical, health and sanitation fields. It has more than 20 branches and R&D bases across the country, serving more than 6000 users in medical and health institutions.	113.9	3.1%
3	B-SOFT Co., Ltd.	Zhejiang	Listed	Its business is focused on the information technology construction in the healthcare industry and can be divided into healthcare information technology application software and information technology-based system integration business.	103.5	2.8%
4	Neusoft Corporation	Shenyang	Listed	A comprehensive solution provider for clinical diagnosis and treatment based on imaging equipment. It has four business lines: digital medical diagnosis and treatment equipment, in vitro diagnostic equipment and reagents, MDaas and equipment services.	78.7	2.2%
5	E	Beijing	Unlisted	A provider of software products, system integration and operation services for digital hospital construction, regional health informatisation construction, and overall solutions for mobile medical services based on digital hospital and regional health informatisation.	77.7	2.1%
	Our Group	Shandong	Unlisted	Our Group is a medical imaging solutions provider and principally engages in providing medical imaging film products and medical imaging cloud services in Shandong.	14.2	0.4%

Source: China Insights Consultancy

The competition of medical imaging cloud services in Shandong Province is relatively concentrated as compared to the medical imaging cloud services market in China. The top 3 companies in Shandong Province's medical imaging cloud services market accounted for approximately 16.4% market share in terms of sales revenue in 2021. Hence, the market in Shandong Province is fragmented. Our Group is the early mover to tap into the medical imaging cloud services market. Relying on its technology accumulation over years of operation and channel advantages, it ranks the third in the field of medical imaging cloud services market in Shandong Province with a market share of approximately 4.7% in term of sales revenue in 2021.

Top 3 companies in medical imaging cloud services market, Shandong Province, 2021

Rank	Company	Location	Listing Status	Description	Approximate Revenues	Approximate Market share
					RMB million	*%*
1	K	Beijing	Unlisted	A provider of cloud computing services to hospitals for the whole process of imaging examination business, including assisting information sharing between hospitals, doctors and patients to achieve interoperability of various diagnostic resources.	20.7	6.8%
2	A	Shanghai	Unlisted	A leading and one of the earliest integrated service providers focusing on medical imaging and information solutions in China.	15.0	4.9%
3	Our Group	Shandong	Unlisted	Our Group is a medical imaging solutions provider and principally engages in providing medical imaging film products and medical imaging cloud services in Shandong.	14.2	4.7%

Source: China Insights Consultancy

COMPETITIVE ADVANTAGE ANALYSIS OF THE GROUP

The competitive advantages of the Group include:

- *Comprehensive medical imaging solutions provider.* Our Group is the only provider in Shandong Province which provides medical imaging film products together with medical imaging cloud services. We have built a complete service chain by providing both film products and cloud services.
- *Regional leader.* Our Group has established stable business relationship with more than 90 hospitals. Given (i) its large customer base; (ii) our Group is the largest Tier-2 distributor of the Medical Imaging Products Manufacturer, in terms of sales volume in Shandong Province in 2021; and (iii) that our Group has its own "冠澤慧醫" (Guanze Huiyi) brand, our Group is a regional leader in the medical imaging film products and cloud services market.
- *Reliable customer relationships and stable relationships with suppliers.* Our Group has established a stable business relationship with our major customers and suppliers, gaining prominent reputation among customers and suppliers in Shandong Province.

Medical device industry of the PRC is subject to a large number of laws and regulations and extensive government supervision. Such laws and regulations encompass the areas including manufacturing, sales of medical devices, labour and intellectual property. Principal regulatory authorities of the industry are NMPA and its local regulatory branches. In March 2018, the State Council Institutional Reform Proposal passed by the First Session of the Thirteenth NPC decided the CFDA shall cease to exist, and the NMPA was established to undertake the duties of the former CFDA.

LAWS AND REGULATIONS RELATING TO MEDICAL DEVICES

Regulation and Classification of Medical Devices

Pursuant to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) (the "**Medical Device Regulations**") promulgated by the State Council and effective from 1 April 2000, and latest amended on 9 February 2021 and came into effect on 1 June 2021, the food and drug supervision and administration of the State Council shall be responsible for the supervision of medical devices of the PRC. All relevant departments of the State Council shall be responsible for the supervision of medical devices within their respective scope of duties. Food and drug supervision and administration departments of the local people's governments at the county level and above are responsible for the supervision of medical devices within their own administrative jurisdictions. The relevant departments of the local people's governments at the county level and above are responsible for the supervision of medical devices within their respective scope of duties.

In the PRC, medical devices have been classified into three categories based on the degree of risk. Class I medical devices shall refer to those devices with low risk and whose safety and effectiveness can be ensured through routine administration. Class II medical devices shall refer to those devices with medium risk and whose safety and effectiveness should be strictly controlled. Class III medical devices shall refer to those devices with high risk and whose safety and effectiveness must be strictly controlled with special measures.

We distribute Class I medical devices and Class II medical devices (excluding *in vitro* diagnostic products) mainly in China, including medical imaging films, medical image printer, self-service film output printer.

Registration and Filings of Medical Device Products

According to the Measures for the Administration of Medical Devices Registration and Filing (醫療器械註冊與備案管理辦法) (the "**Measures for Medical Devices Registration and Filing**") promulgated by the SAMR on 26 August 2021 and became effective on 1 October 2021, Class I medical devices shall be subject to product filing-based administration. Class II and Class III medical devices shall be subject to product registration-based administration. For the filing of Class I medical devices in China, the applicant shall submit the filing materials to the municipal departments in charge of drug supervision and administration. Class II medical devices in China shall be examined by the provincial counterparts of NMPA and Class III medical devices in China shall be examined by NMPA, and after approval, a medical device registration certificate shall be issued. The registration and filing of medical devices shall comply with the relevant requirements of the classification rules and the Catalogue.

Pursuant to the Measures for Medical Devices Registration and Filing, for a Class II or Class III medical device which have already been registered, where there is a change to product name, model, specifications, structure and components, applicable scope, technical specifications for product and production address for imported medical device, the registrant shall apply to the relevant authority for the alteration. Where there is a change to the name and domicile of the registrant or its agent, the registrant shall apply to the relevant authority for the alteration. If there is a change in the manufacturing address of a domestic medical device, the registrant shall go through the formalities for the alteration after the corresponding change of production permits.

The registration certificate for a medical device is valid for five years and the registrant shall apply to the food and drug supervision and administration departments for renewal six months prior to its expiration date.

We have the Class I medical devices filed with the food and drug supervision and administration departments of the local people's governments at the districted city level for the products we currently manufacture and sell in China. We also have the production licence of Class II medical devices issued by the food and drug supervision and administration departments of the local people's governments at the provincial level for the products (i.e. mobile X-ray system and high pressure injector) we will manufacture in the future.

Production Permit of Medical Devices

Pursuant to the Regulations of Medical Devices and the Administrative Measures on the Production of Medical Devices (《醫療器械生產監督管理辦法》) (the "**Production Measures**") promulgated by the CFDA on 30 July 2014, amended and coming into effect on 17 November 2017, a manufacturer of medical device shall satisfy all of the following conditions:

(i) possessing production sites, environmental conditions, production equipment and professional technicians that are suitable for such medical device produced;

(ii) possessing organisations or professional examination staff and examination equipment that carry out quality examination for such medical device produced;

(iii) formulating a management system which ensures the quality of such medical device;

(iv) having capability of after-sale services that is suitable for such medical device produced; and

(v) satisfying the requirements as prescribed in production R&D and production technique documents.

The enterprises engaging in the production of Class I medical devices shall make filings for such Class I medical devices with the food and drug supervision and administration departments of the local people's governments at the districted city level and submit proofing materials of qualification to engage in the production of such medical devices. The enterprises engaging in the production of Class II and Class III medical devices shall apply for production licences to the food and drug supervision and administration departments of the local people's governments of the provinces, autonomous regions or municipalities, and submit proofing materials of qualification to engage in the production of such medical devices and registration certificates for such medical devices produced.

A production permit for a medical device is valid for five years and the registrant shall apply to the original departments that issued such permit for renewal six months prior to its expiration date.

Medical device manufacturers shall be responsible for the quality of medical devices they manufacture. In the event of entrusted manufacture, the entrusting party shall be responsible for the quality of medical devices manufactured under entrustment. In the event of entrusted manufacture of medical devices, the entrusting party shall be the domestic registrant or record filing party of the medical devices manufactured under entrustment. In the event of entrusted manufacturing of the domestic medical devices which have been examined and approved according to the special examination and approval procedures applicable to innovative medical devices, the entrusting party shall obtain the licence for entrusted manufacture of medical devices or go through the formalities for record-filing of the manufacture of Class I medical devices. In the event of entrusted manufacture of medical devices, the entrusted party shall be a domestic manufacturing enterprise which has obtained the licence for entrusted manufacture of medical devices or gone through the formalities for record-filing of the manufacture of Class I medical devices. The entrusted party shall bear corresponding responsibility for the medical devices manufactured under entrustment. Furthermore, in order to further strengthen the supervision and management of medical devices production, standardise medical device production activities and ensure the safety and effectiveness of medical devices, the Measures for the Supervision and Administration of Medical Device Production (2022 Revised) (《醫療器械生產監督管理辦法(2022修訂)》) was promulgated by the NMPA on 10 March 2022, and came into effect on 1 May 2022.

We have the Class I medical devices filed with the food and drug supervision and administration departments of the local people's governments at the districted city level for the products we currently manufacture and sell in China. We also have the production licence of Class II medical devices issued by the food and drug supervision and administration departments of the local people's governments at the provincial level for the products we will manufacture in the future.

Quality Management of Medical Devices

Medical device operation in the PRC is subject to the Good Supply Practise for Medical Devices (《醫療器械經營質量管理規範》) issued by the CFDA on 12 December 2014 and became effective on the same day, according to which enterprises engaging in medical device business shall carry out risk management based on the risk categories of medical devices operated by it, take corresponding quality management measures and keep relevant records or archives. The medical device business enterprises, unless otherwise provided therein, shall also have business premises and warehouses that match its business scope and scale, and the area of business premises and warehouses shall meet the business requirements. The storage operation area and auxiliary operation area of medical equipment shall be separated from office area and living area, or quarantine measures shall be taken for the storage operation area and auxiliary operation area. Also, medical device operation enterprises shall strengthen the management of return of goods to ensure the quality and safety of medical devices at the stage of return and prevent the mixing in of counterfeit and inferior medical devices.

Permit for Medical Device Operation

Pursuant to the Measures for the Supervision and Administration of Medical Devices Operation (《醫療器械經營監督管理辦法》) which was promulgated by CFDA on 30 July 2014 and became effective on 1 October 2014, and last amended on 17 November 2017, an enterprise engaging in the operation of medical devices shall have business premises and storage conditions suitable for the

operation scale and scope, and shall have a quality control department or personnel suitable for the medical devices it operates. An enterprise engaged in the operation of Class II medical devices shall file with the municipal level food and drug supervision and administration department and provide proofing materials for satisfying the relevant conditions of engaging in the operation of medical devices, while an enterprise engaged in the operation of Class III medical devices shall apply for an operation permit to the municipal level food and drug supervision and administration department and provide proofing materials for satisfying the relevant conditions of engaging in the operation of such medical devices.

The food and drug supervision and administration department which receives operation permit application shall grant the operation permit if the enterprise meets the prescribed requirements. An operation permit is valid for five years and may be renewed pursuant to the relevant regulations. An enterprise engaging in medical devices operation shall not operate or use any medical device that has not been legally registered, without qualification certificate, expired, invalid or disqualified. Moreover, in order to further strengthen the operation supervision and management of medical devices, standardise the business activities of medical devices and ensure the safety and effectiveness of medical devices, the Measures for the Supervision and Administration of Medical Devices Operation (2022 Revised) (《醫療器械經營監督管理辦法(2022修訂)》) was promulgated by the NMPA on 10 March 2022, and came into effect on 1 May 2022.

We currently have the Class II record-filing certificate for medical device business operations and the Class III medical device operation permits, which are within the validity term.

Two Invoice System

On 26 December 2016, the State Council together with seven other central government departments (including the NHFPC and the State Administration of Food and Drug) jointly issued the Notice on Opinions on the Implementation of the Two Invoice System in Drug Procurement by Public Medical Institutions (for Trial Implementation) (《關於在公立醫療機構藥品採購中推行兩票制的實施意見(試行)》) (the "**Notice**"). According to the Notice, the aim of the "Two Invoice System" is to only allow a maximum of two invoices to be issued in the value chain with the first invoice to be issued by manufacturers to distributors and the second one to be issued by distributors to hospitals and healthcare institutions.

On 5 March 2018, six government departments including the National Health Commission and MOF jointly issued the Notice on Consolidating the Achievements of Cancelling Drug Markups and Deepening Comprehensive Reforms in Public Hospitals (《關於鞏固破除以藥補醫成果持續深化公立醫院綜合改革的通知》), which stipulates the implementation of the centralised purchase of high value medical consumables, and that the "Two Invoice System" in relation to high-value medical consumables shall be gradually implemented.

On 19 July 2019, the General Office of the State Council issued the Notice on Printing and Distributing the Reform Plan for the Management of High-value Medical Consumables (《關於印發〈治理高值醫用耗材改革方案〉的通知》), according to which, high-value medical consumables refer to the medical consumables that are directly used for human bodies, and are strictly required for safety, and are in great clinical demand and priced relatively high, and can impose heavy burdens on patients for affording them. Local governments are encouraged to adopt the "Two Invoice System" combined with actual situation in order to reduce the circulation of high-value medical consumables and promote the transparency of purchase and sales. The integrity operation and practise of enterprises of high-value

medical consumables and their practitioners are included in the credit management system to enhance the recording, publication, and early warning of dishonest behaviour, and strengthen the management of performance.

Pursuant to the Reply of the National Healthcare Security Administration to Recommendation No. 1209 of the Second Session of the 13th National People's Congress (《國家醫療保障局對十三屆全國人大二次會議第1209號建議的答覆》) issued by National Healthcare Security Administration on 23 July 2019, ''Two Invoice System'' for high-value consumables needs to be further discussed given the huge differences between the nature of high-value consumables and drugs, including the complexity of clinical use and after-sales service.

The following table sets out the regulatory development regarding the implementation of the ''Two Invoice System'' for each of the provinces in the PRC at the Latest Practicable Date, the specific implementation shall take into account the actual situation of the locality.

No.	Provinces	Scope of the implementation of the "Two Invoice System"
1.	Anhui	implements the ''Two Invoice System'' for the procurement of medical consumables in all public medical institutions above the second level. In practise, the ''Two Invoice System'' applies to high-value medical consumables and does not include low-value medical consumables. The medical imaging film products are not included.
2.	Beijing	there is no clear provision on the ''Two Invoice System'' for consumables.
3.	Chongqing	there is no clear provision on the ''Two Invoice System'' for consumables.
4.	Fujian	only strictly implements the ''Two Invoice System'' for the procurement of high-value medical consumables, and there is no clear provision for low-value medical consumables.
5.	Gansu	only encourages the implementation of the ''Two Invoice System'' for high-value medical consumables, and there is no clear provision for low-value medical consumables.
6.	Guangdong	has gradually implemented the ''Two Invoice System'' for the purchase and sale of high-value medical consumables, and there is no clear provision for low-value medical consumables.
7.	Guangxi	only encourages the implementation of the ''Two Invoice System'' for the purchase and sale of high-value medical consumables, and there is no clear provision for low-value medical consumables.
8.	Guizhou	has gradually implemented the ''Two Invoice System'' for the purchase and sale of high-value medical consumables, and there is no clear provision for low-value medical consumables.

No.	Provinces	Scope of the implementation of the "Two Invoice System"
9.	Hainan	all public medical institutions only implement the "Two Invoice System" for the purchase and sale of high-value medical consumables (the relevant provision was in the draft stage of soliciting public opinions), and there is no clear provision for low-value medical consumables.
10.	Hebei	implements the "Two Invoice System" for the purchase and sale of medical consumables (the relevant provision was in the draft stage of soliciting public opinions) and encourages the implementation of the "Two Invoice System" for the purchase and sale of high-value medical consumables, but there is no clear provision for low-value medical consumables.
11.	Heilongjiang	only has explicit provisions on the "Two Invoice System" for the purchase and sale of testing reagents, sterile and implantable medical devices.
12.	Henan	has not implemented the "Two Invoice System" for medical consumables either at the provincial level or in Zhengzhou, the provincial capital of Henan Province.
13.	Hubei	has gradually implemented the "Two Invoice System" for the classified centralised procurement of high-value medical consumables, and there is no clear provision for low-value medical consumables.
14.	Hunan	only explores how to implement the "Two Invoice System" for the purchase and sale of high-value medical consumables, and there is no clear provision for low-value medical consumables.
15.	Inner Mongolia	encourages qualified public medical institutions to implement the "Two Invoice System" for the purchase and sale of medical consumables and launches the pilot program of the "Two Invoice System" for high-value medical consumables, but there is no clear provision for low-value medical consumables.
16.	Jiangsu	has not implemented the "Two Invoice System" for medical consumables either at the provincial level or in Nanjing, the provincial capital of Jiangsu Province.
17.	Jiangxi	only encourages the implementation of the "Two Invoice System" for the purchase and sale of high-value medical consumables, and there is no clear provision for low-value medical consumables.
18.	Jilin	only encourages public hospitals to actively explore to implement the "Two Invoice System" for high-value medical consumables, and there is no clear provision for low-value medical consumables.
19.	Liaoning	implements the "Two Invoice System" for the distribution of medical consumables and testing reagents in all public medical and health institutions, but it does not clearly define whether it applies to high-value or low-value medical consumables.

No.	Provinces	Scope of the implementation of the "Two Invoice System"
20.	Ningxia	implements the "Two Invoice System" for the circulation and distribution of medical consumables and encourages the implementation of the "Two Invoice System" for the purchase and sale of high-value medical consumables, but there is no clear provision for low-value medical consumables.
21.	Qinghai	implements the "Two Invoice System" for the procurement of high-value consumables and general medical consumables in all public medical institutions, however, medical imaging film products do not fall within the scope of the definition of general medical consumables.
22.	Shaanxi	implements the "Two Invoice System" for all medical consumables in all public medical institutions, which indicates that medical imaging film products shall be included. In case of any difficulty, the "Two Invoice System" for high-value medical consumables may be implemented first.
23.	Shandong	only implements the "Two Invoice System" for drug procurement, and there is no clear provision on the "Two Invoice System" for consumables.
24.	Shanghai	there is no clear provision on the "Two Invoice System" for consumables.
25.	Shanxi	implements the "Two Invoice System" for the procurement of medical consumables, but it is not clearly defined whether it applies to high-value or low-value medical consumables.
26.	Sichuan	has gradually implemented the "Two Invoice System" for the purchase and sale of high-value medical consumables, and there is no clear provision for low-value medical consumables.
27.	Tianjin	encourages the implementation of the "Two Invoice System" for the purchase and sale of high-value medical consumables, and there is no clear provision for low-value medical consumables.
28.	Xinjiang	only encourages the implementation of the "Two Invoice System" for the purchase and sale of high-value medical consumables, and there is no clear provision for low-value medical consumables.
29.	Xizang	has formulated provisions on the "Two Invoice System" for the procurement of high-value medical consumables, but there is no clear provision for low-value medical consumables.
30.	Yunnan	there is no clear provision on the "Two Invoice System" for consumables.
31.	Zhejiang	has implemented the "Two Invoice System" for the procurement of medical consumables, but it does not clearly define whether it applies to high-value or low-value medical consumables.

Pursuant to the Notice on Printing and Distributing the Reform Plan for the Management of High-value Medical Consumables, high-value medical consumables refer to the medical consumables that are directly used for human bodies, and are strictly required for safety, and are in great clinical demand and priced relatively high, and can impose heavy burdens on patients for affording them. The aim of the "Two Invoice System" is to only allow a maximum of two invoices to be issued in the value chain with the first invoice to be issued by manufacturers to distributors and the second one to be issued by distributors to hospitals and healthcare institutions. According to Centralised Procurement Catalogue of High-value Medical Consumables of Shandong Province (First Batch) (《山東省高值醫用耗材集中採購目錄(第一批)》) and Centralised Procurement Catalogue of High-value Medical Consumables of Shandong Province (Second Batch) (《山東省高值醫用耗材集中採購目錄(第二批)》) issued by Health and Family Planning Commission of Shandong Province, the consumables included in the centralised procurement scope of high-value medical consumables in Shandong Province mainly include vascular interventional, non-vascular interventional, orthopaedic implantation, neurosurgery, electrophysiology, pacemaker, extracorporeal circulation and blood purification, and ophthalmic materials. As of the Latest Practicable Date, our products are not classified as the high-value medical consumables which is defined in the Notice or Catalogue mentioned above.

On 30 September 2019, ten local government departments of Shandong Province including Health Committee issued the Notice on "Two Invoice System" Implementation Plan in Medicines Procurement by Public Medical Institutions in Shandong Province (《關於印發〈山東省公立醫療機構藥品採購推行"兩票制"實施方案〉的通知》), which stipulates that all public medical institutions in Shandong Province shall implement the "Two Invoice System" on the procurement of drugs from 30 October 2019. As of the Latest Practicable Date, Shandong Province has not yet implemented the "Two Invoice System" on the procurement of high-value or low-value medical consumables.

Advertisements of Medical Devices

The advertisement of a medical device shall be true and lawful, and its content shall not be false, exaggerated or misleading. A publisher of a medical device advertisement shall verify approval documents and their authenticity prior to the publication. If (i) no approval document has been obtained. (ii) the authenticity of any approval document has not been verified, or (iii) the content of the advertisement is inconsistent with the approval documents, such medical device advertisement shall not be published.

The SAMR promulgated the Interim Measures for the Administration of the Examination and Administration of Drugs, Medical Devices, Health Foods, and Formula Foods for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) on 24 December 2019, which came into effect from 1 March 2020 and replace the Regulations of Medical Devices and the Measures for the Examination of Medical Devices Advertisements.

National Medical Insurance Program

The national medical insurance program was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program (《關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on 14 December 1998, under which all employers in urban cities are required to enrol their employees in the Urban Employee Basic Medical Insurance Program and the insurance premium is jointly contributed by the employers and employees. Pursuant to the Opinions on the Establishment of the New Rural Cooperative Medical System (《關於建立新型農村

合作醫療制度意見的通知》) forwarded by the General Office of the State Council on 16 January 2003, China launched the New Rural Cooperative Medical System to provide medical insurance for rural residents in selected areas which has spread to the whole nation thereafter. The State Council promulgated the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) on 10 July 2007, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. In 2015, the PRC government announced the Outline for the Planning of the National Medical and Health Service System (2015–2020) (《全國醫療衛生服務體系規劃綱要(2015–2020年)》) which aims to establish a basic medical and health care system that covers both rural and urban citizens by 2020.

On 3 January 2016, the State Council issued the Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》) to integrate the Urban Resident Basic Medical Insurance and the New Rural Cooperative Medical System and the establishment of a unified Basic Medical Insurance for Urban and Rural Residents, which will cover all urban and rural non-working residents except for rural migrant workers and persons in flexible employment arrangements who participate in the basic medical insurance for urban employees.

With regard to reimbursement for medical devices and diagnostic tests, the Notice of Opinion on the Diagnosis and Treatment Management, Scope and Payment Standards of Medical Service Facilities Covered by the National Urban Employees Basic Medical Insurance Scheme (Lao She Bu Fa [1999] No. 22) (《關於印發<城鎮職工基本醫療保險診療項目管理、醫療服務設施範圍和支付標準意見>的通知》) (勞社部發[1999]22號), which was issued on 30 June 1999 and became effective on the same day, prescribes the coverage of diagnostic and treatment devices and diagnostic tests where part of the fees are paid through the basic medical insurance scheme. It also includes a negative list that precludes certain devices and medical services from governmental reimbursement. Detailed reimbursement coverage and rate for medical devices and medical services (including diagnostic tests and kits) are subject to each province's local policies.

Medical Device Recalls

Pursuant to the Administrative Measures for Medical Device Recalls (《醫療器械召回管理辦法》) promulgated by the NMPA on 25 January 2017 and came into effect on 1 May 2017, in light of the severity of the defect, medical device recall is divided into: (i) Class I recall: the use of the medical device may cause or have caused serious health hazards; (ii) Class II recall: the use of the medical device may cause or have caused temporary or reversible health hazards; (iii) Class III recall: the use of the medical device is less likely to cause any harm but recall is still required.

Medical device manufacturers shall determine the recall class based on the specific situation and properly design and implement the recall plan based on the recall class and the sale and use of the medical devices.

In terms of Class I recall, the recall notice shall be published on the NMPA website and major media of the central government. In terms of Class II and Class III recalls, the recall notice shall be published on the website of the food and drug administrative authority of the provinces, autonomous regions or municipalities, and the recall notice published on such websites shall be linked to the NMPA website.

Procurement of Medical Devices by public hospital and healthcare institutions

According to the Law of the PRC on Government Procurement (《中華人民共和國政府採購法》) (the "**Procurement Law**") promulgated by the Standing Committee of the NPC on 29 June 2002 and was last amended and implemented on 31 August 2014, the government procurement methods includes public invitation, invited bidding, competitive negotiation, single-source procurement, inquiry about quotations, and other methods confirmed by the department for supervision over government procurement under the State Council. Pursuant to Article 71 of the Procurement Law, if public invitation shall be used as required by the law and yet other government procurement methods were used without authorisation, the purchaser and the procurement agency shall be ordered to make corrections, shall be warned and may be subject to a fine, and the person-in-charge or any other person who is directly responsible shall be punished pursuant to the law. Since we are not the purchaser nor the procurement agency, we are not subject to Article 71 of the Procurement Law and will not be fined.

However, pursuant to Article 73 of the Procurement Law, if any unlawful act pursuant to Article 71 is committed which has resulted in or may result in the provider winning the bid, the procurement contract shall be cancelled if it has not been performed.

According to the Law of the PRC on Tendering and Bidding (《中華人民共和國招標投標法》) promulgated by the Standing Committee of the NPC on 30 August 1999 and was lasted amended on 27 December 2017 and implemented on 28 December 2017, and the Regulations on the Implementation of the Law of the PRC on Tendering and Bidding (《中華人民共和國招標投標法實施條例》) promulgated by State Council on 20 December 2011 and was lasted amended and implemented on 2 March 2019, the procedures of procurement of medical devices by public bidding mainly includes the issuance of bidding announcement, making and publishing bidding documents, bidding for suppliers, bid opening and evaluating bid, determining bid-winning suppliers, issuing bid-winning notice, signing contracts and filing records etc. After the supplier is determined, the bidder shall conclude a written contract in accordance with the bidding documents and the bidding documents of the winning bidder. The bid inviter and the winning bidder shall not conclude any other agreement deviating from the substantive content of the contract.

Direct sales to hospitals and/or healthcare institutions

As confirmed by our Directors, our Group is not aware of any material non-compliance with relevant PRC laws and regulations of our Group's end customers from the sales channel of direct sales to hospitals and/or healthcare institutions during the Track Record Period.

Further, based on the above and as far as the relevant work conducted by our PRC Legal Advisers (including reviewing relevant sales contracts, interviewing with relevant end customers and consulting with relevant government authorities), our PRC Legal Advisers, being the legal advisers of the PRC law of the Group (instead of the end customers), are not aware of any material non-compliance with relevant PRC laws and regulations of our Group's end customers from the sales channel of direct sales to hospitals and/or healthcare institutions during the Track Record Period.

Sales through deliverers

Our PRC Legal Advisers are of the view that given:

(i) the sales agreements arising from the sales channel of sale through deliverers are not signed directly between our Group and the end customers (i.e. hospitals and healthcare institutions) but between our Group and the deliverers, and the deliverers do not belong to the category of "state organs, public institutions or group organisations which use financial funding (財政性資金) to purchase products from suppliers", as confirmed by our Group, *(Note: any enterprises fall within the said category, the relevant enterprises have to follow the procurement procedures under the relevant PRC laws and regulations to procure products from suppliers)* therefore the deliverers do not need to comply with the relevant PRC laws and regulations;

(ii) the sales agreements (the "**Deliverer Hospitals Sales Agreements**") in relation to the sale of medical imaging products and services to end customers were directly signed between the deliverers and the hospitals and healthcare institutions; and

(iii) our Group was not one of the parties to the Deliverer Hospital Sales Agreements,

our Group has no obligations (i) to scrutinise the Deliverer Hospital Sales Agreements and (ii) to ensure whether the end customers from the sale channel of sales through deliverers complied with the relevant PRC laws and regulations.

Even if the end customers from the sales channel of sales through deliverers do not comply with the relevant PRC laws and regulations, our Group would not be penalised as a result of any of their non-compliances. In the event that the Deliverer Hospital Sales Agreements been rendered invalid due to such non-compliances, our Group is entitled to require the deliverers to continue to fulfil the duties and obligations under the sales agreements entered into between our Group and the deliverers, and if the deliverers fail to do so, our Group is entitled to claim damages against the relevant deliverers pursuant to the terms and conditions thereof and the relevant PRC laws and regulations.

On 25 November 2020, the NHSA issued the Response to Proposal No. 7777 of the Third Session of the Thirteenth National People's Congress (《國家醫療保障局對十三屆全國人大三次會議第7777號建議的答覆》), which illustrates that the country is currently promoting the establishment of an integrated provincial bidding and procurement platform for bidding, procurement, trading, settlement and supervision, and promoting the construction of regional and national alliance procurement mechanisms. At the same time, the NHSA is coordinating the construction of a subsystem of a unified national medical security information platform for drugs and medical devices procurement management, in order to achieve national linkage of drug and medical consumables procurement, distribution and supervision.

As of the Latest Practicable Date, the national alliance recruitment and procurement platform is yet to be implemented.

According to the Notice of the State Council on Issuing the "Made in China (2025)" (GuoFa [2015] No. 28) (國務院關於印發《中國製造2025》的通知》(國發[2015]28號)) promulgated by the State Council on 8 May 2015, it takes high-performance medical equipment as one of the ten key areas

of development. China should organise and implement a number of special and major projects for innovation and industrialization, including high-end diagnosis and treatment equipment, and make it clear that by 2025, the market share of high-end equipment with independent intellectual property rights in relevant fields will increase significantly.

Pursuant on the Outline of the Program for Health China 2030 (《"健康中國2030"規劃綱要》) promulgated by the Communist Party of China Central Committee and the State Council on 25 October 2016, it specifies that China needs to strengthen the construction of innovation capacity such as high-end medical devices, accelerate the transformation and upgrading of medical devices, improve the international competitiveness of medical diagnosis and treatment equipment and medical materials with independent intellectual property rights, and put forward the goal of fully integrating the quality standards of medical devices with international standards by 2030.

According to the Notice on Implementing Relevant Policies on Equal Treatment of Domestic and Foreign-funded Enterprises in Government Procurement Activities (Caiku [2021] No.35) (關於在政府採購活動中落實平等對待內外資企業有關政策的通知(財庫[2021]35號)) promulgated by MOF on 13 October 2021, for government procurement activities, except for procurement projects involving national security and state secrets, products produced in China by domestic and foreign-funded enterprises shall not be treated differently. Products produced in China, whether their suppliers are domestic or foreign-funded enterprises, shall be guaranteed the equal right to participate in government procurement activities according to law.

REGULATIONS ON INFORMATION SECURITY AND DATA PRIVACY

On 28 May 2020, the NPC approved the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), which came into effect on 1 January 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organisation or individual that needs to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), or the Personal Information Protection Law, released by the SCNPC on 20 August 2021 and became effective from 1 November 2021, stipulates the scope of personal information and establishes rules for processing personal information onshore and offshore. The Personal Information Protection Law sets forth certain specific personal information protection requirements, including but not limited to more specific inform and consent requirements in various contexts, strengthened and classified obligations of personal information processors, and more limitations and rules on process of personal information.

On 10 June 2021, the SCNPC promulgated the Data Security Law of People's Republic of China (《中華人民共和國數據安全法》) (the "**PRC Data Security Law**"), which became effective on 1 September 2021. Pursuant to the PRC Data Security Law, data refers to any record of information in electronic or any other form and data processing includes but is not limited to the collection, storage, use, processing, transmission, provision, and public disclosure of data. Industrial sector, telecommunications, transportation, finance, natural resources, health, education, science and technology, and other departments shall undertake the duty to supervise data security in their respective industries and fields. The PRC Data Security Law stipulates that each organisation or individual collecting data shall adopt legal and proper methods, and shall not steal or obtain data by other illegal

methods, and the data processing activities shall comply with laws and regulations, respect social mores and ethics, comply with commercial ethics and professional ethics, be honest and trustworthy, perform obligations to protect data security, and undertake social responsibility; it shall not endanger national security, the public interest, or individuals' and organisations lawful rights and interests.

On 28 December 2021, the Cyberspace Administration of China, or the CAC, together with other PRC governmental authorities, promulgated the revised Measures for Cybersecurity Review (《網絡安全審查辦法》), or the Cybersecurity Measures. Pursuant to the Cybersecurity Measures, (i) the purchase of network products and services of a critical information infrastructure operator and data processing activities of an online platform operator that affect or may affect national security shall be subject to the cybersecurity review, (ii) particularly, if a critical information infrastructure operator purchase network products and services that affect or may affect national security, or an online platform operator possessing personal information of over one million users and pursues a foreign listing (境外上市), such operator must apply for cybersecurity review, and (iii) relevant governmental authorities in the PRC may initiate cybersecurity review if such governmental authorities determine any network products and services, and data processing activities affect or may affect national security. On 14 November 2021, the CAC published the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Cyber Data Regulations. The Draft Cyber Data Regulations provides that data processors conducting the following activities shall apply for cybersecurity review: (i) merger, reorganisation, or division of internet platform operators that have acquired a large number of data resources related to national security, economic development, or public interests, which affects or may affect national security; (ii) a foreign listing by a data processor processing personal information of over one million users; (iii) a listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security.

On 7 July 2022, CAC promulgated Measures for the Security Assessment of Outbound Data Transfers (《數據出境安全評估辦法》), which became effective on 1 September 2022 and provide that a data processor is required to apply for security assessment for cross-border data transfer in any of the following circumstances: (i) where a data processor provides critical data to offshore entities and individuals; (ii) where a CIIO or a data processor which processes personal information of more than one million individuals provides personal information to offshore entities and individuals; (iii) where a data processor has provided personal information in the aggregate of more than 100,000 individuals or sensitive personal information of more than 10,000 individuals in total to offshore entities and individuals since January 1 of the previous year; or (iv) other circumstances prescribed by the CAC for which declaration for security assessment for cross-board transfer of data is required.

In respect of our Group's provision of medical imaging cloud services

Our Group generally does not acquire data of customers or patients during provision of medical imaging cloud services. The medical data and information in the digital medical imaging cloud storage platform are stored and archived in the virtual storage drive operated by a PRC state-owned company (the "**Cloud Storage Provider**"), and hence the Cloud Storage Provider is responsible for the protection and leakage of such data and information. Only the patients themselves and doctors authorised by the hospitals can get access to the patient's medical images and data, otherwise, others, including our Group, have no right to access.

Our Group only provides installation of software services, software technical support and maintenance services and does not actively collect or store patients' medical images and data during provision of medical imaging cloud services whereas the main body of collection and storage of patients' medical images and data is hospitals and patients themselves.

In respect of personal information of the employees and contact person of each corporate supplier or client

Nevertheless, a company in its ordinary course of business will collect (i) personal information from the employees for human resources management purposes and (ii) personal information of the contact point of its customers and suppliers for business communication purposes. Similarly, our Group will collect (i) and (ii) during the ordinary course of our Group's business.

Our Group believes that it is able to comply with the relevant laws and regulations in respect of data privacy and information security in all material aspects. Our Group believes such compliance is reflected in the following aspects:

(1) our Group has not received any notification from any competent PRC government authorities certifying its status as a critical information infrastructure operator;

(2) our Group's daily operation and the [REDACTED] do not involve the cross-border transfer of identified core data, important data or a large amount of personal information. With respect to our Directors' personal information submitted to the SFC and the Stock Exchange in connection with our Group's application for [REDACTED], our Group believes that it will not be subject to a government-led security assessment, and the reasons are threefold:

    (a) Article 19 of the Measures for the Security Assessment of Outbound Data Transfers defines "important data" as data which, once tampered with, destroyed, leaked, or illegally obtained, illegally used, may endanger national security, economic operation, social stability, public health and safety, etc. The nature of our Directors' personal information collected by our Group and submitted to the SFC and the Stock Exchange in connection with its [REDACTED] indicates that it is highly unlikely to be viewed as "important data";

    (b) our Group has not received any notification from any competent PRC government authorities certifying its status as a critical information infrastructure operator; and

    (c) our Directors' personal information submitted to the SFC and the Stock Exchange in connection with its [REDACTED] does not meet the personal information volume thresholds (i.e., the 1 million/100,000/10,000 rule);

(3) our Group has always followed the principle of lawfulness, legitimacy, necessity, and good faith in all material aspects in accordance with Article 5 of the Personal Information Protection Law when collecting and processing personal information of its employees and the contact person of each corporate supplier or client. Our Group confirms that it has established internal procedures in accordance with Chapter Four of the Personal Information Protection Law to protect the personal information of the employees and contact person of each corporate supplier or client;

(4) with respect to our Group's processing of data other than personal information, as confirmed by our Group, our Group believes that it is not in violation of its agreements with other partners/parties or the relevant laws and regulations in respect of data privacy and information security in all material aspects;

(5) as confirmed by our Group, our Group has taken technical and organisational measures to protect its data and information and has implemented internal policies and rules regarding cyber and data security, system operation and maintenance, as well as data backup and disaster recovery; and

(6) as confirmed by our Group, as at the Latest Practicable Date, our Group has not received any claim from any party against it on the ground of non-compliance in connection with the relevant laws and regulations in respect of data privacy and information security, and has not been subject to investigations, penalties, or sanctions by relevant data protection regulators.

Based on the above, our PRC Legal Advisers are of the view that our Group is subject to the relevant laws and regulations in respect of data privacy and information security and is unlikely that our Group would not be able to comply with such laws and regulations.

As advised by our PRC Legal Advisers, our Group shall pay close attention to legislative developments of relevant laws and regulations in respect of data privacy and information security as well as its specific provisions or implementation standards, maintain ongoing dialogue with competent PRC government authorities and consult competent PRC government authorities as necessary and in due course. Our Group shall also rectify, adjust, and optimise its data practices in a timely manner to keep pace with regulatory development and shall strictly follow the requirements under the applicable legal requirements at the time accordingly.

In respect of cybersecurity review

As of the Latest Practicable Date, our Group has not received any notice or been notified by any competent PRC government authorities identifying it as a critical information infrastructure operator.

On 21 September 2022, our PRC Legal Advisers, the Sole Sponsor and the legal advisers to the Sole Sponsor as to PRC laws and Hong Kong laws conducted a phone consultation (the "**Consultation**") with the China Cybersecurity Review Technology and Certification Center (中國網路安全審查技術與認證中心) (the "**Center**"), which is authorised by the Cybersecurity Review Office of the CAC to accept public consultation and cybersecurity review submissions and the competent authority to consult with in respect of the Regulations (as confirmed by our PRC Legal Advisers). During the Consultation, our PRC Legal Advisers informed the Center, amongst others (i) the name of our Group and (ii) its proposed place of [REDACTED] is Hong Kong, and made specific enquiries as to whether our Group is required to apply for cybersecurity review in accordance with the Cybersecurity Measures. It was confirmed by the Center, amongst others that (i) our Group is not required to apply for cybersecurity review since "listed overseas (國外上市)" does not include companies listed or to be listed in Hong Kong and (ii) the laws and regulations in respect of cybersecurity is not applicable to our Group.

In light of the above, our PRC Legal Advisers are of the view, and our Group concurs, the possibility that the competent PRC government authorities initiate cybersecurity reviews on our Group is low.

However, our PRC Legal Advisers cannot preclude the possibility that new rules or regulations promulgated in the future will not impose additional compliance requirements on our Group. As advised by our PRC Legal Advisers, our Group shall pay close attention to the law enforcement of the Cybersecurity Measures and the Draft Cyber Data Regulations and legislative development of other relevant laws and regulations as well as its specific provisions or implementation standards, maintain ongoing dialogue with competent PRC government authorities and consult competent PRC government authorities when necessary.

LAWS AND REGULATIONS RELATING TO ANTI-BRIBERY

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) promulgated by the Standing Committee of the NPC, as amended and effective as of 23 April 2019, and the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) promulgated by the State Administration for Industry and Commerce on 15 November 1996, any business operator shall not provide or promise to provide economic benefits (including cash, other property or by other means) to a counterparty in a transaction or a third party that may be able to influence the transaction, in order to entice such party to secure a transactional opportunity or a competitive advantages for the business operator. Any business operator breaching the relevant anti-bribery rules above-mentioned may be subject to administrative punishment or criminal liability depending on the seriousness of the cases.

Medical Big Data

On 21 June 2016, the General Office of the State Council promulgated the Guiding Opinions of the General Office of the State Council on Promoting and Regulating the Application and Development of Health and Medical Big Data (Guo Ban Fa [2016] No. 47) (《國務院辦公廳關於促進和規範健康醫療大數據應用發展的指導意見》(國辦發[2016]47號)), which stipulates that the health and medical big data are important basic strategic resources of the State. The State will promote the sharing and opening of health and medical big data resources, encourage various medical and health institutions to promote the collection and storage of health and medical big data, enhance application support and technical support for operation and maintenance, and open up data resource sharing channels, speed up the construction and improvement of basic databases with electronic health records, electronic medical records and electronic prescriptions of residents as the core, and comprehensively deepen the application of health and medical big data.

On 25 April 2018, the General Office of the State Council promulgated the Opinions of the General Office of the State Council on Promoting the Development of "Internet + Medical Health" (Guo Ban Fa [2018] No. 26) (《國務院辦公廳關於促進「互聯網+醫療健康」發展的意見》(國辦發[2018]26號)), which provides that it is necessary to accelerate the realisation of exchange and sharing of medical and health information:

- All regions and relevant departments shall coordinate to promote the construction of a unified, authoritative, interconnected national health information platform, gradually realise the connection with the national data sharing and exchange platform, and enhance data collection in relation to population, public health, medical services, medical insurance, drug supply and comprehensive management, smooth data sharing channels among departments, regions and industries, and promote the sharing and application of national health information;

- The State speeds up the construction of a basic resource information database, and improves the database in relation to the entire population, electronic health records and electronic medical records;

- The state improves the tiered diagnosis and treatment information system based on the Internet and big data technology, and promotes the gradual consumption of the sharing of electronic health records, electronic medical records and inspection results in all tiers and types of hospitals, and the authorised use among different levels of medical and health institutions.

On 3 December 2018, the National Health Commission of the PRC promulgated the Administrative Measures for the Classification and Evaluation of the Application Level of the Electronic Medical Record System (Trial) and the Classification and Evaluation Standards for the Application Level of the Electronic Medical Record System (Trial) (《關於印發電子病歷系統應用水準分級評估管理辦法(試行)及評估標準(試行)的通知》) to promote informatisation construction of medical institutions with electronic medical records as the core. The aforesaid administrative measures and evaluation standards stipulate the departmental institutions, principles, procedures and standards for the classification and evaluation of the application level of the electronic medical record system in medical institutions.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

On 29 December 1993, the Standing Committee of the NPC issued the PRC Company Law (《中華人民共和國公司法》), or the Company Law, which was lasted amended on 26 October 2018. Pursuant to the PRC Company Law, limited liability companies and joint stock limited companies established in the PRC have the status of legal persons. The liability of shareholders of a limited liability company and a joint stock limited company is limited to the amount of registered capital they have contributed or shares they have subscribed for. The PRC Company Law shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

Pursuant to the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 version) (《外商投資准入特別管理措施(負面清單) (2021年版)》) promulgated by the NDRC and MOFCOM on 27 December 2021, and came into effect on 1 January 2022, limitations were stipulated for foreign investments in different industries in the PRC and foreign investments shall be classified into two categories, namely "Catalogue of Encouraged Industries for Foreign Investment" and "Special Management Measures (Negative List) for the Access of Foreign Investment". The "Special Management Measures (Negative List) for the Access of Foreign Investment" is further classified into "Catalogue of Industries Limited for Foreign Investment" and "Catalogue of Industries Prohibited for Foreign Investment". Industries which do not fall within the "Special Management Measures (Negative List) for the Access of Foreign Investment" are industries permitted for foreign investment. According to the PRC Legal Advisers, the business we engaged in is not classified under "Special Management Measures (Negative List) for the Access of Foreign Investment".

On 30 December 2019, the MOFCOM and the SAMR issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on 1 January 2020 and replaced the Interim Administrative Measures. Since 1 January 2020, for carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), (the "**Foreign Investment Law**"), was formally adopted by the 2nd session of the Thirteenth NPC on 15 March 2019 and became effective on 1 January 2020. The Foreign Investment Law is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the Foreign Investment Law, foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment means that the treatment given to foreign investors and their investments at the stage of investment access is not lower than that of domestic investors and their investments. The negative list management system means that the state implements special management measures for the access of foreign investment in specific fields. Foreign investors shall not invest in any forbidden fields stipulated in the negative list and shall meet the conditions stipulated in the negative list before investing in any restricted fields.

Foreign investors' investment, earnings and other legitimate rights and interests within the territory of the PRC shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall equally apply to foreign-invested enterprises. The State guarantees that foreign-invested enterprises participate in the formulation of standards in an equal manner. The State guarantees that foreign-invested enterprises participate in government procurement activities through fair competition in accordance with the law. The State shall not expropriate any foreign investment except under special circumstances. In special circumstances, the State may levy or expropriate the investment of foreign investors in accordance with the law for the needs of the public interest. The expropriation and requisition shall be conducted in accordance with legal procedures and timely and reasonable compensation shall be given. In carrying out business activities, foreign-invested enterprises shall comply with relevant provisions on labour protection, social insurance, tax, accounting, foreign exchange and other matters stipulated in the PRC laws and regulation.

Upon taking effect on 1 January 2020, the Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Owned Enterprises Law (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC.

On 26 December 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on 1 January 2020 and replaced the Regulations on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法實施細則》).

Foreign Exchange Regulation

The principal regulations governing foreign currency exchange in China are the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on 29 January 1996 and most recently amended on 5 August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency denominated loans or foreign currency is to be remitted into China under the capital account, such as a capital increase or foreign currency loans to our PRC subsidiary.

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》), as amended, which substantially amends and simplifies the foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》) in May 2013, as amended, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the Circular of Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Circular 13, which became effective on 1 June 2015. Under SAFE Circular 13, the foreign exchange procedures are further simplified, and foreign exchange registrations of direct investment will be handled by the banks designated by the foreign exchange authority instead of SAFE and its branches. However, the foreign invested enterprises were still prohibited by SAFE Circular 13 to use the RMB converted from foreign currency-registered capital to extend entrustment loans, repay bank loans or inter-company loans.

On 9 June 2016, SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》), or Circular 16, which took effect on the same day. Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding Renminbi obtained from foreign exchange settlement are not restricted from extending loans to related parties or repaying the inter-company loans (including advances by third parties).

On 26 January 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimising Genuineness and Compliance Verification (《關於進一步推進外匯管理改革完善真實合規性審核的通知》), or Circular 3, which took effect on the same day. Circular 3 sets out various measures, including the following:

- relaxing the policy restriction on foreign exchange inflow to further enhance trade and investment facilitation, including:
  - expanding the scope of foreign exchange settlement for domestic foreign exchange loans,
  - allowing the capital repatriation for offshore financing against domestic guarantee,
  - facilitating the centralised management of foreign exchange funds of multinational companies, and
  - allowing offshore institutions within pilot free trade zones to settle foreign exchange in domestic foreign exchange accounts; and
- continuing to implement and improve the management policy for the remittance of foreign exchange profits from direct investment including:
  - improving the statistics of current account foreign currency earnings deposited offshore, and
  - requiring banks to verify board resolutions, tax filing form, and audited financial statements before wiring foreign invested enterprises' foreign exchange distribution above US$50,000;
- strengthening genuineness and compliance verification of foreign direct investments, and
- implementing full scale management of offshore loans in Renminbi and foreign currencies by requiring the total amount of offshore loans be no higher than 30% of the onshore lender's equity shown on its audited financial statements of the last year.

On 23 October 2019, SAFE issued Circular on Further Facilitating Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), or Circular 28, which took effect on the same day. Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China, provided that such investments do not violate the negative list and the target investment projects are genuine and in compliance with laws. Since Circular 28 was issued only recently, its interpretation and implementation in practise are still subject to substantial uncertainties.

To use our offshore foreign currency to fund our PRC operations, we will apply to obtain the relevant approvals of SAFE and other PRC government authorities as necessary. Our PRC subsidiary's distributions to their offshore parents and our cross-border foreign exchange activities are required to comply with the various requirements under the relevant foreign exchange rules.

SAFE Circular 37

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, on 4 July 2014, which replaced the former circular commonly known as "SAFE Circular 75" (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on 21 October 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with their legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfil the required SAFE registration, the PRC subsidiary of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. On 13 February 2015, SAFE released SAFE Circular 13, under which qualified local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, from 1 June 2015. There exist substantial uncertainties with respect to its interpretation and implementation by governmental authorities and banks.

Regulation of Dividend Distribution

Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from our PRC subsidiary, which is a wholly foreign-owned enterprise incorporated in the PRC, to fund any cash and financing requirements we may have. The principal laws, rules and regulations governing dividend distribution by wholly foreign-owned enterprise in the PRC are the PRC Company Law, as amended, and the 2019 PRC Foreign Investment Law. Under these laws, rules and regulations, wholly foreign-owned enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A wholly foreign-owned enterprise is required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations Relating to Merger and Acquisition of Domestic Enterprises by Foreign Investors and Overseas Listing

According to the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) ("**M&A Rules**") which were jointly adopted by the MOFCOM, the SAFE and other four ministries on 8 August 2006, took effect on 8 September 2006 and

amended on 22 June 2009, ''mergers and acquisitions of domestic enterprises by foreign investors'' refers to: (a) a foreign investor converts a non-foreign invested enterprise (domestic company) to a foreign invested enterprise by purchasing the equity interest from the shareholder of such domestic company or the increased capital of the domestic company (''**Equity Merger and Acquisition**''); or (b) a foreign investor establishes a foreign invested enterprise to purchase the assets from a domestic enterprise by agreement and operates the assets therefrom; or (c) a foreign investor purchases the assets from a domestic enterprise by agreement and uses these assets to establish a foreign invested enterprise for the purpose of operation of such assets (''**Assets Merger and Acquisition**'').

M&A Rules provides that mergers and acquisitions of domestic enterprises by foreign investors shall be subject to the approval of the MOFCOM or its delegates at provincial level. In the event that any domestic company, enterprise or natural person merges or acquires a domestic company that has affiliated relationship with it through an overseas company legally established or controlled by such domestic company, enterprise or natural person, the merger and acquisition applications shall be submitted to the MOFCOM for approval. Any circumvention on the requirement including domestic re-investment of a foreign invested enterprise is not allowed.

On 24 December 2021, the CSRC published the Administrative Provisions of the State Council on the Overseas Issuance and Listing of Securities by Domestic Enterprises (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草稿徵求意見稿)》)(the ''**Draft Administrative Provisions**''), and the Administrative Measures for Record-filings of the Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the ''**Draft Measures for Record-filing**'', together with the Draft Administrative Provisions, the ''**Drafts relating to Overseas Listings**''), which are open for public comments until 23 January 2022.

The Draft Administrative Provisions, if adopted in its current form, will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities, and will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. According to the Draft Administrative Provisions, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the filing procedure with the CSRC and report relevant information. Overseas offerings and listings that are prohibited by specific laws and regulations, constitute threat to or endanger national security, involve material ownership disputes, the PRC domestic companies, their controlling shareholder or actual controller involving in certain criminal offence, or directors, supervisors and senior management of the issuer involving in certain criminal offence or administrative penalties, among other circumstances, are explicitly forbidden.

As implementation rules, the Draft Measures for Record-filing specifies the filing requirement and procedures. The Draft Measures for Record-filing provides that if the issuer meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) any of the revenue, net profit, total assets or net assets of the domestic companies accounted for more than 50% of the respective audited revenue, net profit, total assets or net assets of the issuer within the latest fiscal year; (ii) a majority of the officers responsible for management of the issuer are PRC citizens or have their usual place of residence located in mainland China, the issuer's main place of operation is within mainland China. It is unclear based on the Draft Measures for Record-filing whether either or both of the above criteria need to be satisfied. Where an

issuer makes an application for initial public offering to competent overseas regulators, the issuer must submit to the CSRC filing documents within three working days after such application is submitted. The Draft Measures for Record-filing also requires subsequent report to the CSRC on material events, such as material change in principal business and change of control.

At the press conference held for Drafts relating to Overseas Listings, officials from the CSRC clarified that implementation of the Drafts relating to Overseas Listings will follow the non-retroactive principle, which means only the initial public offerings by PRC domestic companies and financing by existing overseas listed PRC domestic companies to be conducted after the foregoing regulations become effective will be required to complete the filing process. In addition, the new regulations and rules will grant a proper transition period for existing overseas-listed companies that do not have subsequent financing activities to comply with the filing requirement. As advised by our PRC Legal Advisers, the Drafts relating to Overseas Listings apply to overseas offerings and listings of PRC domestic companies, while do not raise new compliance requirements for business operations of PRC domestic companies. Therefore, we and our PRC Legal Advisers do not foresee the Drafts relating to Overseas Listings, if become effective in their current form, would have a material adverse impact on our business operations and our [REDACTED]. We will closely monitor relevant regulatory developments. As of the Latest Practicable Date, we had not received any inquiry, notice, warning, or sanctions regarding this listing or our corporate structure from the CSRC or any other PRC government authorities with respect to the filing requirement under the new regulatory regime. Our PRC Legal Advisers have also conducted public searches against our PRC-incorporated subsidiaries, our controlling shareholders and actual controllers, as well as our directors and senior management, and did not find any of them having been involved in relevant criminal offences or administrative penalties that would prohibit us from conducting overseas listing or listing under the Drafts relating to Overseas Listings. Based on the foregoing and our PRC Legal Advisers' due inquiry, nothing has come to the attention of our PRC Legal Advisers that we will fall within any of the circumstances which would prohibit PRC domestic companies from conducting overseas listing and listing as provided under the Drafts relating to Overseas Listings. Therefore, if the Drafts relating to Overseas Listings become effective in their current form before the listing is completed, other than uncertainties of the filing procedures which may be further clarified in the final version of the Drafts relating to Overseas Listings and/or their implementation rules, we do not foresee any impediment for us to comply with the Drafts relating to Overseas Listings in any material respect.

OTHER LAWS AND REGULATIONS

Labour and Social Protection

Pursuant to the Labour Law of the PRC (《中華人民共和國勞動法》) promulgated by the Standing Committee of the NPC on 5 July 1994 and last amended and coming into effect on 29 December 2018, the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) amended by the Standing Committee of the NPC on 28 December 2012 and coming into effect on 1 July 2013 and the Implementation Rules of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and coming into effect on 18 September 2008, an employer shall strictly comply with the national standards, provide trainings to its employees, protect their labour rights and perform its labour obligations. An employer shall enter into a written labour contract with its

employees. Labour contracts shall be categorised into labour contracts with fixed term, labour contracts without fixed term and labour contracts to be expired upon completion of certain tasks. The remuneration payable by an employer to its employees shall not be less than local minimum wage.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the Standing Committee of the NPC on 28 October 2010, amended and coming into effect on 29 December 2018, the Administrative Regulations on Housing Provident Fund of the PRC (《中華人民共和國住房公積金管理條例》) amended by the State Council and coming into effect on 24 March 2019 and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) amended by the State Council and coming into effect on 24 March 2019, a domestic enterprise shall pay premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and housing provident fund for its employees at the applicable rates based on the amounts stipulated by the laws. If it fails to pay required amount of premium to local administrative authorities on time or in full, it may be required to settle the overdue amount or subject to fine.

Intellectual Properties

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) which took effect in 1 March 1983 and was most recently amended by the Standing Committee of the NPC on 23 April 2019 and coming into effect on 1 November 2019 and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) amended by the State Council on 29 April 2014 and coming into effect on 1 May 2014, stipulate the application, examination and approval, renewal, alternation, transfer, use and invalidation of trademark registration, and protect the trademark rights entitled to trademark registrants. According to the aforesaid laws and regulations, the registration of a trademark shall be valid for ten years from the date of approval. Upon the expiry of the trademark registration, a renewal shall be made in accordance with requirements within 12 months if necessary. If the renewal is not made within the stipulated period, the valid period may be extended for a further period of six months. Each renewal of registration of trademark shall be valid for ten years from the date of the expiry of the previous trademark registration. A trademark registrant may licence others the right to use his/her trademark by entering into a trademark licence agreement.

Copyright

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》) which took effect in 1991 and was most recently amended on 11 November 2020 and took effect on 1 June 2021 and related rules and regulations. Under the Copyright Law of the PRC, the term of protection for copyrighted software is 50 years. The New Copyright Law increased the cost of infringement violations and expanded the protection coverage of Copyright Law. The Regulation on the Protection of the Right to Communicate Works to the Public over Information Networks (《信息網絡傳播權保護條例》), which was most recently amended on 30 January 2013 and took effect on 1 March 2013, provides specific rules on fair use, statutory licence, and a safe harbour for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and Internet service providers. In order to further implement the Regulations for the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on 20 December 2001 and lastly amended on 30 January 2013

and taking effect on 1 March 2013, the State Copyright Bureau issued the Registration of Computer Software Copyright Procedures (《計算機軟件著作權登記辦法》) on 20 February 2002, which applies to software copyright registration, licence contract registration and transfer contract registration with respect to software copyright.

Domain Names

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and coming into effect on 1 November 2017, the establishment of any domain name root server and institution for operating domain name root servers, managing the registration of domain name and providing registration services in relation to domain name within the territory of China shall be subject to the approval of the Ministry of Industry and Information Technology or provincial, autonomous regional and municipal communications administration. The registration of domain name shall follow the principle of "first apply first register". The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》) promulgated by the Ministry of Industry and Information Technology on 27 November 2017 and coming into effect on 1 January 2018 specifies the obligation of anti-terrorism and maintaining network security of internet information service providers.

REGULATIONS RELATING TO TAXATION

EIT Law

According to the EIT Law of the PRC (《中華人民共和國企業所得税法》), which was promulgated by the NPC on 16 March 2007 and came into effect on 1 January 2008 and was amended on 24 February 2017 and 29 December 2018, and the Implementation Regulations on the EIT Law (《中華人民共和國企業所得税法實施條例》) which was issued by the State Council on 6 December 2007, came into effect on 1 January 2008, and was amended on 23 April 2019, the tax rate of 25% will be applied to the income related to all PRC enterprises, foreign-invested enterprises and foreign enterprises which have established production and operation facilities in the PRC. These enterprises are classified into as either resident enterprises or non-resident enterprises. Enterprises which are established in accordance with the law of the foreign country or region, but whose actual management institutions (referring to the institutions conducting substantive and all-around management and control over the enterprises production, operation, personnel, accounting matters, finance, etc.) are in PRC, are deemed as resident enterprise. Thus, the tax rate of 25% applies to their income originating from both inside and outside the PRC.

According to the EIT Law, certain high-tech enterprises are entitled to a reduced EIT rate of 15%. The Administrative Measures for Certification of High and New Technology Enterprises (《高新技術企業認定管理辦法》) which was amended on 29 January 2016 and became effective on 1 January 2016, provides that, an enterprise legally certificated as a High and New Technology Enterprise is entitled to apply for preferential income tax policies according to EIT law and relevant regulations. A qualified enterprise will be issued the High and New Technology Enterprise Certificate (高新技術企業證書) and the qualification of a certificated enterprise shall be valid for a term of three years from the issuance date of the certificate.

The Notice of the State Administration of Taxation on Issues Related to the Implementation of Preferential Income Tax Policies for New and High Technology Enterprises (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》) was promulgated by the SAT on 19 June 2017, which took effect on the date of promulgation. According to the Notice, after the qualification of high and new technology enterprise is received, an enterprise shall apply for tax concession from the year of issue printed on the certificate of high and new technology enterprise, and shall carry out filings with the administrative tax authority according to regulatory requirements.

According to the EIT Law and the Implementing Regulations of the EIT Law, for dividends payable to investors who are non-resident enterprises (who do not have institutions or places of business in the PRC, or that have institutions and places of business in PRC but to whom the relevant income tax is not effectively connected), 10% of the PRC withholding tax shall be paid, unless there are any applicable tax treaties are reached between the jurisdictions of non-resident enterprises and the PRC which may reduce or provide exemption to the relevant tax. Similarly, any gain derived from the transfer of shares by such investor, if such gain is regarded as income derived from sources within the PRC, shall be subject to 10% PRC income tax rate or a lower tax treaty rate (if applicable).

The PRC Government and the government of Hong Kong entered into the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**") on 21 August 2006 and implemented the Arrangement since 8 December 2006. According to the Arrangement, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests in a PRC company, the tax levied shall be 5% of the distributed dividends. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in the PRC company.

In accordance with the Measures for Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》) which was promulgated by the SAT on 14 October 2019, and came into effect on 1 January 2020, if non-resident taxpayers consider they are eligible for treatments under the tax treaties through self-assessment, they may, at the time of filing tax returns or making withholding tax filings through withholding agents, enjoy the treatments under the tax treaties, and shall concurrently collect and retain the relevant documents for inspection according to relevant regulations, and accept tax authorities' post-filing administration.

Value-added Tax

According to the Temporary Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated on 13 December 1993 by the State Council, came into effect on 1 January 1994 and was amended on 10 November 2008, 6 February 2016 and 19 November 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF on 25 December 1993, became effective on the same day and was amended on 15 December 2008 and 28 October 2011 (collectively, the "**VAT Law**"), taxpayers who engaged in the sale of goods, the provision of processing, repairing and replacement services, leasing service of tangible movable property or import goods within the territory of the PRC shall pay value-added tax. Except as otherwise provided in the VAT law, tax rate for selling services or intangible assets is 6%.

Furthermore, in accordance with the Measures for Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《營業税改徵增值税試點實施辦法》), promulgated by the MOF and the SAT on 23 March 2016 and taking effect on 1 May 2016, entities and individuals engaging in sale of services, intangible assets or immovables in the PRC are taxpayers of VAT and shall not pay business tax. Unless stipulated otherwise, the general tax rate for the sales of services and intangible assets shall be 6%.

PRODUCT LIABILITY AND PROTECTION OF CONSUMERS' RIGHTS

Pursuant to the Product Quality Law (《中華人民共和國產品質量法》) promulgated on 22 February 1993 and latest amended on 29 December 2018 by the Standing Committee of the NPC, the seller shall be responsible for the repair, replacement or return of the product sold if (i) the product sold does not possess the properties for use that it should possess, and no prior and clear indication is given of such a situation; (ii) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (iii) the product sold does not conform to the quality indicated by such means as a product description or physical sample. If a consumer incurs losses as a result of the purchased product, the seller shall compensate for such losses.

On 28 May 2020, the Civil Code adopted by the third session of the Thirteenth NPC of the PRC, which became effective on 1 January 2021, according to which a manufacturer or a commercial seller is subject to liability for harm to persons or property caused by the product defects. The injured patient may seek compensation from the manufacturer or the commercial seller. Where the patient seeks compensation from the commercial seller, the commercial seller have the right to make a claim against the liable manufacturer after it has made compensation.

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated on 31 October 1993 and was amended on 27 August 2009 and 25 October 2013 to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the amendments made on 25 October 2013, all business operators must pay high attention to protecting customers' privacy and must strictly keep confidential any consumer information they obtain during their business operations. In addition, in extreme situations, medical product manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), or the Environmental Protection Law, which was promulgated by the Standing Committee of the NPC on 26 December 1989, came into effect on the same day and last amended on 24 April 2014 and came into force on 1 January 2015, outlines the authorities and duties of various environmental protection regulatory agencies. The Ministry of Environmental Protection is authorised to issue national standards for environmental quality and emissions, and to monitor the environmental protection scheme of the PRC. Meanwhile, local environment protection authorities may formulate local standards which are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

Pursuant to the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council on 29 November 1998, amended on 16 July 2017 and became effective on 1 October 2017, depending on the impact of the construction project on the environment, an construction employer shall submit an environmental impact report or an environmental impact statement, or file a registration form. As to a construction project, for which an environmental impact report or the environmental impact statement is required, the construction employer shall, before the commencement of construction, submit the environmental impact report or the environmental impact statement to the relevant authority at the environmental protection administrative department for approval. If the environmental impact assessment documents of the construction project have not been examined or approved upon examination by the approval authority in accordance with the law, the construction employer shall not commence the construction.

Pursuant to the Environmental Impact Appraisal Law of PRC (《中華人民共和國環境影響評價法》), or the Environmental Impact Appraisal Law, which was promulgated by the Standing Committee of the NPC on 28 October 2002, amended on 2 July 2016 and 29 December 2018, for any construction projects that have an impact on the environment, an entity is required to produce either a report, or a statement, or a registration form of such environmental impacts depending on the seriousness of effect that may be exerted on the environment.

OUR HISTORY

We are a comprehensive medical imaging solution provider and principally engage in providing medical imaging film products and medical imaging cloud services in Shandong Province. Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 December 2020 in preparation for the [REDACTED] and is the holding company of our Group.

Our history can be traced back to 2015 when Mr. Meng, the Chairman, the chief executive officer and an executive Director of our Company, established Shanghai Guanze at the China (Shanghai) Pilot Free Trade Zone, one of our principal operating entities. In view of the tax incentives and regional economic development driven by the expansion of China's free trade zones, Mr. Meng established Shanghai Guanze at the China (Shanghai) Pilot Free Trade Zone in November 2015 for the purpose of undertaking the business of distributorship of medical equipments for the Medical Imaging Products Manufacturer. Mr. Meng has extensive experience in sales and corporate management in the medical device industry. Since then, we have gradually grown into a leading regional provider in the medical imaging market in Shandong Province with extensive business network and hospital coverage.

OUR BUSINESS MILESTONES

The following table outlines the key milestones in our business development.

November 2015	Set up of Shanghai Guanze
January 2016	Shanghai Guanze becoming Tier-1 distributor of the Medical Imaging Products Manufacturer
January 2017	Commencement of our medical imaging cloud services business
October 2017	Shanghai Guanze becoming Tier-2 distributor of the Medical Imaging Products Manufacturer
August 2018	Set up of Jinan Guanze to engage in our self-branded medical imaging film products business
September 2018	Completed the research and development of our self-branded medical image printer
October 2018	Completed the research and development of our self-branded self-service film output printer
November 2018	Obtained Class I medical device registration certificate for our self-branded thermal film
	Obtained Class I medical device registration certificate for our self-branded medical dry laser film

December 2018	Obtained Class I medical device registration certificate for our self-branded medical image printer
	Obtained Class I medical device registration certificate for our self-branded self-service film output printer
January 2019	Obtained Class I medical device registration certificate for our self-branded medical printing film
	Completed the research and development of our self-branded medical image data distribution system
May 2020	Obtained software copyrights of the software in providing medical imaging cloud services
September 2020	Obtained software copyrights of the system in operating our self-branded self-service film output printer and medical image data distribution system
April 2021	Obtained ISO 9001:2015 certification for quality management system in respect of the production and sales of Class I medical device (medical printing film, thermal film)
	Obtained ISO 13485:2016 certification for medical device quality management system for the production and sales of medical printing film and thermal film
May 2021	Obtained ISO 20000–1:2018 certification for information technology service management system in respect of providing medical image information management software operation and maintenance services to external customers
	Obtained ISO 27001:2013 certification for information security management system in respect of the production and sales of medical printing film and thermal film
June 2021	Obtained medical device registration certificate for our PACS system
December 2021	Accredited with High and New Technology Enterprise Certificate

CORPORATE DEVELOPMENT

The following sets out the corporate history and changes in the shareholding composition of each member of our Group.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 December 2020 with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Our Company is an investment holding company and is not currently engaged in any business activity.

As a result of the Reorganisation and before the [REDACTED], our Company became the holding company of our Group. As of the Latest Practicable Date, the issued share capital of our Company was held by Meng A Capital, Billion Vantage and Tang Operation as to 94.05%, 5% and 0.95%, respectively. Please refer to ''Reorganisation'' in this section for further details of the corporate development of our Company.

Our BVI and Hong Kong Subsidiaries

Guanze BVI

Guanze BVI was incorporated under the laws of the BVI with limited liability on 22 December 2020. Guanze BVI is an investment holding company. As of the Latest Practicable Date, Guanze BVI was held as to 100% by our Company. Please refer to ''Reorganisation'' in this section for further details of the corporate development of Guanze BVI.

Tang B Capital

Tang B Capital was incorporated under the laws of the BVI with limited liability on 10 December 2020. Tang B Capital is an investment holding company. As a result of the Reorganisation, Tang B Capital became a direct wholly-owned subsidiary of our Company. Please refer to ''Reorganisation'' in this section for further details of the corporate development of Tang B Capital.

Guanze HK

Guanze HK was incorporated in Hong Kong with limited liability on 15 January 2021. Guanze HK is an investment holding company. As of the Latest Practicable Date, Guanze HK was held as to 100% by Guanze BVI. Please refer to ''Reorganisation'' in this section for further details of the corporate development of Guanze HK.

Lingyun HK

Lingyun HK was incorporated in Hong Kong with limited liability on 13 January 2021. Lingyun HK is an investment holding company. As at the Latest Practicable Date, Lingyun HK was held as to 100% by Tang B Capital. As a result of the Reorganisation, Lingyun HK became an indirect wholly-owned subsidiary of our Company. Please refer to ''Reorganisation'' in this section for further details of the corporate development of Lingyun HK.

Our PRC Subsidiaries

WFOE

WFOE is an indirect wholly-owned subsidiary of our Company established in the PRC on 22 February 2021 as a wholly foreign-owned limited liability company with an initial registered capital of RMB1 million. Since its establishment and up to the Latest Practicable Date, WFOE has been held as to 100% by Guanze HK. Please refer to ''Reorganisation'' in this section for further details of the corporate development of WFOE.

Shandong Guanze

Shandong Guanze was established in the PRC on 25 February 2021 as a limited liability company with an initial registered capital of RMB3 million and is principally engaged in investment holding. As a result of the Reorganisation, Shandong Guanze became an indirect non-wholly owned subsidiary of our Company which was held as to 98.9% by WFOE and 1.1% by Mr. Meng as at the Latest Practicable Date. Please refer to "Reorganisation" in this section for further details of the corporate development of Shandong Guanze.

Shanghai Guanze

Shanghai Guanze is one of the operating subsidiaries of our Group in the PRC and is principally engaged in the business of sales and distribution of medical imaging film products and providing medical imaging cloud services, and possesses Class III Medical Device Business Operation Certificate and Class II Medical Device Business Registration Certificate. It was established under the laws of the PRC on 27 November 2015 at the China (Shanghai) Pilot Free Trade Zone as a limited liability company with an initial registered capital of RMB12 million. Upon its establishment, Shanghai Guanze was held as to 90% by Mr. Meng and 10% by Mr. Li. The capital contribution of RMB1.2 million by Mr. Li was fully settled in cash on 21 September 2016 in accordance with Shanghai Guanze's articles and association.

On 20 November 2019, the shareholders of Shanghai Guanze resolved to increase the then registered capital of Shanghai Guanze from RMB12 million to RMB93.75 million. The additional capital of RMB81.75 million shall be contributed by Mr. Meng. Following the aforesaid capital increase, Shanghai Guanze was held as to 98.72% by Mr. Meng and 1.28% by Mr. Li. Shanghai Guanze completed the registration of the above changes with the competent Chinese government authority and obtained the renewed business licence on 3 December 2019.

As the then registered capital of Shanghai Guanze was, in the view of the Directors, more than that required for the company's business activity, on 21 April 2020, the shareholders of Shanghai Guanze resolved to reduce the then registered capital of Shanghai Guanze from RMB93.75 million to RMB50.0 million, among which the capital contributed by Mr. Meng was reduced by RMB43.75 million. Following the aforesaid capital reduction, Shanghai Guanze was held as to 97.6% by Mr. Meng and 2.4% by Mr. Li. The capital contribution of RMB48.8 million by Mr. Meng was fully settled in cash on 11 May 2020 in accordance with Shanghai Guanze's articles and association. Shanghai Guanze completed the registration of the above changes with the competent Chinese government authority and obtained the renewed business licence on 18 June 2020. As advised by our PRC Legal Advisers, the above reduction of registered capital was in full compliance with applicable laws and regulations of the PRC.

As a result of the Reorganisation, the registered capital of Shanghai Guanze was further reduced to RMB12.0 million and Shanghai Guanze became an indirect non-wholly owned subsidiary of our Company held as to 99% by Shandong Guanze and 1% by Lingyun HK. Please refer to "Reorganisation" in this section for further details.

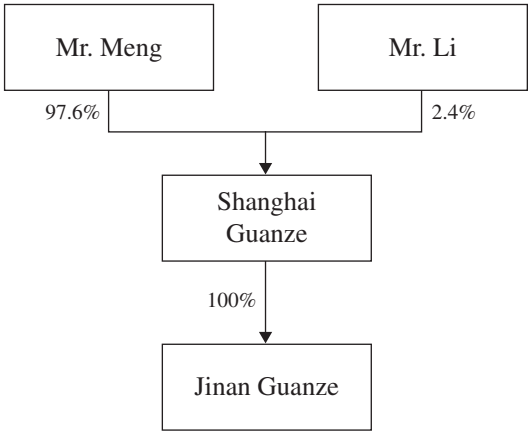
Jinan Guanze

Jinan Guanze is one of the operating subsidiaries of our Group in the PRC and is principally engaged in the business of providing medical imaging film products and medical imaging cloud services, and possesses among others, Class II Medical Device Business Registration Certificate, Class III Medical Device Business Operation Certificate and Medical Device Registration Certificate (Year 2017 Catalogue: Class II; 21-02 Image Processing Software). For details on licences and permits possessed by Jinan Guanze, please refer to ''Business — Licence and Permits''. It was established under the laws of the PRC as a limited liability company on 30 August 2018 with an initial registered capital of RMB12 million, which had been fully settled in cash as at the Latest Practicable Date in accordance with Jinan Guanze's articles and association. Upon its establishment, Jinan Guanze was held as to 90% by Shanghai Guanze and 10% by Mr. Meng.

On 8 March 2019, Mr. Meng entered into an equity transfer agreement with Shanghai Guanze, pursuant to which Mr. Meng agreed to transfer 10% equity interest (which had not been paid up at the material time) in Jinan Guanze to Shanghai Guanze at nil consideration. Jinan Guanze completed the registration of the above changes with the competent Chinese government authority and obtained the renewed business licence on 15 March 2019. Upon completion of the aforesaid transfer and up to the Latest Practicable Date, Jinan Guanze has been wholly owned by Shanghai Guanze.

REORGANISATION

The shareholding and corporate structure of our Group immediately before the Reorganisation is set out as follows:



In preparation for the [REDACTED], we carried out a series of restructuring steps for the purpose of establishing and streamlining our corporate structure for the [REDACTED].

Step 1: Incorporation of offshore investment holding company and our offshore entities

Meng A Capital

On 10 December 2020, Meng A Capital was incorporated in the BVI and is authorised to issue a maximum of US$50,000 divided into 50,000 shares with a par value of US$1.00 each. Upon incorporation, one ordinary share was allotted and issued to Mr. Meng at par, and Meng A Capital has been 100% held by Mr. Meng since its incorporation and up to the Latest Practicable Date. Meng A Capital is an investment holding company.

Our Company

On 11 December 2020, our Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. Upon incorporation, one Share was allotted and issued at par to the initial subscriber, which was then transferred to Meng A Capital on the same day. Upon completion of the Reorganisation, our Company became the holding company of our Group.

Guanze BVI

On 22 December 2020, Guanze BVI was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares with a par value of US$1.00 each. Upon incorporation, one ordinary share of Guanze BVI was allotted and issued to our Company at par, and Guanze BVI has been 100% held by our Company since then and up to the Latest Practicable Date.

Guanze HK

On 15 January 2021, Guanze HK was incorporated in Hong Kong with limited liability with an initial share capital of HK$1.00 of one share, which was allotted and issued to Guanze BVI. Since its incorporation and up to the Latest Practicable Date, Guanze HK has been 100% held by Guanze BVI.

Step 2: Incorporation of offshore companies by Dr. Tang

In preparation for the [REDACTED] Investment, Dr. Tang, an Independent Third Party, incorporated the offshore companies as set out below.

Tang Operation

On 10 December 2020, Tang Operation was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares with a par value of US$1.00 each. Upon incorporation, one ordinary share of Tang Operation was allotted and issued to Dr. Tang at par, and Tang Operation has been 100% held by Dr. Tang since then and up to the Latest Practicable Date. Tang Operation is an investment holding company.

Tang B Capital

On 10 December 2020, Tang B Capital was incorporated in the BVI and is authorised to issue a maximum of 50,000 shares with a par value of US$1.00 each. Upon incorporation, one ordinary share of Tang B Capital was allotted and issued to Tang Operation at par. Tang B Capital is an investment holding company.

Lingyun HK

On 13 January 2021, Lingyun HK was incorporated in Hong Kong with limited liability with an initial share capital of HK$1.00 of one share, which was allotted and issued to Tang B Capital. Since its incorporation and up to the Latest Practicable Date, Lingyun HK has been 100% held by Tang B Capital. Lingyun HK is an investment holding company.

Step 3: Reduction of registered capital of Shanghai Guanze

As part of the Reorganisation, pursuant to the shareholders' resolutions of Shanghai Guanze passed on 10 September 2020, the then registered capital of Shanghai Guanze was reduced from RMB50 million to RMB12 million, among which the capital contributed by Mr. Meng and Mr. Li was reduced by RMB36.92 million and RMB1.08 million, respectively. Following the aforesaid capital reduction, Shanghai Guanze was held as to 99% by Mr. Meng and 1% by Mr. Li. Shanghai Guanze completed the registration of the above changes with the competent Chinese government authority and obtained the renewed business licence on 6 November 2020.

Step 4: Transfer of 1% equity interest in Shanghai Guanze from Mr. Li to Lingyun HK

As part of the [REDACTED] Investment, pursuant to an equity transfer agreement dated 14 January 2021 between Mr. Li and Lingyun HK (the then wholly-owned investment vehicle of Dr. Tang), Mr. Li agreed to transfer 1% equity interest in Shanghai Guanze to Lingyun HK at a consideration of RMB460,000, which was determined after arm's length negotiations between the parties with reference to the net asset value of Shanghai Guanze of approximately RMB46 million as at 30 November 2020 as appraised by an independent valuer in the PRC. Following completion of the aforesaid equity transfer, Shanghai Guanze became a sino-foreign joint venture and was held as to 99% by Mr. Meng and 1% by Lingyun HK. Shanghai Guanze completed the registration of the above changes with the competent Chinese government authority on 7 February 2021. The consideration of the aforesaid equity transfer was fully settled in cash by Lingyun HK on 8 April 2021. Please refer to "[REDACTED] Investments" in this section for further details.

Step 5: Establishment of WFOE and Shandong Guanze

WFOE

On 22 February 2021, WFOE was established as a wholly foreign-owned limited liability company in the PRC with an initial registered capital of RMB1 million contributed by Guanze HK. Since its establishment and up to the Latest Practicable Date, WFOE has been held as to 100% by Guanze HK.

Shandong Guanze

On 25 February 2021, Shandong Guanze was established as a limited liability company in the PRC with an initial registered capital of RMB3 million to be contributed by WFOE. At the time of its establishment and up to the Latest Practicable Date, Shandong Guanze was held as to 100% by WFOE.

Step 6: Transfer of 99% equity interest in Shanghai Guanze from Mr. Meng to Shandong Guanze and subscription of increased registered capital in Shandong Guanze by Mr. Meng

Pursuant to an equity transfer agreement dated 1 March 2021 between Mr. Meng and Shandong Guanze, Mr. Meng agreed to transfer 99% equity interest in Shanghai Guanze to Shandong Guanze at a consideration of approximately RMB45.50 million, which was determined with reference to the net asset value of Shanghai Guanze of approximately RMB46 million as at 30 November 2020 as appraised by an independent valuer in the PRC, and such consideration was settled by way of Shandong Guanze issuing 1% equity interest in Shandong Guanze in the amount of RMB30,300 to Mr. Meng on 1 March 2021.

Pursuant to the shareholders' resolutions of Shandong Guanze passed on 1 March 2021, the registered capital of Shandong Guanze was increased from RMB3 million to RMB3.0303 million, and such increased portion of the registered capital in the amount of RMB30,300, representing 1% of the equity interest in Shandong Guanze, was subscribed by Mr. Meng as aforementioned.

Upon completion of the aforesaid transfer of 99% equity interest in Shanghai Guanze from Mr. Meng to Shandong Guanze and subscription of the increased registered capital in Shandong Guanze by Mr. Meng, (i) Shanghai Guanze was held as to 99% by Shandong Guanze and 1% by Lingyun HK; and (ii) Shandong Guanze was held as to 99% by WFOE and 1% by Mr. Meng. Shandong Guanze and Shanghai Guanze completed the registration of the above changes with the competent Chinese government authority and obtained the renewed business licence on 2 March 2021 and 8 March 2021, respectively.

Step 7: Share swap between Tang Operation and our Company

As part of the [REDACTED] Investment, pursuant to a sale and purchase agreement dated 9 April 2021 between our Company and Tang Operation, Tang Operation transferred one share of Tang B Capital, representing the entire issued share capital of Tang B Capital, to our Company on 9 April 2021 in consideration for the allotment and issue of one Share in our Company, credited as fully paid, to Tang Operation. On the same day, our Company further allotted and issued 98 Shares at par to Meng A Capital.

Upon completion of the aforesaid share swap, (i) Tang B Capital became a direct wholly-owned subsidiary of our Company, and Lingyun HK was accordingly an indirect wholly-owned subsidiary of our Company; and (ii) our Company was held as to 99% by Meng A Capital and 1% by Tang Operation. Please refer to "[REDACTED] Investments" in this section for further details.

Step 8: Subscription of Shares by Billion Vantage

As part of the [REDACTED] Investment, pursuant to a subscription agreement dated 24 April 2021 between our Company and Billion Vantage, on 26 April 2021, Billion Vantage subscribed for 100 Shares, representing 5% of the then issued share capital of our Company as enlarged by the allotment and issue of Shares to Meng A Capital and Tang Operation as mentioned below, at a consideration of HK$16.5 million, which was determined after arm's length negotiations between the parties. On the same day, our Company further allotted and issued 1,782 Shares and 18 Shares at par to Meng A Capital and Tang Operation, respectively. Upon completion of the aforesaid subscription of Shares, our Company was held as to 94.05%, 5% and 0.95% by Meng A Capital, Billion Vantage and Tang Operation, respectively. Please refer to "[REDACTED] Investments" in this section for further details.

Step 9: Increase of registered capital of Shandong Guanze and capital contribution made by Mr. Meng

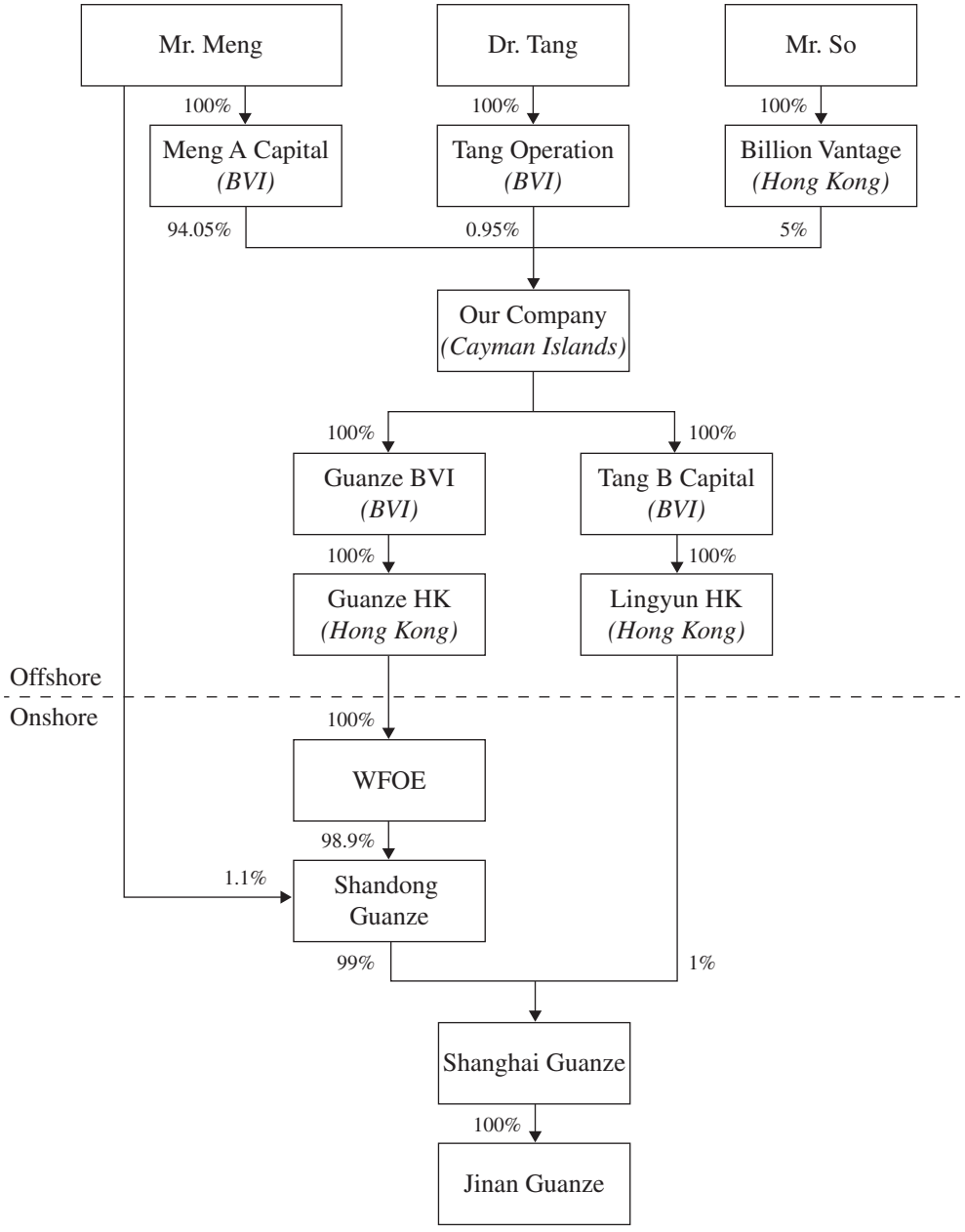
For the purpose of settling the amount due to Mr. Meng as a result of the reduction of registered capital of Shanghai Guanze as part of the Reorganisation, on 13 September 2021, shareholders' resolutions were passed to approve the increase in registered capital of Shandong Guanze from RMB3.0303 million to RMB3.0333 million through a capital contribution of RMB25 million made by Mr. Meng. RMB3,000 of such capital injection was credited to the registered capital of Shandong Guanze and the remaining RMB24.997 million was credited to the capital reserve of Shandong Guanze. The amount was paid up in cash on 16 September 2021. Such increased portion of registered capital in the amount of RMB3,000, representing 0.1% of the equity interest in Shandong Guanze, was subscribed by Mr. Meng.

Upon completion of the aforesaid subscription of the increased registered capital in Shandong Guanze by Mr. Meng, Shandong Guanze was held as to 98.9% by WFOE and 1.1% by Mr. Meng. Shandong Guanze completed the registration of the above changes with the competent Chinese government authority and obtained the renewed business licence on 14 September 2021. Please refer to "Reorganisation — Step 3: Reduction of registered capital of Shanghai Guanze" in this section for further details on the reduction of registered capital in Shanghai Guanze.

SHAREHOLDING AND CORPORATE STRUCTURE

Our Shareholding and Corporate Structure after completion of the Reorganisation but before the [REDACTED] and [REDACTED]

The shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before the [REDACTED] and the [REDACTED] is set out as follows:

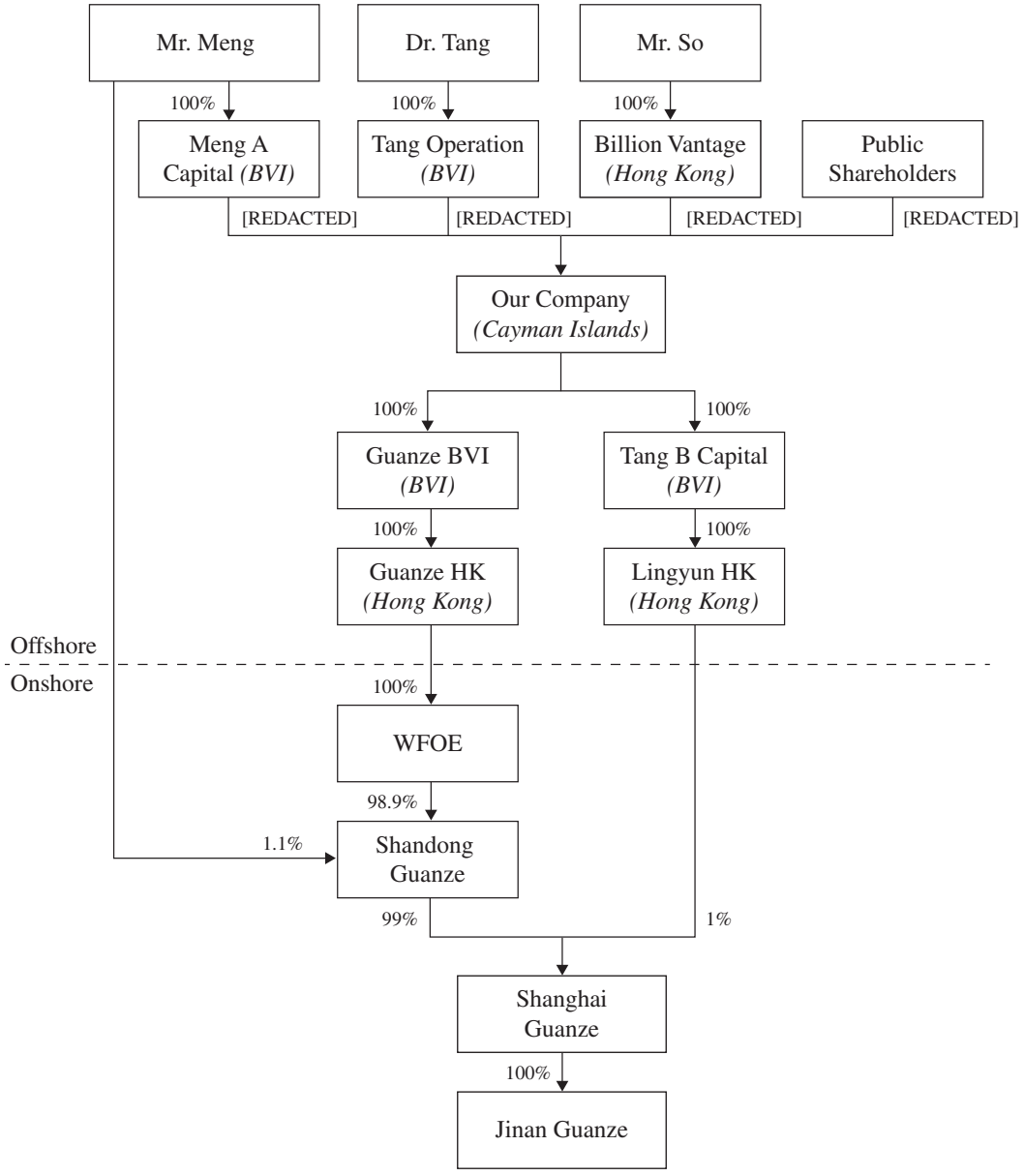


[REDACTED] and [REDACTED]

Conditional upon the creation of our Company's share premium account as a result of the issue of the [REDACTED] pursuant to the [REDACTED], an amount of HK$[REDACTED] standing to the credit of the share premium account of our Company will be capitalised by applying such sum towards paying up in full at par a total of [REDACTED] Shares for allotment and issue to the then existing Shareholders.

Our Shareholding and Corporate Structure after completion of the [REDACTED] and the [REDACTED]

The shareholding and corporate structure of our Group immediately after completion of the [REDACTED] and the [REDACTED] is set out as follows:



Note: The total percentage does not add up to 100% due to rounding.

[REDACTED] INVESTMENTS

There were two [REDACTED] Investments in our Company, details of which are set out below:

(i) [REDACTED] Investment made by Tang Operation

Pursuant to an equity transfer agreement dated 14 January 2021 between Mr. Li and Lingyun HK (the then wholly-owned investment vehicle of Dr. Tang), Lingyun HK acquired 1% equity interest in Shanghai Guanze from Mr. Li at a consideration of RMB460,000. To reflect the investment of Lingyun HK at our Company's level, pursuant to a sale and purchase agreement dated 9 April 2021 between our Company and Tang Operation, which was the wholly-owned investment holding company of Dr. Tang, Tang Operation transferred one share, representing the entire issued share capital of Tang B Capital, to our Company in consideration for the allotment and issue of one Share in our Company to Tang Operation. Upon completion of the aforesaid transfers and prior to the [REDACTED] Investment made by Billion Vantage, Dr. Tang, through Tang Operation, held 1% of the issued share capital of our Company and Tang B Capital became a wholly-owned subsidiary of our Company. Please refer to "Reorganisation — Step 4: Transfer of 1% equity interest in Shanghai Guanze from Mr. Li to Lingyun HK" and "Reorganisation — Step 7: Share swap between Tang Operation and our Company" in this section for further details.

(ii) [REDACTED] Investment made by Billion Vantage

Pursuant to a subscription agreement dated 24 April 2021 between our Company and Billion Vantage, Billion Vantage subscribed for 100 Shares, representing 5% of the then issued share capital of our Company, at a consideration of HK$16.5 million.

The following table sets out a summary of the principal terms of the [REDACTED] Investments.

Principal terms of the [REDACTED] Investments

Name of the [REDACTED] Investor:	Tang Operation	Billion Vantage
Name of beneficial owner:	Dr. Tang	Mr. So
Date of the agreement:	14 January 2021	24 April 2021
Amount of consideration:	RMB460,000 paid to Mr. Li for the acquisition of 1% equity interest in Shanghai Guanze from Mr. Li, which was determined after arm's length negotiations between the parties with reference to the net asset value of Shanghai Guanze of approximately RMB46 million as at 30 November 2020 as appraised by an independent valuer in the PRC and also having taken into account the strategic benefits which would be brought by Dr. Tang to our Group as detailed below.	HK$16.5 million paid to our Company for the subscription of new Shares, representing 5% of the enlarged issued share capital of our Company, which was determined after arm's length negotiations between the parties after taking into account a number of factors, including the timing of the investment, financial performance and prospects of our business and industry outlook.
Date on which the consideration was fully settled:	8 April 2021	26 April 2021
Shareholding in our Company immediately after the [REDACTED] Investments:	0.95%	5%
Number of Shares held by the [REDACTED] Investor upon completion of the [REDACTED] and the [REDACTED][(1)]:	[REDACTED] Shares (representing approximately [REDACTED]% of the issued share capital of our Company upon completion of the [REDACTED] and the [REDACTED])	[REDACTED] Shares (representing approximately [REDACTED]% of the issued share capital of our Company upon completion of the [REDACTED] and the [REDACTED])
Cost per Share paid (taking into account the [REDACTED]):	Approximately HK$[REDACTED] (representing a discount of approximately [REDACTED]% to the mid-point of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED])	Approximately HK$[REDACTED] (representing a discount of approximately [REDACTED]% to the mid-point of the indicative [REDACTED] range of HK$[REDACTED] to HK$[REDACTED])
Special Rights:	No special rights have been granted under the [REDACTED] Investments.	

Strategic benefits to our Group:	Our Directors are of the view that we would be able to benefit from the knowledge and network of Dr. Tang in big data and convolutional neural network, based on which our Directors believe that Dr. Tang would provide valuable technical advice or insights regarding our Group's medical imaging cloud services and the integration or development of AI-aided diagnosis software to be acquired or developed by our Group. For further details of Dr. Tang's background, please refer to the paragraph headed ''Information of the [REDACTED]'' below''.	Our Directors are of the view that the [REDACTED] Investment made by Billion Vantage would serve as an additional working capital and provide an immediate available fund for supporting our Group's business.
Use of proceeds:	Not applicable. The consideration was paid by Lingyun HK to Mr. Li.	All proceeds will be used for business expansion, capital expenditures, general working capital needs or otherwise permitted by and in accordance with the business plans of our Company. As at the Latest Practicable Date, approximately RMB0.42 million remained unutilised.
Lock-up period:	The Shares held by Tang Operation and Billion Vantage will be subject to lock-up for a period of six months commencing on the [REDACTED] Date.	
Public float:	Upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised), Tang Operation and Billion Vantage will each hold less than 10% of the issued Shares. As Tang Operation and Billion Vantage and their respective beneficial owners are not core connected person of our Company, the Shares held by Tang Operation and Billion Vantage will be counted towards our public float after the [REDACTED].	

Note:

(1) Assuming the [REDACTED] is not exercised.

Information of the [REDACTED]

Information about Tang Operation

Tang Operation was incorporated in the BVI and is wholly and directly owned by Dr. Tang. Dr. Tang is currently serving as the senior engineer in software control system and big data of Palcan Energy Corporation and focused in convolutional neural network, which is most commonly applied to analyse visual imagery. Dr. Tang obtained a bachelor's degree in engineering from Xiamen University (廈門大學) in July 1991. He further obtained a doctoral degree in precision instrument and machinery from Tsinghua University (清華大學) in June 2001. Dr. Tang published more than 20 research papers and United States patents in relation to fuel cells. To the best of our Directors' knowledge, information and belief after making reasonable enquiries, Dr. Tang and Mr. Meng became acquainted when they attended Xiamen University (廈門大學). Dr. Tang decided to invest in our Company through Tang Operation in view of the prospects of our business growth. The source of funds for the [REDACTED] Investment of Tang Operation in the Company was derived from his own funds. Save for his previous directorship in Tang B Capital prior to the completion of the Reorganisation, Dr. Tang did not hold any other directorship in other subsidiaries of our Group, and is an Independent Third Party.

Save as disclosed above, to the best of our Directors' knowledge, information and belief after making reasonable enquiries and as confirmed by Dr. Tang, Tang Operation and Dr. Tang have no past or present relationships with our Group or any connected persons of the Company and they are both Independent Third Parties.

Information about Billion Vantage

Billion Vantage is a limited company incorporated under the laws of Hong Kong and is wholly and directly owned by Mr. So. To the best of our Directors' knowledge, information and belief after making reasonable enquiries, Mr. So and Mr. Meng became acquainted when they were students at Xiamen University (廈門大學). Having considered the prospect of our Group's business, Mr. So decided to invest in our Group through the [REDACTED] Investment to seek for a long-term investment return. As confirmed by Mr. So, Billion Vantage is an investment holding company and the source of funds for the [REDACTED] Investment of Billion Vantage in the Company was came from his private investments and own businesses principally engaged in chemical trading and the provision of merchandising agency services in respect of gold and healthcare products in China.

Save as disclosed above, to the best of our Directors' knowledge, information and belief after making reasonable enquiries and as confirmed by Mr. So, Billion Vantage and Mr. So have no past or present relationships with our Group or any connected persons of the Company and they are both Independent Third Parties.

Sole Sponsor's Confirmation

Given that (i) our Directors confirmed that the terms of the [REDACTED] Investments (including the consideration) were determined on arm's length basis; (ii) no special rights have been granted under the [REDACTED] Investments; and (iii) the [REDACTED] Investments were completed more than 28 clear days before the date of submission of the application for the [REDACTED], the Sole Sponsor confirms that the [REDACTED] Investments are in compliance with the Interim Guidance on [REDACTED] Investments (HKEx-GL29-12), the Guidance Letter on [REDACTED] Investments

(HKEx-GL43-12) issued by the Stock Exchange, whereas the Guidance Letter on [REDACTED] Investments on Convertible Instruments (HKEx-GL44-12) issued by the Stock Exchange is not applicable.

LEGAL COMPLIANCE

Our PRC Legal Advisers have advised that with respect to the establishment, transfer of equity interests and change in registered capital in respect of the PRC companies in our Group, all requisite approvals, permits and licences required under the PRC laws and regulations have been obtained and all the necessary filings and registration have been effected in all material aspects. As advised by our PRC Legal Advisers, the procedures and steps under the Reorganisation involving the PRC companies in our Group complied with the relevant PRC laws and regulations in all material aspects.

M&A Provisions

According to Article 11 of the M&A Provisions, where a domestic company, enterprise or natural person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of MOFCOM; and according to Article 40 of the M&A Provisions, where a domestic company, enterprise or natural person holds an equity interest in a domestic company through an offshore special purpose company, the overseas listing of that special purpose company shall be subject to approval by the CSRC.

Since Dr. Tang is not a related party to Shanghai Guanze and its then shareholders, as confirmed by our Directors, our PRC Legal Advisers advised that Article 11 of the M&A Provisions does not apply to the acquisition of 1% equity interest in Shanghai Guanze by Dr. Tang from Mr. Li and no approval from MOFCOM is required; given that Shanghai Guanze was an existing sino-foreign joint venture prior to the acquisition of 99% equity interest in Shanghai Guanze by Shandong Guanze, Article 11 of the M&A Provisions does not apply to the aforesaid acquisition. Further, the Reorganisation does not involve overseas listing transaction of special purpose companies formed for listing purposes and controlled directly or indirectly by PRC companies or PRC individuals, as defined under the M&A Provisions, and thus, does not require the approval from the CSRC.

SAFE Registration in the PRC

Pursuant to the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "**SAFE Circular No. 37**"), promulgated by SAFE and which became effective on 14 July 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Director Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**SAFE Circular No. 13**"), promulgated by SAFE and which became effective on 1 June 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisers, Mr. Meng, being our applicable shareholder, has completed the initial registration under the SAFE Circular No. 13 and the SAFE Circular No. 37 on 18 February 2021.

OVERVIEW

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

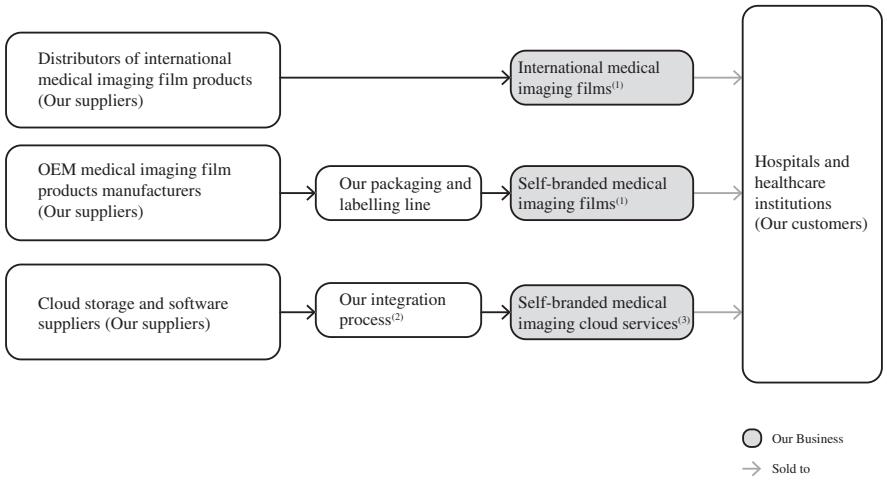
We have been the distributor of international medical imaging film products since 2016. Leveraging on our established customer base in the medical imaging market in Shandong Province and with a view to increasing our profitability, we have provided our self-branded medical imaging film products to our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

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

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

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

The following diagram illustrates our main business model.



Notes:

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

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

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

During the Track Record Period, our customers included hospitals and healthcare institutions in Shandong Province. Over years of operations, we have accumulated a solid customer base and our customers covered 43 Grade III hospitals, 30 Grade II hospitals and 20 Grade I hospitals in Shandong Province, accounting for approximately 20.7% Grade III hospitals, 4.1% Grade II hospitals and 1.9% Grade I hospitals in Shandong Province, since the date of our inception until the Latest Practicable Date. According to CIC, Grade III hospitals in the PRC had the highest patient visits, which accounted for only 9.0% of total number of hospitals in the PRC but with approximately 57.5% of total visits to hospitals in the PRC in 2021, because the ability to provide an accurate diagnosis at lower grade hospitals is relatively low and hence patients are inclined to visit a higher grade hospital. Our Directors believe that our extensive hospital coverage and business network, in particular, our coverage on Grade III hospitals, significantly strengthen our position in the medical imaging market in Shandong Province. Going forward, we will continue to enhance cooperation with existing customers as well as establish our presence in the eastern part of Shandong Province that are not extensively covered by our products and services network.

In terms of suppliers, for our distribution business, we procure medical imaging film products from distributors of the medical imaging film products for onward selling to our customers. For our self-branded products business, we procure medical imaging film products from OEM manufacturers, which will be further packaged and labelled or assembled by us. For our medical imaging cloud services, we procure software from our software suppliers, which are designed in accordance with our requirements and specifications.

During the Track Record Period, our Group generated all of the revenue and profits from customers in Shandong Province. For the three years ended 31 December 2021 and the six months ended 30 June 2022, we recorded a total revenue of approximately RMB140.8 million, RMB184.4 million, RMB211.1 million and RMB98.6 million, respectively, and a net profit of approximately RMB22.3 million, RMB29.0 million, RMB23.1 million and RMB15.4 million for the same periods, respectively. The following table sets forth details of our Group's revenue derived from each business segment during the Track Record Period for the periods indicated:

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

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

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

	For the year ended 31 December									For the six months ended 30 June					
	2019			2020			2021			2021			2022		
	Gross profit RMB'000	*%*	*Gross profit margin %*	*Gross profit RMB'000*	*%*	*Gross profit margin %*	*Gross profit RMB'000*	*%*	*Gross profit margin %*	*Gross Profit RMB'000* (unaudited)	*%*	*Gross profit margin %*	*Gross Profit RMB'000*	*%*	*Gross profit margin %*
Sales of medical imaging film products	36,558	78.8	28.4	51,779	84.1	30.0	63,654	84.1	32.3	31,385	86.3	31.2	34,727	87.6	37.4
Medical imaging cloud services	9,857	21.2	82.7	9,796	15.9	84.2	12,045	15.9	85.1	5,003	13.7	81.2	4,899	12.4	83.7
Total	46,415	100	33.0	61,575	100	33.4	75,699	100	35.9	36,388	100	34.1	39,626	100	40.2

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success, differentiated us from our competitors, and will continue to be the key drivers of our business growth:

The only provider in Shandong Province which provides medical imaging film products together with medical imaging cloud services

According to CIC, we are the only provider in Shandong Province which provides medical imaging film products together with medical imaging cloud services. In respect of our medical imaging film products business, our Group engages in the distribution of medical imaging film products from international brand(s) and the sale of our self-branded medical imaging film products. According to CIC, for our distribution business, our Group was the biggest Tier-2 distributor of the Medical Imaging Products Manufacturer in Shandong Province in terms of sales volume in 2021. In respect of our medical imaging cloud services business, our Group was the third largest medical imaging cloud services supplier in Shandong Province with a market share of approximately 4.7%, in terms of sales revenue in 2021.

As a one-stop medical imaging solutions provider, if our customers procure medical imaging films from us and depending on our customers' needs, we will provide the medical imaging cloud services along with the medical imaging films so that the medical imaging printers can be connected to our digital medical imaging cloud storage platform to retrieve medical data. Our Directors consider that we differentiate ourselves from other medical imaging film products providers in Shandong Province by specialising in the integration of both hardware and software for offering a one-stop medical imaging products and services to our customers, which in turn help to maintain customers stickiness and loyalty to our products and services.

Further, as the provision of medical imaging film products and medical imaging cloud services share the same pool of customers, the knowledge, expertise and skillset of our sales and marketing teams can be transferred to the medical imaging cloud services business. In such case, our sales and marketing resources can be shared among the two segments, and accordingly, we can better utilise our marketing expenses.

Since we commenced our medical imaging film products business earlier than our medical imaging cloud services business, we have already established solid and stable relationship with our customers. Our familiarity of the procurement procedures and requirements of our customers in Shandong Province gives us an edge over new entrants to the medical imaging cloud services market and hence helps us attract more customers and grows our market share.

An early mover to the medical imaging cloud services market in Shandong Province

We consider ourselves as an early mover to tap into the medical imaging cloud services market in Shandong Province. Driven by the needs of larger storage capacity due to the improvement in imaging devices and significant increase in image volume, cloud platform becomes a more cost-efficient way than traditional local storage. Coupled with the needs of information and data sharing within regions and between hospitals and healthcare institutions, the market size of medical imaging cloud services industry in the PRC increased from approximately RMB0.7 billion in 2016 to approximately RMB3.5 billion in 2021 at a CAGR of approximately 36.6% and is expected to further grow from approximately RMB3.5

billion in 2021 to approximately RMB18.9 billion in 2030 at a CAGR of approximately 20.6%. The market size of medical imaging cloud services industry in Shandong Province increased rapidly from less than approximately RMB0.06 billion in 2016 to approximately RMB0.30 billion in 2021 at a CAGR of approximately 40.5%, and it is expected to keep continuous growth and reach approximately RMB1.63 billion in 2030 at a CAGR of approximately 20.5%.

In 2017, we started to provide medical imaging cloud services in the course of the sale of medical imaging films to our customers in Shandong Province and therefore have established a market presence in the medical cloud services industry in Shandong Province. As at 31 December 2019, 2020, 2021 and 30 June 2022 and the Latest Practicable Date, the number of customers subscribing to our medical imaging cloud services was 42, 51, 53, 53 and 55, respectively. Our customer base increased year by year and our experience in the provision of medical imaging cloud services has become more mature over the years of operation. During the Track Record Period, our Group's revenue derived from the provision of medical imaging cloud services business segment were approximately RMB11.9 million, RMB11.6 million, RMB14.2 million and RMB5.9 million, respectively, representing approximately 8.5%, 6.3%, 6.7% and 5.9%, of our Group's total revenue for the relevant period, respectively. We also plan to broaden our source of income by expanding our medical imaging cloud services portfolio to further capture the rising opportunities of the medical imaging cloud services market in Shandong Province. Leveraging on the advantage of being an early mover to the market, proven track record, as well as market recognition, we believe that we are well positioned to further increase our market share in the medical imaging cloud services industry in Shandong Province efficiently, strengthen our competitive advantages effectively and generate attractive investment returns for our Shareholders.

Well-positioned to capture the opportunities in Shandong Province

During the Track Record Period, all of our customers are located in Shandong Province, which is a highly-populated province in the PRC with relatively high medical demands and extensive hospital coverage. According to CIC, in 2021, Shandong Province ranked the second, the second and the fifth in terms of resident population, healthcare institutions coverage, and number of outpatient visits, respectively, amongst all provinces, municipalities and autonomous regions in the PRC and the total number of hospitals in Shandong Province increased from over 2,000 in 2016 to over 2,600 in 2021 and is expected to increase to over 2,900 in 2025.

Our business is deeply rooted in Shandong Province, which allows us to capture the opportunities there. Over years of operations, we have accumulated a solid customer base and we have successfully established an extensive hospital coverage that covered 43 Grade III hospitals, 30 Grade II hospitals and 20 Grade I hospitals in Shandong Province, accounting for approximately 20.7% Grade III hospitals, 4.1% Grade II hospitals and 1.9% Grade I hospitals in Shandong Province, as at the Latest Practicable Date. According to CIC, Grade III hospital in the PRC had the highest patient visits, which accounted for only 9.0% of total number of hospitals in the PRC but with approximately 57.5% of total visits to hospitals in the PRC in 2021, because the ability to provide an accurate diagnosis at lower grade hospitals is relatively low and hence patients are inclined to visit a higher grade hospital. We believe our extensive coverage is a sign showing that we have a reputation among the hospitals and healthcare institutions in Shandong Province. Our Directors also believe that the newly established hospitals and healthcare institutions may tend to choose us as their medical imaging film products and medical imaging cloud services providers due to our familiarity with the operation and procurement process of the hospitals and healthcare institutions in Shandong Province.

Stable and established business relationship with our customers and international medical imaging film products suppliers

We maintain stable and established business relationship with our customers and more than 40% of our customers have maintained business relationship with us since our inception. To maintain business relationship with our customers, our sales and marketing and engineering teams are receptive to our customers' feedback, changing preferences and operational needs and are able to provide comprehensive after-sales support in a timely manner. This, in turn, facilitates a better working relationship with procurement personnel and medical practitioners from different departments of the hospitals and healthcare institutions. Our timely delivery of products and services also helps maintain our business relationship with existing customers in Shandong Province.

Moreover, our sales model is to provide corresponding self-service film output printer and medical image printer during the sale of medical imaging films to avoid the possibility of distortion of images and incompatibilities when different brands of equipment and films are used. According to CIC, this is in line with the market practise. We believe that there will be a continuous demand for the medical imaging films as our customers will be more inclined to purchase medical imaging films from us after installing the corresponding self-service film output printer and medical image printer at their hospitals and healthcare institutions.

Further, to the best knowledge of our Directors, as at the Latest Practicable Date, the hospitals and/or healthcare institutions procure our Group's products and services including the medical imaging film products of the Medical Imaging Products Manufacturer and our medical imaging cloud services, exclusively from us. As a result, there will be a recurring demand for our medical imaging film products and medical imaging cloud services from our existing customers and in turn customer stickiness and loyalty to our Group can be maintained.

Our Directors believe that our stable relationship with our customers also serves as one of the essential factors in securing our existing suppliers and distributorship and has brought us a competitive advantage in obtaining and/or negotiating variable distribution rights with medical imaging film products manufacturers or its distributors. We also believe that our solid business relationship with our customers allows us to stand out in the competition of the medical imaging market in Shandong Province as we have already gained an in-depth knowledge and understanding of the procurement procedures and requirements of the hospitals and healthcare institutions as well as their internal rules and regulations.

Furthermore, we believe that a stable and good relationship with the distributors of international medical imaging film products is one of the factors to achieve our success. One of our medical imaging film products suppliers is the Tier-1 distributor of the Medical Imaging Products Manufacturer, which is Honghe Group. We have established our business relationship with Honghe Group since 2017 and entered into a ten-year framework procurement agreement with Honghe Group in February 2021. Founded in 1901, the principal business of Medical Imaging Products Manufacturer is manufacturing of medical imaging film products. According to CIC, Medical Imaging Products Manufacturer was the market leader in the medical image film products market in the PRC and Shandong Province with a market share of approximately 28.0% and 55.0%, respectively, by revenue in 2021. As at 30 June 2022, approximately 38.6% of our customers procured medical imaging film products of the Medical Imaging Products Manufacturer from us.

Capable to supply self-branded medical imaging film products to vertically integrate our medical imaging film products supply chain

We are one of the medical imaging film products distributors in the PRC which also possesses product development capabilities. According to the national policy of ''Made in China 2025'' and ''Outline for Healthy China 2030'', substitution of imported medical devices by domestic products has become an inevitable trend. The domestic market of medical imaging film products is expected to benefit from this policy, and it is expected that hospitals and healthcare institutions will increase their purchases from domestic companies. In light of this policy, domestic medical imaging film products suppliers will play a more important role in supporting China's healthcare system in the future.

In order to capitalise our experience accumulated over years of experience in the medical imaging film products market, we commenced our self-branded products business in 2018. We procure medical imaging films products from OEM manufacturers in the PRC, which will be further packaged and labelled or assembled by us. As at the Latest Practicable Date, our product portfolio included self-branded medical dry laser film, thermal film, medical printing film, self-service film output printer, medical imaging printer and medical image data distribution system. Our self-branded products broaden our products portfolio and our revenue stream. During the Track Record Period, we saw an increasing trend in the sale of medical imaging film products of our own brand, which constitute approximately 9%, 19%, 28% and 32% of our total revenue under the medical imaging film products business segment, respectively.

We believe that as we gradually increase the proportion of our self-branded products business, there will continue to be a positive impact on our financial performance.

We strive to provide medical imaging cloud services, which can enhance the operational efficiency of our hospitals and healthcare institutions customers

We believe that we are positioned with the competitive edge over our industry peers and other larger-scale technology companies which offer similar medical imaging cloud services.

We strive to provide solutions which could serve as infrastructure connecting among medical practitioners and between medical practitioners and patients within the healthcare system. Our medical imaging cloud services is a strategic product that can fulfil the operational needs of hospitals.

Our Directors believe that our medical imaging cloud services enable hospitals and healthcare institutions to enhance their operational efficiency and patients to have quicker access to their medical information, which in turn enhances the communication between hospitals and patients.

Moreover, compared to some cloud services providers, we differentiate ourselves by having a solid and well-established business relationship with our hospitals and healthcare institutions customers. Leveraging on our close business relationship with hospitals and healthcare institutions, we are able to acquire first-hand knowledge from the hospitals and healthcare institutions the difficulties they encountered during the shift from the traditional medical imaging films to medical imaging cloud films and hence design an easy-to-use and simple layout of medical imaging cloud software for them to adapt to such an inevitable trend.

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

We believe that our competitive edge enables us to effectively attract and retain customers and compete with our industry peers and larger-scale technology companies offering similar services, thereby facilitating our business sustainability and path to profitability.

Experienced and committed professional management and sales team with proven track record

Our executive Directors, Mr. Meng and Mr. Guo, have extensive experience in the medical imaging industry in the PRC. They have been engaged in the sales and distribution of medical imaging film products in the PRC for over 21 years. For details of the biographies of Mr. Meng and Mr. Guo, please refer to the section headed ''Directors and senior management'' in this document. Through Mr. Meng and Mr. Guo's involvement and leadership, we have built a team of experienced professionals in operations, general management and financial management through years of operation. The key members of our management team have an average of ten years' of experience in the medical imaging or finance industry. With keen business insight developed from years of experience in the medical imaging industry, our management team can identify the market trend, adapt to market needs and grasp existing and potential business opportunities and in turn our Group may maintain long-standing relationship with our customers and ensure all of our operations conform to national, local and industry standards.

We have an experienced sales and marketing team that has built up significant local market know-how and expertise, including an understanding of local customers' preferences. We believe that our experienced senior management team has played a key role in leading the operations and development strategies, and in providing us with industry and operational knowledge, which have been and will continue to be the key to our success in our future operations and profitability.

OUR BUSINESS STRATEGIES

We aim to continue the growth and expansion of our operations through the following strategic initiatives:

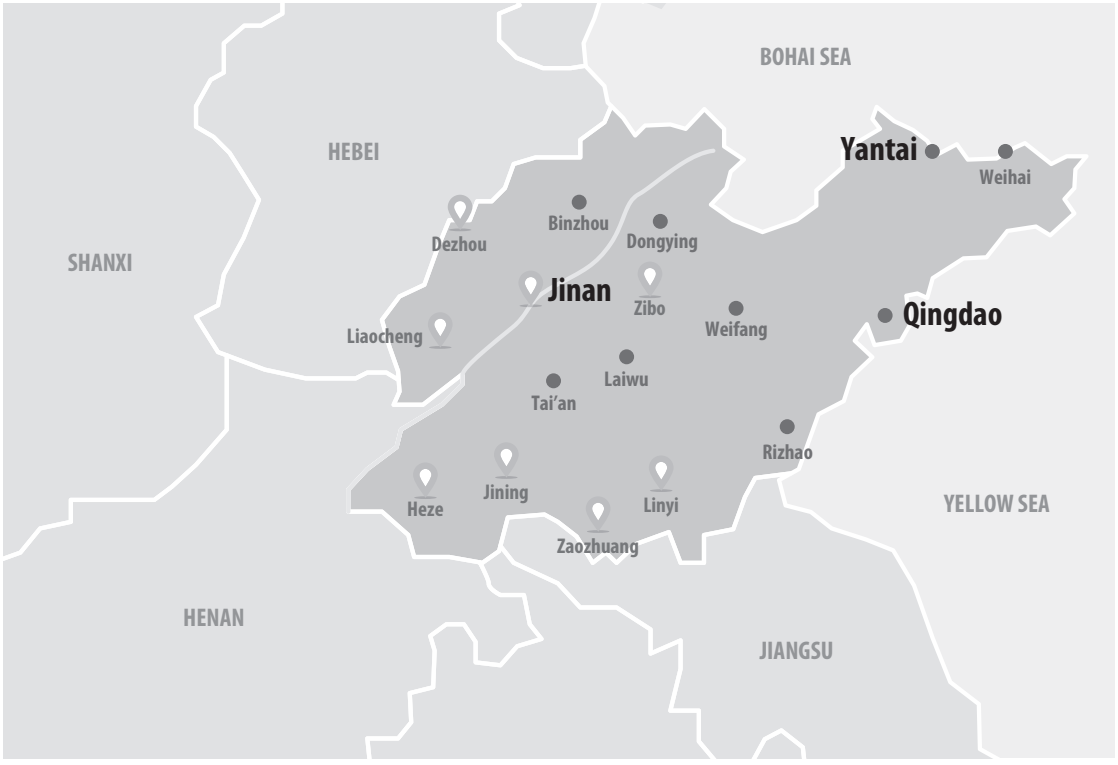
Expand our customer base and further consolidate our market presence in Shandong Province by expanding to the eastern part of Shandong Province

According to CIC, the main driving forces of the medical imaging film products market are (i) the increasing demand for self-service film output printer, which can reduce distribution errors and shorten waiting time; and (ii) favourable national policies, which encourage the use of local medical imaging film products to substitute imported medical imaging film products. The domestic medical image printing suppliers is expected to benefit from this policy, and it is predicted that there will be a shift to purchase medical imaging film products from multinational companies to domestic companies in the PRC. On the other hand, according to CIC, the market size of medical imaging cloud services industry in Shandong Province is expected to grow further from approximately RMB0.30 billion in 2021 to RMB1.63 billion in 2030 at a CAGR of 20.5%, attributable to (i) the demand for medical imaging cloud services which provides the functions of storage, retrieval, management, distribution and presentation of digital medical images from multiple medical modalities and diagnostic data without the need to manually file, retrieve or transport the physical medical images and data; (ii) the needs of storage

capacity as a result of the improvement in medical imaging devices and significant increase in medical image volume; and (iii) the demand of information and data sharing within regions and between hospitals and healthcare institutions. For further details of our growth drivers, please refer to the paragraph headed ''Industry Overview — Overview of China's Medical Imaging Cloud Services Market — Market Drivers and Future Trends — Market Drivers and Future Trends of the China's Medical Imaging Film Products Market'' and ''Industry Overview — Overview of China's Medical Imaging Cloud Services Market — Market Drivers and Future Trends — Market Drivers and Future Trends of China's Medical Imaging Cloud Services Market'' of this document.

Riding on the growth momentum of the medical imaging film products market and the medical imaging cloud services market, we plan to further consolidate our market presence, in particular, our self-branded medical imaging film products and medical imaging cloud services, in these two markets by expanding our presence to the eastern part of Shandong Province.

During the Track Record Period, most of our customers were situated in the western part of Shandong Province, including, Jinan, Jining, Linyi, Liaocheng, Zibo, Heze, Zaozhuang and Dezhou. For further details of our geographical allocation of our customers, please refer to the map of Shandong Province below:



Leveraging on our experience with hospitals in the western part of Shandong Province and to capture the rising opportunities in the medical imaging market in Shandong Province, we plan to increase our coverage of hospitals and healthcare institutions by expanding our sales network to the eastern part of Shandong Province which is not extensively covered by us.

The details of our strategies to tap into the eastern part of Shandong Province are set out below:

(i) *Setting up sales office and warehouse:* we have set up a sales office and a warehouse in Jinan. We intend to set up a sales office with gross floor area of 800 sq.m. and a warehouse with gross floor area of 300 sq.m. in Qingdao at an expected total rental costs of approximately HK$79,000 per month based on the quotation obtained, which will be dedicated to serve the customers in the eastern part of Shandong Province, as the commuting time from the western part of Shandong Province to the eastern part of the Shandong Province is long, for example, the commuting time from Jinan to Qingdao generally requires approximately four to five hours by vehicle. In addition, our Directors also noted that occasionally, we are required to deliver our products and services on the same day when customers place orders. Therefore, setting up a sales office and warehouse in Qingdao allows us to provide timely consultation, delivery, installation and after-sales services to our potential customers in the eastern part of Shandong Province and we may maintain close contact with our customers in the eastern part of Shandong Province. The cost of renting and set-up of a sales office and a warehouse is estimated to be approximately HK$[REDACTED] million which will be financed by the [REDACTED] from the [REDACTED];

(ii) *Purchasing medical imaging printers from different brands or OEM manufacturers and front-end processors for provision of medical imaging cloud services:* A typical medical image printing process requires self-service film output printers and film of the same brand to produce accurate images. Our sales model is to provide the corresponding self-service film output printers during the sale of medical imaging films. Occasionally, we also provide medical image data distribution system. Our Directors believe that under such a sales model, there will be a continuous demand for our medical imaging films. This, in turn, provides us with a stable and recurring income stream as our customers will be more inclined to purchase medical imaging films from us after installing the corresponding self-service film output printers at their hospitals and healthcare institutions. In order to replicate such a sales model, we intend to procure self-service film output printers and medical image data distribution system from international brands or engage OEM manufacturers to produce medical imaging printers. We also plan to purchase front-end processors, which is a hard drive for connecting our software to the existing information system of our customers, in order to provide medical imaging cloud services to our new customers during the sale of medical imaging films. The number of self-service film output printers, medical image data distribution systems, front-end processors to be procured by us is 360, 45 and 45, respectively. As per the applicable accounting policies adopted by us, depreciation of our machinery and equipment is calculated using the straight line method to allocate the residual values over the estimated useful lives of the equipment and machineries. The expected average useful life of the self-service film output printers and medical image data distribution system to derive future economic benefits is five years. The actual useful lives of these equipment and machineries may be different from the estimates due to reasons such as periodic maintenance. The cost of purchasing the necessary printers and hardware is estimated to be approximately HK$[REDACTED] million which will be financed by the [REDACTED] from the [REDACTED] and the working capital generated from operation/internal resources; and

(iii) *Recruiting additional staff:* with the establishment of our new sales office and warehouse, we plan to attract and retain a total of nine sales and marketing personnel and 11 engineering personnel in order to support and sustain our expansion of sales network in the eastern part of Shandong Province. Our existing sales and marketing personnel and engineering personnel are devoted to our existing customers, and hence we will need to hire additional sales and marketing personnel as we intend to expand our customer base by covering more hospitals and healthcare institutions in the eastern part of Shandong Province. In view of our limited workforce, we consider it necessary to expand our sales team by recruiting one sales manager and eight business representatives and our engineering team by recruiting one installation and after-sales manager, five installation engineer and five after-sales engineer. Each of the sales manager, business representatives, installation and after-sales manager, installation engineer and after-sales engineer is expected to have monthly salary of approximately HK$25,000, HK$10,000, HK$20,000, HK$10,000 and HK$10,000, respectively, which are in line with market rates. The cost of recruiting additional staff is estimated to be approximately HK$[REDACTED] million which will be financed by the [REDACTED] from the [REDACTED].

In view of the above, we intend to deploy approximately [REDACTED]% of the [REDACTED] to expand to East Shandong. For further details of the use of [REDACTED] from the [REDACTED], please refer to the section headed "Future plans and use of [REDACTED]" in this document.

Enhance the delivery of our medical imaging cloud services through strategic acquisition, obtaining the medical device registration certificate and upgrade of our hardware and software

(1) Strategic Acquisition

According to CIC, an increasing number of hospitals and healthcare institutions in the PRC are deploying medical imaging cloud services to facilitate reading the medical scans on screen without the need to print out medical images with an aim to improve diagnostic efficiency, which resulted in the continuous growth of the market size from RMB0.7 billion in 2016 to approximately RMB3.5 billion in 2021 at a CAGR of 36.6% and it is expected to further grow from approximately RMB3.5 billion in 2021 to approximately RMB18.9 billion in 2030 at a CAGR of 20.6%. In addition, the medical imaging cloud services market is scattered in China and the medical imaging informatisation is in its infancy in China and hence there is still a lot of unmatched market demand.

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

According to "Opinions of the General Office of the State Council on Promoting the Development of "Internet + Medical Health" (國務院辦公廳關於促進「互聯網+醫療健康」發展的意見) promulgated by the General Office of the State Council in 2018 and "Notice on Accelerating the

Mutual Recognition of the Examination Results'' (國家衛生健康委辦公廳關於加快推進檢查檢驗結果互認工作的通知) published by the National Health Commission in 2021, the PRC government called for the construction of the national and regional health platform, through the establishment of medical institutions examination database including ''medical imaging cloud films'' serving as the source of database, in order to promote the sharing of examination data, and to achieve the interconnection and mutual recognition of examination data between medical institutions in the same region. Such an encouragement of the use of medical imaging cloud films by the PRC government may demonstrate an inevitable trend for hospital and/or medical institutions to switch from traditional medical imaging film products to medical imaging cloud films at both state and provincial levels, including Shandong Province.

In light of (i) the inevitable trend of the shift from traditional medical imaging films to medical imaging cloud films; (ii) the corresponding expected growth in the medical imaging cloud services market; and (iii) to capitalise the unmatched market demand, it is necessary to enhance the delivery of our medical imaging cloud services as we offered medical imaging cloud services with basic and general functions only during the Track Record Period in order to outperform our other competitors during the infancy stage of the medical imaging cloud services market in China. Our capability in offering cloud services to customers premises upon our advanced technology. As such, a higher technological level of expertise in software engineering discipline is required. Since technology level and the set-up of a mature software engineering team may take years to develop, our Directors consider that mergers and acquisitions of companies with solid skills and knowledge will provide us with immediate access to the software engineering and technological expertise. Leveraging on the skills and knowledge of the software engineering staff and the technology of the target companies, our Directors believe that our Company will be able to enhance the effectiveness of, and add new and/or complex functions and features to our existing cloud services and develop new type of cloud services, which in turn enhances our competitiveness. Also, acquisition will not only increase our capacity as we acquire the facilities of the target companies, but will also allow us to diversify our customers bases as we will have immediate access to the existing customer base of the target companies upon acquisition. As we consider our medical imaging cloud services as one of our major business segments and we aim to expand our provision of cloud services in the long term, we believe our in-house software engineering term will allow us to timely react to the ever-evolving market trends and business requirements, to develop innovative, customised cloud services to our customers' satisfaction when compared to engaging a third-party software supplier and to stay ahead in the ever-changing market. Accordingly, we intend to acquire a majority, if not all shareholding interest of:

(i) a company which possesses the technical know-how of developing PACS system and digital medical imaging cloud storage platform; and

(ii) a start-up company in AI healthcare industry, which possesses the technical know-how of building an AI system relating to providing a medical diagnosis recommendation by analysing the historical medical images.

Given the medical imaging informatisation in China is still in its infancy, by acquisition at this infancy stage, our Directors believe that when the medical imaging cloud services market in China becomes mature, our Group has already captured some market share in Shandong Province and consolidated our position in the medical imaging cloud services market by that time.

PACS system, digital medical imaging cloud storage platform

During the Track Record Period, in the course of providing our medical imaging cloud services, we engaged third-party software suppliers to (i) develop software including PACS system and digital medical imaging cloud storage platform in accordance with our instructions and specifications; and (ii) upgrade the system and platform at least four times a year, which is mainly to add new or enhance existing functions to our PACS system and reduce bugs. To build a reliable and solid base of our information technology services and eliminate recurring procurement costs, we plan to acquire a PACS system developer and a digital medical imaging cloud storage platform developer. Generally, a PACS system software developer also possesses the expertise of developing an interface of the digital medical imaging cloud storage platform. Therefore, we plan to acquire a PACS system software developer with such expertise.

With the promotion of medical imaging informatisation in hospitals, more and more hospitals require new, customised and complex functions and features to be added to their PACS systems. During the Track Record Period, we provided PACS system with basic and general functions. To cope with such an increasing requirement of adding more and/ or complex functions and features for example, the automatic report generation function and integration of the PACS systems from different departments within a hospital, we have to constantly upgrade our PACS system. However, due to insufficient software engineering staff, we are unable to do so without engaging third-party software suppliers to develop or upgrade the PACS systems of our customers. Based on the fee quotation we obtained, the average costs in engaging third-party software suppliers to develop or upgrade the PACS system, including, amongst others, installation of new, customised and complex functions and features, for each customer or project, amount to RMB1.45 million.

We estimate that there will be approximately 80% in cost savings if we develop and upgrade a PACS system on our own after the acquisition of a PACS system developer, compared to the costs of engaging third-party software suppliers. To the best knowledge of our Directors, the estimated average costs, in particular, labour costs, in operating our own software engineering team to develop and upgrade the PACS system, including, amongst others, installation of new, customised and complex functions and features, for each customer or project, is approximately RMB290,000 under the assumption that our software engineering staff will spend an average of 221 days in total on each customer or project.

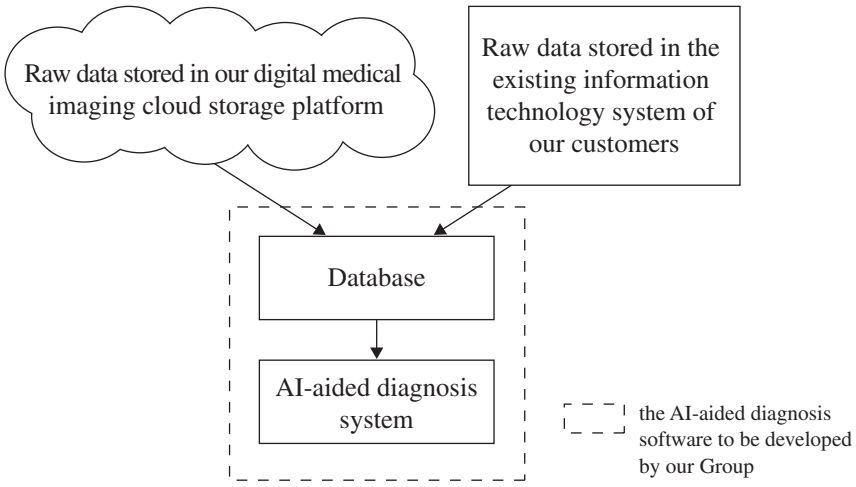
AI-aided diagnosis software

It is our plan to ride on the technical know-how, expertise and experience of the start-up company, which is currently developing or has developed the AI-aided diagnosis software. The AI-aided diagnosis software is a software which supports medical practitioners during diagnosis process by enabling medical images detection and recognition and providing intelligent diagnosis recommendations. We believe the AI-aided diagnosis software has great potential due to an expected increase in the number of medical visits in Shandong Province as well as the expectation of the improvement in diagnosis efficiency in the future.

The raw data, including digital medical images and diagnosis report of the patients, which is stored in our digital medical imaging cloud storage platform and/or the existing information technology system of our hospitals and healthcare institutions customers, serves as a database to build up the AI-aided diagnosis software. The software we intended to develop will make use of

the raw data to analyse and compare the historical medical images in the database with the medical images to be diagnosed and make reference to the diagnosis decisions made with the similar medical images in the past to arrive at an optimal diagnosis recommendation and/or suggest action to be taken. Our Directors believe that the development of such a software, which will be built upon our medical imaging cloud services, will complement our existing range of medical cloud services, widen our cloud services offerings and increase our revenue in long run. This, in turn, will enhance our role as a one-stop medical imaging solutions provider.

Below is an illustrative diagram of our AI-diagnosis aided software.



In line with the AI software industry practise, generally, it is unlikely for an AI medical software company to sell its AI-diagnosis aided software including its intellectual property, core technology and underlying structure, to other companies. As such, to the best knowledge of our Directors, our Company can only engage a third-party software supplier to provide AI-aided diagnosis services for each of our customers (i.e. hospitals) and the costs of engaging a third-party software supplier to provide such services for each of our customers (i.e. hospitals) is approximately RMB2 million based on the fee quotation we obtained.

As we aim to develop the medical imaging cloud services in long term and to maintain our competitiveness in the medical imaging cloud services market, our Directors believe acquisition of a start-up company is more beneficial to us in the long run, because we can timely react to our customers' requirements on the software and develop innovative, and customised cloud services to our customers' satisfaction when compared to engaging a third-party software supplier.

As advised by our PRC Legal Advisers, in case the relevant competent authority is of the view that the AI-diagnosis services described above falls within the classification under ''Special Management Measures (Negative list) for the Access of Foreign Investment'', foreign investors may be restricted from holding more than 50% equity interest in companies providing such services and that it may not be viable for our Company to hold our PRC company in carrying out such intended business directly through equity ownership. As such, as advised by our PRC Legal Advisers, we may have to gain effective control over, and receive all the economic benefits generated by the intended business to be operated by our PRC company through contractual arrangements. For further details on the risks relating to our possible contractual arrangements,

please refer to the paragraph headed ''Risk Factors — Risks Relating to Our Business and Operations — We may be subjected to certain risks relating to contractual arrangements during the course of implementation of our business strategies'' in this document.

Announcement(s) and/or circular containing, among other things, details of the acquisition and contractual arrangements will be published in accordance with the Listing Rules should the Company proceed with the acquisition after [REDACTED]. We intend to acquire a majority, if not all shareholding interest of the target(s) and if we are not able to acquire the majority shareholding interest of the target through contractual arrangements in the future, we may acquire a minority shareholding interest of the suitable target or look for other ways to engage such business.

We plan to take the following steps in pursuing opportunities for selective acquisitions:

(i) our Board will evaluate and identify potential acquisition targets based on the following selection criteria, including but not limited to: (i) their products and/or research and development portfolio; (ii) years of experiences, qualifications and competencies of their engineer personnel; (iii) their existing customer base; (iv) their track record and operating history; (v) their revenue, cash flow and earnings generation capabilities, as well as balance sheet strength and other financial consideration; and (vi) the required permits and licences under the relevant laws and regulations in the PRC. In choosing our acquisition targets, we may consider a target that: (i) has reached a revenue of more than RMB3 million; (ii) has a geographical coverage in China that is complementary to our business and strategies; (iii) has an operational history and track record of more than three years; and (iv) is valued at RMB20 million to RMB40 million, depending on market conditions, industry development and valuation benchmarks.

(ii) according to CIC, there are approximately 17 PACS system software developers and 8 start-up companies in AI healthcare industry that may potentially meet our requirements for acquisition in the PRC based on the limited available market information. The potential targets are expected to be small-sized companies with a strong software engineering team. We cannot preclude the possibility that there are other available potential acquisition targets in the market at the time of the implementation of our acquisition plan.

(iii) our management will perform feasibility study, preliminary due diligence on potential targets and present an internal evaluation proposal to our Board for consideration and approval. Our Board will assess whether the business activities of the potential targets can be integrated into our Group to create synergy and economies of scale to reduce operational costs thus increasing overall sales and profitability of our Group.

We intend to [REDACTED] not more than approximately HK$[REDACTED] million, by the [REDACTED] from the [REDACTED], depending on the amount of purchase price and commercial terms of the potential acquisition, to settle part of the consideration of any strategic acquisitions, with the remaining part being settled by internal resources and/or external financing.

Our Directors believe that the above strategic acquisition plan is feasible and effective taking into consideration the following factors:

(i) our Group plans to utilise HK$[REDACTED] million to settle part of the consideration of any strategic acquisitions and the remaining part will be settled by internal resources and/or external funding, knowing that technology company may be valuable. Our Group remains flexible in terms of budget and the selection of suitable potential acquisition targets if the targets are able to meet our qualification and competency requirements.

(ii) our Group has commenced its medical imaging cloud services business since 2017 and is regarded as an early mover in the medical imaging cloud services market in Shandong Province. We may make use of our experience in the market and our familiarities of the needs and requirements of the hospitals and healthcare institutions in the area of medical imaging cloud services to quickly identify available and suitable targets, which can improve our product offerings and enhance functions of our medical imaging cloud services.

(iii) as compared to the other large technology companies, we may act relatively faster in terms of decision-making in strategic acquisition owning to our simplified corporate structure.

In line with our business practice, we may explore potential available targets through (i) our cooperation with business acquaintances and (ii) participation in exhibitions, including China International Medical Equipment Fair and China International Medical Equipment Exhibition.

As at the Latest Practicable Date, we had neither identified any suitable target, nor formulated any specific acquisition plans, nor entered into any definitive agreements for any potential target.

(2) Obtaining the medical device registration certificate

To enable the AI-aided diagnosis system to be installed in the hospitals and healthcare institutions, a Class III medical device registration certificate has to be obtained as required under the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》). The costs expected to be incurred include:

(i) costs to engage certification consultants: in order to assist and facilitate our application, we would have to engage certification consultants, who are familiar with the application procedures, and possess the required expertise, experience and knowledge of the relevant rules and regulations. The services they rendered include preparing for necessary documentation, arranging for clinical trials, communication with relevant authorities and overall project coordination and management;

(ii) costs of arranging clinical trials: clinical trials and administrative expenses would be incurred during the application process, including expenses for various clinical trials during the application process and application fee for registration; and

(iii) other administrative expenses.

Our Directors expect that, the timeframe required for the registration process of the Class III medical device registration certificate is at least twenty-nine months in general.

To finance the application for registration certificates costs, we expect that approximately HK$[REDACTED] million of the [REDACTED] of the [REDACTED], will be utilised for such purpose.

(3) Upgrading our hardware and software

Our Directors believe that possession of up-to-date market intelligence within the industry is one of the key factors leading to the success of a medical imaging cloud services provider. To this end, we will continue to strengthen our IT services capabilities and are committed in developing and expanding our medical imaging cloud services, in order to maintain our competitiveness and increase our market share in the healthcare industry. In particular, we intend to further expand and develop our medical imaging cloud services which include, among others, cloud storage, data transmission and R&D. Accordingly, we plan to (i) invest in our technology infrastructure; (ii) expand our cloud storage capacity; and (iii) acquire additional software. The following table sets forth the breakdown of hardware and software to be procured by us.

Particulars of cloud storage/software/hardware	**Estimated costs** *(HK$)*
Cloud storage	
Purpose: to expand the cloud storage capacity	[REDACTED]
Distributed Storage System	
Purpose: to facilitate and support the development of cloud services	[REDACTED]
Hyper-Converged Infrastructure (a software-defined, unified system that combines all the elements of a traditional data centre: storage, compute, networking and management)	
Purpose: to facilitate and support the development of cloud services	[REDACTED]
Computer, laptops and monitors	
Purpose: to facilitate and support the development of cloud services	[REDACTED]
Development and other ancillary software	
Purpose: to facilitate and support the development of cloud services	[REDACTED]
Total	[REDACTED]

To finance the upgrade of hardware and software costs, we expect that approximately HK$[REDACTED] million of the [REDACTED] of the [REDACTED], will be utilised for such purpose.

Horizontally expand our value chain by broadening our product offerings

Leveraging on our established "冠澤慧醫" (Guanze Huiyi) brand, our historical experience in engaging OEM manufacturers, solid track record for product validation and commercialisation and experienced sales team, we intend to expand our product offerings through offering the following self-branded products by engaging OEM manufacturers because there is an unsaturated demand for the products.

Product Pipeline	Description
Mobile X-ray system (移動式攝影X射線機)	Different from the conventional X-ray system, the mobile X-ray system is moveable and hence improves patient care. It eliminates the need and inconvenience of transporting patients to the radiology department to conduct medical scan and enables medical scan to be done at a patient's bedside. Imaging patients at their bedside can help eliminate the risk of spread of contagions during patient transportation.
High pressure injector (高壓注射器)	The function of a high pressure injector is to inject a sufficient amount of contrast agent (造影劑) into the examination site of the body in order to clearly reflect the structures or fluids within the body in the medical images. The applicable type of diagnostic imaging is CT, MR and DSA.

According to CIC, an unsaturated demand for the mobile X-ray system is supported by the following reasons. First, the rising awareness of health and wellness and ageing population contribute to a higher risk of sport injuries, which may require X-ray examinations, and it is expected that there will be an increase of the number of arthroscopic surgeries operated from approximately 1.0 million in 2021 to approximately 2.0 million in 2025 at a CAGR of approximately 19.6%. Second, in preparation for future public health emergencies, such as in the case of infectious disease, hospital and healthcare institutions tend to equip themselves with mobile X-ray systems. The sales volume of mobile X-ray system in the PRC increased from 582 units in 2016 to 1,714 units in 2021 at a CAGR of 24.1% due to the increase in demand for X-ray scans, which is resulted from the COVID-19 outbreak. The sales volume of mobile X-ray system in the PRC is expected to increase from 2,233 units in 2025 to 2,907 units in 2030 at a CAGR of 5.4%.

Further, the unsaturated demand for high pressure injector is also supported by the following reasons, according to CIC. First, the demand for a clear and high quality of medical images gives rise to the procurement of high pressure injector. Second, the prevalence of cardiovascular diseases in the PRC gives rise to a demand for high pressure injector as it is one of the essential equipment in cardiovascular imaging. According to CIC, the volume of CT, MR and DSA scans in the PRC in aggregate increased from 272 million in 2016 to 405 million in 2021 at a CAGR of 8.3% and is expected to increase from 546 million in 2025 to 761 million in 2030 at a CAGR of 6.9%, thus it is foreseen that the market size of high pressure injector in the PRC will also experience a stable growth.

During the Track Record Period, we engaged OEM manufacturers to manufacture thermal film, medical printing film, medical dry laser film, self-service film output printer, medical image data distribution system and medical image printer or the equipment component. As confirmed by CIC, the sale of OEM mobile X-ray system and high pressure injector and the sale of our existing OEM products share the same business flow as those of medical imaging products, which is to (i) engage OEM manufacturers to manufacture mobile X-ray system and high pressure injector according to our instructions and requirements, (ii) label and package the products; and (iii) arrange delivery and installation of the products. In the premise of the similarity between the sale of OEM mobile X-ray system and high pressure injector and the sale of our existing OEM products and taking into account that there are no legal impediments to register the mobile X-ray system and high pressure injector as medical devices as long as we are in compliance with applicable laws and regulations, as confirmed by our PRC Legal Advisers, our Directors therefore believe, and the Sole Sponsor concurs that we possess the relevant experience and expertise to procure the above products from OEM manufacturers, given (i) our well-established presence as a medical imaging film products and cloud services provider with a extensive customer base in Shandong Province; and (ii) that we engaged in the sale of mobile X-ray system of other brands on several occasions during the Track Record Period.

According to the PRC Legal Advisers, our Group has to apply for the registration of the syringe of the high pressure injector as a Class III medical device and the mobile X-ray system and the equipment of the high pressure injector as a Class II medical device; and obtain the relevant medical device registration certificates before the launch of the products. The details of costs to be incurred for applying for the certificates include:

(i) costs to engage certification consultants: in order to assist and facilitate our application, we would have to engage certification consultants, who are familiar with the application procedures, and possess the required expertise, experience and knowledge of the relevant rules and regulations. The services they rendered include preparing for necessary documentation, arranging for clinical trials, communication with relevant authorities and overall project coordination and management;

(ii) costs of arranging clinical trials (for Class III medical device registration certificate only): clinical trials and administrative expenses would be incurred during the application process, including expenses for various clinical trials during the application process and application fee for registration;

(iii) cost of procuring the trial products from OEM manufacturers; and

(iv) other administrative expenses.

In light of the above, we believe the expansion of product portfolio will broaden our income stream, and enable us to become a one-stop medical imaging products supplier.

To finance the above registration of Class III and II medical device registration certificates, we expect that approximately HK$[REDACTED] million of the [REDACTED] of the [REDACTED], will be utilised for such purpose.

Continue to promote our brands and increase market awareness by participating in exhibitions

We plan to enhance our sales and marketing efforts, promote our brand and enhance awareness of our corporate image by participating in more exhibitions to showcase our medical imaging film products and cloud services to potential buyers, raise our corporate profile in the industry, expand our procurement network and enhance our product offerings.

We attended the China International Medical Equipment Fair (CMEF) in Shenzhen and Shanghai during the Track Record Period and we expect to participate in the CMEF and China International Medical Equipment Exhibition (CMEE) in Jinan in the upcoming years. The expected costs to be incurred include (i) rental of the booth; (ii) transportation and accommodation fees; and (iii) business development fees including, booth design and construction fees and rental of the electronic devices.

By participating in the abovementioned exhibitions, we expect to (i) meet more suppliers and explore new business opportunities so as to broaden our product portfolio; (ii) obtain the latest information of the medical device market, including recent technological development, market trend and customers' feedback and preferences; and (iii) enhance our sourcing capability and strengthen our competency in providing market trend analysis to our customers.

To finance the above expenditures, we expect that approximately HK$[REDACTED] million of the [REDACTED] of the [REDACTED], will be utilised for such purpose.

Upgrade our information technology systems

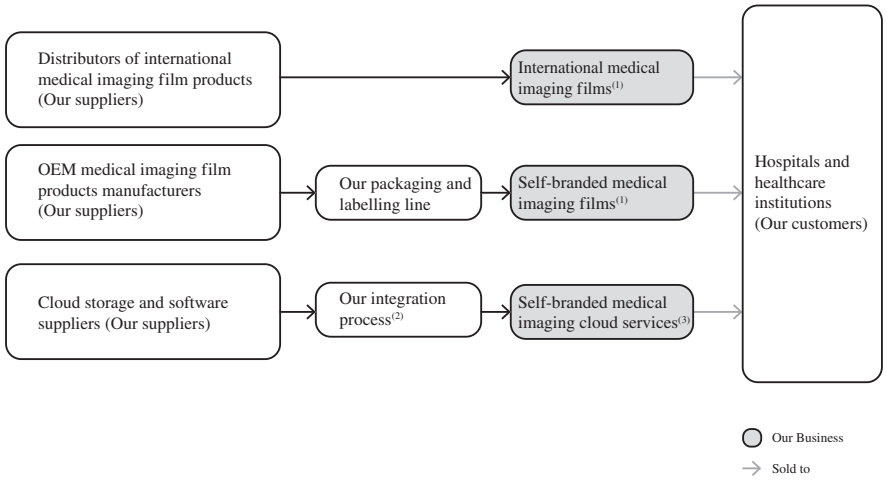
We intend to upgrade our information technology systems by having new computer hardware and software and adopting a new enterprise resources planning system so as to enhance our operational and management efficiency. We purchased our current enterprise resources planning system with basic functions on inventory and sales management in September 2020. In view of the limited functionalities provided by our current system, our Directors consider that it is necessary to upgrade our information technology systems as we need to expand the features and functionalities of our enterprise resources planning system to cope with our business expansion, in particular, one that can facilitate budget management, ledger consolidation, credit management, financial analysis and projections, human resources management and administration functions. Furthermore, we plan to upgrade our in-house technology infrastructure to support our evolving R&D activities, for instance renting more servers, expanding connectivity bandwidth and updating our firewalls. The estimated cost of upgrading our information technology system is approximately HK$[REDACTED] million, which is expected to be financed by the [REDACTED] from the [REDACTED]. We believe that such upgrade will provide us with a wider range of information-based solutions in a more efficient manner, and hence enhance our operating efficiency.

OUR BUSINESS MODEL

We are a medical imaging solutions provider, principally engaged in providing medical imaging film products and medical imaging cloud services in Shandong Province. When a new client approaches us, if necessary, we will first conduct initial consultation with our potential customers through field surveys in hospitals and healthcare institutions. During the field survey, our staff will gather necessary information and try to understand the technical requirements and specifications of the medical imaging

film products and medical imaging cloud services. We will also provide after-sales services to our customers upon delivery of our products and services. For further details of our business workflow, please refer to the paragraph "Our Business Workflow" in this section.

The following diagram illustrates our main business model:



Notes:

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

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

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

(i) Sale of medical imaging films

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

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

(ii) Provision of medical imaging cloud services

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

Revenue generated from our products and services

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

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

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

Revenue contributed by our customers

Over the years of operation, we have accumulatively served over 90 customers in Shandong Province from the date of our inception until the Latest Practicable Date, which cover (i) over 80 public hospitals and (ii) over six private hospitals; and (iii) other customers (such as medical equipment manufacturers and medical imaging films trading companies). Public hospitals in Shandong Province constituted our core customer base and accounted for approximately 99.4%, 99.3%, 99.4% and 99.2% of our revenue for the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively. The table below sets out our revenue from our customers during the Track Record Period:

	For the year ended 31 December						For the six months ended 30 June			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Hospitals										
Public hospitals	139,876	99.4	183,122	99.3	209,861	99.4	105,821	99.2	97,796	99.2
Private hospitals	774	0.5	883	0.5	1,136	0.5	574	0.5	797	0.8
Sub-total	140,650	99.9	184,005	99.8	210,997	99.9	106,396	99.7	98,593	100
Others[(Note 1)]	175	0.1	430	0.2	79	0.0[(Note 2)]	333	0.3	28	0.0[(Note 2)]
Total	140,825	100	184,435	100	211,076	100	106,728	100	98,621	100

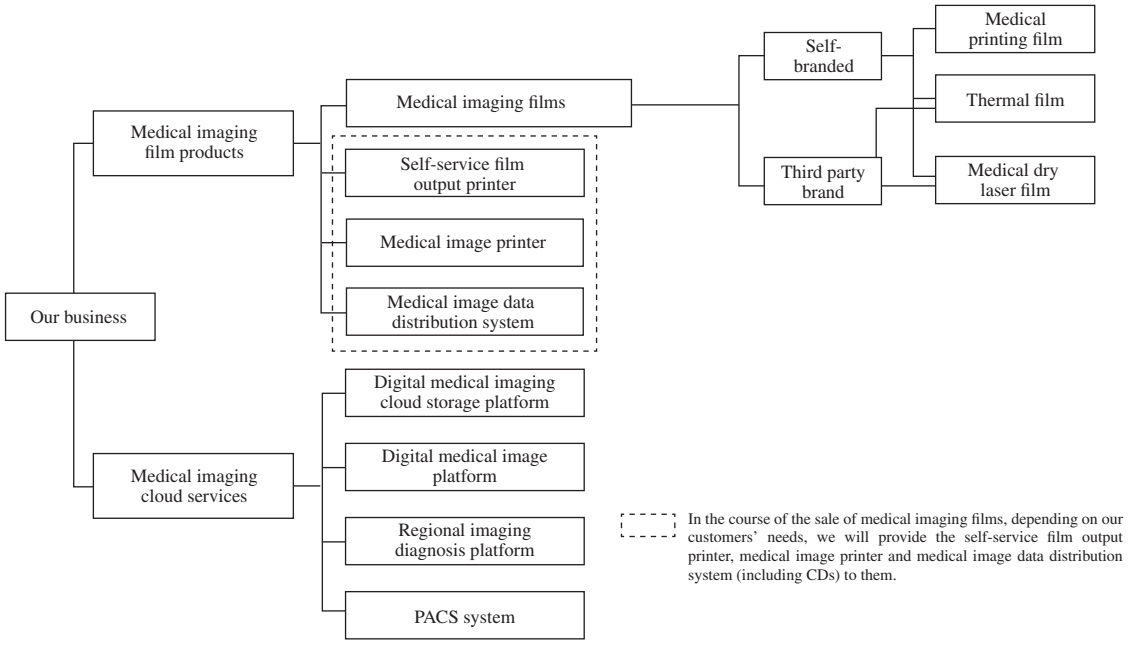
Notes:

(1) Others represent medical equipment manufacturers and medical imaging films trading companies.

(2) Represented less than 0.1%

OUR PRODUCTS AND SERVICES

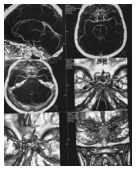
The following diagram illustrates the categories and major types of products and services provided by us during the Track Record Period.



Medical imaging film products

Medical imaging films

Medical imaging film refers to the medium used to carry the graphic information of medical images and is used by medical practitioners as an auxiliary tool to diagnose patients' condition. We provided our customers with medical imaging films of different brands, in particular, the Medical Imaging Products Manufacturer and our "冠澤慧醫"(Guanze Huiyi) brand. Our self-branded medical imaging films were manufactured by OEM manufacturers, which are further packaged and labelled by us. The types of medical imaging films distributed or provided by us during the Track Record Period primarily include medical dry laser film, thermal film and medical printing film. Set forth below is a brief introduction of each type of medical imaging films provided by us:

Product name	Description and output colour	Clinical applications	Printing speed	Photographs	Brands
Medical dry laser film	• A polyester film coated with silver halide and protective layers. It has the characteristics of higher contrast and definition • Black and white output	CT, MRI, DR	Fast		Medical Imaging Products Manufacturer *(Note 1)*, 冠澤慧醫 (Guanze Huiyi) *(Note 2)*
Thermal film	• A polyester film coated with thermal and protective layers • Mainly black and white output	CT, MRI, CR, DR, etc.	Average		冠澤慧醫 (Guanze Huiyi) and other international brand
Medical printing film	• A traditional printing film which is composed of polyester film base, anti-static layer and ink absorption layer • Black and white or colour output	CT, MRI	Slow		冠澤慧醫 (Guanze Huiyi)

Notes:

1. To the best knowledge of our Directors, as at the Latest Practicable Date, our end customers procure medical dry laser film of the Medical Imaging Products Manufacturer exclusively from us.

2. Our Group commenced the sale of our self-branded medical dry laser film in June 2021. Our self-branded medical dry laser films are manufactured by OEM manufacturers, and further packaged and labelled by us.

The average thickness of our self-branded medical imaging films is approximately 0.2mm, which is consistent with the industry specifications. Generally, the life span of our self-branded medical imaging films and third-party branded medical imaging films are approximately two years, which are consistent with the industry average, according to CIC.

Before October 2017, we were the Tier-1 distributor of the medical imaging film products of the Medical Imaging Products Manufacturer, including the medical dry laser film, in Shandong Province and subsequently, our Directors confirmed that we initiated the termination of our distributorship with the Medical Imaging Products Manufacturer as (i) we intended to focus our efforts in establishing our own brand, and (ii) the presence of minimum purchase targets of other ancillary products and services required to be met for being a Tier-1 distributor of the Medical Imaging Products Manufacturer. Our Directors confirmed that our Group met the minimum purchase target of being a Tier-1 distributor throughout the time when we were engaged as a Tier-1 distributor of the Medical Imaging Products Manufacturer.

Leveraging on our established customer base in the medical imaging market in Shandong Province and to increase our profitability, we started to sell our self-branded medical printing films and thermal films in 2018. In addition, to mitigate the supplier concentration risk (i.e. Honghe Group), we started to engage in the sale of our self-branded medical dry laser film in June 2021, which were manufactured by our OEM manufacturers, then further packaged and labelled by us. Our Directors believe that we are well-positioned to maintain our competitiveness as we offer both medical imaging films of the Medical Imaging Products Manufacturer, which is an international brand, and self-branded medical imaging films, which in turn allows our customers to make their own choice. Some of our hospitals and healthcare institutions customers may be brand sensitive and tend to choose medical imaging films of the Medical Imaging Products Manufacturer whereas some of our hospitals and healthcare institutions customers may be cost conscious and hence may be inclined to choose our self-branded medical imaging films, which are priced at a relatively lower price range as compared to that of the Medical Imaging Products Manufacturer.

The following table sets out our Group's revenue, sales volume and selling price range by types of medical imaging films during the Track Record Period.

	Year ended 31 December												Six months ended 30 June							
	2019				2020				2021				2021				2022			
	Revenue	Sales volume	Average selling price	Selling price range	Revenue	Sales volume	Average selling price	Selling price range	Revenue	Sales volume	Average selling price	Selling price range	Revenue	Sales Volume	Average selling price	Selling price range	Revenue	Sales Volume	Average selling price	Selling price range
	(RMB '000)	*(piece '000)*	*(RMB/ piece)*	*(RMB/ piece)*	*(RMB '000)*	*(piece '000)*	*(RMB/ piece)*	*(RMB/ piece)*	*(RMB '000)*	*(piece '000)*	*(RMB/ piece)*	*(RMB/ piece)*	*(RMB '000)*	*(piece '000)*	*(RMB/ piece)*	*(RMB/ piece)*	*(RMB '000)*	*(piece '000)*	*(RMB/ piece)*	*(RMB/ piece)*
Medical dry laser film	114,826	8,080	14.2	6.0–17.5	131,048	8,712	15.0	6.6–17.5	143,680	9,959	14.4	3.6–18.1	75,386	5,073	14.9	6.2–18.1	66,569	4,854	13.7	3.6–18.1
Thermal film	10,583	1,006	10.5	3.5–15.0	33,266	3,221	10.3	3.5–16.4	50,824	4,613	11.0	4.0–16.4	24,189	2,185	11.0	4.0–16.4	25,243	2,250	11.2	4.0–16.4
Medical printing film	1,729	226	7.7	2.9–18.1	1,361	234	5.8	1.7–18.1	1,857	341	5.4	2.9–18.1	928	175	5.3	2.9–18.1	809	151	5.4	2.9–17.6
Total	127,138	9,312			165,675	12,167			196,361	14,913			100,503	7,433			92,621	7,255		

Note: The selling price range refers to the lowest selling price of the smallest size of the film and the highest selling price of the largest size of the film. The larger the size of the film, the higher the price.

According to CIC, the most common size of the medical imaging film used in diagnosis imaging is 14 x17 inches. For illustration purposes, during the Track Record Period, our Group's average selling price of (i) medical dry laser film in 14x17 inches was RMB15.6 per piece, RMB15.5 per piece, RMB14.6 per piece and RMB13.6 per piece; (ii) thermal film in 14x17 inches was RMB11.6 per piece, RMB10.7 per piece, RMB11.0 per piece and RMB11.1 per piece; and (iii) medical printing film in 14x17 inches was RMB15.6 per piece, RMB15.0 per piece, RMB14.7 per piece and RMB14.0 per piece, respectively.

The table below sets out our revenue, gross profit and gross profit margin by third parties' brand and our brand 冠澤慧醫 (Guanze Huiyi) under the medical imaging film products segment during the Track Record Period:

	For the year ended 31 December												For the six months ended 30 June							
	2019				2020				2021				2021				2022			
	Revenue (RMB'000)	*% of total revenue*	*Gross profit (RMB'000)*	*Gross profit margin (%)*	*Revenue (RMB'000)*	*% of total revenue*	*Gross profit (RMB'000)*	*Gross profit margin (%)*	*Revenue (RMB'000)*	*% of total revenue*	*Gross profit (RMB'000)*	*Gross profit margin (%)*	*Revenue (RMB'000)*	*% of total revenue*	*Gross profit (RMB'000)*	*Gross profit margin (%)*	*Revenue (RMB'000)*	*% of total revenue*	*Gross profit (RMB'000)*	*Gross profit margin (%)*
Third parties' brands *(Note)*	117,640	91.3	31,914	27.1	140,562	81.3	39,800	28.3	142,076	72.1	40,744	28.7	75,448	75.0	21,315	28.3	63,427	68.4	18,181	28.7
冠澤慧醫 (Guanze Huiyi)	11,269	8.7	4,644	41.2	32,233	18.7	11,979	37.2	54,850	27.9	22,910	41.8	25,117	25.0	10,070	40.1	29,343	31.6	16,546	56.4
Total revenue of the medical imaging film products business	128,909	100	36,558	28.4	172,795	100	51,779	30.0	196,926	100	63,654	32.3	100,565	100	31,385	31.2	92,770	100	34,727	37.4

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

Third parties' brands

During each of the three years ended 31 December 2021, the revenue generated from medical imaging film products of third parties' brands demonstrated an increasing trend which was primarily in line with the market growth. Such revenue decreased from approximately RMB75.4 million for the six months ended 30 June 2021 to approximately RMB63.4 million for the six months ended 30 June 2022 mainly due to the decrease in sales volume of medical dry laser films of the Medical Imaging Products Manufacturer brand as some of our customers who procured medical dry laser films of the Medical Imaging Products Manufacturer in the past shifted their desire to purchase our self-branded medical dry laser films. The gross profit margin of our third parties' brand medical imaging films remained relatively stable during the Track Record Period. The gross profit of medical imaging film products of third parties' brands generally follows the fluctuations in revenue during the Track Record Period.

Guanze Huiyi

During the Track Record Period, the revenue derived from medical imaging films of Guanze Huiyi brand and its percentage relative to our total revenue demonstrated an increasing trend because (i) we have been actively developing our self-branded medical imaging films; and (ii) some of our customers who procured medical dry laser film of the Medical Imaging Products Manufacturer in the past shifted their desire to purchase our self-branded medical dry laser film.

The gross profit margin of the medical imaging films of the Guanze Huiyi brand decreased from approximately 41.2% for the year ended 31 December 2019 to approximately 37.2% for the year ended 31 December 2020 primarily brought by the decrease in gross profit margin of our self-branded medical printing film as we sold a smaller amount of large size medical printing film, which have a higher margin than small size medical printing film, in 2020. The gross profit margin of the medical imaging films of Guanze Huiyi brand increased from approximately 37.2% for the year ended 31 December 2020 to approximately 41.8% for the year ended 31 December 2021 primarily due to (i) the increase in gross profit margin of our self-branded thermal film attributable to the decrease in average cost brought by the rebate from Supplier B according to our rebate arrangement with them; and (ii) the slight increase in gross profit margin of our self-branded medical printing film. The gross profit margin of the Guanze Huiyi brand increased from approximately 40.1% for the six months ended 30 June 2021 to approximately 56.4% for the six months ended 30 June 2022 primarily (i) because we began to sell our self-branded medical dry laser films since June 2021 which generated a high gross profit margin because the average cost of procuring self-branded medical dry laser film from local OEM manufacturers is lower than the average cost of purchasing medical dry laser film of the Medical Imaging Products Manufacturer; and (ii) because of the increase in gross profit margin of our self-branded thermal film attributable to the decrease in average procurement cost of our self-branded thermal films, resulting from a larger purchase volume of self-branded thermal films procured from Supplier G, a local OEM manufacturer who is able to offer a lower average selling price as compared to the other international OEM manufacturers.

The gross profit from the medical imaging films of Guanze Huiyi brand demonstrated an increasing trend during the Track Record Period, which was due to the combined effect of (i) the increase in revenue; and (ii) the fluctuations in gross profit margin as mentioned above.

The following table sets out our Group's revenue, sales volume, gross profit, gross profit margin and average selling price by type and brands of our medical imaging films during the Track Record Period:

		For the year ended 31 December														
		2019					2020					2021				
		Sales volume	Revenue	Gross profit	Gross profit margin	Average selling price	Sales volume	Revenue	Gross profit	Gross profit margin	Average selling price	Sales volume	Revenue	Gross profit	Gross profit margin	Average selling price
		(piece '000)	*(RMB '000)*	*(RMB '000)*	*(%)*	*(RMB/ piece)*	*(piece '000)*	*(RMB '000)*	*(RMB '000)*	*(%)*	*(RMB/ piece)*	*(piece '000)*	*(RMB '000)*	*(RMB '000)*	*(%)*	*(RMB/ piece)*
Medical dry laser films	Medical Imaging Products Manufacturer	8,080	114,826	31,711	27.6	14.2	8,712	131,048	36,611	27.9	15.0	9,809	142,076	40,744	28.7	14.5
	Guanze Huiyi	—	—	—	—	—	—	—	—	—	—	150	1,604	862	53.7	10.7
	Sub-total	8,080	114,826	31,711	27.6	14.2	8,712	131,048	36,611	27.9	15.0	9,959	143,680	41,606	29.0	14.4
Thermal films	Guanze Huiyi	918	9,495	3,092	32.6	10.3	3,024	30,432	10,840	35.6	10.1	4,613	50,824	20,420	40.2	11.0
	Other third-party brand	88	1,088	136	12.5	12.4	197	2,834	432	15.2	14.4	—	—	—	—	—
	Sub-total	1,006	10,583	3,228	30.5	10.5	3,221	33,266	11,272	33.9	10.3	4,613	50,824	20,420	40.2	11.0
Medical printing films	Guanze Huiyi	226	1,729	1,515	87.6	7.7	234	1,361	960	70.5	5.8	341	1,857	1,342	72.3	5.4
	Sub-total	226	1,729	1,515	87.6	7.7	234	1,361	960	70.5	5.8	341	1,857	1,342	72.3	5.4
	Total	9,312	127,138	36,454	28.7		12,167	165,675	48,843	29.5		14,913	196,361	63,368	32.3	

		For the six months ended 30 June									
		2021					2022				
		Sales volume	Revenue	Gross profit	Gross profit margin	Average selling price	Sales volume	Revenue	Gross profit	Gross profit margin	Average selling price
		(piece '000)	*(RMB '000)*	*(RMB '000)*	*(%)*	*(RMB/ piece)*	*(piece '000)*	*(RMB '000)*	*(RMB '000)*	*(%)*	*(RMB/ piece)*
Medical dry laser films	Medical Imaging Products Manufacturer Guanze Huiyi	5,073	75,386	21,754	28.9	14.9	4,543	63,427	18,181	28.7	14.0
		—	—	—	—	—	311	3,142	1,911	60.8	10.1
	Sub-total	5,073	75,386	21,754	28.9	14.9	4,854	66,569	20,092	30.2	13.7
Thermal films	Guanze Huiyi	2,185	24,189	9,414	38.9	11.0	2,250	25,243	13,975	55.4	11.2
	Other third-party brand	—	—	—	—	—	—	—	—	—	—
	Sub-total	2,185	24,189	9,414	38.9	11.0	2,250	25,243	13,975	55.4	11.2
Medical printing films	Guanze Huiyi	175	928	656	70.7	5.3	151	809	558	68.9	5.4
	Sub-total	175	928	656	70.7	5.3	151	809	558	68.9	5.4
	Total	7,433	100,503	31,824	31.7		7,255	92,621	34,625	37.4	

Medical dry laser films

The sales volume and revenue generated from medical dry laser films of the Medical Imaging Products Manufacturer increased steadily during each of the three years ended 31 December 2021 which was in line with the growth of the medical imaging market in China and Shandong Province. For the six months ended 30 June 2022, the sales volume and revenue generated from medical dry laser films of the Medical Imaging Products Manufacturer decreased as compared to the same period of last year, which was mainly attributable to (i) two of our five largest customers (i.e. Jining No.1 Hospital and Jining Affiliated Hospital) shifted their demand to other models of medical dry laser film of Medical Imaging Products Manufacturer (namely AMB and DVS model), which (a) are sold at a lower selling prices than the model they procured in the past (namely DVB model); (b) have been distributed to our customers since late May 2021; and (c) the quality of AMB and DVS models are comparable to DVB model; and (ii) some of our customers who procured medical dry laser film of the Medical Imaging Products Manufacturer in the past shifted their desire to purchase our self-branded medical dry laser film. The gross profit from the medical dry laser film of the Medical Imaging Products Manufacturer remained relatively stable during the Track Record Period, which was consistent with the trend of the revenue. For details of AMB, DVS and DVB models, please refer to the paragraph headed "Our Products and Services — Medical imaging film products — AMB, DVS and DVB models of medical dry laser film of Medical Imaging Products Manufacturer" in this section below.

The gross profit margin of the medical dry laser film of the Medical Imaging Products Manufacturer increased slightly from approximately 27.6% for the year ended 31 December 2019 to approximately 27.9% for the year ended 31 December 2020, and further increased to approximately 28.7% for the year ended 31 December 2021. The gross profit margin of the medical dry laser film of the Medical Imaging Products Manufacturer decreased slightly from approximately 28.9% for the six months ended 30 June 2021 to 28.7% for the six months ended 30 June 2022. The increase in our gross profit margin from 2020 to 2021 was primarily because we sold a larger amount of medical dry laser films of DVE 25cm x 30cm, which normally generated a higher margin, in 2021. The average selling price of the medical dry laser film of the Medical Imaging Products Manufacturer remained relatively stable during the Track Record Period.

We only began to sell our self-branded medical dry laser films since June 2021. As a result, sales volume, revenue, gross profit, gross profit margin and average selling prices were only recorded for the year ended 31 December 2021 and the six months ended 30 June 2022. The gross profit margin of the medical dry laser film of Guanze Huiyi and Medical Imaging Products Manufacturer were approximately 53.7% and 28.7%, respectively, for the year ended 31 December 2021 and approximately 60.8% and 28.7%, respectively, for the six months ended 30 June 2022. The higher gross profit margin of our self-branded medical dry laser film was primarily because the average cost of procuring self-branded medical dry laser film from local OEM manufacturers is lower than the average cost of purchasing medical dry laser film of the Medical Imaging Products Manufacturer. According to CIC, the cost of purchasing branded medical imaging films from a well-established medical imaging films manufacturers is generally higher than non-branded medical imaging films from OEM manufacturers.

Thermal films

The sales volume and revenue of our self-branded thermal films demonstrated an increasing trend during the Track Record Period, which was primarily due to our effort to develop our self-branded products. The gross profit of our self-branded thermal film also demonstrated an increasing trend during the Track Record Period, which was consistent with the trend of its revenue. The gross profit margin of our self-branded thermal film increased from approximately 32.6% for the year ended 31 December 2019 to approximately 35.6% for the year ended 31 December 2020, and further increased to approximately 40.2% for the year ended 31 December 2021. The steady increase was primarily attributable to the decrease in average cost brought by the rebate from Supplier B according to our rebate arrangement with them. The gross profit margin of our self-branded thermal film increased from approximately 38.9% for the six months ended 30 June 2021 to 55.4% for the six months ended 30 June 2022. Such a significant increase during the six months ended 30 June 2022 was primarily attributable to the decrease in average procurement cost of our self-branded thermal films, resulting from a larger purchase volume of self-branded thermal films procured from Supplier G, a local OEM manufacturer who is able to offer a lower average selling price as compared to the other international OEM manufacturers. The average selling price of our self-branded thermal films remained relatively stable during the Track Record Period.

For other third-party branded thermal films, the sales volume and revenue increased from 2019 to 2020 which was in line with the market growth. According to CIC, due to the steady increase in the number of patients with cardiovascular diseases, cancer and other diseases caused by the ageing of the population and other factors, and with the continuous increase in per capita medical expenditures, the demand for imaging diagnosis services has increased significantly. This has led to the increase in demand of our medical imaging films. The increase in gross profit was consistent with the trend of revenue during the same period. The gross profit margin from other third-party branded thermal film increased from approximately 12.5% for the year ended 31 December 2019 to approximately 15.2% for the year ended 31 December 2020, primarily attributable to the sale of thermal films to one of our customers with higher average selling price as a result of commercial negotiation. Since 2021, we did not sell thermal films of other third-party brands.

The gross profit margins of our self-branded thermal film were higher than that of other third-party branded thermal film for each of the years ended 31 December 2019 and 2020. This was primarily because the average cost of procuring self-branded thermal films from local OEM manufacturers is lower than the average cost of purchasing thermal film from third-party brand. According to CIC, the cost of purchasing branded medical imaging films from a well-established medical imaging film manufacturer is generally higher than the cost of non-branded medical imaging films from OEM manufacturers.

Medical printing films

We only sold medical printing films under our own brand Guanze Huiyi during the Track Record Period. During the three years ended 31 December 2021, the sales volume of our medical printing film increased slightly with the growth of our business. The revenue generated from the sale of medical printing film decreased from approximately RMB1.7 million for the year ended 31 December 2019 to approximately RMB1.4 million for the year ended 31 December 2020 because of the decrease in average selling price from approximately RMB7.7 per piece to approximately RMB5.8 per piece during the same

period. Such fluctuation was mainly because we sold a larger amount of large size medical printing film, which have a higher average selling price than small size medical printing film, in 2019. This also led to the decrease in gross profit margin from medical printing film from approximately 87.6% for the year ended 31 December 2019 to approximately 70.5% for the year ended 31 December 2020 as the sale of a large size medical printing film normally generated a higher margin than a small size medical printing film. The revenue generated from the sale of medical printing film increased with the sale volume for the year ended 31 December 2021. The gross profit also increased along with the increase in revenue, while the gross profit margin and average selling price remained relatively stable during 2020 and 2021.

For the six months ended 30 June 2022, the revenue generated from the sale of our self-branded medical printing film, its sales volume and its gross profit margin decreased slightly as compared to the same period of last year. The gross profit for the six months ended 30 June 2022 also decreased along with the decrease in revenue. The average selling price of our self-branded medical printing films remained stable for each of the six months ended 30 June 2021 and 2022.

For the reasons for the fluctuations of the unit selling prices of each type of film products during the Track Record Period, please refer to ''Financial Information — Description of certain items from consolidated statements of profit or loss and other comprehensive income — Revenue — Revenue by film products''.

Comparison with industry selling prices

According to CIC, as (i) the average selling price varies across hospitals customers; (ii) there is no official guidance price in the market; and (iii) the same film products can be of different dimension and size, it is not meaningful to present a single average selling price for comparison purpose. Therefore, price range is employed. According to CIC, the market average selling prices range of (i) medical dry laser film ranges from approximately RMB13 per piece to RMB21 per piece; (ii) thermal film ranges from approximately RMB9.5 per piece to RMB18.5 per piece; and (iii) medical printing film ranges from approximately RMB7 per piece to RMB11 per piece. During the Track Record Period, the selling prices range of our (i) medical dry laser film ranges from approximately RMB3.6 per piece to RMB18.1 per piece; (ii) thermal film ranges from approximately RMB3.5 per piece to RMB16.4 per piece; and (iii) medical printing film ranges from approximately RMB1.7 per piece to RMB18.1 per piece. The major reasons for the deviation of our selling price range from the market price range are as follows: (i) we occasionally sold our products at a lower price in order to attract customers and open up new market or to facilitate our inventory turnover and avoid inventory obsolescence; and (ii) we sold our products at a higher price due to commercial negotiation.

AMB, DVS and DVB models of medical dry laser film of Medical Imaging Products Manufacturer

According to CIC, the common measurements of a medial dry laser film are film fog and maximum density. The common film fog level of a medical dry laser film should be less than or equal to 0.3 and the common maximum density level of a medical dry laser film should be more than or equal to 2.4. Low film fog level and high maximum density level can produce sharp and high contrast images, which in turn allow medical practitioners to clearly view the inside of patients' bodies and improve diagnostic capabilities.

The table below sets forth the characteristics of AMB, DVS and DVB models of medical dry laser film of Medical Imaging Products Manufacturer.

Medical dry laser film of Medical Imaging Products Manufacturer *(Note 1)*	**Film fog** *(Note 2)*	**Maximum density** *(Note 3)*
AMB model	0.17	2.61
DVS model	0.19	3.13
DVB model	0.19	3.82

Notes:

(1) The model names are for indicative purposes only.

(2) The lower the fog level, the higher the contrast level.

(3) The higher the density level, the darker the film can be and the greater the contrast.

The table below sets forth the sales volume and average selling price of AMB, DVS and DVB models of medical dry laser film of Medical Imaging Products Manufacturer.

	Year ended 31 December						Six months ended 30 June			
	2019		2020		2021		2021		2022	
	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
	(piece '000)	*(RMB/piece)*	*(piece '000)*	*(RMB/piece)*	*(piece '000)*	*(RMB/piece)*	*(piece '000)*	*(RMB/piece)*	*(piece '000)*	*(RMB/piece)*
Medical dry laser film of Medical Imaging Products Manufacturer										
AMB model	—	—	—	—	1,116	11.8	324	11.9	589	11.8
DVS model	—	—	—	—	920	11.2	160	11.2	1,163	11.4
DVB model	3,324	13.9	3,315	15.0	1,309	14.8	1,242	14.7	—	—

For the three financial years ended 31 December 2021 and the six months ended 30 June 2022, the average selling prices of AMB and DVS models of Medical Imaging Products Manufacturer remained stable. For the two financial year ended 31 December 2020, the average selling price of DVB model was RMB13.9 per piece and RMB15.0 per piece, respectively. The increase in average selling price of DVB model was mainly attributable to a larger sales volume of large size DVB model, which has a higher average selling price than small size DVB model as compared to the sales volume of large size DVB model in 2019. The average selling price of DVB model remained stable for the financial year ended 31 December 2021 and for the six months ended 30 June 2022.

For the two financial years ended 31 December 2020, our Group did not distribute any AMB and DVS models of medical dry laser film of Medical Imaging Products Manufacturer to our customers and the sales volume of DVB model remained stable. For the financial year ended 31 December 2021, our Group started to offer AMB and DVS models of medical dry laser film of Medical Imaging Products Manufacturer to our customers. Since the quality of AMB and DVS models are similar to DVB model and the selling prices of the two models are lower than the selling price of DVB model, some of our customers, including Jining No.1 Hospital and Jining Affiliated Hospital, shifted their model preferences to AMB and DVS models in 2021 and hence the sales volume of DVB model decreased drastically from 3.3 million pieces to 1.3 million pieces while the sales volume of AMB and DVS models were 1.1 million pieces and 920,000 pieces, respectively. The sales volume of AMB model increased from approximately 324,000 pieces for the six months ended 30 June 2021 to approximately 589,000 pieces for the six months ended 30 June 2022 and the sales volume of DVS model increased from approximately 160,000 pieces for the six months ended 30 June 2021 to approximately 1.2 million pieces for the six months ended 30 June 2022, which was mainly attributable to the shift of our customers' model preference and demand from DVB model to AMB and DVS models, which (a) are sold at a lower selling prices than the selling price of DVB model; (b) have been distributed to our customers since late May 2021; and (c) the quality of AMB and DVS models are comparable to DVB model. For the six months ended 30 June 2022, our customers no longer procured DVB model from our Group.

Self-service film output printer, medical image printer and medical image data distribution system

During the Track Record Period, we principally provided three types of medical imaging printers, namely self-service film output printer, medical image printer and medical image data distribution system. Our self-branded medical imaging printers are either (i) manufactured by OEM manufacturers or (ii) assembled by us and the components of which are sourced from OEM manufacturers (for self-service film output printer only).

Generally, depending on our customers' needs, we will provide the self-service film output printer, medical image printer and medical image data distribution system (including CDs) in the course of the sale of medical imaging films and our customers are not charged for the corresponding equipment. The ownership of the equipment belongs to our Group. In the event of termination/discontinuation of the business relationship with our customers, the equipment provided to our customers during the course of the sale of medical imaging films are required to be returned. The reason for providing the corresponding self-service film output printer and medical image printer is to avoid incompatibility and distortion of images due to the use of different brands of medical imaging films, self-service film output printer and/or medical image printer. According to CIC, such a sales model is in line with the industry practise. Occasionally, we also (i) sell our medical imaging printers or (ii) provide rental and

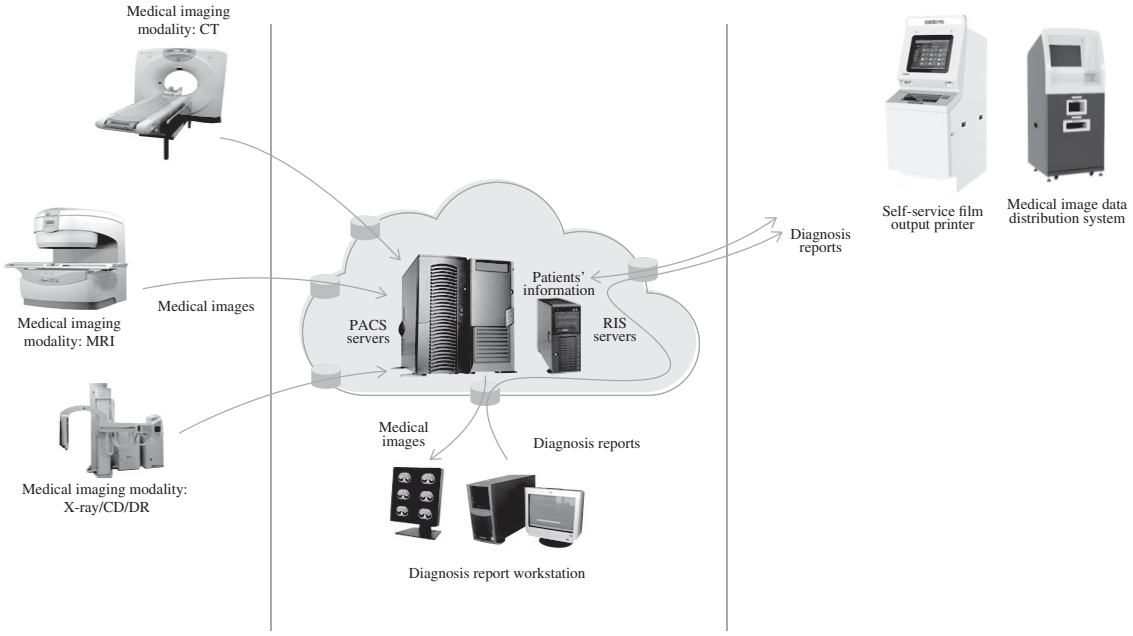
maintenance services to our customers. We also provide on-site technical assistance during the trial operation, maintenance services and after-sales technical supports on such products. Set forth below is a brief introduction of each type of medical imaging printers principally provided by us:

Product name	Usage/Description	Application of the medical imaging films	Photographs of our self-branded products	Brands
Self-service film output printer	• A medical self-service terminal for patients to print their own medical imaging films and reports anytime • Patients can print and obtain their diagnostic imaging reports and films by scanning their medical insurance cards, radio frequency identification cards, and barcodes • This avoids manually distributing the medical imaging films, which in turn can save manpower and reduce the contact among people in the case of epidemics • Intended user: patients	• Medical dry laser film • Thermal film • Medical printing film		Medical Imaging Products Manufacturer *(Note)*, 冠澤慧醫 (Guanze Huiyi)
Medical image printer	• A printer for printing the medical images on the medical imaging films • Intended user: medical practitioners	• Medical dry laser film • Thermal film • Medical printing film		冠澤慧醫 (Guanze Huiyi)

Note: To the best knowledge of our Directors, as at the Latest Practicable Date, our end customers procure self-service film output printer of the Medical Imaging Products Manufacturer exclusively from us.

Product name	Usage/Description	Photographs of our self-branded products	Brands
Medical image data distribution system	• The diagnostic imaging reports and films received by the system will be stored in a CD and the relevant medical information, including but not limited to the name of medical institution, patient information, type of medical imaging modalities used and examination date, will be printed on the CD surface at the same time • Patients can burn a CD by scanning their medical insurance cards, ID cards and barcodes • The CD can be read by different hospitals and would be more convenient for the patients to share data with another hospital. • Intended user: patients	 	冠澤慧醫 (Guanze Huiyi)

The following describes the standard operating procedures of the self-service film output printer and the medical image data distribution system. After patients scan their medical insurance cards, radio frequency identification cards, ID cards and barcodes, the operating system installed in the self-service film output printer and the medical image data distribution system will automatically receive non-medical data such as personal information of the patients from the RIS system and medical data and images from the medical imaging modalities, or make a request to the PACS system to obtain the medical data and images, which belong to the relevant patients. Medical images and reports will then be printed or stored in a CD. Depending on the customers' requirements, no matter it is a third party or self-branded medical imaging printers, the operating system can also be connected to our medical imaging cloud services through the front-end processor, which enables it to retrieve medical data stored therein. Below is an illustrative paragraph of the workflow of the medical imaging printers.



Accounting treatment of our self-service film output printer and medical image printer

In the course of the sale of our medical imaging films, depending on our customers' needs, we will provide the corresponding self-service film output printer and/or medical image printer to them and our customers are not charged for the corresponding equipment. The reason for providing the corresponding self-service film output printer and medical image printer is to avoid incompatibility and distortion of images due to the use of different brands of medical imaging films, self-service film output printer and/or medical image printer.

Under such circumstances, the amount of the costs borne by our Group for the provision of such printers for each of the years/period comprising the Track Record Period was approximately RMB216,000, RMB828,000, RMB2.0 million and RMB1.2 million, respectively. Such costs were accounted as depreciation of property, plant and equipment and recorded as cost of sales in the Accountants' Report. The carrying amount of the relevant property, plant and equipment as at the end of each of the years/period comprising the Track Record Period was approximately RMB5.4 million, RMB11.3 million, RMB15.7 million and RMB18.9 million, respectively.

Medical imaging cloud services

Our medical imaging cloud services provide four types of services, including (i) digital medical imaging cloud storage platform, (ii) digital medical image platform, (iii) regional imaging diagnosis platform and (iv) PACS system. We procure software which offer the above services from our software suppliers. We also engage our software suppliers for updates on the software including adding new functions and reducing bugs for at least four times a year. Our Group is responsible for installing the software to the existing information technology systems of our customers. To connect the software and the existing information technology systems of our customers, we are also required to (i) formulate an application programme interface (API) and (ii) install a hard drive called front-end processor on-site.

There is an actual business need in employing medical imaging cloud services for the hospitals in Shandong Province as a result of (i) the favourable government policies which encourage, amongst others, the use of medical cloud films and the sharing of medical data through online platform; and (ii) the improvement in hospital efficiency performance resulting from the employment of medical cloud services.

In general, we provide such medical imaging cloud services during the sale of medical imaging films. As at 31 December 2019, 2020, 2021 and 30 June 2022, and the Latest Practicable Date, the number of customers subscribing for our cloud services was 42, 51, 53, 53 and 55, respectively, which demonstrated an increasing trend.

To the best knowledge of our Directors, as at the Latest Practicable Date, our end customers procure our medical imaging cloud services exclusively from us.

Digital medical imaging cloud storage platform

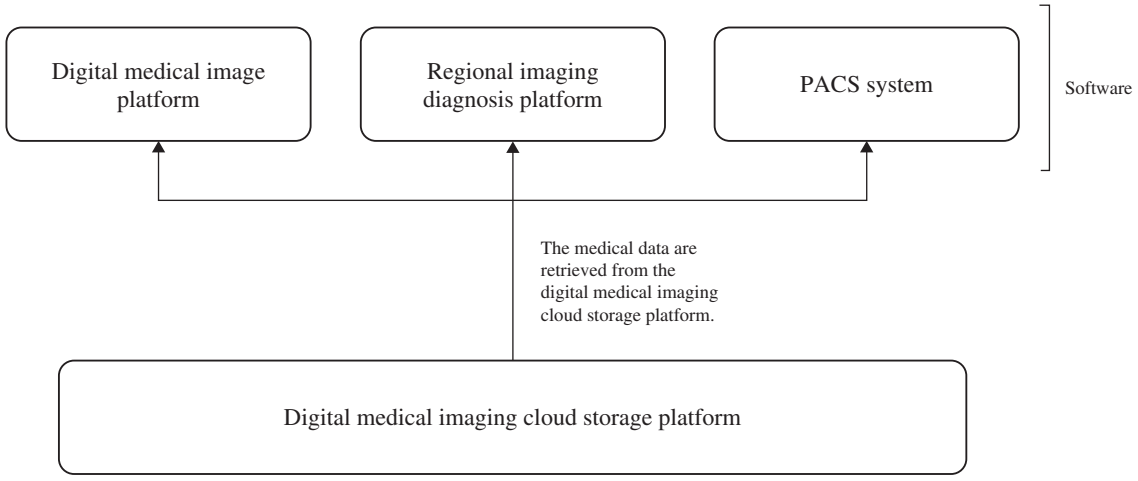
Our digital medical imaging cloud storage platform serves the function of storing and archiving patients' digital medical images and diagnostic results. In short, it is a virtual storage platform. The major advantages of our platform include the followings:

- medical practitioners will be able to access to the patient's medical image data anytime anywhere with his/her electronic devices whenever there is an internet connection

- the changes made to the files in platform will be synchronised automatically and updated across all of the devices having access to the cloud storage

Such a digital medical imaging cloud storage platform serves as a base of our provision of services as the medical data in the digital medical image platform, regional imaging diagnosis platform and medical cloud PACS system are saved in our digital medical imaging cloud storage platform.

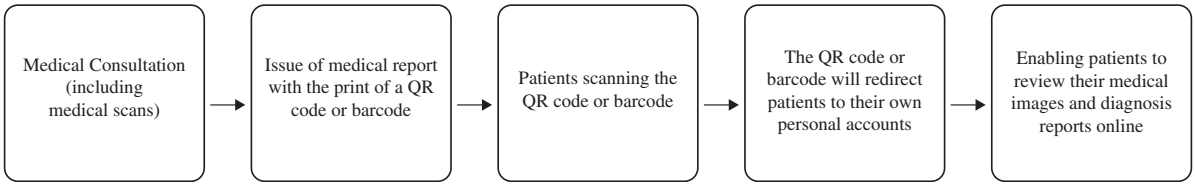
Below is an illustrative diagram of the workflow of the medical imaging cloud services.



Digital medical image platform

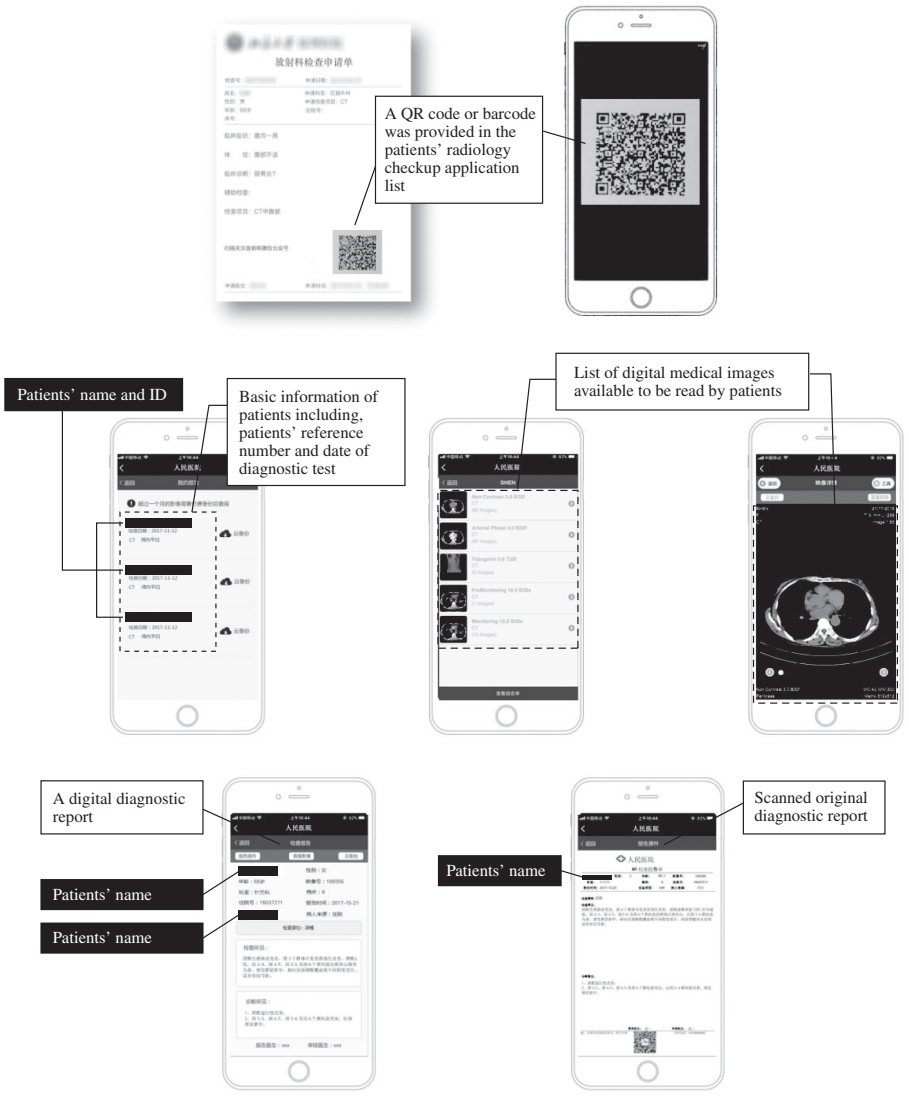
Digital medical image platform allows patients to obtain their own digital medical images and diagnosis reports by scanning a QR code or barcode generated by the hospitals and healthcare institutions which will then redirect to patients' own personal account. Such a digital medical image platform facilitates and optimises the process of release and dissemination of digital medical images and information and hence improves patients' diagnostic experience and satisfaction as well as enhances the efficiency of medical consultation process.

Below is a diagram illustrating how our digital medical image platform functions.



Below are the interfaces of the digital medical image platform:

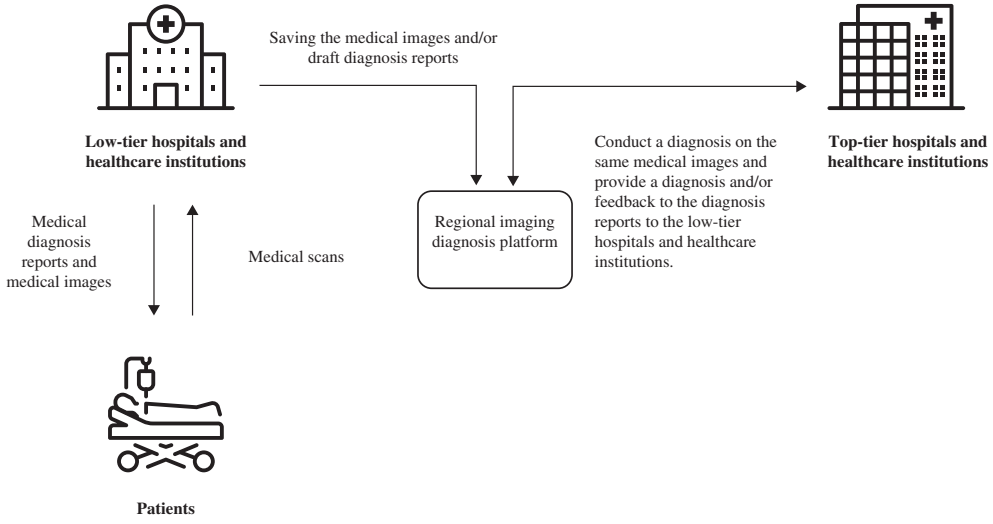
Digital medical image platform interfaces



Regional imaging diagnosis platform

The regional imaging diagnosis platform allows a diagnosis to be done or reviewed in a top-tier hospitals while medical scan on the patients can be conducted in a low-tier hospitals and healthcare institutions. According to CIC, since the low-tier hospitals and healthcare institutions in the PRC lack medical practitioners with extensive experience, such regional imaging diagnosis system allows the digital medical images and/or diagnosis reports of patients from low-tier hospitals and healthcare institutions to be uploaded to our regional imaging diagnosis platform, where the top-tier hospitals can also gain access to it, and the medical practitioners in top-tier hospitals and healthcare institutions will conduct a diagnosis on the same medical images and provide a diagnosis and/or feedback to the diagnosis reports to the low-tier hospitals and healthcare institutions. Our Directors believe such a platform can fill the gaps and break the barriers among different levels of healthcare institutions in terms of sharing the healthcare information and resources lying under the traditional healthcare system in China and resolve the issues regarding allocation of medical resources.

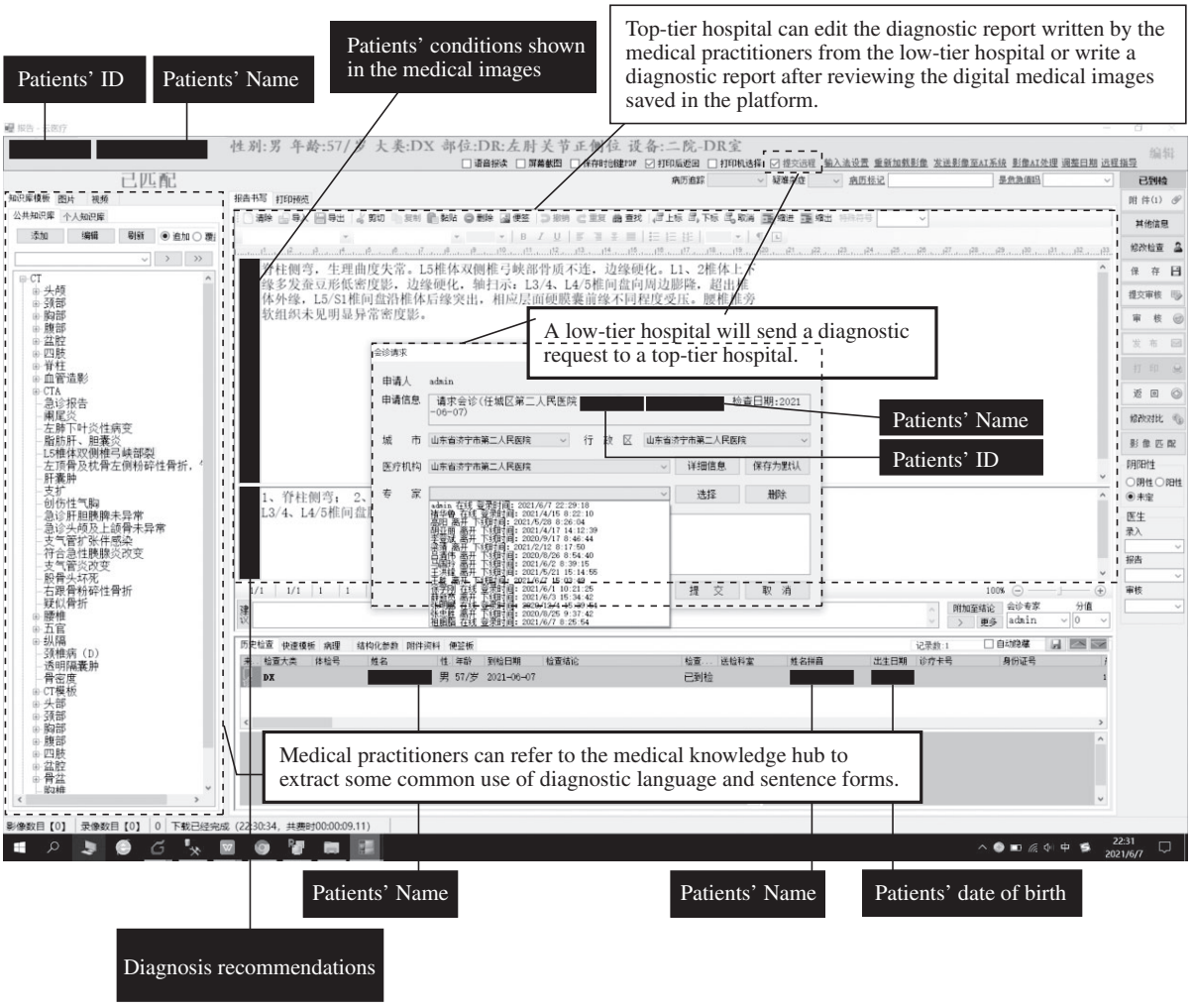
Below is a diagram illustrating how our regional medical imaging diagnosis platform functions.



Note: If the top-tier hospitals and healthcare institutions have engaged our Group in providing such services, we will install the software for the particular top-tier hospitals and healthcare institutions and its low-tier hospitals and healthcare institutions so as to allow the top-tier hospitals and healthcare institutions to gain access to the medical images and/or diagnosis reports uploaded to the platform by the low-tier hospitals and healthcare institutions.

Below is the interface of the regional imaging diagnosis platform:

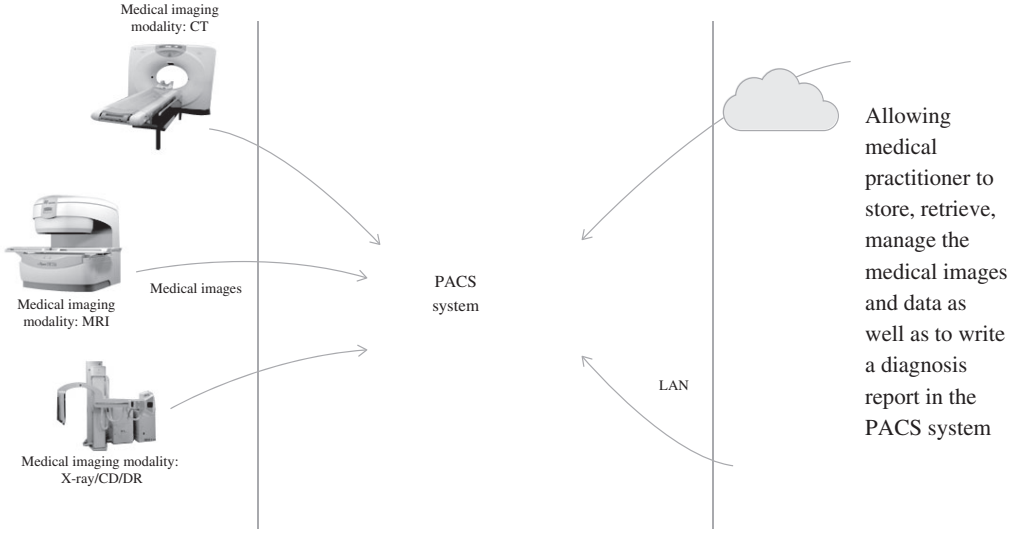
Regional imaging diagnosis platform interface



PACS system

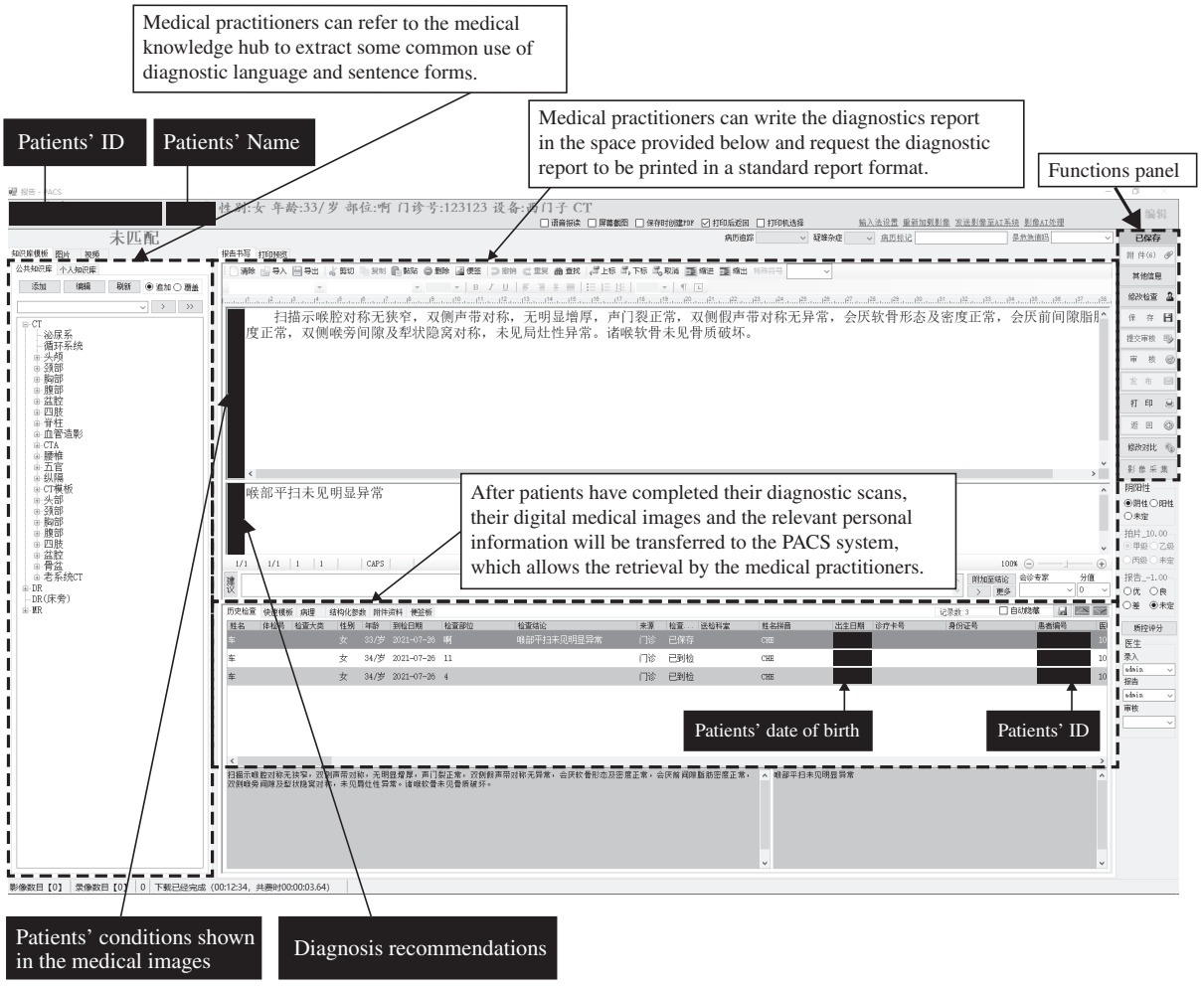
We provide both traditional PACS system and medical cloud PACS system. A traditional PACS system provides storage, retrieval, management, distribution and presentation of digital medical images from multiple medical modalities and diagnosis data without the need to manually file, retrieve or transport the physical medical images and data. It uses the server onsite to store the data. Hospitals and healthcare institutions must ensure the server has a sufficient capacity for an increasing data volume. With our medical cloud PACS system, the functions and applications are the same as the traditional PACS system but the digital medical images and data are stored in our digital medical imaging cloud storage platform to allow the authorised users to gain access to the data in the medical cloud PACS system anytime and anywhere provided that there is an internet connection.

Below is a diagram illustrating how our PACS system functions.



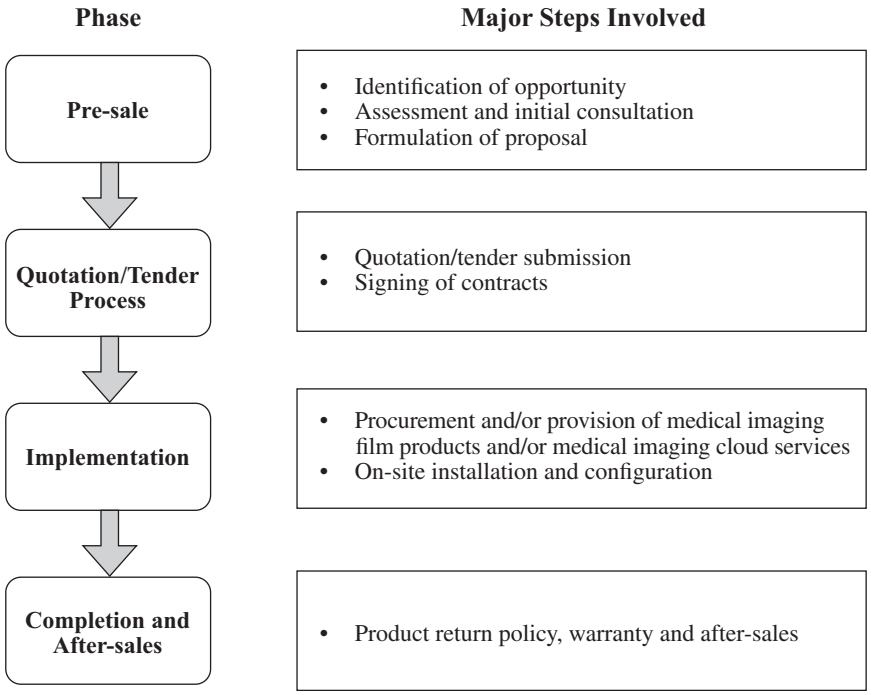
Below is the interface of both traditional PACS system and medical cloud PACS system.

Traditional PACS system and medical cloud PACS system interface



OUR BUSINESS WORKFLOW

The following diagram illustrates our business workflow:



Pre-sale

(i) Identification of opportunity

In general, we secure sales orders either through (i) tender, which includes open tender and tender by invitation; or (ii) quotation. Leveraging on the stable business relationship with hospitals and healthcare institutions and our well-established market reputation in Shandong Province, we receive requests or invitations for tender and quotations from hospitals and healthcare institutions for the supply of our products and services from time to time. We may also collect tender information through browsing relevant official websites of potential customers and local public tender websites on a regular basis and contact existing or potential customers to enquire any upcoming tender or quotation opportunity.

Our public hospitals and healthcare institution customers may be subject to the tendering and bidding process under the laws and regulations in relation to government procurement and tendering and bidding. For details, please refer to the paragraph headed "Regulatory Overview — Laws and Regulations Relating to Medical Devices — Procurement of medical devices by public hospital and healthcare institutions" in this document.

(ii) Assessment and initial consultation

Upon receipt of a tender or quotation invitation or any other business opportunities, our management will evaluate and perform assessment of the tender or quotation documents to identify the scope and complexity of work, product specification, costs and profitability, feasibility, resources availability and expertise, in order to ascertain whether to pursue the project.

When a potential customer approaches us, our engineering and sales personnel will first conduct initial consultation with the potential customer through field surveys in the hospitals and healthcare institutions. During the field survey, we will gather necessary information and try to understand the technical requirements and specifications of the medical imaging film products and medical imaging cloud services required by our customers.

(iii) Formulation of proposal

If we decide to pursue with the project, our sales personnel will then formulate pitching proposals or relevant tender submission documents.

Quotation/Tender Process

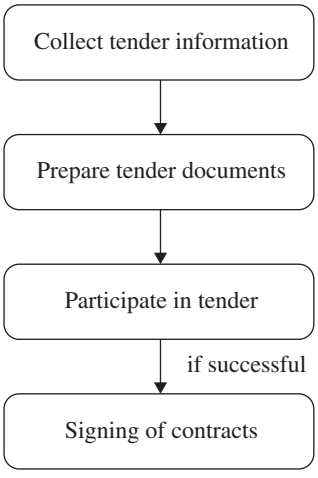
(i) Quotation/tender submission

Quotation

Our sales personnel will submit quotation to our customers within the timeframe specified by our potential customers.

Tendering

Set out below is the general outline of the tendering procedure:



The tendering process, if required, is usually arranged by the hospitals and healthcare institutions themselves and it usually takes one month to complete.

Our sales department participates in tendering either through physical tendering or electronic bidding. In general, besides price assessment, the criteria considered by hospitals and healthcare institutions includes, among others, (i) the technicality, specification and quality of products and services; (ii) reliable and timely completion; (iii) qualification and track record of the tenderer; and (iv) warranty and after-sales services provided.

The outcome of the tender is normally announced in customers' official websites, and we will be awarded with the contract if we win the tender. The following table sets forth our tender success rates during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
Number of tenders submitted *(Note 1)*	5	10	5	4	1
Number of contracts awarded	3	7	4	3	1
Success rate *(Note 2)*	60.0%	70.0%	80.0%	75%	100.0%
Total contract sum of tenders awarded *(RMB'000) (Note 3)*	1,087	13,797	42,573	17,455	22,516

Notes:

1. The tenders submitted refer to the tenders sent to our customers for their consideration.

2. Tender success rate is calculated by dividing the number of contracts secured in respect of the tenders submitted during the relevant period by the number of tenders submitted during the relevant period.

3. Depending on the commencement date and the term of the relevant tender contract, the contract sum of the tender awarded to our Group may not be recognised as revenue in the financial year in which the relevant tender is awarded, and all or part of the contract sum may be recognised as revenue in the following financial year(s).

The table below sets out the breakdown of our revenue attributable to orders obtained through tendering or quotation during the Track Record Period.

	For the year ended 31 December						For the six months ended 30 June			
	2019		**2020**		**2021**		**2021**		**2022**	
	RMB'000	*Approximate %*	*RMB'000*	*Approximate %*	*RMB'000*	*Approximate %*	*RMB'000*	*Approximate %*	*RMB'000*	*Approximate %*
Tendering	1,087	0.8	13,797	7.5	42,573	20.2	17,455	16.4	22,516	22.8
Quotation	139,738	99.2	170,638	92.5	168,503	79.8	89,273	83.6	76,105	77.2
Total	140,825	100	184,435	100	211,076	100	106,728	100	98,621	100

(ii) Signing of contracts

Upon being selected as their suppliers, we will generally enter into a framework sales agreements with hospitals, healthcare institutions and/or deliverers and will supply our products and/or services upon receiving purchase order(s) placed by them.

Implementation

(i) Procurement and/or provision of medical imaging film products and/or medical imaging cloud services

- *Procurement of medical imaging film products from third-party suppliers*

If our customers specify a specific brand of medical imaging film products to be provided, we will either check our stock availability of the specific brand of medical imaging film products or procure the required brand products from third-party suppliers.

- *Provision of our self-branded medical imaging film products and/or medical imaging cloud services*

Self-branded medical imaging film products

To provide our self-branded medical imaging films, we will either check our stock availability or procure the customised medical imaging films, which are manufactured in accordance with our customers' specifications and requirements, from OEM manufacturers. Upon arrival of the medical imaging films, we will seal and package the medical imaging films and stick a label on the box. For our self-branded medical imaging printers, we will either (i) check our stock availability, (ii) procure them from OEM manufacturers, or (iii) assemble the self-service film output printer by using the equipment components sourced from OEM manufacturers. Subject to the stock availability, our Company may have to procure necessary raw materials including packaging materials and accessories for packaging and labelling the medical imaging films and equipment components including shell and medical image printers for assembling the self-service film output printer. We will carry out selective inspection of the procured items upon arrival to ensure that they conform with our customers' requirements.

Self-branded medical imaging cloud services

We are responsible for installing the software to the existing information technology systems of our customers. To connect the software and the existing information technology systems of our customers, we are also required to (i) formulate an application programme interface (API) and (ii) install a hard drive called front-end processor on-site.

(ii) On-site installation and configuration

For the medical imaging printers, we will carry out installation work either at our warehouse or customers' premises. For the medical imaging cloud services, the installation work we perform mainly include (i) installation and setting up of hardware, such as front-end processors, terminals and cables, and (ii) installation and configuration of software.

Completion and After-sales

Product return policy, warranty and after-sales

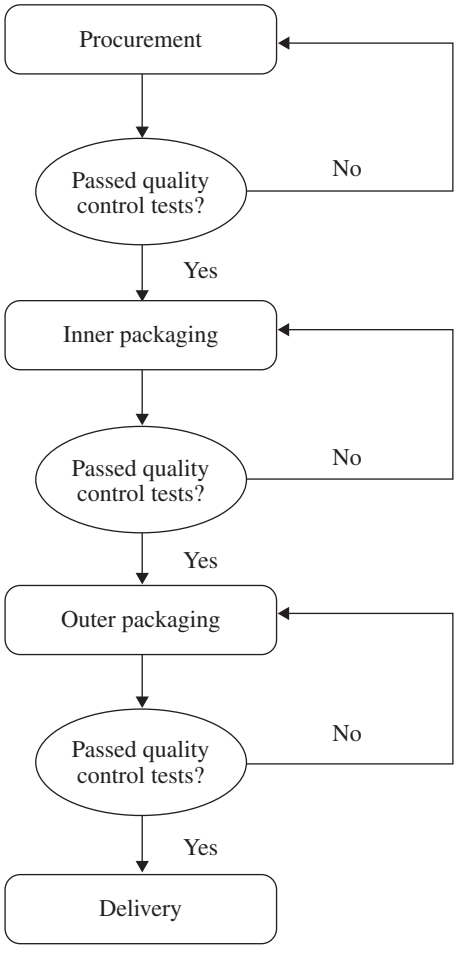
If we determine the quality of our medical imaging film products to be defective and such defects are not caused by our customers, we allow our customers to exchange the defective medical imaging film products for new items as part of our product return policy. We generally provide warranty to our customers in relation to the maintenance and repair of the medical imaging printers procured from us for generally a year. For the medical imaging cloud services, our Group normally provides remote technical support or conducts on-site maintenance and repair work if requested by our customers during the warranty period, which is generally one year, and also carries out upgrading work for the cloud services from time to time.

OUR PACKAGING AND LABELLING, AND ASSEMBLY PROCESSES

Packaging and labelling of our self-branded medical imaging films

During the Track Record Period, we manually packaged and labelled the medical imaging films procured from OEM manufacturers.

The following diagram illustrates the key steps in our packaging and labelling process for medical imaging films:



Details of our principal packaging and labelling process are further explained below:

- *Procurement:* We procure customised medical imaging films, which are manufactured in accordance with our customers' specifications and requirements, from OEM manufacturers and they are stored in our warehouse under precisely controlled illumination, temperature, humidity and dust levels for a prescribed period of time.

- *Inner packaging:* Each medical imaging film is sealed in a specially designed sheath in order to protect the finished product from exposure to light and other damages. The quality of the inner packaging will be subject to inspection by our quality control staff.

- *Outer packaging:* The medical imaging films will then be packaged into a box and a label will be stuck on each of the boxes. All packed products are subject to quality inspection by our quality control staff on sampling basis to ensure that they are in good condition and conform to the packaging and labelling specifications of our customers. The products are stored under prescribed conditions until delivery to customers.

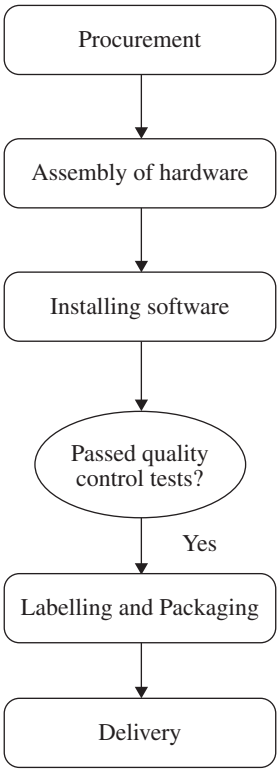
- *Delivery:* We are responsible for the logistics and transportation of delivering our medical imaging films. Please refer to the paragraph headed "Logistical arrangements" in this section below. Delivery of the medical imaging films is also subject to stringently controlled conditions to avoid any damages to the medical imaging films and/or exposure to sunlight. Normally, throughout the delivery, the temperature should be controlled at or below 24°C and the humidity should be controlled between 20% to 60%.

Generally, the whole packaging and labelling process for one box of medical imaging films takes around 30 minutes.

Assembly of our self-branded self-service film output printers

During the Track Record Period, we manually assembled our self-branded self-service film output printer and the components of which are sourced from OEM manufacturers.

The following flowchart illustrates our assembly process for our self-branded self-service film output printers:



- *Procurement:* We procure equipment such as shell and medical image printer from OEM manufacturers for our assembly of self-service film output printers.

- *Assembly of hardware:* Our engineering personnel assembles the equipment procured from OEM manufacturers.

- *Installing software:* We install the operating system in the self-service film output printer.

- *Labelling and packaging:* After passing the quality control test, we label and package the self-service film output printer.

- *Delivery:* The self-service film output printer will be delivered to our customers after labelling and packaging. We are responsible for the logistic and transportation of delivering our self-service film output printer. Please refer to the paragraph headed ''Logistical arrangements'' in this section below for details.

Generally, the time required for assembling a self-branded self-service film output printer takes around five working days, subject to the specifications required by our customers.

For further details of the typical quality control procedures, please refer to the paragraph headed ''Quality control and assurance'' in this section.

LOGISTICAL ARRANGEMENTS

The logistical arrangement with our customers is that we are responsible for the transportation of the products to our customers' sites at our own costs. In particular, the transportation of medical imaging films requires stringent control on the delivery condition due to their sensitivity to temperature and humidity. Normally, the temperature of the vehicles should be controlled at or below 24°C and the humidity should be controlled between 20%–60% throughout the delivery. We normally arrange delivery with our in-house logistic resources. We have a logistic team and two self-owned vehicles specifically used for delivering and transporting the products from our warehouse to destinations designated by our customers. During the Track Record Period, we only engaged one logistics company to deliver our products to customers. As at the Latest Practicable Date, we have not entered into any long-term agreements with such third-party logistics company.

We are responsible for the risks associated with transportation and delivery of products, which are generally mitigated by the insurance we bought. During the Track Record Period, we did not experience any material disruption in transportation nor have we suffered any loss or paid any compensation as a result of delays in delivery or poor handling by logistics companies.

RAW MATERIALS AND PROCUREMENT

For our distribution business, the major materials procured from suppliers are mainly medical imaging films and medical imaging printers. The major materials procured from suppliers for our self-branded film products business include medical imaging films, medical imaging printers, accessories, packaging materials and equipment components such as shell. For our medical imaging cloud services, we procure the software from our software suppliers. We purchased all of our raw materials in the PRC during the Track Record Period. We have dedicated procurement staff responsible for the selection of suppliers and the purchase of materials. The procurement staff possesses certain procurement experience and has adequate technical knowledge about our products, services and raw materials.

Our procurement staff devises our procurement plans on a monthly and quarterly basis, respectively, by taking into account, among others, our actual and expected sales volume, inventory level and delivery lead time. The procurement staff then makes purchases in accordance with the procurement plan. Generally, the materials will be delivered to us within one month after our procurement department places a purchase order.

OUR SUPPLIERS

Our suppliers primarily comprise distributors of international medical imaging film products, OEM medical imaging film products manufacturers and software companies. We select our suppliers based on a number of criteria, including their reputation and qualification, product quality, scale of production, market share and financial strength. We will review and update our list of suppliers annually.

Our five largest suppliers generally grant us a credit term of 0 to 7 days. For each of the three years ended 31 December 2021 and the six months ended 30 June 2022, purchases from the five largest suppliers amounted to approximately RMB108.2 million, RMB107.6 million, RMB126.6 million and RMB49.8 million, respectively, accounted for approximately 98.0%, 98.0%, 98.9% and 98.3% of our total purchases, respectively, and purchases from the single largest supplier amounted to approximately RMB91.8 million, RMB84.5 million, RMB94.5 million and RMB37.0 million, respectively, accounted for approximately 83.1%, 77.0%, 73.8% and 73.0% of our total purchases during the same periods respectively.

The following tables set forth certain information with respect to the five largest suppliers for each year/period of the Track Record Period.

Year ended 31 December 2019

Rank	Five largest suppliers	Background	Type(s) of products/ services provided to our Group	Payment method	Credit period	Year of commencement of business relationship with us	Approximate purchase amount for the year ended 31 December 2019 (RMB'000)	Approximate percentage to the total purchases
1.	Honghe Group *(Note 1)*	A group of private limited companies based in Shandong Province with an aggregate of RMB64 million registered capital and is primarily engaged in the supply of medical imaging film products	Medical imaging film products of Medical Imaging Products Manufacturer	Bank transfer	0 day	2017	91,821	83.1
2.	Supplier B	A private limited company based in Shanghai with RMB1.05 million registered capital, which was established in the PRC in 2009 and is primarily engaged in the supply of medical imaging film products	Self-branded medical imaging film products	Bank transfer	0 day	2018	10,372	9.4
3.	Supplier C	A private limited company based in Nanjing with RMB10 million registered capital, which was established in the PRC in 2013 and is primarily engaged in the supply of medical device and the development in medical technology	Medical imaging film products of other international brand	Bank transfer	0 day	2017	3,600	3.3
4.	Supplier D	A private limited company based in Nanjing with RMB10 million registered capital, which was established in the PRC in 2008 and is primarily engaged in the supply of medical device	Self-branded self-service film output printer components	Bank transfer	0 day	2016	1,243	1.1
5.	Supplier E	A private limited company based in Shenzhen with RMB5 million registered capital, which was established in the PRC in 2014 and is primarily engaged in the supply of medical imaging products	Self-branded self-service film output printer components	Bank transfer	0 day	2019	1,189	1.1
						Five largest suppliers	108,225	98.0
						All other suppliers	2,245	2.0
						Total	110,470	100.0

Year ended 31 December 2020

Rank	Five largest suppliers	Background	Type(s) of products/ services provided to our Group	Payment method	Credit period	Year of commencement of business relationship with us	Approximate purchase amount for the year ended 31 December 2020 (RMB'000)	Approximate percentage to the total purchases
1.	Honghe Group *(Note 1)*	A group of private limited companies based in Shandong Province with an aggregate of RMB64 million registered capital and is primarily engaged in the supply of medical imaging film products	Medical imaging film products of Medical Imaging Products Manufacturer	Bank transfer	0 day	2017	84,466	77.0
2.	Supplier B	A private limited company based in Shanghai with RMB1.05 million registered capital, which was established in the PRC in 2009 and is primarily engaged in the supply of medical imaging film products	Self-branded medical imaging film products	Bank transfer	0 day	2018	15,605	14.2
3.	Guanze Medical Equipment (Shanghai) Co., Ltd* 冠澤醫療器材(上海)有限公司 ("**Guanze Medical Equipment Shanghai**") *(Note 2)*	A private limited company based in Shanghai with RMB20 million registered capital, which was established in the PRC in 2019 and dissolved in 2020, and is primarily engaged in the supply of medical devices	Medical imaging film products of Medical Imaging Products Manufacturer	Bank transfer	0 day	2019	3,850	3.5
4.	Supplier C	A private limited company based in Nanjing with RMB10 million registered capital, which was established in the PRC in 2013 and is primarily engaged in the supply of medical device and the development in medical technology	Medical imaging film products of other international brand	Bank transfer	0 day	2017	3,123	2.8
5.	Supplier F	A private limited company based in Shandong with RMB5 million registered capital, which was established in the PRC in 2014 and is primarily engaged in the supply of medical device	Self-branded medical imaging film products	Bank transfer	3 days	2017	542	0.5
						Five largest suppliers	107,586	98.0
						All other suppliers	2,052	2.0
						Total	109,638	100.0

Year ended 31 December 2021

Rank	Five largest suppliers	Background	Type(s) of products/ services provided to our Group	Payment method	Credit period	Year of commencement of business relationship with us	Approximate purchase amount for the year ended 31 December 2021 (RMB'000)	Approximate percentage to the total purchases
1.	Honghe Group *(Note 1)*	A group of private limited companies based in Shandong Province with an aggregate of RMB64 million registered capital and is primarily engaged in the supply of medical imaging film products	Medical imaging film products of Medical Imaging Products Manufacturer	Bank transfer	0 day	2017	94,485	73.8
2.	Supplier B	A private limited company based in Shanghai with RMB1.05 million registered capital, which was established in the PRC in 2009 and is primarily engaged in the supply of medical imaging film products	Self-branded medical imaging film products	Bank transfer	0 day	2018	28,736	22.5
3.	Supplier G	A private limited company based in Shanghai with RMB1 million registered capital, which was established in the PRC in 2014 and is primarily engaged in the supply of medical device	Self-branded medical imaging film products	Bank transfer	0 day	2019	1,758	1.4
4.	Supplier F	A private limited company based in Shandong with RMB5 million registered capital, which was established in the PRC in 2014 and is primarily engaged in the supply of medical device	Self-branded medical imaging film products	Bank transfer	3–7 days	2017	866	0.7
5.	Supplier H	A private limited company based in Beijing with RMB25 million registered capital, which was established in the PRC in 2011 and is primarily engaged in the supply of medical imaging film products	Self-branded medical imaging film products	Bank transfer	0 day	2021	727	0.5
						Five largest suppliers	126,572	98.9
						All other suppliers	1,411	1.1
						Total	127,983	100.0

Six months ended 30 June 2022

Rank	Five largest suppliers	Background	Type(s) of products/ services provided to our Group	Payment method	Credit period	Year of commencement of business relationship with us	Approximate purchase amount for the six months ended 30 June 2022 (RMB'000)	Approximate percentage to the total purchases
1.	Honghe Group *(Note 1)*	A group of private limited companies based in Shandong Province with an aggregate of RMB64 million registered capital and is primarily engaged in the supply of medical imaging film products	Medical imaging film products of Medical Imaging Products Manufacturer	Bank transfer	0 day	2017	36,992	73.0
2.	Supplier B	A private limited company based in Shanghai with RMB1.05 million registered capital, which was established in the PRC in 2009 and is primarily engaged in the supply of medical imaging film products	Self-branded medical imaging film products	Bank transfer	0 day	2018	6,436	12.7
3.	Supplier G	A private limited company based in Shanghai with RMB1 million registered capital, which was established in the PRC in 2014 and is primarily engaged in the supply of medical device	Self-branded medical imaging film products	Bank transfer	0 day	2019	5,072	10.0
4.	Supplier I	A private limited company based in Henan with RMB10 million registered capital, which was established in the PRC in 2018 and is primarily engaged in the supply of medical device	Self-branded medical imaging film products	Bank transfer	0 day	2021	843	1.7
5.	Supplier F	A private limited company based in Shandong with RMB5 million registered capital, which was established in the PRC in 2014 and is primarily engaged in the supply of medical device	Self-branded medical imaging film products	Bank transfer	3–7 days	2017	432	0.9
						Five largest suppliers	49,775	98.3
						All other suppliers	916	1.7
						Total	50,691	100.0

Notes:

1. For our relationship with Honghe Group and further details of its background, please refer to the paragraph headed "Our Suppliers — Relationship with Honghe Group" in this section.
2. Guanze Medical Equipment Shanghai was ultimately controlled by Mr. Meng, the executive Director, the chairman and chief executive officer of the Company and was dissolved in August 2020.

To the best knowledge of our Directors, save as Guanze Medical Equipment Shanghai, all of our top five suppliers during the Track Record Period were Independent Third Parties. None of the Directors or any of their respective associates, or any of the Shareholders who owned more than 5% of the issued share capital of the Company during the Track Record Period and up to the Latest Practicable Date, held any interest in any of our Group's five largest suppliers.

Distributorship

During the Track Record Period, we entered into two distributorship agreements with (i) the distributor of the Medical Imaging Products Manufacturer and (ii) the distributor of another international medical imaging film products brand. For the salient terms of the framework sales agreements with the distributors of the medical imaging film products, please refer to the paragraph headed "Our Suppliers — Salient terms of the typical distributorship agreements with the distributors of medical imaging film products" in this section.

If we meet the criteria in becoming a Tier-2 distributor including but not limited to an extensive customers network and strong sales and marketing capabilities, our Group can become a Tier-2 distributor of the medical imaging film products of a Tier-1 distributor. During the Track Record Period, the two suppliers authorised us as a Tier-2 distributor of medical imaging film products in Shandong Province but we were not the only Tier-2 distributor of the medical imaging film products procured from them. Except for being a Tier-2 distributor of Medical Imaging Products Manufacturer and another international medical imaging film products brand in Shandong Province, our Group did not act as Tier-2 or even lower-tier distributor of any other manufacturers during the Track Record Period and up to the Latest Practicable Date.

The distribution agreement with Supplier C was terminated in 2020 primarily because (i) we shifted our resources to the development of our self-branded medical imaging products in order to strengthen our position as a medical imaging products supplier in Shandong Province; and (ii) the gross profit margin of the medical imaging films procured from Supplier C was relatively low when compared to our self-branded medical imaging films.

As at the Latest Practicable Date, we had one distributorship agreement with Tier-1 distributor of the Medical Imaging Products Manufacturer, which is Honghe Group.

OEM Manufacturers

Our OEM manufacturers are specialised in the production of medical imaging film products, and are experienced in providing OEM services. We adopt a strict guideline to evaluate our OEM manufacturers in relation to its infrastructure and production capacity, licences held, financial condition, and its ability to meet the specific quality and quantity requirements for medical imaging film products. In addition, we implement stringent product quality requirements on the OEM manufacturers to ensure that the selected OEM manufacturers are able to meet the quality requirements as set out by us. During the Track Record Period, we did not encounter any disruption to our business operation due to material non-compliance, counterparty default or business interruption by the OEM manufacturers. During the Track Record Period, we had 4, 6, 8 and 7 OEM manufacturers, respectively. We do not rely on any single OEM manufacturer as there is a large number of OEM manufacturers for medical imaging film products with similar quality and price available in the market.

During the Track Record Period, our OEM expenses incurred were approximately RMB6.7 million, RMB14.1 million, RMB33.1 million and RMB13.3 million. Our Directors believe that by utilising OEM manufacturers for production offers us the opportunity to focus resources on key stages of business, such as product development and sales and distribution.

Rebate arrangements with Honghe Group, Supplier B and Supplier G

During the Track Record Period, Honghe Group, Supplier B and Supplier G provided rebate to us if we met purchase targets specified in the respective agreements.

In general, if we fulfil the yearly minimum purchase target, rebates will be provided on an annual basis in the form of (i) self-service film output printer and (ii) a discount of medical imaging films, which can be used for future purchases.

During the Track Record Period, the total amount of rebates received by us in both forms were approximately RMB2.2 million, RMB6.4 million, RMB7.2 million and RMB4.7 million, respectively.

The rebate in the form of self-service film output printer is recorded in property, plant and equipment in the balance sheet and the depreciation of self-service film output printer will be recorded in cost of goods sold in the income statement. The rebate in the form of discounts of medical imaging films for future purchases is recorded in inventories in the balance sheet when the medical imaging films are bought at a discount and if the medical imaging films are sold, it will be recorded in cost of goods sold in the income statement.

Salient terms of the typical distributorship agreements with the distributors of medical imaging film products

For our distribution business, during the Track Record Period, we entered into framework distributorship agreements with the distributors of medical imaging film products. We entered into a ten-year framework agreement with Honghe Group in February 2021, which shall be subject to the commercial terms to be further agreed by both parties annually. For further details, please refer to the paragraph headed ''Business — Our Suppliers — Relationship with Honghe Group''. The following sets forth the salient terms of the framework distributorship agreements:

Duration	:	Typically for a term of one year.
Exclusivity	:	We are only authorised to distribute medical imaging film products in Shandong Province.
Minimum purchase targets	:	We are required to meet minimum yearly targets as specified in the agreement. If our Group is unable to meet such purchase targets, the distributors are entitled to terminate the distributorship with us. Our Directors confirmed that during the Track Record Period, we have fulfilled the minimum purchase targets.
Sales and pricing	:	No restrictions on distribution prices are specified in the agreements.
Payment and credit terms	:	Payment terms are not specified. In general, payments shall be made upon placing a purchase order or delivery.

Delivery, shipping and other costs	:	We are responsible for the costs of shipping.
Rebate	:	We receive rebates if the minimum purchase targets are met, which is in the form of (i) self-service film output printer and/or (ii) a discount of medical imaging films for future purchases.

Salient terms of the typical production and purchase agreements with OEM manufacturers

For our self-branded products business, during the Track Record Period, we entered into production and purchase agreements with OEM manufacturers. The following sets forth the salient terms of the production and purchase agreements:

Duration	:	The production and purchase agreement does not have a specified duration.
Renewal	:	The production and purchase agreement is not automatically renewed.
Services to be rendered	:	The OEM manufacturers shall manufacture the semi-finished products or finished products in accordance with our standards and specifications; and in accordance with the terms and conditions of the production and purchase agreement.
Payment and credit terms	:	Payment shall be arranged by deposit, followed by payment of the remaining balance prior to delivery or payment shall be arranged within 2–3 working days upon execution of the agreement or upon delivery.
Rebate	:	We receive rebates if the minimum purchase targets are met, which is generally in the form of (i) a discount on the upcoming purchase of medical imaging films or (ii) self-service film output printer.

To the best knowledge of our Directors, during the Track Record Period, we had not experienced nor were we aware of any material disputes or disagreements between our Group and our major suppliers, and our Group was not a party to any legal or arbitration proceedings with any of our major suppliers. Our Directors also confirm that there was no incident of material breach of any supply contract with our suppliers as at the Latest Practicable Date.

Relationship with Honghe Group

During the Track Record Period, we mainly procured medical dry laser films and self-service film output printers from Honghe Group. For each of the three years ended 31 December 2021 and the six months ended 30 June 2022, our purchase from Honghe Group amounted to approximately RMB91.8 million, RMB84.5 million, RMB94.5 million, and RMB37.0 million, respectively, representing approximately 83.1%, 77.0%, 73.8% and 73.0% of our Group's total purchases for the relevant year/period, respectively. For the risks relating to our supplier concentration, please refer to the paragraph headed "Risk factors — Risks relating to our business and operations — Our largest supplier accounted

for over 70% of our total purchases throughout the Track Record Period. If our relationship with it deteriorates or terminates, our business and results of operations would be adversely affected'' in this document.

Background of Honghe Group

Our relationship with Honghe Group dated back to 2017. During the Track Record Period and as at the Latest Practicable Date, Honghe Group is the only Tier-1 distributor of the Medical Imaging Products Manufacturer in Shandong Province and according to CIC, Honghe Group accounted for approximately 40% to 50% of the tier-1 distributor medical imaging film products market in Shandong Province in 2021. According to CIC, the Medical Imaging Products Manufacturer is one of the major medical imaging film products brands in the PRC, ranking the first in terms of sales revenue in the PRC and Shandong Province with a market share of approximately 28.0% and 55.0%, respectively, in 2021. As confirmed by the Medical Imaging Products Manufacturer, it accepts one or more Tier-1 distributors in Shandong Province (i.e. Honghe Group is not the exclusive Tier-1 distributor of the Medical Imaging Products Manufacturer in Shandong Province) but forbids the Tier-1 distributors to perform cross-regional sales and distribution.

As at the Latest Practicable Date, as confirmed by Honghe Group, its customers consists of mostly Tier-2 distributors in Shandong Province and some hospitals and healthcare institutions. To the best knowledge of our Directors, as at the Latest Practicable Date, there is no overlapping end customers between our Group and Honghe Group (including the end customers of its Tier-2 distributors).

Contractual arrangement with Honghe Group

During the Track Record Period, we entered into framework agreements with Honghe Group for a term of one year. According to CIC, due to the change of market conditions and variation of sales projection every year, it is an industry norm for medical imaging films manufacturer to renew the terms of distributorship agreement with their Tier-1 distributor every year and to set a new minimum purchase targets and pricing terms every year. Likewise, it is also an industry norm for Tier-1 distributor to enter into a distributorship agreement with Tier-2 distributorship every year in order to renew the minimum purchase targets and pricing terms. As such, the principal rationale of having a one-year term distributorship agreement is to facilitate the negotiation of terms and development of business in response to latest market trend but not to facilitate the termination of cooperation with Tier-1 and/or Tier-2 distributors. To secure the relationship with Honghe Group and to maintain the sustainability of our business, we entered into a framework agreement with Honghe Group in February 2021 for a term of ten years. The enforceability of such an agreement is subject to the commercial terms to be further agreed by both parties annually. Since the framework agreement only stipulated the general commercial terms, both parties to the framework agreement agreed that the annual purchase targets, the selling price for each sub-type of the medical dry laser films and the arrangement of rebate shall be subject to the supplemental agreement signed by both parties every year during the ten-year period. Our PRC Legal Advisers are of the view that both the framework agreement and the supplemental agreements which have already been signed are valid and legally binding. For further details, please refer to the paragraph

headed "Business — Our Suppliers — Relationship with Honghe Group — Sustainability of our business in view of our concentration — Ten-year framework agreement entered into with Honghe Group". The followings set forth the salient terms of the framework agreements with Honghe Group:

Exclusivity:	We are only authorised to distribute medical imaging film products in Shandong Province.
Minimum purchase targets:	We are required to meet minimum target as specified in the agreement. Our Directors confirmed that during the Track Record Period, we have fulfilled the minimum purchase targets. Below are the details of the expected yearly minimum purchase target required by Honghe Group and the actual purchase volume of our Group during the Track Record Period:

Year	Expected yearly purchase target of 14x17 inch medical dry laser films (Box)	Actual yearly purchase target of 14x17 inch medical dry laser films (Box)
2019	66,000	66,295
2020	58,800	58,820
2021	58,800	68,353

Sales and pricing:	No restrictions on distribution prices are specified in the agreement.
Payment and credit terms:	Payment terms are not specified. In general, payments shall be made upon placing a purchase order or delivery.
Delivery, shipping and other costs:	We are responsible for the costs of shipping.
Rebate:	We receive rebates if the minimum purchase targets are met, which is in the form of (i) self-service film output printer of the Medical Imaging Products Manufacturer and/or (ii) a discount of medical imaging films for future purchases.
Termination:	Not available

Our Directors confirmed that we have not encountered any material adverse change in the terms of our Group's distribution agreements with Honghe Group since cooperation.

Reasons for concentration

Our Directors are of the view that the concentration is mainly due to the following:

- According to CIC, the medical imaging film products market is highly concentrated in the PRC. The top five manufacturers accounted for more than 60% of the market share in China in terms of sales revenue in 2021. It is an industry norm for companies like us to rely heavily on a few suppliers due to the dominance by a few players in the medical imaging film products industry in the PRC.

- According to CIC, as at the Latest Practicable Date, Honghe Group was the only Tier-1 distributor of the Medical Imaging Products Manufacturer in Shandong Province, and our Group can only procure the medical dry laser film of the Medical Imaging Products Manufacturer from Honghe Group for onward selling to customers, because the Medical Imaging Products Manufacturer designates Tier-1 distributor on a regional basis and forbids cross-regional sales and distribution.

- We have established business relationship with Honghe Group since 2017 and have not encountered any major procurement problems in terms of shortage, delay and pricing.

Sustainability of our business in view of our concentration

Our Directors are of the view that the following factors should contribute to the sustainability of our business despite our concentration of purchases from Honghe Group:

- *Measures to mitigate concentration risk*

  Notwithstanding we endeavour to maintain the established relationship with Honghe Group, our Directors recognise the importance of expanding our product portfolio and establishing our own brands to maintain a sustainable business model. We commenced the sale of our self-branded medical dry laser film in June 2021 with an aim to mitigate concentration risk and increase our profitability. Our self-branded medical dry laser films were manufactured by OEM manufacturers, and further packaged and labelled by us. Our Directors believe that we can attract potential customers to procure our self-branded medical dry laser film by offering them a more competitive price. It is our plan to further develop our self-branded products in the future, not only to reduce our reliance on Honghe Group and but also to strengthen our position in the market and the supply chain. During the Track Record Period, our revenue attributable to the medical imaging film products under our brand were approximately RMB11.3 million, RMB32.2 million, RMB54.8 million and RMB29.3 million, respectively, representing approximately 9%, 19%, 28% and 32% of our revenue under the medical imaging film products business segment, respectively, which exhibited an increasing trend.

  In addition, we plan to source medical dry laser film from alternative suppliers. For further details, please refer to ''Business — Our Suppliers — Relationship with Honghe Group — Sustainability of our business in view of our concentration — Our flexibility and plans to source from alternative suppliers''.

- *Mutual reliance between our Group and Honghe Group*

We have established business relationship with Honghe Group since 2017 and have not encountered any major procurement problems. By virtue of our Group's extensive sales and marketing experiences in medical imaging film products industry and established market position in Shandong Province, our Directors consider that the reliance between Honghe Group and our Group was mutual as our customers were sourced independently without the assistance of Honghe Group and Honghe Group relied on our extensive distribution network for its sale of the Medical Imaging Products Manufacturer's medical dry laser film in Shandong Province during the Track Record Period. Over years of operations, we have accumulated a solid customer base and our customers covered, 43 Grade III hospitals, 30 Grade II hospitals and 20 Grade I hospitals in Shandong Province, accounting for approximately 20.7% Grade III hospitals, 4.1% Grade II hospitals and 1.9% Grade I hospitals in Shandong Province, as at the Latest Practicable Date. During the Track Record Period, as confirmed by Honghe Group, our purchase from Honghe Group accounted for approximately 50% of our Honghe Group's total sales revenue and we ranked the first among the customers of Honghe Group in terms of its sales revenue. Also, our successful record of the sale of medical dry laser film has strengthened our cooperation and enabled us to become an important business partner of Honghe Group. Our Directors believe that we have considerable advantages in the medical imaging film products market as we can leverage on our experienced staff, sales network in Shandong Province, our extensive sales and marketing experience, our reputation in distributing medical imaging film products in Shandong Province, and our successful business strategies which helped Honghe Group to maintain its leading position in terms of sale of the Medical Imaging Products Manufacturer's products in Shandong Province. As such, our Directors believe that we are a valuable business partner to Honghe Group and such business relationship between our Group and Honghe Group is expected to remain stable in the future.

- *Ten-year framework agreement entered into with Honghe Group*

We have entered into a framework agreement with Honghe Group in February 2021 with a term of ten years. Under the framework agreement, Honghe Group shall guarantee the long-term supplies of the products of the Medical Imaging Products Manufacturer to us, and we shall complete the minimum purchase targets agreed by both parties. The enforceability of such an agreement is subject to the minimum purchase targets, price, rebate and other specific terms to be further agreed by both parties annually. We will submit the estimated sales plan to Honghe Group three months in advance, and Honghe Group shall complete inventory and stocking work three months in advance in accordance with our sales plan.

Despite the Honghe Group's distribution agreement with the Medical Imaging Products Manufacturer will have to renew once a year, our Directors are of the view that Honghe Group will continue to be able to act as Tier-1 distributor of Medical Imaging Products Manufacturer due to the following factors and that we will be able to secure the supply from Honghe Group:

(i) *long-term business relationship between Medical Imaging Products Manufacturer and Honghe Group*. According to Honghe Group, it has all along been the Tier-1 distributor of the Medical Imaging Products Manufacturer for 23 years.

(ii) *mutual reliance between Medical Imaging Products Manufacturer and Honghe Group*. As confirmed by Honghe Group, it is the only Tier-1 distributor of Medical Imaging Products Manufacturer in Shandong Province as at the Latest Practicable Date.

(iii) *fulfilment of the minimum purchase targets.* As confirmed by Honghe Group, it met the required minimum purchase target throughout their cooperation.

In light of the above, the Sole Sponsor concurs with the view of our Directors.

- *Our flexibility and plans to source from alternative suppliers*

We maintain flexibility in supplier selection for other medical dry laser film of similar features and specifications. Our Directors confirm that there are alternative suppliers in the market which can supply medical dry laser film at comparable terms and quantities. Given our established presence in the medical imaging market, our Directors believe that there should not be any practical difficulty in purchasing from these alternative suppliers at comparable prices. Generally, our customers would choose their preferred brand of medical dry laser films, having regard to, among others, the quality of the products such as pixel and resolution, delivery time and pricing.

As confirmed by Honghe Group and our Directors, there was no non-competition provision under the distributorship agreements entered into between the Group and Honghe Group. As confirmed by the Medical Imaging Products Manufacturer, there was no non-competition provision under the distributorship agreements between Honghe Group and the Medical Imaging Products Manufacturer.

Our Directors recognise the importance of expanding our supplier base and we will continue to improve our supplier network and foster relationship with potential new suppliers that match our development plan from time to time.

Considering (i) the commencement of the sale of our self-branded medical dry laser film; (ii) the mutual reliance between our Group and Honghe Group; (iii) the framework agreement in relation to the supply of medical dry laser film with Honghe Group; and (iv) our flexibility and plans to source from alternative supplier, our Directors consider that the risk of Honghe Group to cease to provide medical dry laser film to the Group is remote in the foreseeable future and therefore, the Group's reliance on Honghe Group would not affect our Group's business sustainability.

Our Directors are of the view that our relationship with Honghe Group is not likely to be terminated or otherwise materially adversely change in the foreseeable future due to the following factors: (i) our stable business relationship with Honghe Group; (ii) mutual reliance between our Group and Honghe Group; and (iii) the fulfilment of the minimum purchase targets throughout our cooperation. Based on the above, the Sole Sponsor is also of the view that there are no red flags indicating (i) our relationship with Honghe Group is likely to be terminated or (ii) any materially adversely change of our relationship with Honghe Group in the foreseeable future.

Our self-branded products

Since June 2021, our Group has offered its own self-branded medical dry laser films. To the best knowledge of our Directors, Honghe Group has all along been informed of our Group's development of self-branded medical imaging film products including the commencement of sale of our self-branded medical dry laser film. In addition, there was no non-competition clause in the framework distributorship agreements entered into between our Group and Honghe Group during the Track Record Period.

Network of a distributor is one of the essential factors that the medical imaging products manufacturers/distributor may take into account when selecting a suitable distributor/sub-distributor. Given (i) our Group's extensive hospital network in Shandong Province and (ii) the solid business relationship between the end customers and our Group, our Directors believe that Medical Imaging Products Manufacturer and Honghe Group are inclined to cooperate with our Group in order to offer their products to the hospitals and healthcare institutions in Shandong Province. In light of the above, the relationship between our Group and Honghe Group is mutual and complementary and we have maintained an amicable and solid business relationship since our first year of cooperation.

Despite the medical dry laser film and self-service film output printer of Medical Imaging Products Manufacturer and Guanze Huiyi share similar characteristics, nature and functionalities, our Directors believe that the international brand name of Medical Imaging Products Manufacturer may distinguish the target customers as some of the hospital and/or healthcare institutions may prefer to purchase international brand products on the one hand, while on the other hand, the lower selling price of our self-branded medical dry laser film may attract customers who are cost-conscious.

Further, our Directors consider that the offer of the products of Medical Imaging Products Manufacturer, our self-branded products are complementary but may not necessarily compete with each other within our Group because of our diverse product portfolio, which offers a wider product offerings and may appeal to a large customer base. Such a business model may in turn enhance our Group's competitiveness and the business development of our Group.

As confirmed by the Medical Imaging Products Manufacturer, it is well aware of our Group's development of self-branded medical imaging products and it will not impose any non-competition clause on us in the event we become its Tier-1 distributor.

INVENTORY MANAGEMENT

Our inventories primarily include (i) raw materials, such as accessories, packaging materials and shell of the self-service film output printer; and (ii) finished goods, such as medical imaging films. We own one warehouse in Jinan, Shandong Province to store our inventories. Due to the sensitive nature of the medical imaging films, they are being stored under the temperature of 24°C or below and the humidity between 20% and 60%.

We maintain our inventories of finished goods and procure raw materials according to the projected demand from our customers and the estimated packaging and labelling and assembly time. We also communicate with our customers on a regular basis to understand their expected demand. We typically maintain an inventory level of our finished goods of one to three months to meet the unexpected demand of our customers.

If the inventory is about to expire, we would sell at a lower price in order to avoid inventory obsolescence. Certain aged inventory had been sold to Supplier G for the year ended 31 December 2021. For details, please refer to the paragraph headed "Sales, Customers and Marketing — Overlapping customer and supplier" in this section. Except for the provision for inventories in the sum of approximately RMB178,000 for the year ended 31 December 2020 due to the impairment of our aged inventories, our Group has not recorded any provision of expired products during the Track Record Period.

If the inventory has expired, it shall be considered as inventory loss and such expired inventory will be disposed by our Group. In relation to the details of ESG policy on the disposal of medical imaging film, please refer to "Environmental, Social and Corporate Governance" in this section.

We generally do not accept cancellation of order unless under special circumstances such as termination of business relationship with our customers. We may then negotiate with the concerned customers and accept cancellation of order. In the event of cancellation of order from our customers due to termination of business relationship with us, the products ordered will be regarded as inventories and be resold to other customers.

During the Track Record Period, our Directors confirm that there was no expired product, disposal of products nor cancelled order.

SALES, CUSTOMERS AND MARKETING

During the Track Record Period, all of our revenue was derived from our sales in Shandong Province. Our products are directly or ultimately provided to hospitals and healthcare institutions. Over years of operations, we have successfully established an extensive hospital coverage that covered 43 Grade III hospitals, 30 Grade II hospitals and 20 Grade I hospitals in Shandong Province, accounting for approximately 20.7% Grade III hospitals, 4.1% Grade II hospitals and 1.9% Grade I hospitals in Shandong Province, since the date of our inception until the Latest Practicable Date. As at the Latest Practicable Date, according to CIC, there are 208, 734 and 1,061 Grade III, Grade II and Grade I hospitals in Shandong Province, respectively.

As at 31 December 2019, 2020 and 2021, 30 June 2022 and as at the Latest Practicable Date, we had 61, 63, 62, 57 and 61 hospitals and/or healthcare institutions customers, respectively. The table below sets out the movement in the number of our hospitals and/or healthcare institutions for the years/period indicated:

Number of hospitals and for healthcare institutions	As at 31 December			As at 30 June	As at the Latest Practicable
	2019	2020	2021	2022	Date
Hospitals and/or healthcare institutions at the beginning of the year/period *(Note 1)*	60	61	63	62	57
Additions of hospitals and/or healthcare institutions *(Note 2)*	4	12	5	1	5
Reductions of hospitals and/or healthcare institutions *(Note 3)*	3	10	5	6	1
Hospitals and/or healthcare institutions at the end of the year/period	61	63	62 *(Note 4)*	57	61

Notes:

(1) The number of hospitals and/or healthcare institutions at the beginning of the year/period represents those hospitals and/or healthcare institutions who had transaction(s) with us in the previous year/period.

(2) The additions of hospitals and/or healthcare institutions represents those hospitals and/or healthcare institutions who had no transaction with us in the previous year/period but transacted with us in the present year/period.

(3) The reductions of hospitals and/or healthcare institutions represents those hospitals and/or healthcare institutions who had transaction(s) with us in the previous year/period but did not transact with us in the present year/period.

(4) One of the hospitals merged with Shandong Hospital in 2021 and accordingly they are counted as one hospital.

The reduction in the number of our hospitals and healthcare institutions during the Track Record Period primarily because we did not have transaction with certain hospitals and healthcare institutions with relatively little transaction amount in the previous year/period to reduce our administrative costs.

We obtain sales of medical imaging film products and cloud services through (i) tender, which includes open tender and tender by invitation; and (ii) quotation. For further details of tender and quotation, please refer to the paragraph headed ''Our Business Workflow — Pre-sale'' in this section.

Our sales channel

During the Track Record Period, our products and services were ultimately provided to hospitals and healthcare institutions either directly or through deliverers.

The following table sets forth the breakdown of our revenue by sales channel for the years indicated:

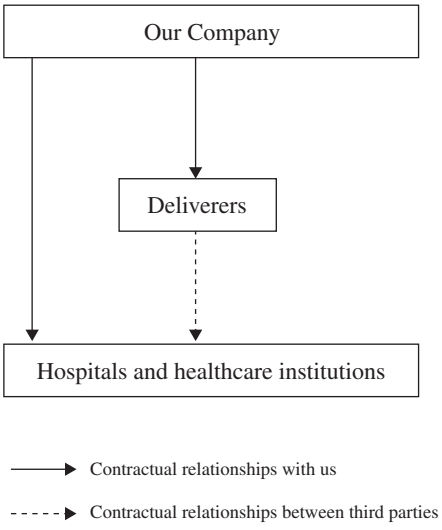
	For the year ended 31 December						For the six months ended 30 June			
	2019		2020		2021		2021		2022	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Sales to hospitals and healthcare institutions	93,620	66.5	113,166	61.4	105,507	50.0	59,095	55.4	39,689	40.2
Sales through deliverers	47,030	33.4	70,839	38.4	105,490	50.0	47,300	44.3	58,903	59.7
Other[(Note 1)]	175	0.1	430	0.2	79	0.0[(Note 2)]	333	0.3	28	0.0[(Note 2)]
Total	140,825	100	184,435	100	211,076	100	106,728	100	98,621	100

Notes:

(1) Others represented our sales to, among others, medical equipment manufacturers and medial films trading companies.

(2) Represented less than 0.1%.

The diagram below sets forth our sales model:



Sales to hospitals and healthcare institutions

Our Directors are of the view that selling to hospitals and healthcare institutions allows us to establish and maintain direct contact with certain key hospital customers and medical practitioners and keeps us close to the frontline of medical practise and the application of our products. In turn, this enables us to collect feedback from medical practitioners, which helps us design new and upgraded products, and form new strategies to adjust to market demands.

Sales through deliverers

In recent years, increasing hospitals and healthcare institutions in the PRC have adopted the supply, processing and distribution (SPD) model, pursuant to which certain procurement steps are outsourced to deliverers (配送商) in an attempt to reduce the workload of the procurement department of the hospitals and healthcare institutions and increase the efficiency of procurement. According to CIC, it is common for medical imaging film products manufacturers or distributors to supply their products to hospitals and healthcare institutions through deliverers. The deliverers are usually state-owned companies or private companies in the PRC which principally engage in the distribution of medical devices and pharmaceutical products with wide logistic network in China. Owing to the increase of the adoption of SPD model by the hospitals and healthcare institutions in the PRC, some of our hospital and healthcare institutions customers will procure our medical imaging film products through the deliverers. As a result, some hospitals and healthcare institutions customers may require us to enter into agreements with their selected deliverers instead of signing sales agreements with them directly. For the avoidance of doubt, the deliverers are chosen by our hospitals and healthcare institutions and our Group did not play any role during the course of the selection of the deliverers.

The services provided by the deliverers generally include, among other things, (i) liaising with the hospitals and healthcare institutions to arrange the schedule of the delivery of our products to the hospitals and healthcare institutions; (ii) monitoring the quality of our products; and (iii) arranging the collection of account receivables from the hospitals and healthcare institutions.

Due to the nature of medical imaging films, which is sensitive to humidity and temperature, in some cases, deliverers will require us to deliver medical imaging films directly to hospitals and healthcare institutions.

Our relationship with deliverers is regarded as a principal-agent relationship. We are regarded as a principal during the course of the sale of our medical imaging films to hospital through deliverers, taking into consideration that (i) we are primarily responsible for the provision of goods and after-sales services in general and (ii) we have the right to negotiate and decide the end selling prices of our goods with hospital while the deliverers have no pricing power in this regard. Accordingly, under HKFRS 15, the relevant transactions through our deliverers are accounted for as sales to hospitals and healthcare institutions rather sales to deliverers.

The following sets forth, among other things, the general sales and logistical arrangement via sales through deliverers channel:

(1) **Pre-sale**: In general, we secure a business opportunity with hospitals and healthcare institution either through (i) tender or (ii) quotation. For details of our sales through tender and quotation, please refer to the paragraph headed "Our Business Workflow" in this section. At this stage, our fixed unit selling price (the "**Marked-Up Fixed Unit Price**") for each type of our products are generally predetermined at the tender price or the quotation price we offered to hospitals and healthcare institutions and the deliverers do not have pricing power on the Marked-Up Fixed Unit Price.

(2) **Signing of sales agreements with deliverers**: Upon being selected as the suppliers of hospitals and healthcare institutions, we are being referred to the deliverers, which are chosen by hospitals and healthcare institutions, and hospitals and healthcare institutions will require us to enter into agreements with their selected deliverers.

We will then negotiate with the deliverers our fixed unit selling price for the same products we will offer to the hospitals and healthcare institutions (the "**Fixed Unit Price**"), which should be lower than the Marked-Up Fixed Unit Price since the difference between the Marked-Up Fixed Unit Price and the Fixed Unit Price is the fees the deliverers charged for the services provided by them as described above and such a fee is accounted as the channel fees incurred by our Group.

For details of the factors determining the channel fee rate, please refer to the paragraph headed "Business — Sales, Customers and Marketing — Our sales channel — Sales through deliverers — Channel fees" in this section.

(3) **Receipt of purchase order:** The purchase order from the hospitals and healthcare institutions will be placed to us through the deliverers.

(4) **Delivery of products and issue of invoice:** Due to the nature of medical imaging films, which is sensitive to humidity and temperature, deliverers will require us to deliver medical imaging films directly to hospitals and healthcare institutions.

Upon delivery of products to the designated premises of the hospitals and healthcare institutions, we will issue invoice to the deliverers.

(5) **Receipt of payment:** Upon receipt of payment from the hospitals and healthcare institutions, the deliverers will generally make payment (net of its channel fee) to us correspondingly.

(6) **After-sales services to hospitals and healthcare institutions:** We are responsible for the after-sales services to the hospitals and healthcare institutions, including technical support.

Channel fees

During the Track Record Period, the channel fees we incurred amounted to approximately RMB7.6 million, RMB14.4 million, RMB22.0 million and RMB10.7 million, respectively and the overall channel fee rate charged by our Group's deliverers (i.e. (channel fee ÷ revenue generated from the sale of medical imaging film products through deliverers) x 100%) was approximately 16.2%, 20.3%, 20.9% and 18.2%. The increasing trend of the overall channel fee rate charged by our Group's deliverers for the three years ended 31 December 2021 was primarily because of the increase in the proportion of our sales of self-branded medical imaging film products, which were charged at a higher channel fee rate than the international brand products (as disclosed hereinafter), over the years. The decrease in the overall channel fee rate charged by our Group's deliverers for the six months ended 30 June 2022 was primarily because of the decrease in the channel fee rate charged by Jinan Qinjian Medical Equipment Co., Ltd.* 濟南勤健醫療器械有限公司 ("**Jinan Qinjian**"), which was due to the commercial negotiation between the Group and Jinan Qinjian taking into account the increase in the sales volume of self-branded medical imaging films as compared to the previous years.

According to CIC, the factors determining the channel fee rate include, amongst others, which are beyond the control of medical imaging film products manufacturers and/or distributors:

(i) the size of deliverers, for example, a large-scale and well-established or small-to-mid size deliverers.

For those large-scale and well-established deliverers, the overall channel fee rates charged by them are relatively low as compared to those small-to-mid size deliverers since most of their end customers of the large-scale and well-established deliverers are generally Grade III hospitals and thus the volume of medical consumables required by a Grade III hospital are normally larger than a Grade II and a Grade I hospital. Therefore, they can achieve economies of scale easily by purchasing medical consumables in bulk.

On the contrary, for those small-to-mid size deliverers, the overall channel fee rates charged by them are relatively high as compared to those large-scale and well-established deliverers during the Track Record Period since their end customers are mainly Grade II and Grade I hospitals and thus the medical consumables required by a Grade II and Grade I hospital are generally smaller than a Grade III hospital. Therefore, they face difficulties in achieving economies of scale when the purchase volume of medical consumables, including our medical imaging films is not as many as the quantity procured by a large-scale deliverer;

(ii) the brand of medical imaging film products, for example, local brand or international brand;

(iii) the track record of the brand of medical imaging film products;

(iv) the deliverers' risk exposure in relation to coordination and liaison with relevant parties, for example, if the manufacturers/distributors are not able to deliver products in time (if applicable) or if there is any quality issue or after-sales services issue in relation to the products;

(v) the pricing policies adopted by the deliverers, including

(a) the channel fee rate is charged at the same rate for all medical imaging films regardless of their sizes and models;

(b) the channel fees are charged either at an absolute amount regardless of the size and model of the medical imaging films or at an amount which the channel fee rate charged for small size medical imaging film is higher than the channel fee rate charged for large size medical imaging film; and

(c) since the 14x17 inch medical imaging films are the common size of medical imaging films procured by the hospitals and healthcare institutions in the PRC market, some of the deliverers may charge a lower channel fee rate as compared to the channel fee rate of other sizes of same brand medical imaging films; and

(vi) the bargaining power of deliverers since manufacturers or distributors can only sell their products to public hospitals and healthcare institutions through deliverers if public hospitals and healthcare institutions adopt the SPD model.

According to CIC, the channel fee rate can vary significantly among each deliverers, which can be affected by the above-mentioned factors. Therefore, CIC is of the view that there is no specific upper and lower limit of the channel fee rate in the market.

On some occasions, a higher channel fees was incurred for our self-branded products because our brand is relatively new as compared to the other international brands. Despite the fact that the hospitals and healthcare institutions is the one who chooses the particular brand of the product to be provided to them, when compared with the case of other international brands, the deliverers consider that they may be exposed to more risks in relation to coordination and liaison with relevant parties, for example, if (i) we are not able to deliver our products in time or (ii) if there is any quality issue or after-sales services issue in relation to our products. Moreover, our Directors believe, and CIC concurs that deliverers, in particular those who are state-owned or large-scale companies, are concerned about the quality of medical products provided by suppliers like us as their reputations are at stake pursuant to the fact that hospitals have the discretion to choose deliverers. In view of this, in the course of dealing with us, the deliverers may have to devote more resources and/or incur more costs for coordinating and liaising with relevant parties, in order to make sure (i) our punctual delivery; (ii) an early collection of account receivables from hospitals and healthcare institutions to maintain the liquidity for the production of our self-branded medical imaging films; and (iii) the quality of our product fulfils the standard as specified by the hospitals and healthcare institutions.

During the Track Record Period and as at the Latest Practicable Date, our Directors believe that the Fixed Unit Price or the channel fees (i) has been determined after arm's length negotiation between our Group and the deliverers and (ii) is reasonable, by taking into account the following factors:

(i) hospitals and healthcare institutions have already reached a consensus with us in relation to the tender price or the quotation price; and

(ii) deliverers, as a procurement arm of hospitals and healthcare institutions, should use their best efforts to reach business terms on an arm's length basis with us in order not to jeopardise its business relationship with hospitals and healthcare institutions.

During the Track Record Period and as at the Latest Practicable Date, the number of deliverers were 25, 31, 37, 33 and 33, respectively.

For details of the salient terms of framework sales agreement entered into with the deliverers, please refer to the paragraph headed ''Sales, Customers and Marketing — Principal Terms of the Framework Sales Agreements'' in this section.

Our Deliverers

Our Group's revenue attributable to the five largest deliverers for each year/period of the Track Record Period amounted to approximately RMB27.7 million, RMB38.9 million, RMB60.0 million and RMB36.9 million, respectively, representing approximately 19.7%, 21.1%, 28.4% and 37.4% of our total revenue for the respective years/periods. Our Group's revenue attributable to the largest deliverer during the Track Record Period amounted to approximately RMB7.4 million, RMB11.2 million, RMB21.6 million and RMB15.5 million, respectively, representing approximately 5.3%, 6.1%, 10.2% and 15.7% of our total revenue for the respective years/periods.

Year ended 31 December 2019

Rank	Top five deliverers	Background	Revenue contribution to our Group (RMB'000)	Approximate percentage to the deliverers' revenue contribution to our Group	Approximate percentage to the total revenue
1	Sinopharm Group Co., Ltd. 國藥控股股份有限公司 ("**Sinopharm Group**")	A state-owned enterprise based in Shanghai with more than RMB3.1 billion registered capital, which was established in the PRC in 2003 and is primarily engaged in wholesaling of medicine; and sales of health supplements	7,411	15.8	5.3
2	Qilu Medical Investment Management Co., Ltd.* 齊魯醫療投資管理有限公司 ("**Qilu Medical**")	A state-owned enterprise based in Shandong Province with RMB42.45 million registered capital, which was established in the PRC in 2003 and is primarily engaged in wholesaling of medical devices and in vitro diagnostic reagent	7,030	14.9	5.0
3	Shandong Shande Investment Co., Ltd.* 山東善德投資有限公司 ("**Shandong Shande**")	A company authorised and managed by the National Health Commission based in Shandong Province with RMB7 million registered capital, which was established in the PRC in 2014 and is primarily engaged in elderly care and buildings cleaning services	5,977	12.7	4.2
4	Shandong AoXiang Medical Technology Co., Ltd.* 山東奧翔醫療科技有限公司 ("**Shandong AoXiang**")	A private company based in Shandong Province with RMB20 million registered capital, which was established in the PRC in 2011 and is primarily engaged in sales of Class I and Class II medical devices; development of software; leasing of medical devices; and marketing businesses	4,302	9.1	3.1
5	Jinan Qinjian	A private company based in Shandong Province with RMB5 million registered capital, which was established in the PRC in 2011 and is primarily engaged in technical solutions and leasing of medical devices; wholesaling and sales of office equipment and computer software and hardware; and export and import businesses	2,994	6.4	2.1
		Five largest deliverers	27,714	58.9	19.7
		All other deliverers	19,316	41.1	13.7
		Total revenue by sales through deliverers	47,030	100	33.4

* *for illustration purposes only*

Year ended 31 December 2020

Rank	Top five deliverers	Background	Revenue contribution to our Group (RMB'000)	Approximate percentage to the deliverers' revenue contribution to our Group	Approximate percentage to the total revenue
1	Sinopharm Group	A state-owned enterprise based in Shanghai with more than RMB3.1 billion registered capital, which was established in the PRC in 2003 and is primarily engaged in wholesaling of medicine; and sales of health supplements	11,171	15.8	6.1
2	Shandong Shande	A company authorised and managed by the National Health Commission based in Shandong Province with RMB7 million registered capital, which was established in the PRC in 2014 and is primarily engaged in elderly care and buildings cleaning services	9,089	12.8	4.9
3	Jinan Qinjian	A private company based in Shandong Province with RMB5 million registered capital, which was established in the PRC in 2011 and is primarily engaged in technical solutions and leasing of medical devices; wholesaling and sales of office equipment and computer software and hardware; and export and import businesses	8,401	11.9	4.6
4	Shandong AoXiang	A private company based in Shandong Province with RMB20 million registered capital, which was established in the PRC in 2011 and is primarily engaged in sales of Class I and Class II medical devices; development of software; leasing of medical devices; and marketing businesses	5,627	7.9	3.1
5	Ji'nan Shencheng Trading Co., Ltd.* 濟南申誠商貿有限公司 ("**Jinan Shencheng**")	A private company based in Shandong Province with RMB2 million registered capital, which was established in the PRC in 2008 and is primarily engaged in sales, maintaining, installing and technical solutions of medical devices; and wholesaling and sales of office equipment, constructions material, machinery and electronic devices	4,658	6.6	2.5
		Five largest deliverers	38,946	55.0	21.1
		All other deliverers	31,893	45.0	17.3
		Total revenue by sales through deliverers	70,839	100	38.4

Year ended 31 December 2021

Rank	Top five deliverers	Background	Revenue contribution to our Group (RMB'000)	Approximate percentage to the deliverers' revenue contribution to our Group	Approximate percentage to the total revenue
1	Sinopharm Group	A state-owned enterprise based in Shanghai with more than RMB3.1 billion registered capital, which was established in the PRC in 2003 and is primarily engaged in wholesaling of medicine; and sales of health supplements	21,580	20.5	10.2
2	Shandong Shande	A company authorised and managed by the National Health Commission based in Shandong Province with RMB7 million registered capital, which was established in the PRC in 2014 and is primarily engaged in elderly care and buildings cleaning services	12,307	11.7	5.8
3	Jinan Qinjian	A private company based in Shandong Province with RMB5 million registered capital, which was established in the PRC in 2011 and is primarily engaged in technical solutions and leasing of medical devices; wholesaling and sales of office equipment and computer software and hardware; and export and import businesses	11,881	11.3	5.6
4	Jinan Shencheng	A private company based in Shandong Province with RMB2 million registered capital, which was established in the PRC in 2008 and is primarily engaged in sales, maintaining, installing and technical solutions of medical devices; and wholesaling and sales of office equipment, constructions material, machinery and electronic devices	7,298	6.9	3.5
5	Shandong AoXiang	A private company based in Shandong Province with RMB20 million registered capital, which was established in the PRC in 2011 and is primarily engaged in sales of Class I and Class II medical devices; development of software; leasing of medical devices; and marketing businesses	6,968	6.6	3.3
		Five largest deliverers	60,034	56.9	28.4
		All other deliverers	45,456	43.1	21.6
		Total revenue by sales through deliverers	105,490	100	50.0

Six months ended 30 June 2022

Rank	Top five deliverers	Background	Revenue contribution to our Group (RMB'000)	Approximate percentage to the deliverers' revenue contribution to our Group	Approximate percentage to the total revenue
1	Sinopharm Group	A state-owned enterprise based in Shanghai with more than RMB3.1 billion registered capital, which was established in the PRC in 2003 and is primarily engaged in wholesaling of medicine; and sales of health supplements	15,474	26.3	15.7
2	Jinan Qinjian	A private company based in Shandong Province with RMB5 million registered capital, which was established in the PRC in 2011 and is primarily engaged in technical solutions and leasing of medical devices; wholesaling and sales of office equipment and computer software and hardware; and export and import businesses	7,452	12.7	7.6
3	Jinan Shencheng	A private company based in Shandong Province with RMB2 million registered capital, which was established in the PRC in 2008 and is primarily engaged in sales, maintaining, installing and technical solutions of medical devices; and wholesaling and sales of office equipment, constructions material, machinery and electronic devices	5,660	9.6	5.7
4	Shandong Shande	A company authorised and managed by the National Health Commission based in Shandong Province with RMB7 million registered capital, which was established in the PRC in 2014 and is primarily engaged in elderly care and buildings cleaning services	5,477	9.3	5.5
5	Shandong Tianhengyuan Medical Equipment Co., Ltd.* 山東天恒緣醫療設備有限公司 ("**Shandong Tianhengyuan**")	A private company based in Shandong Province with RMB10 million registered capital, which was established in the PRC in 2017 and is primarily engaged in wholesaling and sales of medical devices, computers and computer consumables, and construction equipment	2,821	4.8	2.9
		Five largest deliverers	36,884	62.6	37.4
		All other deliverers	22,019	37.4	22.3
		Total revenue by sales through deliverers	58,903	100	59.7

* *for illustration purposes only*

Principal Terms of the Framework Sales Agreements

During the Track Record Period, we generally entered into framework sales agreements with our hospitals and healthcare institutions customers and deliverers. Pursuant to the respective framework sales agreements, we will provide products and/or services upon receiving orders placed by the hospitals, healthcare institutions and deliverers, which specify the type and quantity of the product or scope of services, as well as the timing of delivery.

Provision of medical imaging film products and medical imaging cloud services

The table below sets out a summary of the salient terms of the sales agreements typically entered into with hospitals and healthcare institutions:

Duration	:	Typically one year to two years.
Scope of work	:	The technical specifications and requirements of the medical imaging films are specified by customers. Generally, provision of (i) medical imaging cloud services and (ii) medical imaging printers maintenance services (if the medical imaging printers are provided by us) will be specified in the framework agreement.
Pricing	:	Generally a fixed unit price for each type of medical imaging films is specified.
Payment and credit terms	:	Our customers are generally required to settle the payment in full within a specified period upon delivery and issuance of invoice.
Products return/ replacement	:	If we determine the quality of our medical imaging films to be defective and such defects are not caused by our customers, we allow customers to exchange the defective medical imaging films for new items at our own costs as part of our product return policy. In the event that the customers change their technical specifications and requirements of the medical imaging films, including brands or sizes of medical imaging films, we allow customers to exchange the medical imaging films for the specified items as part of our product return policy.
Liability	:	Party which fails to perform relative contractual responsibilities will be in default and shall be liable for breach of terms, including payment of liquidated damages.
Termination and renewal	:	Agreements would be terminated by one party if the other party breaches the terms and conditions of the relevant agreements. Generally, no renewal clause is specified in the agreements.

The table below sets forth a summary of the salient terms of the sales agreements typically entered into with deliverers:

Duration	:	Typically one year to two years.
Scope of work	:	The technical specifications and requirements of the products specified by deliverers/the ultimate customers. Generally, (i) medical imaging cloud services and (ii) medical imaging printer maintenance services (if the medical imaging printers are provided by us) provided by us to the hospitals will be specified in the framework agreement.
Pricing	:	Generally a fixed unit price for each type of products, which is the unit price that we offer to deliverers, is specified (i.e. the Fixed Unit Price) and a marked-up fixed unit price for each type of products, which is the unit price that we offer to end customers, will also be specified (i.e. the Marked-Up Fixed Unit Price).
End customers	:	The identity of the end customers are specified.
Delivery	:	Generally, we are responsible for the delivery of the products and services to end customers.
Payment and credit terms	:	Deliverers are generally required to settle the payment in full within a specified period upon receiving settlement from hospitals and healthcare institutions or a specified period upon delivery to the hospitals and healthcare institutions and issue of invoice.
Products return/ replacement	:	If we determine the quality of our medical imaging films to be defective, we allow deliverers to exchange the defective medical imaging films for new items at our own costs as part of our product return policy. In the event that the customers change their technical specifications and requirements of the medical imaging films, including brands or sizes of medical imaging films, we allow deliverers to exchange the medical imaging films for the specified items as part of our product return policy.
Liability	:	Party which fails to perform relative contractual responsibilities will be in default and shall be liable for breach of terms, including payment of liquidated damages.
Termination and renewal	:	Agreements would be terminated by one party if the other party breaches the terms and conditions of the relevant agreements. Some agreements are renewed upon expiration and parties' agreement.

Our Group has no refund policy. During the Track Record Period, our Directors confirm that there was no occurrence of refund.

During the Track Record Period, our sales return amounted to nil, approximately RMB285,750, RMB132,000 and RMB603,000, respectively, representing nil, approximately 0.15%, 0.06% and 0.6% of our total revenue for the corresponding years, which was due to the exchange of products as a result of the change of technical specifications or requirements of the products by our customers. Our Directors confirm that, as at the Latest Practicable Date, there was no material breach of sales agreement with our customers, and we had no record of any return of products due to quality defects. We also have not received any product liability claims or complaints from customers with regard to the quality of products which had materially or adversely affected our business during the Track Record Period.

Our Customers

During the Track Record Period, our customers included hospitals and healthcare institutions in Shandong Province. We make certain assessments before committing ourselves to the transactions with new customers, including their reputation and payment ability. After the initial sales, our sales and marketing department also conducts ongoing assessment on our customers in this regard on a regular basis.

We normally grant a credit period of 90 to 365 days to our customers. For some customers that we provided a credit period up to 365 days, we take into account the following factors: (i) customer's normal payment practise and payment history, (ii) our amiable relationship with customers; (iii) relatively low risk of default due to their nature as a public institution; and (iv) the internal procedures they have to go through for processing payment as a public institutions. For our five largest customers, we generally grant them a credit term of 90 to 300 days. Our customers usually settle their payments through bank transfer and bank acceptance bills. For each of the three years ended 31 December 2021 and the six months ended 30 June 2022, our revenue generated from our five largest customers amounted to approximately RMB62.7 million, RMB79.5 million, RMB86.4 million and RMB42.7 million, respectively, representing approximately 44.5%, 43.2%, 41.0% and 43.3% of our total revenue, respectively, and our revenue generated from our largest customer was approximately RMB16.6 million, RMB21.9 million, RMB25.6 million and RMB12.5 million, respectively, representing approximately 11.8%, 11.9%, 12.2% and 12.7% of our total revenue respectively.

The following tables set forth certain information with respect to the five largest customers for each year/period of the Track Record Period.

Year ended 31 December 2019

Rank	Five largest customers	Background	Type(s) of products/services provided by our Group	Payment method	Credit period	Year of commencement of business relationship with us	Approximate revenue for the year ended 31 December 2019 (RMB'000)	Approximate percentage to the total revenue
1.	Jining No.1 People's Hospital 濟寧市第一人民醫院 ("**Jining No.1 Hospital**")	A Class-III-A public hospital based in Shandong Province which provides comprehensive medical services	Medical imaging film products and medical imaging cloud services	Bank transfer	90 days	2016	16,621	11.8
2.	Affiliated Hospital of Jining Medical University 濟寧醫學院附屬醫院 ("**Jining Affiliated Hospital**")	A Class-III-A public hospital based in Shandong Province with JCI accreditation and HIMSS Analytics EMRAM stage 6 certification	Medical imaging film products and medical imaging cloud services	Bank transfer	90 days	2016	12,833	9.1
3.	Shandong Provincial Hospital 山東省立醫院 ("**Shandong Hospital**")	A Class-III-A public hospital based in Shandong Province	Medical imaging film products and medical imaging cloud services	Bank transfer	180 days	2016	12,306	8.7
4.	Linyi People Hospital 臨沂市人民醫院 ("**Linyi Hospital**")	A Class-III-A public hospital based in Shandong Province	Medical imaging film products and medical imaging cloud services	Bank transfer	180 days	2016	11,391	8.1
5.	Liaocheng Hospital 聊城市人民醫院 ("**Liaocheng Hospital**")	A Class-III-A public hospital based in Shandong Province which focuses on acting as a regional medical centre and an institution for medical training and clinical trials	Medical imaging film products and medical imaging cloud services	Bank transfer	210 days	2017	9,581	6.8
						Five largest customers	62,732	44.5
						All other customers	78,093	55.5
						Total	140,825	100.0

Year ended 31 December 2020

Rank	Five largest customers	Background	Type(s) of products/services provided by our Group	Payment method	Credit period	Year of commencement of business relationship with us	Approximate revenue for the year ended 31 December 2020 (RMB'000)	Approximate percentage to the total revenue
1.	Jining No.1 Hospital	A Class-III-A public hospital based in Shandong Province which provides comprehensive medical services	Medical imaging film products and medical imaging cloud services	Bank transfer	90 days	2016	21,886	11.9
2.	Jining Affiliated Hospital	A Class-III-A public hospital based in Shandong Province with JCI accreditation and HIMSS Analytics EMRAM stage 6 certification	Medical imaging film products and medical image cloud services	Bank transfer	90 days	2016	19,324	10.5
3.	Shandong Hospital	A Class-III-A public hospital based in Shandong Province	Medical imaging film products and medical imaging cloud services	Bank transfer	180 days	2016	18,736	10.2
4.	Linyi Hospital	A Class-III-A public hospital based in Shandong Province	Medical imaging film products and medical imaging cloud services	Bank transfer/bank acceptance bill	180 days	2016	10,468	5.7
5.	The Second Hospital of Shandong University 山東大學第二醫院 ("**Shandong Second Hospital**")	A Class-III-A public hospital based in Shandong Province	Medical imaging film products and medical imaging cloud services	Bank transfer	90 days	2016	9,097	4.9
						Five largest customers	79,511	43.2
						All other customers	104,924	56.8
						Total	184,435	100.0

Year ended 31 December 2021

Rank	Five largest customers	Background	Type(s) of products/services provided by our Group	Payment method	Credit period	Year of commencement of business relationship with us	Approximate revenue for the year ended 31 December 2021 (RMB'000)	Approximate percentage to the total revenue
1.	Shandong Hospital	A Class-III-A public hospital based in Shandong Province	Medical imaging film products and medical imaging cloud services	Bank transfer	180 days	2016	25,649	12.2
2.	Jining No.1 Hospital	A Class-III-A public hospital based in Shandong Province which provides comprehensive medical services	Medical imaging film products and medical imaging cloud services	Bank transfer	90 days	2016	22,011	10.4
3.	Jining Affiliated Hospital	A Class-III-A public hospital based in Shandong Province with JCI accreditation and HIMSS Analytics EMRAM stage 6 certification	Medical imaging film products and medical imaging cloud services	Bank transfer	90 days	2016	13,762	6.5
4.	Shandong Tumour Prevention Hospital & Institution 山東省腫瘤防治研究院 ("**Shandong Tumour Prevention Hospital**")	A Class-III-A public hospital based in Shandong Province	Medical imaging film products and medical imaging cloud services	Bank transfer/bank acceptance bill	180 days	2017	12,713	6.0
5.	Shandong Second Hospital	A Class-III-A public hospital based in Shandong Province	Medical imaging film products and medical imaging cloud services	Bank transfer	90 days	2016	12,307	5.9
						Five largest customers	86,442	41.0
						All other customers	124,634	59.0
						Total	211,076	100.0

Six months ended 30 June 2022

Rank	Five largest customers	Background	Type(s) of products/services provided by our Group	Payment method	Credit period	Year of commencement of business relationship with us	Approximate revenue for the six months ended 30 June 2022 (RMB'000)	Approximate percentage to the total revenue
1.	Jining No.1 Hospital	A Class-III-A public hospital based in Shandong Province	Medical imaging film products and medical imaging cloud services	Bank transfer	90 days	2016	12,508	12.7
2.	Shandong Hospital	A Class-III-A public hospital based in Shandong Province	Medical imaging film products and medical imaging cloud services	Bank transfer	180 days	2016	9,774	9.9
3.	Shandong Tumour Prevention Hospital	A Class-III-A public hospital based in Shandong Province	Medical imaging film products and medical imaging cloud services	Bank transfer/bank acceptance bill	180 days	2017	7,813	7.9
4.	Qianfoshan Hospital of Shandong Province 山東省千佛山醫院 ("**Shandong Qianfoshan Hospital**")	A Class-III-A public hospital based in Shandong Province	Medical imaging film products and medical imaging cloud services	Bank transfer	300 days	2018	7,128	7.2
5.	Shandong Second Hospital	A Class-III-A public hospital based in Shandong Province	Medical imaging film products and medical imaging cloud services	Bank transfer	90 days	2016	5,477	5.6
						Five largest customers	42,700	43.3
						All other customers	55,921	56.7
						Total	98,621	100.0

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of the Directors, all of the top five customers were Independent Third Parties. None of the Directors or any of their respective associates, or any of the Shareholders who owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, held any interest in any of our Group's five largest customers.

Overlapping customer and supplier

For the year ended 31 December 2021, our Group had one overlapping customer and supplier, which is our Supplier G.

The following table sets out our Group's total revenue and purchase amount from the overlapping customer-supplier during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2019	2020	2021	2022
	RMB	*RMB*	*RMB*	*RMB*
Sales to the overlapping customer-supplier				
Sales revenue	—	—	192,544	—
As a percentage of our total sales revenue (%)	—	—	0.1	—
Gross loss	—	—	114,970	—
Gross loss margin (%)	—	—	59.7	—
Purchase from the overlapping customer-supplier				
Purchase amount	898,920	421,287	1,757,595	5,071,593
As a percentage of our total purchases (%)	0.8	0.4	1.2	10.0

Supplier G was one of our Group's top five suppliers for the year ended 31 December 2021 and one of our Group's customers for the year ended 31 December 2021. During the Track Record Period, Supplier G, as an OEM manufacturer, supplied customised medical imaging films to us. For the year ended 31 December 2021, Supplier G purchased customised medical imaging films, which were not the products we procured from Supplier G, from us. As one batch of our customised medical imaging films were about to expire, in order to avoid the inventory obsolescence and to facilitate our inventory turnover, we decided to sell it to Supplier G for its onward sales. Our Directors and Supplier G confirmed that it is a one-off transaction. Since the concerned customised medical imaging films sold to Supplier G was about to expire, the gross loss was due to the recognition of an impairment on such medical imaging films.

Our Directors confirm that our Group's sales and purchases to/from such overlapping customers-supplier were (i) entered into after due consideration taking into account the prevailing purchase and selling prices at the relevant times, (ii) conducted in the ordinary course of business under normal commercial terms and on an arm's length basis, (iii) at prices that are no less favourable than from other independent third parties who are not customer-supplier, and (iv) conducted on individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. To the best knowledge of our Directors, save as disclosed above, our Group did not have any other overlap between our other major customers and major suppliers during the Track Record Period.

Product Life Cycle and Seasonality

Generally, the product life cycle is affected by both the frequency of launch of new product models by our competitors and the pace of technological development. Our Directors are of the view that our medical imaging printers have a reasonable useful life, assuming that our customers perform regular inspections and maintenance. We believe that our provision of products and services are not subject to any significant seasonal trends.

Pricing and Settlement Terms

We believe it is crucial to maintain a steady supply of quality products at competitive prices for the continuous success of our Group. We adopt different pricing policies in each business segment and details of which are set forth below:

(i) Sale of medical imaging film products

In general, we adopt a "cost-plus" pricing policy. In determining our selling prices to our customers, for our distribution business, we take into account the costs of procuring international medical imaging film products and the regional market prices of competitors; whilst for our self-branded products business, we consider our OEM expenses, our packaging, labelling and/or assembly costs and the regional market prices of competitors.

Our Directors believe that our pricing strategy allows us to pass on part of the increase in purchase and operating costs to our customers. In order to stay profitable and competitive, we will also regularly monitor the pricing of our competitors as our points of reference and we will continue to determine and adjust the prices of our products in response to the prevailing market trend.

(ii) Provision of medical imaging cloud services

Our sales model is to provide the medical imaging cloud services in the course of the sale of medical imaging films, and the price of our cloud services is charged at a range of premium rate on the unit selling price of each medical imaging film procured. The premium rate usually ranges from 4.0% to 12.0% and is determined with reference to the following factors, including (i) the type(s) of the services we are requested to provide; (ii) the quantities of the medical imaging films customer procured from us (if any); and (iii) the costs of providing medical imaging cloud services. We will regularly review the pricing policy of our cloud services and decide whether adjustment is needed according to the market conditions and other commercial consideration.

Marketing

Our sales office is located in Jinan, Shandong Province.

We believe that marketing and promotion are fundamental to maintaining our market position. As part of our marketing activities, we also participate in industry-related exhibitions in order to promote our products and services and to keep up with the relevant development trends of our industry. Set out below is a summary of the key exhibitions we participated in during the Track Record Period:

Name of exhibitions	Location	Time
The 82nd China International Medical Equipment Fair* (Autumn) (第82屆中國國際醫療器械(秋季)博覽會)	Shanghai	October 2019
The 85th China International Medical Equipment Fair* (Autumn) (第85屆中國國際醫療器械(秋季)博覽會)	Shenzhen	October 2021

QUALITY CONTROL AND ASSURANCE

We recognise the importance of maintaining a satisfactory and consistent level of quality throughout our provision of services and products and believe that an effective quality management system is critical to ensure the quality of our products and services and hence maintain our reputation and success. We have adopted comprehensive quality control procedures during packaging and labelling process, assembly process, from procurement of raw materials to delivery of products. A quality control inspector is designated to be specifically responsible for the inspection, quality control and overseeing the quality of our raw materials and finished products. With our stringent quality assurance in place, we have been accredited with, among others, ISO 9001:2015 certification for quality management system in respect of the production and sales of Class I medical devices (medical printing film, thermal film), ISO 13485:2016 certification for medical device quality management system for the production and sales of medical printing film and thermal film, ISO 20000–1:2018 certification for information technology service management system in respect of providing medical image information management software operation and maintenance services to external customers, and ISO 27001:2013 certification for information security management system relating to the production and sales of medical printing film and thermal film.

Distribution business

We fully comply with all relevant PRC laws and regulations to ensure the quality of our operations. Please see the section headed ‘‘Regulatory Overview’’ in this document for further details. Further, we only use suppliers that have excellent credentials and product quality track records.

When we receive products from our suppliers, we conduct selective spot inspections on the packaging, checkings on the quantity, serial numbers and qualification of the products. If such products are qualified, we will store them in our warehouse for distribution. If such products do not pass the examination, we will notify the supplier immediately for exchange of products.

Self-branded products business

We have established quality control systems in accordance with all relevant national or industry guidelines. In addition, we also adhere to our internal quality control guidelines. We can replace any OEM manufacturer that fails to pass such inspections with suitable alternatives.

In particular, we implement stringent product quality requirements for our OEM manufacturers. In accordance with the applicable laws and regulations, we are liable to our customers for the obligations of our OEM manufacturers. Therefore, we observe the whole production process during onsite visits and conduct inspections and tests on the works of our OEM manufacturers to ensure they comply with the relevant laws and regulations before we place orders with them. During the Track Record Period, we did not encounter any disruptions to our business due to material non-compliance, counterparty default or business interruption by OEM manufacturers.

LICENCE AND PERMITS

The medical imaging industry is highly regulated and we are subject to laws, regulations and supervision by different levels of regulatory authorities and is required to maintain various licences, permits, approvals and certificates in order to operate the facilities and conduct the business. A summary of such relevant laws and regulations which the business operations are subject to is set out in the section headed "Regulatory Overview" in this document. As advised by the PRC Legal Advisers and as confirmed by the Directors, we have obtained all necessary licences, permits, approvals and certificates to conduct the business in material respects and such licences, permits, approvals and certificates are valid and remain in effect as at the Latest Practicable Date. The following table sets forth details of the material licences and permits for the business operations:

Company	Licence and permit	Issuing authority	Date of issue	Date of expiry
Jinan Guanze	Class I Medical Device Registration Certificate (Medical dry laser film) (第一類醫療器械生產備案憑證) (醫用乾式激光膠片)	Jinan City Administrative Approval Service Bureau (濟南市行政審批服務局)	14 November 2018	—
Jinan Guanze	Class I Medical Device Registration Certificate (Thermal film) (第一類醫療器械生產備案憑證) (熱敏膠片)	Jinan City Administrative Approval Service Bureau (濟南市行政審批服務局)	15 November 2018	—
Jinan Guanze	Class I Medical Device Registration Certificate (Self-service film output printer) (第一類醫療器械生產備案憑證) (自助取片機)	Jinan City Administrative Approval Service Bureau (濟南市行政審批服務局)	10 December 2018	—

Company	Licence and permit	Issuing authority	Date of issue	Date of expiry
Jinan Guanze	Class I Medical Device Registration Certificate (Medical image printer) (第一類醫療器械生產備案憑證) (醫用圖像打印機)	Jinan City Administrative Approval Service Bureau (濟南市行政審批服務局)	18 December 2018	—
Jinan Guanze	Class III Medical Device Business Operation Certificate (第三類醫療器械經營許可證)	Jinan High Technology Development Zone Management Committee (濟南高新技術產業開發區管理委員會)	18 December 2021	26 December 2023
Jinan Guanze	Class I Medical Device Registration Certificate (Medical printing film) (第一類醫療器械生產備案憑證) (醫用打印膠片)	Jinan City Administrative Approval Service Bureau (濟南市行政審批服務局)	4 January 2019	—
Shanghai Guanze	Class II Medical Device Business Registration Certificate (第二類醫療器械經營備案憑證)	Market Supervision and Administration Authority of Shanghai Pudong New District (上海市浦東新區市場監督管理局)	9 March 2020	—
Jinan Guanze	Class II Medical Device Business Registration Certificate (第二類醫療器械經營備案憑證)	Jinan City Administrative Approval Service Bureau (濟南市行政審批服務局)	12 June 2020	—
Shanghai Guanze	Class III Medical Device Business Operation Certificate (第三類醫療器械經營許可證)	Market Supervision and Administration Authority of Shanghai Pudong New District (上海市浦東新區市場監督管理局)	7 February 2021	6 February 2026
Jinan Guanze	Medical Device Registration Certificate (PACS System) (醫療器械註冊證) (醫學影像管理與通訊系統軟件)	Shandong Province Drug Administration (山東省藥品監督管理局)	30 June 2021	29 June 2026

Company	Licence and permit	Issuing authority	Date of issue	Date of expiry
Jinan Guanze	Medical Device Registration Certificate (Year 2017 Catalogue: Class II; 21–02 Image Processing Software) (醫療器械生產許可證) (2017年分類目錄：II類：21–02影像處理軟件)	Shandong Province Drug Administration (山東省藥品監督管理局)	12 August 2021	11 August 2026
Jinan Guanze	Class I Medical Device Registration Certificate (Medical laser film) (第一類醫療器械生產備案憑證) (醫用激光膠片)	Jinan City Administrative Approval Service Bureau (濟南市行政審批服務局)	29 January 2022	—
Jinan Guanze	Class I Medical Device Registration Certificate (Medical thermal film) (第一類醫療器械生產備案憑證) (醫用熱敏膠片)	Jinan City Administrative Approval Service Bureau (濟南市行政審批服務局)	10 March 2022	—

We intend to apply for renewal of the above key licences, permits, approvals and certificates prior to their respective expiry dates. We did not experience any difficulties in renewing the necessary licences, permits, approvals and certificates during the Track Record Period, and we expect there is no material difficulty in renewing them when they expire. Our PRC Legal Advisers confirmed that, as at the Latest Practicable Date, there was no legal impediment for us to renew the licences, permits and certificates as long as we comply with the relevant legal requirements.

AWARDS AND RECOGNITION

We have been accredited the below certificate in recognition of our work, details of which are set out below:

Year	Awards and recognition	Award holder	Issuing authority
2021	Certificate of High and New Technology Enterprise 高新技術技業證書 (GR202137006758)	Jinan Guanze	Ministry of Science & Technology of Shandong Province (山東省科學技術廳), Department of Finance of Shandong Province (山東省財政廳), State Administration of Shandong Province (國家税務總局山東省税務局)

DATA SECURITY

We generally do not acquire data of customers or patients during our provision of medical imaging cloud services. The medical data and information in our digital medical imaging cloud storage platform are stored and archived in the virtual storage drive operated by a PRC state-owned company (the "**Cloud Storage Provider**"), and hence the Cloud Storage Provider is responsible for the protection of such data and information.

During the Track Record Period, we procured software, which is connected to the virtual storage drive, from our software supplier to provide medical imaging cloud services to our customers and the data of customers or patients will be stored and archived in the virtual storage drive in the course of using the software. Accordingly, in any event of data leakage due to technical issues of the software, our software supplier shall bear the primary responsibility for any losses or damages resulting from the leakage as confirmed by the software supplier. As advised by our PRC Legal Advisers, in such circumstances, the hospitals and healthcare institutions may claim against us and/or the software supplier and we have a right to seek indemnification from the software supplier causing the data leakage if there is no fault on our side.

However, any improper or unauthorised use or disclosure of such medical data by us, our employees or our business partners could subject us to reputational, financial, legal and operational consequences. If an actual or perceived breach of security occurs, the market perception of the effectiveness of our security measures could be harmed, we could lose customers and we may be exposed to significant legal and financial risks, including legal claims and regulatory fines and penalties. Any of these actions could have a material and adverse effect on our business and results of operations. For further details, please refer to the paragraph headed "Cyber-security and privacy breaches may hurt our business" in the "Risk Factors" section.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we have not encountered any breaches of personal data privacy or relevant leakages or disputes, nor have we been involved in any litigation, arbitration or administrative proceedings or subject to any penalties or fines in this respect.

[REDACTED] SOCIAL AND CORPORATE GOVERNANCE

Governance

We acknowledge our responsibilities on environmental protection, social responsibilities and is aware of the climate-related issues that may have impact on its business operation. We are committed to comply with the environmental, social and governance ("**ESG**") reporting requirements upon [REDACTED]. We have established an ESG policy (the "**ESG Policy**") in accordance with the standards of Appendix 27 to the Listing Rules, which outlined, among others, (i) the appropriate risk governance on ESG matters, including climate-related risks; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG governance structure; (iv) ESG strategy formation procedures; (v) ESG risk management and monitoring; and (vi) the identification of key performance indicators ("**KPIs**"), the relevant measurements and mitigating measures.

Our ESG policy also sets out the respective responsibility and authority of different parties in managing the ESG matters. Our Board has an overall responsibility for overseeing and determining our Group's environmental, social, and climate-related risks and opportunities impacting our Group, establishing and adopting the ESG policy and targets of our Group, reviewing our Group's performance annually against ESG-related targets and revising the ESG strategies as appropriate if significant variance from the target is identified.

Our Board has established an ESG working group that comprises of various head of department, including but not limited to our management department, accounting and finance department and technical department. The ESG working group serves as a supportive role to the Board in implementing the agreed ESG policy, targets and strategies; taking involvement into the annual enterprise risk assessment; conducting materiality assessments of ESG areas and assess how our Group adapts its business in light of climate change; collecting ESG data from different parties while preparing for the ESG report; and continuous monitoring of the implementation of measures to address our Group's ESG-related risks. The ESG working group is also responsible for the investigation of deviation from targets and liaise with the relevant functional department to take prompt rectification actions for such deviation. The ESG working group has to report to our Board on a semi-annually basis via board meetings on the ESG performance of our Group and the effectiveness of the ESG systems.

We have adopted various strategies and measures to evaluate and manage the material ESG related areas and to ensure our compliance with the Stock Exchange's requirements on ESG, including but not limited to, discussing among our management team from time to time to ensure all the material ESG areas are recognised and reported, and ensuring the recommendations and the requirements on ESG under the Listing Rules are complied with. Our Board has conducted stakeholder engagement through different communication channels, and materiality assessment on ESG areas to identify the key ESG areas towards our Group and our stakeholders. During the materiality assessment, our Group has identified several key ESG areas, including environmental and resources management, climate change, employee's benefits, occupational health and work safety, product and service quality and return and protection of intellectual property rights. We have established a set of ESG policies to mitigate risks in these areas to ensure that we comply with local laws and regulations. These key ESG areas may present a variety of risks and opportunities for our Group. Our Group will continue to monitor related performances.

Strategies in addressing ESG-related risks

We will conduct enterprise risk assessment at least once a year to cover the current and potential risks faced by our Group, including, but not limited to the risks arising from the ESG aspects and strategic risk around disruptive forces such as climate change. Our Board will assess the risks and review our Group's existing strategy, target and internal controls, and necessary improvement will be implemented to mitigate the risks. Our Board, Audit Committee and the ESG working group will maintain oversight of our Group's approach to risk management, including climate-related risks and risks are monitored as part of the standard operating processes to ensure the appropriate mitigations are in place as part of the regular management reviews. The decision to mitigate, transfer, accept or avoid a risk is resulted after our enterprise risk assessment process and directly influence the mitigating steps of those identified risks. Our Group will incorporate climate-related issues, including physical and transition risk analysis, into our risk assessment processes and risk appetite setting. If the risk and opportunities are considered to be material, our Group will make reference to them in the course of the strategy and financial planning process. Upon annual review of the ESG-related risks, and our Group's performance in addressing the risks, we may revise and adjust the ESG strategies as appropriate.

Environmental and Resources Management

Our operations are subject to the relevant environmental protection laws and regulations promulgated by the PRC government, a summary of which is set out in the section headed "Regulatory Overview — Regulations Relating to Environmental Protection" in this document. Given the nature of our business (please refer to the paragraph headed "Business — Our Packaging and Labelling, and Assembly Processes" for details), our operational activities do not directly generate industrial pollutants and thus our Directors are of the view that the Group's operational activities do not significantly pose negative impact to the environment and the Group is not aware of any material environmental liability risk or compliance costs during the Track Record Period. Our Directors also expect that we will not incur significant costs for the compliance with applicable environmental protection rules and regulations in the future. However, as a supporter of environment protection, we advocate for green office practises to reduce our carbon footprint, constantly raise the awareness of environmental protection among our employees and take account of the resources and materials we uses in daily operation.

Resources management

Our energy consumption is mainly derived from electricity consumption in offices and warehouse during our daily operation. We endeavour to proactively conserve energy in response to the government's initiatives and thus we have implemented measures to increase energy efficiency in our operations to fulfil our environmental and social responsibility. Our measures for saving energy mainly include requiring employees to turn off lights, equipment and other electronic devices when the devices are not in operation and before they leave the premises; using lighting products that are more energy-efficient, such as LED lighting and automatic temperature control air-conditioning system.

Waste management

Our medical imaging film products are mainly made of plastic (such as polyethylene terephthalate ("**PET**")) and silver materials that are generally not harmful to user under normal usage. However, unappropriate disposal and treatment of PET may lead to adverse effect to our environment such as air, water and land. Expired medical imaging films (i.e wasted films) are classified as hazardous waste under the National Hazardous Waste Catalogue (國家危險廢物名錄) and required to be sorted and disposed in specific garbage bin according to the local garbage classification requirements.

Our Directors confirm that those materials used are recyclable and can pose minimal negative impact to our environment by way of recycling our wasted films instead of disposing. Thus, in case when medical imaging films are expired, per our internal manual, we will re-allocate those expired products to a specific area in our warehouse for proper classification and then engage qualified third party service providers to collect, process and recycle our waste generated. Our Directors also confirm that there was no generation of such waste as no related product was expired during the Track Record Period.

Routine domestic waste generated from the daily operation is stored according to the local garbage classification requirements and then will be transferred to waste treatment plant by the local environment and hygiene authority.

Our Directors confirm that we have obtained applicable permits and licences under PRC environmental laws and regulations that are material to our operations. Please refer to the paragraph headed "Business — Licence and Permits" for more details. As advised by our PRC Legal Advisers, we were not subject to any material claims or penalty in relation to environmental protection during the Track Record Period. During the Track Record Period, we were in compliance with the applicable environmental protection laws and regulations in all material aspects.

Metrics and targets of ESG-related risks

Greenhouse gas ("**GHG**") emissions are closely related to climate change, which presents businesses with both long-term risks and opportunities. To better understand, quantify and manage the carbon and climate change related impacts, risks, and opportunities in our operation, it is integral to measure and disclose our carbon footprint as a first step in our ESG journey.

GHG emissions mainly consists of scope 1 direct emissions and scope 2 indirect emissions that arise from our use of vehicles and electricity consumption in offices and warehouse during our daily operation, respectively. Emission of air pollutant is not significant as those vehicles of the Group were mainly for limited delivery in local area.

The table below sets forth the quantitative disclosure of GHG emissions and energy consumption during the Track Record Period of our operation in the PRC.

	Year ended 31 December			Six months ended 30 June
	2019	2020	2021	2022
GHG emissions				
Scope 1 direct emissions (kg CO_2 equivalent)	—	26,866.69	53,838.61	26,866.69
Scope 2 indirect emissions (kg CO_2 equivalent)	10,127.66	10,920.79	11,957.96	6,467.06
Total (kg CO_2 equivalent)	10,127.66	37,787.48	65,696.57	33,333.75
Intensity (kg CO_2 equivalent/Revenue RMB'000)	0.07	0.20	0.31	0.34
Energy consumption				
Diesel (litre)	—	10,278.00	20,558.00	10,278.00
Purchased electricity (kWh)	16,600.00	17,900.00	19,600.00	10,600.00

The emission targets of our Group include (i) 100% compliance rate on local laws and regulations relating to environmental protection and (ii) zero complaint. Going forward, we plan to control the consumption of energy and GHG emissions and aim to maintain relevant levels at 90% to 110% compared to that of 2021 over the next three years. Our management department will monitor our environmental protection measures regularly and our accounting and finance department will continue to keep record for monitoring purpose.

Tackle with climate change

In terms of major climate change related impact that may affect us, we make reference to the Task Force on Climate-Related Financial Disclosures ("**TCFD**") framework to evaluate the magnitude of the climate impact. The potential climate change risks can be categorised into (a) transition risks: being the risks arising from compliance with the applicable environmental laws and regulations and the stringent environmental protection standards; and (b) physical risks: being the risks for the damages arising from acute weather-related events and longer-term chronic shifts in climate patterns.

Set forth below is a summary of the climate-related risks our Group identified over the short, medium and long term.

	Risks	Sources	Potential Impacts
Short term	Physical risks (actual)	— Extreme weather conditions such as typhoon and snow storms	— Reduced revenue from damage to assets and disruption to supply chain
			— Increased operating expenses
Long term	Transition risks (potential)	— Change in climate-related regulations	— Increased cost of products due to changes in regulations
		— Shifts in customer preferences	— Reduced demand for our products

Regarding physical risks, we have implemented contingency plans and purchased adequate insurance to safeguard us and our employees against any climate change or extreme weather conditions like typhoon and snow storm that would materially and adversely affect our business and operations. Please refer to the paragraph headed ''Business — Insurance'' for details.

In response to transition risks, particularly (i) the evolving environmental and climate regulatory requirements and (ii) the shifts in customer preferences that could lead to negative financial impact such as increase our environmental compliance costs and decrease in revenue due to reduced demand for our products, we have adopted a series of measures to minimise the risks of environment pollution and non-compliance with the applicable environmental laws and regulations. For details, please refer to the paragraph headed ''Environmental, Social and Corporate Governance — Environmental and Resources Management'' in this section. Climate change is also an opportunity to our medical imaging cloud services as medical practitioners will be able to access to the patient's medical image data anytime anywhere with his/her electronic devices whenever there is an internet connection, thus it can not only provide a paperless business environment but can also save extra energy consumption for logistics of medical data transfer.

During the Track Record Period, we had not experienced any material impact on our business operations or financial performance as a result of climate change or extreme weather conditions. Our Group's budgets for addressing risk of climate change in the financial year ending 2022 is approximately RMB8,000 as expenses for application of the ISO 14001:2015 environmental management system standard.

For further discussion on the other key ESG areas we have identified, namely, the areas of employee's benefits, occupational health and work safety, product and service quality and return and protection of intellectual property rights, please refer to the paragraphs headed ''Employees and Labour Relations'', ''Health and Work Safety'', ''Quality Control and Assurance'', ''Our Business Workflow — Completion and After-sales'' and ''Intellectual Property'' in this section.

To sum up, we attach great importance to our ESG management and recognise that an effective and efficient ESG management requires our continuous efforts and investment and contribution from a variety of departments and subsidiaries. We endeavour to further improve the environmental and social data metrics. Furthermore, we plan to prepare and launch our first ESG report in accordance with the standards of Appendix 27 to the Listing Rules which will include more qualitative and quantitative ESG information and analysis by the first half of 2023.

HEALTH AND WORK SAFETY

We are committed to provide a safe working environment for our employees. Various safety policies and control systems are implemented to promote safety on work sites. All of our employees received safety-related training regularly during their employment with us. We had not been involved in any accident or fatality and had been in compliance with the relevant laws and regulations in all material aspects during the Track Record Period.

RESEARCH AND DEVELOPMENT

We believe our research and development capabilities are the driving force for our future growth and development. Our research and development team is responsible for formulating an application programming interface (API) to connect our software with the existing information technology systems of our customers when new customers engage us to provide our medical imaging cloud services.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, our research and development expenses amounted to approximately RMB1.4 million, RMB1.2 million, RMB396,000 and RMB185,000, respectively, accounting for approximately 1.0%, 0.6%, 0.2% and 0.2%, respectively, of our total revenue.

As at the Latest Practicable Date, we have an in-house engineering team consisting of nine members, which is led by our Chief Technical Officer, Mr. Wang Fei, who is a member of our senior management, has approximately seven years of experience in research and development in software engineering and software development. Our research and development team members have an average of three-year experience in software engineering and software development, and all of them received tertiary education.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had 15 trademark registrations and 43 registered software copyrights. For further information relating to the intellectual property rights of our Group, please refer to the paragraph headed ‘‘Statutory and General Information — B. Further information about the Business of our Company — 2. Intellectual property rights of our Group’’ set out in Appendix IV to this document.

Our PRC Legal Advisers have confirmed that they are not aware of any infringements, disputes or litigations in respect of intellectual property rights to which our Group was a party during the Track Record Period.

During the Track Record Period, we were not a party to any pending or threatened claims by or against it with respect to third parties for the material infringement of intellectual property rights owned by our Group or third parties.

MARKET AND COMPETITION

Market size

According to CIC, the market size of the medical imaging film products industry in China increased from approximately RMB5.7 billion in 2016 to approximately RMB6.6 billion in 2021 at a CAGR of 2.9%. This market is expected to be at around RMB4.8 billion in 2030. The market size of medical imaging film products industry in Shandong Province increased from approximately RMB0.38 billion in 2016 to approximately RMB0.42 billion in 2021 with a stable increasing rate and it is expected to be at around RMB0.35 billion in 2030.

Because of the rapid popularisation of internet and the continuous information technological development, an increasing number of hospitals and healthcare institutions in China are deploying medical imaging cloud services for improving efficiency and convenient image reading, resulting in the continuous growth of the market size from approximately RMB0.7 billion in 2016 to approximately RMB3.5 billion in 2021 at a CAGR of 36.6%. Driven by the needs of larger storage capacity due to the improvement in imaging devices and significant increase in image volume, cloud platform becomes a more cost-efficient way than traditional local storage. Coupled with the needs of information and data sharing within regions and between hospitals and healthcare institutions, the market size of medical imaging cloud services industry in China is expected to further grow from approximately RMB3.5 billion in 2021 to approximately RMB18.9 billion in 2030 with a CAGR of 20.6%. Benefitted from the abundant medical resources, rapid informatisation development and huge demand for medical diagnosis and treatment in Shandong Province, the market size of the medical imaging cloud services industry in Shandong Province increased rapidly from less than RMB0.06 billion in 2016 to approximately RMB0.30 billion in 2021 at a CAGR of approximately 40.5%, and it is expected to keep continuous growth and reach approximately RMB1.63 billion in 2030 with a CAGR of approximately 20.5%.

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

In respect of our medical imaging film products business, our Group engages in distributing medical imaging film products from international brand and supply our self-branded medical imaging film products. For our distribution business, our Group was the biggest Tier-2 distributor of the Medical Imaging Products Manufacturer in Shandong Province in terms of sales volume in 2021, according to CIC. In respect of our medical imaging cloud services business, our Group was the third largest medical imaging cloud services supplier in Shandong Province with a market share of approximately 4.7%, in terms of sales revenue in 2021.

Expected changes in the regulatory environment in the PRC

In 2021, the National Health Commission (NHC) published ''Notice on Accelerating the Mutual Recognition of the Examination Results'', which calls for the construction of the national and regional health information platform, through the establishment of medical institutions examination database including ''medical imaging cloud films'' serving as the source of database, in order to promote the sharing of examination data, to achieve the interconnection and mutual recognition of examination data between medical institutions in the same region.

EMPLOYEES AND LABOUR RELATIONS

As at the Latest Practicable Date, we had 43 employees. All of the employees are based in the PRC. The following table sets forth a breakdown of the employees by function as at the Latest Practicable Date:

	Number
Management	5
Business	5
Accounting and finance	6
Sales and marketing	10
Procurement	4
Technical	8
Logistics	3
Administration	2
Total	43

There was no labour union established by our employees as at the Latest Practicable Date.

We enter into a standard employment contract with each employee. Compensation for the employees includes basic wages, performance wages, bonus and other benefits. We recruit new employees based on specific job requirements, our resources and needs from time to time. We consider a number of factors in selecting and recruiting new employees, including relevant work experience, educational background, skills and knowledge. We value our employees and provide them with internal training programs. In addition, we promote equal opportunity and diversity in the workplace and we do not tolerate discrimination based on race, colour, religion, sex, marital status, age, national origin, or any other considerations deemed inappropriate by local labour laws. We believe this will increase the overall competitiveness of our workforce.

In compliance with applicable PRC laws and regulations, we are required to make contributions to various PRC Government sponsored employee benefit funds, including pension plans, basic medical insurance (including maternity insurance), unemployment insurance and work-related injury insurance.

We consider that we have maintained good relationship with our employees. The average length of service of our employees during the Track Record Period has been over four years. During the Track Record Period, we have not experienced any material disputes with our employees or any disruption to our business and operations due to labour disputes, nor have us experienced any material difficulties in recruitment and retention of experienced core staff or skilled personnel during the Track Record Period.

PROPERTIES

Owned Properties

As at the Latest Practicable Date, we owned two properties in Shandong Province, details of which are as follows:

Location	Approximate GFA	Tenure	Permitted Usage	Actual Usage	Owner
	(sq.m.)				
501, Building 10, Strategic Emerging Industry Base, Jinan High-tech Zone, 2966 Chunhui Road, High-tech Zone, Jinan, Shandong, the PRC* (中國山東省濟南市高新區春暉路2966號濟南高新區戰略性新興產業基地10號樓501)	970.09	Until 2 November 2064	Industrial purposes	Factory and office	Shanghai Guanze
601, Building 10, Strategic Emerging Industry Base, Jinan High-tech Zone, 2966 Chunhui Road, High-tech Zone, Jinan, Shandong, the PRC* (中國山東省濟南市高新區春暉路2966號濟南高新區戰略性新興產業基地10號樓601)	1,019.34	Until 2 November 2064	Industrial purposes	Factory and warehouse	Jinan Guanze

As advised by our PRC Legal Advisers, we are entitled to legally own, occupy and use these properties within the scope of use specified in the real property certificate and in accordance with relevant PRC laws and regulations regarding the use of land and ownership of buildings.

Leased properties and property occupied by us for free

As at the Latest Practicable Date, we leased two properties in Shanghai and licenced one property in Shandong Province, details of which are as follows:

	Location	Approximate GFA	Rental	Tenure	Permitted Usage	Actual Usage	Lessee
		(sq.m.)	*(RMB)*				
1.	Room 1111, 11th Floor, D3–005, Block D, No. 355, Futexi First Road, China (Shanghai) Pilot Free Trade Zone* (中國(上海)自由貿易試驗區富特西一路355號D區D3–005地塊11層1111室)	47.36	1.5 per sq.m. per day	20 January 2020 to 19 January 2023 *(Note 2)*	Industrial purpose	Warehouse	Shanghai Guanze
2.	Room 803, 8th Floor, Tower, Block 001, Block C, No. 1 Keelung Road, Waigaoqiao Free Trade Zone, Shanghai* (上海市外高橋保稅區基隆路1號C區001地塊塔樓第8層803室)	50.6	3.0 per sq.m. per day	16 November 2020 to 15 November 2025	Office purpose	Office	Shanghai Guanze
3.	Room 1702, Block 2, Jinyu Building, No.3–1 Jiefang East Road, Lixia District, Jinan City, Shandong Province* (山東省濟南市歷下區解放東路3–1號金宇大廈2號樓1702室)	94.85	Nil *(Note 1)*	1 February 2022 to 31 January 2023 *(Note 2)*	Business and financial purposes	Office	WFOE, Shandong Guanze

Notes:

1. For the purpose of promoting the economic development of the region, no rent has been charged by the government, the lessor, for the use of the subject premise.

2. We have commenced discussion with the landlord on the renewal of the lease as at the Latest Practicable Date.

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this document any valuation report. Pursuant to section 6(2) of the [REDACTED], this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of the interests in land or buildings.

Inconsistency with permitted use

The current usage of leased property No. 1 is inconsistent with its permitted usage. We currently use this premises as our warehouse while the permitted usage under the building ownership certificate is industrial. As at the Latest Practicable Date, we had not received any challenge to our right to occupy and use the properties upon it. Our PRC Legal Advisers are of the view that our continuing operations will not be materially affected because (i) the relevant laws and regulations did not set out lessee will be subject to administrative action or punishment if the permitted usage of property is inconsistent with the actual usage; (ii) no administrative actions or punishments have been initiated or imposed on Shanghai Guanze; (iii) our Directors are of the view that, if the inconsistency with permitted land use prevents us from continuing the lease so that we are required to move to another location, we can relocate to other comparable alternative premises in the relevant regions without any material adverse effect on our business and financial condition.

Failure to register leased properties

As at the Latest Practicable Date, the leased properties of No. 1 and 2 had not been registered with the relevant government authority required by the PRC laws. Registration of lease agreement requires the landlord's cooperation, including submission of their identity documentations and relevant title certificates to relevant authorities, which may be out of our control.

Our PRC Legal Advisers have advised us that according to the Administrative Measures for the Leasing of Commodity Housing (《商品房屋租賃管理辦法》), if a company fails to register the leases within 30 days after it enters into the lease agreements, the relevant local authority is entitled to order the company to do so within a prescribed time limit. If the company fails to do so within such prescribed time limit, a maximum fine of RMB10,000 will be imposed on each non-registration. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authority to register the unregistered lease agreements; nor had we received any challenge to our right to lease any property under our lease agreements. Our PRC Legal Advisers have further advised us that the lack of registration of a lease does not affect the legality, validity or enforceability of these lease agreements.

Absence of building ownership certificate

As at the Latest Practicable Date, lessor of the licenced property No. 3, which we primarily use it as the registered address of WFOE and Shandong Guanze, was unable to provide the building ownership certificate of the property. Should disputes arise due to title encumbrances to such properties, we may encounter difficulty in continuing to use such property as the registered address of WFOE and Shandong Guanze and may be required to relocate. Our Directors are of the view that we can relocate to other comparable alternative premises in the relevant regions without any material adverse effect on our business and financial condition.

For further details, please refer to the paragraph headed "Risk factors — Risks relating to our business and operations — We may be subject to fines as a result of unregistered lease." and "Risk factors — Risks relating to our business and operations — Certain of our leased properties are not used for the permitted usage under the relevant building ownership certificate and we may be subject to challenge, lawsuit or other actions taken against us with respect to these properties" in this document.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as policies based on our assessment of our operational needs and industry practise. We are subject to the social insurance system of the PRC and are required to make contributions for our employees towards five categories of insurance, including make contributions for basic pension, basic medical, unemployment, work injury and maternity insurances for our employees.

Our Directors consider that our existing insurance coverage is in line with industry norm and is sufficient for our present operations. As at the Latest Practicable Date, we had not made nor been the subject of any material insurance claims. However, our business operations are susceptible to potential losses caused by a wide range of business disruptions and we may not be fully indemnified for our losses under our current insurance coverage. Please refer to the paragraph headed ''Risk Factors — Risks relating to our business and operations — We may not have sufficient insurance coverage to cover the risks relating to our operations'' for more details.

LEGAL PROCEEDINGS AND COMPLIANCE

We are subject to the laws, regulations and supervision of the regulatory authorities in the PRC and are required to maintain certain licences, permits and approvals in order to operate our business. A summary of the relevant PRC laws and regulations which our business operations are subject to is set out in the section headed ''Regulatory Overview'' in this document. As advised by our PRC Legal Advisers and as confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had complied with relevant laws and regulations in all material respects in the PRC.

As at the Latest Practicable Date, our Directors confirm that, to their best knowledge, neither our Company nor any of our subsidiaries were aware of any material litigation, arbitration, investigation or non-compliance matters pending or threatened against our Company or any of our subsidiaries or any of our Directors, that would have material adverse effect on our business operation or financial results.

INTERNAL CONTROL OVER BUSINESS OPERATIONS

Internal Control Measures

In preparation for the [REDACTED], we engaged an Independent Third Party professional internal control consultant (the ''**Internal Control Consultant**'') in December 2020 to perform a review of our internal control systems and procedures on a fact-finding basis and to provide recommendations for addressing the findings during the review. The Internal Control Consultant provided recommendations in relation to strengthening our Group's internal controls. In order to continuously enhance our corporate governance and to prevent recurrence of non-compliance incidents, our Directors confirmed that the recommendations provided by the Internal Control Adviser have been or will be implemented.

The Internal Control Consultant conducted follow-up review in June 2021 on the remediation status of our internal control system and the result is satisfactory. Our Directors are of the view that our Group has adequate and effective internal control procedures in place for our operations.

The table below sets out some major findings by the Internal Control Consultant and our measures implemented in response to the recommendations made:

Major findings	Recommendations	Corresponding measures taken by our Group
Corporate governance structure in compliance with the Listing Rules is not in place.	Compose the board in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules ("**CG Code**").	Our Company will establish a board of directors and the board committees with written terms of reference in compliance with the CG Code before [REDACTED]. The Board will have a total of six members, including two executive Directors (Mr. Meng Xianzhen and Mr. Guo Zhenyu), one non-executive Director (Ms. Meng Cathy) and three independent non-executive Directors (Dr. Zhao Bin, Dr. Chang Shiwang, Dr. Wong Man Hin Raymond). An audit committee will be established with Dr. Wong Man Hin Raymond as chairman and Dr. Zhao Bin and Dr. Chang Shiwang as members. A remuneration committee will be established with Dr. Chang Shiwang as chairman and Mr. Meng Xianzhen and Dr. Zhao Bin as members. A nomination committee will be established with Mr. Meng Xianzhen as chairman and Dr. Zhao Bin and Dr. Chang Shiwang as members.
	Set up the audit committee, nomination committee and remuneration committee with written terms of reference in compliance with the Listing Rules and the CG Code.	
	Appoint the qualified company secretary in compliance with Rule 3.28 of the Listing Rules.	Mr. Zhang Senquan was appointed as the company secretary of our Company on 17 September 2021.

Major findings	Recommendations	Corresponding measures taken by our Group
Our Group has not formulated or adopted Model Code for Securities Transactions by directors as set out in Appendix 10 to the Listing Rules as our code of conduct regarding directors' securities transactions, establish a mechanism for the supervision of directors' securities transactions and an information disclosure system.	Formulate or adopt the ''Model Code for Securities Transactions by Directors'' as set out in Appendix 10 to the Listing Rules as our Company's code of conduct regarding directors' securities transactions, establish a mechanism for the supervision of directors' securities transactions and an information disclosure system, and classify and regulate different types of directors' securities transactions.	Our Company has formulated the ''Group's Management Securities Transactions Code'' (《集團管理層證券交易守則》), the ''Management System for Persons with Inside Information'' (《內幕信息知情人管理制度》), and the ''Accountability System for Major Errors in Information Disclosure in our Company's Annual Report'' (《公司年度報告信息披露重大差錯責任追究制度》), in which the securities of directors are classified and the various types of securities transactions are regulated and the corresponding management policies for information disclosure are established.
Our Company has not established an information confidentiality management system.	Establish an information confidentiality management system, including regulations on the scope and level of confidentiality, confidentiality measures, responsibilities and penalties in relation to company information.	Our Company has formulated the ''Measures for the Management of Commercial Secrets'' (《商業秘密管理辦法》), which clearly stipulates the scope of our commercial secrets, confirmation and decryption of confidential information, ownership rights of confidential information, confidentiality obligations of employees, etc.

Major findings	Recommendations	Corresponding measures taken by our Group
Our Company has not established an anti-monopoly management mechanism nor monitored existing or potential anti-monopoly matters, nor has it conducted anti-monopoly training for its employees.	Establish an anti-monopoly management system, strengthen the monitoring and management of existing or potential anti-monopoly matters and provide training to relevant personnel on anti-monopoly laws and regulations.	Our Company has formulated the "Group Company Anti-monopoly Compliance Management Measures" (《集團公司反壟斷合規管理辦法》), which clearly requires our Company to compete fairly and strictly abide by the law in production and operation activities, and avoid directly or indirectly engaging in monopolistic behaviours prohibited by the relevant anti-monopoly laws. Our Company has also provided anti-monopoly training to our management in May 2021.

Anti-Corruption and Anti-bribery Measures

As part of our risk management and internal control system, we have formally established a set of internal policies in relation to bribery and corruption and fraudulent activities, which strictly prohibit paying or receiving bribes and kickbacks in commercial transactions. The following measures have been implemented in order to prevent such illegal practises:

- we have formally adopted an employee handbook to standardise our employees' code of conduct which strictly forbids paying or receiving bribes. Upon signing the employment contracts, our employees agreed to abide by the terms and conditions of the employee handbook. We also have in place an employee code of ethics to prohibit illegal practises such as bribery and corruption and fraudulent activities. Our employees have signed anti-bribery and corruption agreement to undertake not to participate in such illegal practises. Employees who violate any of the terms of the employee handbook, employee code of ethics or anti-bribery and corruption agreement are subject to penalties, including termination of employment;

- we have implemented a policy on reporting on conflict of interest setting out the procedures to manage transactions or events involving any conflict of interest of employees; and

- we have in place an anti-fraud management policy setting out the responsibility of the Board of Directors and audit committee to cultivate an anti-fraud culture within our Group which includes the procedures for the reporting, receiving information relating to and investigation of fraud cases, setting out responsibilities and penalties for fraud, and established channels for reporting fraud cases.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, they have not engaged in, and have not been aware of, any bribery, corruption or fraudulent practise by our Directors, employees and distributors. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, as far as they are aware, our Group has not been subject to any anti-corruption claims or investigations by the relevant authorities. As such, our Directors consider that our anti-corruption policies and procedures and relevant internal control measures have been sufficient and effective to ensure our compliance with the relevant anti-corruption laws and regulations as well as to prevent the occurrence of bribery, corruption or fraudulent practise by our Directors and employees.

Risk Management Measures

We have established the following measures and structures to manage our risks:

- our Board carries out a thorough examination of material risks associated with any material business decision before approving such decision;

- our Directors and senior management keep track of the day-to-day operations and monitor any associated operational risks of our Group. They are responsible for evaluating potential market risks related to fluctuations in industrial environment and market variables, identifying irregularities in connection with operational, credit and market risks, and formulating policies and resolutions to mitigate or resolve these risks. For details of the qualification and experience of our Directors and senior management, please see the section headed ‘‘Directors and Senior Management’’ in this document;

- our audit committee reviews the internal control system and procedures for the compliance with the requirements prescribed by the applicable laws, rules and regulations;

- as part of the preparation for [REDACTED], our Directors have received training on their responsibilities as directors of a Hong Kong [REDACTED] company, including their fiduciary duties to act in the best interest of our Group. We will also continue to arrange various trainings to be provided by Hong Kong legal advisers for our Directors, senior management and employees on the Listing Rules, including but not limited to aspects related to corporate governance and connected transactions;

- we have appointed Yue Xiu Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules upon [REDACTED]; and

- we provide training to our employees in order to enhance their industry knowledge and to encourage an all-embracing culture of risk management ensuring that all employees are aware of and responsible for managing risks.

TWO INVOICE SYSTEM

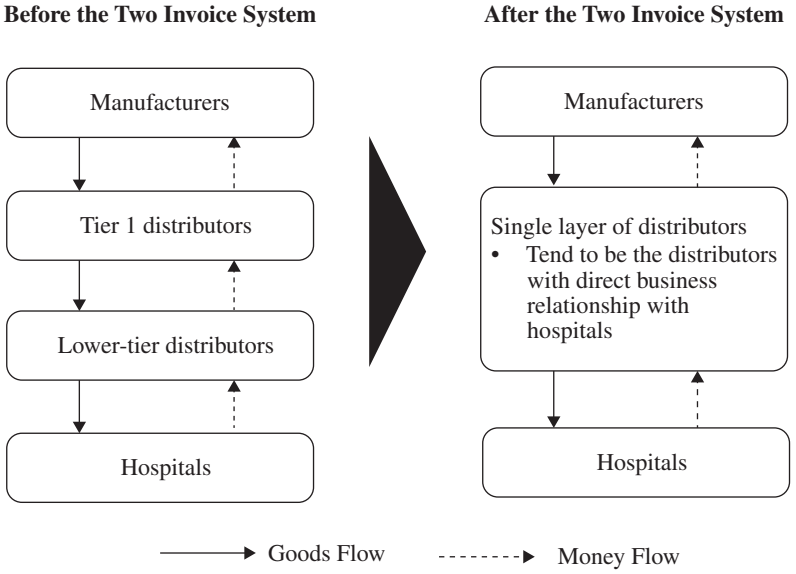
Background

As part of the measures for the PRC healthcare system reform, the State Council together with seven other central government departments (including the NHFPC and the State Administration of Food and Drug) jointly issued the Notice on Opinions on the Implementation of the Two Invoice System in Drug Procurement by Public Medical Institutions (for Trial Implementation) (《關於在公立醫療機構藥品採購中推行兩票制的實施意見(試行)》) on 26 December 2016. Pursuant to the above notice, public medical institutions are required to implement the "Two Invoice System" for drug procurements gradually and encourage other medical institutions to promote the same with an aim to promote the "Two Invoice System" across the nation by 2018. The aim of the "Two Invoice System" is to only allow a maximum of two invoices to be issued in the value chain with the first invoice to be issued by manufacturers to distributors and the second one to be issued by distributors to hospitals and healthcare institutions.

On 5 March 2018, six government departments including the National Health Commission and MOF jointly issued the Notice on Consolidating the Achievements of Cancelling Drug Markups and Deepening Comprehensive Reforms in Public Hospitals (《關於鞏固破除以藥補醫成果持續深化公立醫院綜合改革的通知》), which stipulates the implementation of the centralised purchase of high value medical consumables, and that the "Two Invoice System" in relation to high-value medical consumables shall be gradually implemented. According to the General Office of the State Council issued the Notice on Printing and Distributing the Reform Plan for the Management of High-value Medical Consumables (《關於印發〈治理高值醫用耗材改革方案〉的通知》) issued on 19 July 2019, high-value medical consumables refer to the medical consumables that are directly used for human bodies, and are strictly required for safety, and are in great clinical demand and priced relatively high, and can impose heavy burdens on patients for affording them. On 30 September 2019, ten local government departments of Shandong Province including Health Committee of Shandong Province (山東省衛生健康委員會) (the "**Health Committee**") issued the Notice on "Two Invoice System" Implementation Plan in Medicines Procurement by Public Medical Institutions in Shandong Province (《關於印發〈山東省公立醫療機構藥品採購推行"兩票制"實施方案〉的通知》), which stipulates that all public medical institutions in Shandong Province shall implement the "Two Invoice System" in the procurement of drugs from 30 October 2019. As at the Latest Practicable Date, according to the Health Committee, Shandong Province was yet to implement the "Two Invoice System" in the procurement of high-value or low-value medical consumables and it has no concrete plan to implement the "Two Invoice System" on the procurement of medical consumables in Shandong Province. As advised by our PRC Legal Advisers, the Health Committee is the competent authority to consult with in respect of the implementation of the "Two Invoice System" in Shandong Province.

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

For illustration purposes only, set out below is the comparison of distribution chain of medical devices and medical consumables before and after the implementation of the "Two Invoice System" on the assumption that the "Two Invoice System" will be applied to medical devices and medical consumables in Shandong Province in the future:



Potential impacts of the "Two Invoice System" on our business operation

The following analysis on the potential impact of the "Two Invoice System" on our business operation is based on the assumption that the "Two Invoice System" is fully implemented to our medical imaging film products.

Except for our self-branded products and our provision of maintenance services, we sourced medical dry laser films and self-service film output printers, from Honghe Group, the Tier-1 distributor of the Medical Imaging Products Manufacturer in Shandong Province, as at the Latest Practicable Date. During the Track Record Period, our revenue attributable to the sale of medical imaging film products of the Medical Imaging Products Manufacturer were approximately RMB114.8 million, RMB131.0 million, RMB142.1 million and RMB63.4 million, respectively, representing approximately 89.1%, 75.8%, 72.1% and 68.4% of the total revenue of our sale of medical imaging film products business and approximately 81.5%, 71.1%, 67.3% and 64.3% of our total revenue for the same periods, respectively.

If the "Two Invoice System" is implemented to our medical dry laser films and self-service film output printer, sale from the Medical Imagine Film Products Manufacturer to Honghe Group are likely to be counted as the first invoice, and sale from Honghe Group to our Group will likely to be counted as the second invoice. Therefore, in the event that the "Two Invoice System" applies to the medical imaging film products industry in Shandong Province, our sale of medical imaging film products from the Medical Imaging Products Manufacturer will possibly to be counted as the third invoice which is not permitted under the "Two Invoice System", and we may have to discontinue such mode of business operation.

However, as confirmed by the Health Committee in November 2022, (i) it does not have a concrete plan to implement the "Two Invoice System" on the procurement of medical consumables in Shandong Province; (ii) our medical imaging films are classified as low-value medical consumables; (iii) our self-service film output printers and medical image printers are not classified as medical consumables; (iv) our software is classified as medical software and is not classified as medical consumables and (v) medical image data distribution system and CDs are not classified as medical devices nor consumables. As advised by our PRC Legal Advisers, the Health Committee is the competent authority to consult with in respect of the implementation of the "Two Invoice System" in Shandong Province.

As such, as at the Latest Practicable Date, none of our medical imaging film products and medical imaging cloud services is subject to the "Two Invoice System" in Shandong Province. As at the Latest Practicable Date, our Directors confirmed that we have not suffered any material financial loss due to the implementation of the "Two Invoice System".

Measures to mitigate the adverse impacts from the implementation of the "Two Invoice System" in Shandong Province

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

(i) In the event of the full implementation of the "Two-Invoice System" in Shandong Province, Medical Imaging Products Manufacturer confirmed by written confirmation that we will be engaged as its Tier-1 distributor without imposing any non-competition clause on us as Medical Imaging Products Manufacturer satisfied itself that our Group have fulfilled the following requirements to be its Tier-1 distributor during the Track Record Period and up to the Latest Practicable Date: (a) a legal entity with a registered capital of RMB10 million; (b) maintaining a Class II Medical Device Business Registration Certificate (第二類醫療器械經營備案憑證) and Class III Medical Device Business Registration Certificate (第三類醫療器械經營許可證); (c) having an extensive distribution network; (d) maintaining an established and good business relationship with the end customers; (e) obtaining an annual revenue which should be more than or equal to RMB50 million; (f) having sufficient internal source of fund; (g) having sufficient storage capacity; and (h) complying with all relevant laws and regulations and having no material non-compliance record in the past.

With regard to items (d) and (g) above, according to the Medical Imaging Products Manufacturer, Tier-1 distributors should be considered as having "an established and good business relationship with the end customers" if they have maintained over five years of uninterrupted business relationship with its major customers. In terms of "sufficient storage capacity", the Medical Imaging Products Manufacturer usually requires its Tier-1 distributors to maintain an inventory level of finished goods of approximately three months.

Our Directors believe that our Group has maintained an established and good business relationship with its end customers, taking into consideration: (i) our Group's years of business relationship with our top five customers ranges from five to six years; (ii) as confirmed by our top ten customers for the three financial years ended 31 December 2021 and the six months ended 30 June 2022, they intend to continue the business cooperation with our Group in the event of the implementation of the "Two-Invoice System" in Shandong

Province; and (iii) as confirmed by our Directors, as at the Latest Practicable Date, there was no material breach of sales agreement with our customers, and our Group had no record of any return of products due to quality defects. Our Group also has not received any product liability claims or complaints from customers in relation to the quality of products which had materially or adversely affected our business during the Track Record Period.

Our Directors also believe that our Group has sufficient storage capacity by being able to maintain an inventory level of finished goods of approximately three months, taking into consideration: (i) our Group owns a factory and warehouse in Jinan with an approximate gross floor area of 1,019.34 sq.m. and an approximate height of 3.4 m; (ii) the length, width, height of a standard box of 500 pieces of 14x17 inch medical dry laser films of the Medical Imaging Products Manufacturer, being the most common type of medical dry laser films sold by our Group during the Track Record Period, is 56cm, 46cm and 22cm, respectively; (iii) the sales volume of the medical dry laser films of the Medical Imaging Products Manufacturer during the Track Record Period was approximately 8,080,000 pieces, 8,712,000 pieces, 9,809,000 pieces and 4,543,000 pieces, respectively; and (iv) the estimated volume of three months inventory level is approximately 282.2 m^3. Therefore, our Directors believe that our Group has a sufficient storage capacity for the inventory level of goods required to be maintained by our Group.

Further, according to the Medical Imaging Products Manufacturer, our Group has to follow the procedural requirements below to become its Tier-1 distributor: (a) our Group to submit an application for becoming a Tier-1 distributor of Medical Imaging Products Manufacturer in Shandong Province and Medical Imaging Products Manufacturer to verify the materials submitted; (b) Medical Imaging Products Manufacturer to conduct a background search of our Group and to review the past historical transaction records of our Group and the evaluation by end customers regarding our Company's services and products; (c) our Group to negotiate the terms and conditions of the distributorship agreement with Medical Imaging Products Manufacturer including minimum purchase targets; (d) Medical Imaging Products Manufacturer to go through the internal approval procedures; and (e) Medical Imaging Products Manufacturer to issue the authorisation letter to our Company and Medical Imaging Products Manufacturer and our Company to sign the Tier-1 distributorship agreement. Our Directors believe that there are no impediments to follow the aforementioned procedures.

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

(ii) Before October 2017, we were the Tier-1 distributor of the Medical Imaging Products Manufacturer. Our Directors confirmed that subsequently, we initiated the termination of our distributorship with Medical Imaging Products Manufacturer in order to maintain flexibility in not having to meet the minimum purchase target as a Tier-1 distributor and to focus on the development of our self-branded products. Taking into account that (i) the products of Medical Imaging Products Manufacturer are not supplied to the existing Tier-1 distributor in Shandong Province (i.e. Honghe Group) on an exclusive basis; (ii) our previous relationship

and cooperation with the Medical Imaging Products Manufacturer; (iii) our distribution network in Shandong Province; and provided that we are willing to undertake the minimum purchase targets to be negotiated with the Medical Imaging Products Manufacturer, our Directors believe that we can consider and are capable to act as the Tier-1 distributor of Medical Imaging Products Manufacturer in the event of the full implementation of the "Two Invoice System" in Shandong Province. Our Directors confirm that we achieved the minimum purchase targets throughout the Tier-1 distributorship arrangement with Medical Imaging Products Manufacturer and there are no disputes or disagreements between our Group and the Medical Imaging Products Manufacturer since the date of commencement of our relationship and up to the Latest Practicable Date.

According to the Medical Imaging Products Manufacturer, it will impose minimum purchase targets on us if we are re-engaged as its Tier-1 distributor. As at the Latest Practicable Date, the details of the minimum purchase targets cannot be ascertained because the targets will be changed from time to time and is subject to market conditions. Despite this, the Medical Imaging Products Manufacturer confirmed that our Group's actual yearly/periodic purchase volume of 14x17 inch medical dry laser films in each of the three years ended 31 December 2021 and the six months ended 30 June 2022 satisfied its minimum purchase targets in relation to the medical dry laser films.

Given (i) the fulfilment of the minimum purchase targets as a Tier-1 distributor of Medical Imaging Products Manufacturer in the past; (ii) our Group's extensive distribution network; and (iii) the fact that our Group has been distributing its products since inception, our Company believes that there is no impediment for us to meet such targets.

In case our Group fails to fulfil the minimum purchase targets, except for losing the entitlement to be provided with rebates in that year, Medical Imaging Products Manufacturer confirmed that our Group can still remain as its Tier-1 distributor in the event of the full implementation of the "Two Invoice System" in Shandong Province.

(iii) We will develop our direct business relationship with the other international manufacturers, which principally engage in the manufacturing of medical dry laser films and self-service film output printers instead of sourcing products through their distributors by actively participating in trade fairs and exhibitions. Please refer to the paragraph headed "Our Business Strategies — Continue to promote our brands and increase market awareness by participating in exhibitions" for details.

(iv) We will further develop our self-branded products business to strengthen our position as a domestic medical imaging products supplier in Shandong Province. During the Track Record Period, our revenue attributable to the medical imaging film products under our brand were approximately RMB11.3 million, RMB32.2 million, RMB54.8 million and RMB29.3 million, respectively, representing approximately 9%, 19%, 28% and 32% of our revenue under the medical imaging film products business segment, respectively, which exhibited an increasing trend.

(v) Given the expected growth in the medical imaging cloud services market, we are actively developing our business segment of medical imaging cloud services in order to diversify the risks of the implementation of the ''Two Invoice System''. For further details on the development of our medical imaging cloud services, please refer to the paragraph headed ''Our Business Strategies — Enhance the delivery of our medical imaging cloud services through strategic acquisition, obtaining the medical device registration certificate and upgrade of our hardware and software''.

Our Group's sales to hospitals and healthcare institutions through deliverers and "Two-Invoice System''

As advised by our PRC Legal Advisers, relevant authorities do not give a clear direction on the position of the deliverers in the event of the full implementation of the ''Two-Invoice System'' and thus, it remains unclear on whether the sale of medical imaging film products from deliverers to hospitals and healthcare institutions will be counted as the third invoice.

As confirmed by Medical Imaging Products Manufacturer, given the solid and amiable business relationship with our Group and our Group's extensive distribution network, MIPM confirmed that our Group will be engaged as its Tier-1 distributor in the event of full implementation of the ''Two-Invoice System'' in Shandong Province, subject to the fulfilment of the general and administrative terms and conditions, in order to maximise its own benefits. As such, our Group will directly procure the medical imaging film products from Medical Imaging Products Manufacturer and the sale of medical imaging film products from Medical Imaging Products Manufacturer to our Group will be counted as the first invoice.

Based on the above,

(i) if the sale of medical imaging film products from deliverers to hospitals and healthcare institutions is not counted as the third invoice, our PRC Legal Advisers are of the view that our Group's sales to hospitals and healthcare institutions through deliverers would be in compliant with the ''Two-Invoice System''; and

(ii) if the sale of medical imaging film products from deliverers to hospitals and healthcare institution is counted as the third invoice, hospitals and healthcare institutions will not procure medical imaging film products through deliverers but directly from the Group based on (a) the interviews with the top ten end customers during the Track Record Period that they will continue to maintain business relationship directly with our Group in the event of full implementation of the ''Two-Invoice System'' and (b) our Directors confirm that our Group would comply with the ''Two-Invoice System'' requirement to maintain business relationship with our remaining customers in the event of full implementation of the ''Two-Invoice System''. In light of the above, our PRC Legal Advisers are of the view that our Group's sales to hospitals and healthcare institutions would be in compliant with the ''Two Invoice System''.

In any event, our PRC Legal Advisers are of the view that under both circumstances (i.e. whether the sale of medical imaging film products from deliverers to hospitals and healthcare institutions will or will not be counted as the third invoice), based on (a) the interviews with the top ten end customers during the Track Record Period; (b) our Directors confirm that our Group would comply with the ''Two-Invoice System'' requirement to maintain business relationship with our remaining customers in the event of full implementation of the ''Two-Invoice System''; and (c) as confirmed by Medical Imaging Products Manufacturer, our Group's sales to hospitals and healthcare institutions would be in compliant with the ''Two-Invoice System''. In addition, our Directors are of the view that our Group will not be eliminated from the value chain and hence our Group's business operation will not be adversely affected in material respects.

Competition with Honghe Group

In the event that we become a Tier-1 distributor of the Medical Imaging Products Manufacturer in Shandong Province and if the Medical Imaging Products Manufacturer does not engage any new Tier-1 distributor in Shandong Province, there will be a total of two Tier-1 distributors of the Medical Imaging Products Manufacturer in Shandong Province, namely our Group and Honghe Group, and we will terminate our business relationship with Honghe Group at the relevant time. To the best knowledge of our Directors, Honghe Group is aware that the Medical Imaging Products Manufacturer will engage our Group as its Tier-1 distributor in the event of the full implementation of ''Two Invoice System'' in Shandong Province. As at the Latest Practicable Date, our relationship with Honghe Group has not been discontinued. Our Directors believe that our relationship with Honghe Group will not be adversely affected going forward given the mutual reliance between our Group and Honghe Group, as detailed in the paragraph headed ''Business — Relationship with Honghe Group — Sustainability of our business in view of our concentration — Mutual reliance between our Group and Honghe Group'' in this section.

In the event that we become the Tier-1 distributor of the Medical Imaging Products Manufacturer, our Directors believe that our Group is capable to compete with Honghe Group taking into consideration the following factors:

(i) our customers were sourced independently without the assistance of Honghe Group;

(ii) as confirmed by Honghe Group, the purchase by our Group from Honghe Group accounted for approximately 50% of Honghe Group's total sales revenue and our Group ranked the first among the customers of Honghe Group in terms of its sales revenue during the Track Record Period;

(iii) the extensive distribution network of our Group in Shandong Province. Over years of operations, we have accumulated a solid customer base and our customers covered, 43 Grade III hospitals, 30 Grade II hospitals and 20 Grade I hospitals in Shandong Province, accounting for approximately 20.7% Grade III hospitals, 4.1% Grade II hospitals and 1.9% Grade I hospitals in Shandong Province, as at the Latest Practicable Date;

(iv) our solid and amicable business relationship with customers; and

(v) our familiarity with the procurement procedures implemented by the hospitals and healthcare institutions in Shandong Province.

Differences between being a Tier-1 and Tier-2 distributor of the Medical Imaging Products Manufacturer

The table below sets forth a comparison of our Group's being a Tier-1 and Tier-2 distributor of the Medical Imaging Products Manufacturer in terms of business operation, liquidity and financial performance such as inventory turnover and profit margin.

	Medical Imaging Products Manufacturer	
	Tier-1 distributor	**Tier-2 distributor**
Business operation	• Our Group directly sources medical dry laser films and self-service film output printers from the Medical Imaging Products Manufacturer • Our Group will deliver our medical imaging film products of the Medical Imaging Products Manufacturer upon receipt of purchase order from customers	• Our Group sources medical dry laser films and self-service film output printers from Honghe Group • Our Group will deliver our medical imaging film products of the Medical Imaging Products Manufacturer upon receipt of purchase order from customers
Liquidity	Since the payment terms offered by the Medical Imaging Products Manufacturer and Honghe Group is prepayment, there is no material differences on the liquidity of our Group	
Financial performance		
Inventory turnover	No material differences	

	Medical Imaging Products Manufacturer	
	Tier-1 distributor	**Tier-2 distributor**
Profit margin	• We are required to meet the minimum purchase target as specified by the Medical Imaging Products Manufacturer. If we are able to fulfil the yearly minimum purchase targets, rebates will be provided in the form of (i) a discount on the price of medical imaging films for future purchase and/or (ii) rewards as agreed by our Group and the Medical Imaging Products Manufacturer • The rate of rebate may be higher than the rate of rebate offered by Honghe Group, subject to the negotiation with the Medical Imaging Products Manufacturer. Thus, the Group may secure a higher profit margin as compared to being a Tier-2 distributor • Our Group may offer the products of the Medical Imaging Products Manufacturer to a Tier-2 distributor at a markup.	• We are required to meet the minimum purchase target as specified by Honghe Group. If we are able to fulfil the yearly minimum purchase targets, rebates will be provided in the form of (i) self-service film output printer and (ii) a discount on the price of medical imaging films for future purchase • The rate of rebate may be lower than the rate of rebate offered by the Medical Imaging Products Manufacturer. Thus, the Group may have a lower profit margin as compared to being a Tier-1 distributor • Our Group did not sell any products of the Medical Imaging Products Manufacturer to a lower-tier distributor during the Track Record Period.

A SHIFT FROM TRADITIONAL MEDICAL IMAGING FILMS TO MEDICAL IMAGING CLOUD FILMS

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

According to "Opinions of the General Office of the State Council on Promoting the Development of "Internet + Medical Health" (國務院辦公廳關於促進「互聯網+醫療健康」發展的意見) promulgated by the General Office of the State Council in 2018 and "Notice on Accelerating the Mutual Recognition of the Examination Results" (國家衛生健康委辦公廳關於加快推進檢查檢驗結果互認工作的通知) published by the National Health Commission in 2021, the PRC government called for

the construction of the national and regional health platform, through the establishment of medical institutions examination database including "medical imaging cloud films" serving as the source of database, in order to promote the sharing of examination data, to achieve the interconnection and mutual recognition of examination data between medical institutions in the same region. Such an encouragement of the use of medical imaging cloud films by the PRC government may overcome the hurdles faced by the hospitals and healthcare institutions in China arising from the shift of traditional medical imaging films to medical imaging cloud films and hence demonstrate an inevitable trend for hospital and/or medical institutions to switch from traditional medical imaging film products to medical imaging cloud films at both state and provincial levels, including Shandong Province.

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

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

(i) According to CIC, the demand for traditional medical imaging films in China will not be phased out completely due to the major reasons mentioned in the paragraph headed "Industry Overview — Market Size of China's Medical Imaging Film Products Market" in this document.

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

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

Our Directors believe, and the Sole Sponsor concurs, that the following measures adopted or to be adopted by the Company may address the industry trend to switch from traditional medical imaging films to medical imaging cloud films.

(i) our Group has commenced to provide medical imaging cloud services in Shandong Province since 2017. We offer the following services: (a) digital medical imaging cloud storage platform, (b) digital medical image platform, (c) regional imaging diagnosis platform and (d) PACS system, to hospitals and healthcare institutions. For details of our Group's medical imaging cloud services, please refer to "Business — Our Products and Services — Medical Imaging Cloud Services" in this document; and

(ii) in order to stay ahead of the market competition, our Group is prepared for such an emerging medical imaging cloud services market. Against the backdrop of the encouragement of medical imaging informatisation construction, our Directors believe new, customised and complex functions and features are vital to our medical imaging cloud services so that (i) our existing customers will remain loyal to us on one hand and our Group is able to stand out amongst our competitor on the other hand and (ii) most importantly, our existing and potential customers will be geared up to adapt to such a shift in the future. During the Track Record Period, we provided our cloud services with basic and general functions. As a result, we plan to use part of RMB[REDACTED] million, representing approximately [REDACTED]% of the [REDACTED] to enhance the delivery of our medical imaging cloud services by acquiring a majority, if not all shareholding interest of (a) a company which possesses the technical know-how of developing PACS system and digital imaging cloud storage platform; and (b) a start-up company in AI healthcare industry, which possesses the technical know-how of building an AI system relating to providing a medical diagnosis recommendation by analysing the historical medical images. For details, please refer to "Business — Our Business Strategies — Enhance the delivery of our medical imaging cloud services through strategic acquisition, obtaining the medical device registration certificate and upgrade of our hardware and software" in this document.

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], our Company will be owned as to approximately [●]% by Meng A Capital. Meng A Capital is wholly owned by Mr. Meng, who is the Chairman, the chief executive officer and an executive Director of our Company. Accordingly, Mr. Meng and Meng A Capital are regarded as our group of Controlling Shareholders under the Listing Rules.

Each of our Controlling Shareholders and Directors has confirmed that none of them nor any of their respective close associates has interests in any business, apart from the business of our Group, which competes, or is likely to compete, either directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group will be able to operate independently of our Controlling Shareholders and their respective close associates upon the [REDACTED], taking into consideration the following factors:

Management independence

Our business is managed and conducted by a strong and independent Board. Upon [REDACTED], our Board will consist of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. For a summary of the positions held by our Directors at our Company and its subsidiaries, please refer to the section headed ''Directors and Senior Management'' in this document.

Each of our Directors is aware of his/her fiduciary duties as a Director which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Our Company has appointed three independent non-executive Directors in compliance with the requirements under the Listing Rules to provide independent opinion and advice to our Board to ensure the decisions of our Directors are made after due and careful consideration of independent and impartial opinions, and that our independent non-executive Directors will bring independent judgement to the decision making process of our Board. Our Directors believe that there is a strong independent element on our Board and our Board will benefit from the independent advice of our independent non-executive Directors. Further, our Board acts collectively by majority decisions in accordance with the Articles of Association and the laws and no single Director is supposed to have any decision making power unless otherwise authorised by our Board.

We also have a senior management team which possesses extensive experience and understanding of our departmental disciplines coupled with knowledge of the industry in which our Group operates. Our Board is therefore satisfied that they are able to implement our policies and strategies independently. In addition, our Group has adopted certain corporate governance measures for conflict situation in order to safeguard the interests of our Shareholders as a whole, details of which are set out in "Corporate Governance Measures" in this section below.

In light of the above, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing its business independently from our Controlling Shareholders and their close associates after the [REDACTED].

Operational independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the [REDACTED], we have full rights to make all decisions regarding, and carry out, our business operations independently.

The operations of our Group are independent of and not connected with our Controlling Shareholders. We are in possession of all relevant licences, approvals and permits from the relevant regulatory authorities that are necessary to carry out and operate our business. We have established our own organisational structure comprising different departments, each with clear segregation of duties and responsibilities. Our Group has sufficient operational resources and human resources to operate independently.

Historically, Mr. Meng, our Controlling Shareholder, had set up a number of companies which were mainly engaged in the sales of pharmaceutical equipment, medical device product and medical consumables business (the "**Relevant Companies**") to explore business opportunities with different brands, and had served as a director, supervisor and/or manager, or held controlling interests (as applicable) in the Relevant Companies. For details of the Relevant Companies, please refer to "Directors and Senior Management — Executive Directors".

Among the Relevant Companies, Guanze Medical Equipment (Shanghai) Co., Ltd.* (冠澤醫療器材(上海)有限公司)) ("**Guanze Medical**"), Jinan Chaotuo Qingheng Trading Co., Ltd.* (濟南超拓青恆商貿有限公司) ("**Chaotuo Qingheng**") and Guanze International Trading (Hong Kong) Limited ("**Guanze Trading**") were deregistered during or subsequent to the Track Record Period.

- *Guanze Medical:* Guanze Medical, which Mr. Meng was a director and legal representative since its incorporation, was established in October 2019 at the Shanghai Chongming Industrial Zone (上海崇明工業園區) with an intention to undertake an OEM project to develop its self-branded medical thermal films to be manufactured by one of the OEM manufacturers, in an attempt to capture the benefits awarded by the local authority to the enterprises in Shanghai Chongming Industrial Zone (上海崇明工業園區). However, as Guanze Medical was a newly established entity with no operating history, Mr. Meng subsequently decided to proceed the OEM project with Jinan Guanze, which at the time had carried on business operations for over a year and already possessed the relevant licences and permits for the business operation, details of which please refer to the paragraph headed "Business — Licence and Permits". As Guanze Medical did not have other substantial

business operations and did not identify any promising project at the end, save for the sales of some of the medical imaging films products to us, an application for deregistration of Guanze Medical was made in July 2020 and it was deregistered in August 2020. Based on the unaudited management accounts of Guanze Medical, Guanze Medical recorded no revenue and profit/loss for the year ended 31 December 2019 and recorded a revenue of approximately RMB3.8 million and a profit of approximately RMB554,000 for the six months ended 30 June 2020, respectively. For details of the transactions conducted between the Group and Guanze Medical during the Track Record Period, please refer to the paragraph headed ''Financial Information — Material Related Party Transactions''.

- *Chaotuo Qingheng:* Chaotuo Qingheng, in which Mr. Meng was a supervisor and his interest in it was held by him on behalf of his family member, was established in September 2013. Prior to its deregistration, Chaotuo Qingheng intended to undertake the distributorship of X-ray products of a German brand. However, as the negotiation with the German manufacturing company fell through and Chaotuo Qingheng had not commenced any business operations, an application for deregistration of Chaotuo Qingheng was made in October 2018 prior to the Track Record Period and it was subsequently deregistered in August 2020.

- *Guanze Trading:* Guanze Trading, which Mr. Meng was the sole director since its incorporation, was incorporated in March 2017 with an intention to undertake the potential import and export business with Medical Imaging Products Manufacturer. However, subsequent to our initiation to the termination of our distributorship with Medical Imaging Products Manufacturer in October 2017, Guanze Trading eventually had not entered into any agreement with the Medical Imaging Products Manufacturer. Having considered that Guanze Trading had no substantial business operations, a Request under Section 88B of the Inland Revenue Ordinance (Cap. 112) for a Notice of No Objection to a Company being Deregistered was filed with the Inland Revenue Department on 16 October 2020, and Guanze Trading was deregistered in January 2022. Based on the audited accounts of Guanze Trading issued by an independent certified public accounting firm in Hong Kong, Guanze Trading had not generated any revenue and recorded a loss of approximately US$4,100 for the year ended 31 December 2019 and a loss of approximately US$17,000 for the period from 1 January 2020 to 17 August 2020, being the date of cessation of business. The increase in loss was mainly attributable to the write-off of investment in its subsidiary, being Guanze Medical, which was deregistered in August 2020.

During the Track Record Period and up to the Latest Practicable Date, save for (a) Hui Yue Business Trading (Shanghai) Co., Ltd.* (惠躍商貿(上海)有限公司), in which Mr. Meng did not have any roles as a director, supervisor or manager and his equity interest in which was held on behalf of his family member till its deregistration in June 2020, and (b) Guanze Medical Equipment (Shanghai) Co., Ltd* (冠澤醫療器材(上海)有限公司), a wholly foreign-owned limited liability company held as to 100% by Guanze International Trading (Hong Kong) Limited which was in turn wholly-owned by Mr. Meng, none of our Controlling Shareholders or their close associates has been our major supplier or customer during the Track Record Period. For details of the related party transactions, please refer to ''Financial Information — Material Related Party Transactions''. We have our independent access to our major suppliers and have established our own client bases. All of the Relevant Companies have ceased operations and were dissolved or under deregistration as at the Latest Practicable Date. As at the Latest

Practicable Date, except for the interest in our Group, Mr. Meng does not have any interest in, and does not intend to establish, any other companies that engage in business that competes or is likely to compete with our Group's business. In addition, Mr. Meng has entered into the Deed of Non-competition in favour of our Company. For details, please refer to the paragraph headed "Deed of Non-competition" in this section.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders and their close associates.

Financial independence

During the Track Record Period and up to the Latest Practicable Date, our Group has established our financial department independent of our Controlling Shareholders. We also have our own financial accounting system and an independent treasury function. We are capable of obtaining financing from external sources, if necessary, without reliance on our Controlling Shareholders and related parties.

During the Track Record Period, we had certain amounts due to our Controlling Shareholders and/or their close associates. Please refer to the paragraph headed "Financial information — Amounts due to Related Parties" of this document for further details. There were no expenses or capital expenditure relating our Group during the Track Record Period that were borne by the Relevant Companies, other related parties of our Group or third parties without being recharged to our Group. In addition, during the Track Record Period and up to the Latest Practicable Date, Mr. Meng, our Controlling Shareholder, and/or his close associate(s) provided personal guarantees or acted as co-borrower for certain bank loans of our Group. All the financial assistance, including the personal guarantees, given by our Controlling Shareholders and their close associates will be repaid or released or otherwise settled before the [REDACTED]. Mr. Meng and/or his associates will cease to be the co-borrowers for bank loans of our Group before the [REDACTED].

Based on the above, our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders and their close associates.

DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition, each of the Controlling Shareholders has entered into the Deed of Non-competition in favour of our Company (for itself and as trustee for its subsidiaries) pursuant to which each of our Controlling Shareholders has, amongst other matters, unconditionally and irrevocably undertaken with our Company on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that its/his respective close associates and/or companies controlled by them (other than our Group) shall:

(i) not directly or indirectly, be interested, involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise, and whether for profit, reward or otherwise) in any business which competes or likely to compete directly or indirectly with the core business currently engaged or possibly in the future to be engaged by our Group in Hong Kong, the PRC or any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above from time to time (the "**Restricted Business**"), except where the

Controlling Shareholders hold less than 5% of the total issued share capital of any company whose shares are [REDACTED] on a recognised stock exchange and engaged in any Restricted Business provided that the relevant Controlling Shareholders and/or his/its respective close associates do not control the majority of the composition of the board of directors of that company;

(ii) not take any action, directly or indirectly, which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of any existing customers, suppliers or employee of our Group for employment by them or their close associates (other than members of our Group);

(iii) not, without the prior consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in the capacity as our Controlling Shareholders for any purpose of engaging, investing or participating in any Restricted Business;

(iv) if any project or new business opportunity that relates to the Restricted Business (the "**Business Opportunity**") is available to any of our Controlling Shareholders or any of his or its close associates (other than members of our Group), the Controlling Shareholders shall, and shall procure that his or its close associates shall, refer such Business Opportunity to our Company on a timely basis and in the following manner:

(a) notify our Company in writing immediately, followed by the provision of requisite information which is reasonably necessary for the merits on whether or not to engage in such Business Opportunity be considered, assessed and/or evaluated;

(b) who plans to participate or engage in such Business Opportunity, give our Company a first right of refusal to participate or engage therein on terms that are fair and reasonable;

(c) not pursue such Business Opportunity until we have confirmed in writing our rejection to pursue, involve or engage in the same because of commercial reasons, any of our decisions on which will have to be approved by the independent non-executive Directors (the "**Independent Board**") (at the exclusion of those with beneficial interests in such Business Opportunity), taking into account, among other issues, (i) the prevailing business, legal, regulatory and contractual landscape of our Group, (ii) results of feasibility study, (iii) counterparty risks, (iv) contemplated profitability, (v) the financial resources required for such Business Opportunity, and (vi) where necessary, any opinion from experts on the commercial viability of the same; and

(d) on the condition that our Group rejects to pursue such Business Opportunity pursuant to sub-paragraph (iv)(c) above or if the Independent Board fails to respond within 30 business days' period, that the principal terms on which the relevant Controlling Shareholder and/or its/his close associates pursues such Business Opportunity are substantially the same as or not more favourable than those disclosed to our Company and that the terms of such pursuance, whether directly or indirectly, shall be disclosed to our Company and our Directors as soon as practicable;

(v) keep the Board informed of any matter of potential conflicts of interests between each of our Controlling Shareholders (including its/his close associates) and our Group, in particular a transaction between any of the Controlling Shareholders (including its/his close associates) and our Group; and

(vi) provide as soon as practicable upon our Company's request to our Directors (including the independent non-executive Directors):

(a) a written confirmation on an annual basis in respect of compliance by it/him with the terms of the Deed of Non-competition;

(b) all information necessary for the review and enforcement of the undertakings contained in the Deed of Non-competition by the independent non-executive Directors with regard to such compliance; and

(c) their respective consent to the inclusion of such confirmation in our Company's annual report or by way of an announcement, and all such other information as may be reasonably requested by our Company for its review.

The Deed of Non-competition is conditional on (i) the Listing Division granting [REDACTED] of, and permission to [REDACTED], all the Shares in issue and to be issued under the [REDACTED]; and (ii) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the [REDACTED]) and that the [REDACTED] being terminated in accordance with their terms or otherwise.

For the above purpose, the "**Relevant Period**" means the period commencing from the [REDACTED] Date and shall expire on the earliest of the following dates on which:

(i) the Controlling Shareholders and their close associates (individually or taken as a whole) cease to own an aggregate of 30% of the then issued share capital of our Company, directly or indirectly, or cease to be the controlling shareholders for the purpose of the Listing Rules and do not have power to control our Board;

(ii) our Shares cease to be [REDACTED] on the Stock Exchange; or

(iii) our Company becomes wholly-owned by any of our Controlling Shareholders and/or their respective close associates.

CORPORATE GOVERNANCE MEASURES

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders, we have adopted the following corporate governance measures:

(i) our Directors shall comply with the Articles of Association which require our interested Director(s) not to vote (nor be counted in the quorum) on any resolutions of our Board approving any contracts or arrangements or other proposals in which he/she or any of his/her close associates is materially interested;

(ii) each Director is aware of his/her fiduciary duties as a Director, which require, among other things, him/her to act for the benefit of our Company and our Shareholders as a whole and not to allow any conflict of interests between his/her duties as a Director and his/her personal interests;

(iii) any Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(iv) in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose decisions on matters reviewed by our independent non-executive Directors in our annual report or by way of announcement;

(v) our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;

(vi) each of our Controlling Shareholders has undertaken to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;

(vii) we have appointed Yue Xiu Capital Limited as our compliance adviser upon [REDACTED], which will provide advice and guidance to us with respect to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines; and

(viii) any transaction (if any) between (or proposed to be entered into between) our Group and its connected persons will be required to comply with the relevant provisions under Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and/or our executive Directors and our Group, and to protect the interests of our Shareholders, in particular, the minority Shareholders.

OUR BOARD

Our Board consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors are appointed for a term of three years and are eligible for re-election. Our Board is responsible for and has general power for the management and conduct of our business.

Directors

The following table sets out certain information in respect of our Directors:

Name	Age	Position	Month of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Director(s), and/or senior management
Mr. Meng Xianzhen (孟憲震)	53	Chairman, chief executive officer and executive Director	November 2015	11 December 2020	Overall business and strategic planning, operations and management of our Group	Father of Ms. Meng Cathy
Mr. Guo Zhenyu (郭振宇)	45	Executive Director and chief sales officer	November 2015	17 September 2021	Overseeing the sales and marketing management of our Group	Nil
Ms. Meng Cathy (former name: Meng Qingyang (孟慶楊))	24	Non-executive Director	September 2021	17 September 2021	Providing advice on the overall development of our Group	Daughter of Mr. Meng
Dr. Zhao Bin (趙斌)	66	Independent non-executive Director	December 2022	7 December 2022	Supervising and providing independent advice to our Board	Nil
Dr. Chang Shiwang (常世旺)	45	Independent non-executive Director	December 2022	7 December 2022	Supervising and providing independent advice to our Board	Nil
Dr. Wong Man Hin Raymond (黃文顯)	56	Independent non-executive Director	December 2022	7 December 2022	Supervising and providing independent advice to our Board	Nil

Executive Directors

Mr. Meng Xianzhen (孟憲震) ("**Mr. Meng**"), aged 53, is the founder of our Group and the Chairman, the chief executive officer and an executive Director of our Company. Mr. Meng was appointed as a Director on 11 December 2020 and was re-designated as an executive Director on 17 September 2021. Mr. Meng is primarily responsible for the overall business and strategic planning, operations and management of our Group. Mr. Meng is currently a director of all subsidiaries of our Group. Mr. Meng is the father of Ms. Meng Cathy.

Mr. Meng has around 31 years of experience in sales and corporate management in the medical device industry. From August 1991 to July 1995, Mr. Meng served as the business clerk and sales manager of Shandong Sanlian Electronic Co., Ltd.* (山東三聯電子有限公司) (currently known as Shandong Sanlian Electronic Group Limited* (山東三聯電子集團公司)). From August 1995 to August 2000, he served as the manager and legal representative of the Jinan Distribution Office of Beijing Xicheng Yaohong Pharmaceutical Company* (北京西城耀紅醫藥公司濟南經銷處), a company engaged in the sales of medical equipment and health supplements products. From June 1999 to April 2006, he was the general manager, executive director and legal representative of Jinan Summer Pharmaceutical Equipment Co., Ltd.* (濟南夏日藥械有限公司) ("**Jinan Summer Pharmaceutical**"), a company engaged in the sales of pharmaceutical equipment and medical device products, primarily responsible for sales and operation management. From August 2004 to August 2006, Mr. Meng served as the executive director, general manager and the legal representative of Jinan Summer Trading Co., Ltd.* (濟南夏日商貿有限公司) ("**Jinan Summer Trading**"), a company engaged in the sales of pharmaceutical equipment and medical device products, primarily responsible for sales and operation management. Mr. Meng was re-appointed as the executive director of Jinan Summer Trading in April 2007 and he served this position until June 2007. From November 2012 to February 2017, he served as the executive director of Jinan Chaotuo Trading Co., Ltd.* (濟南超拓商貿有限公司) ("**Jinan Chaotuo**"), a company primarily engaged in the sales of medical magnetic resonance equipment, primarily responsible for the overall management of Jinan Chaotuo.

Mr. Meng founded Shanghai Guanze in November 2015 and has been serving as its executive director and legal representative from November 2015 to November 2017 and since June 2019, primarily responsible for the overall business and strategic planning, operations and management of Shanghai Guanze. Since November 2015 and August 2018, he has also been serving as the chief executive officer of each of Shanghai Guanze and Jinan Guanze, respectively, and is primarily responsible for the overall management of Shanghai Guanze and Jinan Guanze.

Mr. Meng obtained a bachelor's degree in engineering, majoring in scientific instrument engineering, from Xiamen University (廈門大學) in July 1991. He further obtained a master's degree in economics, majoring in industrial economics from Shandong University (山東大學) in June 2006.

Mr. Meng was a director, supervisor and/or manager (as applicable) in the following companies at the time of or within one year prior to its dissolution:

Name of company	Place of incorporation	Nature of business	Date of dissolution	Means of dissolution/Status	Reason for dissolution	Position held before dissolution or within 12 months prior to dissolution	Percentage of shareholding in the company
Jinan Distribution Office of Beijing Xicheng Yaohong Pharmaceutical Company* ("**Xicheng Yaohong**") (北京西城耀紅醫藥公司濟南經銷處)	PRC	Sales of medical equipment	21 August 2000	Business licence revoked	Xicheng Yaohong had ceased operation and did not undergo annual inspection within the prescribed deadline	Legal representative	Nil
Jinan Summer Pharmaceutical Equipment Co., Ltd.* (濟南夏日藥械有限公司)	PRC	Sales of pharmaceutical equipment and medical device products	4 April 2006	Deregistered	Cessation of business	Director, general manager and legal representative	Nil
Jinan Disen Medical Equipment Co., Ltd.* (濟南迪森醫療設備有限公司)	PRC	No operation	25 September 2006	Deregistered	No business operation since incorporation	Director, general manager and legal representative	60%
Jinan Summer Trading Co., Ltd.* (濟南夏日商貿有限公司)	PRC	Sales of pharmaceutical equipment and medical device products	20 June 2007	Deregistered	Cessation of business	Director, general manager and legal representative	100%
Jinan Geete Trading Co., Ltd.* (濟南格特商貿有限公司)	PRC	No operation	29 March 2010	Deregistered	No business operation since incorporation	Director, general manager and legal representative	100%
Jinan Green Yuanda Medical Equipment Co., Ltd.* (濟南格林遠大醫療設備有限公司)	PRC	Sales of medical equipment and medical consumables	9 February 2017	Deregistered	Cessation of business	Supervisor	70%
Jinan Chaotuo Trading Co., Ltd.* (濟南超拓商貿有限公司)	PRC	Sales of medical equipment	20 February 2017	Deregistered	Cessation of business	Director	90%
Guanze Medical Equipment (Shanghai) Co., Ltd.* (冠澤醫療器材(上海)有限公司) ("**Guanze Medical**")	PRC	Sales of medical consumables	12 August 2020	Deregistered	Cessation of business	Director and legal representative	Nil *(Note 3)*
Jinan Chaotuo Qingheng Trading Co., Ltd.* *(Note 1)* (濟南超拓青恆商貿有限公司)	PRC	No operation	18 August 2020	Deregistered	No business operation since incorporation	Supervisor	80% *(Note 1)*
Chaotuo (Hong Kong) International Trading Limited (超拓(香港)國際貿易有限公司)	Hong Kong	Sales of medical equipment	2 February 2018	Deregistered *(Note 2)*	Cessation of business	Director	100%
Guanze International Trading (Hong Kong) Limited	Hong Kong	Sales of medical equipment and provision of consulting service	28 January 2022	Deregistered *(Note 2)*	Cessation of business	Director	100%

Notes:

1. Prior to the deregistration of Jinan Chaotuo Qingheng Trading Co., Ltd. ("**Chaotuo Qingheng**"), Mr. Meng was the supervisor of Chaotuo Qingheng and his equity interest in it was held on behalf of his family member.

2. The company was deregistered pursuant to an application under section 750 of the Companies Ordinance. Under section 750 of the Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has not commenced operation or business, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's asset do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situated in Hong Kong.

3. Guanze Medical was a wholly-owned subsidiary of Guanze International Trading (Hong Kong) Limited, which was in turn wholly-owned by Mr. Meng.

The revocation of business licence of Jinan Distribution Office of Beijing Xicheng Yaohong Pharmaceutical Company* (北京西城耀紅醫藥公司濟南經銷處) was due to a failure to conduct annual inspection as required under the relevant PRC laws and regulations. Mr. Meng confirmed that, to the best of his information and belief after making reasonable enquiries, (i) each of the above companies had not been and was not involved in any material legal proceedings since the date of its incorporation until the date of its dissolution; (ii) each of the above companies was solvent and had ceased operations at the time of its dissolution; (iii) the dissolution of the above companies had not resulted in any liability or obligation being imposed against him; and (iv) there was no wrongful act, misconduct or misfeasance on his part leading to the dissolution of the above companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the above dissolution.

Mr. Guo Zhenyu (郭振宇) ("**Mr. Guo**"), aged 45, was appointed as a Director on 17 September 2021 and was re-designated as an executive Director on the same date. He is the chief sales officer of our Company and is primarily responsible for overseeing the sales and marketing management of our Group.

Mr. Guo has around 22 years of experience in sales and management in the medical device industry. From June 2000 to August 2004, Mr. Guo served as a sales staff of Jinan Summer Pharmaceutical, responsible for sales related work. From August 2004 to April 2007, he served as a sales staff of Jinan Summer Trading, responsible for carrying out sales work according to the company's sales tasks, integrating internal and external market resources and improving customer satisfaction. From April 2007 to November 2015, Mr. Guo served as the sales manager of Jinan Chaotuo, responsible for the formulation and execution of regional sales plans, market development, sales information management and sales team building. Mr. Guo joined Shanghai Guanze as the chief sales officer in November 2015, responsible for the overall management of sales department and the supervision of the works of sales specialists.

Mr. Guo obtained a bachelor's degree in management, majoring in economics management, from North China Institute of Traffic Engineering (華北交通工程學院) in July 2005. He obtained the certificate of Shandong Province Computer Application Ability Assessment (Intermediate Level) from the Computer Application Ability Assessment Office of Shandong Province* (山東省計算機應用能力考核辦公室) in December 2002.

Non-executive Director

Ms. Meng Cathy ("**Ms. Meng**") (former name: Meng Qingyang (孟慶楊)), aged 24, was appointed as a Director on 17 September 2021 and was re-designated as a non-executive Director on the same date. Ms. Meng is primarily responsible for providing advice on the overall development of our Group. Ms. Meng is the daughter of Mr. Meng.

Ms. Meng obtained a bachelor's degree in science, majoring in bioengineering, from the University of California, Berkeley, in the United States in May 2020. Since September 2020, Ms. Meng has been serving as the associate consultant of the San Francisco office of Bain & Company, Inc., a company engaging mainly in management consultancy, and is primarily responsible for customer communication, project implementation and researching on innovative solutions.

Independent non-executive Directors

Dr. Zhao Bin (趙斌) ("**Dr. Zhao**"), aged 66, was appointed as an independent non-executive Director on 7 December 2022. Dr. Zhao is primarily responsible for supervising and providing independent advice to our Board. He is also a member of the audit committee, the remuneration committee and the nomination committee of our Company.

Dr. Zhao served various positions at the following institutes prior to his retirement in June 2016:

Institute	Roles	Period
Shandong Medical Imaging Research Institute (山東省醫學影像學研究所)	The Resident Physician, the Attending Physician, the Deputy Chief Physician and subsequently the Chief Physician, the Deputy Chief and subsequently the Chief of Magnetic Resonance Diagnostic Research Office (磁共振診斷研究室), the Deputy Head and subsequently the Head of the Institute and the Deputy Dean and Member of the Party Committee of Provincial Hospital	From December 1982 to June 2016
University of California, Los Angeles	Visiting fellow in the Department of Radiology	From March 1988 to August 1988
Harvard University	Research Associate in Radiology	From October 1988 to June 1989
Shandong Medical University* (山東醫科大學) (currently known as Shandong University)	Part-time Professor	From June 1998 to June 2001
Shandong University	Professor	From January 2005 to January 2008

Dr. Zhao obtained a bachelor's degree in medicine, majoring in traditional Chinese medicine, from Shandong University of Traditional Chinese Medicine (山東中醫藥大學) (formerly known as College of Traditional Chinese Medicine of Shandong* (山東中醫學院)) in December 1982. He further obtained a doctoral degree in medicine, majoring in medical imaging and nuclear medicine, from Shandong University in December 2004. Dr. Zhao completed the MR&II training program provided by the University of California, Los Angeles, in September 1988.

Dr. Zhao obtained various qualifications in the PRC, including (i) the practising physician qualification certificate issued by the Ministry of Health of the PRC in May 1999; (ii) the qualification certificates of doctors of large-scale medical equipment (CDFI) and doctors of large-scale medical equipment (MRI), both issued by the Vocational Skills Appraisal and Guidance Centre of the Ministry of Health* (衛生部職業技能鑒定指導中心) in June 2006; and (iii) the independent director qualification certificate issued by Shanghai Stock Exchange in September 2016.

Dr. Zhao received various awards and recognitions in the PRC, including the following:

Awarding organisation	Award/Accreditation	Year of award
The Health Department of Shandong Province (山東省衛生廳) and Shandong Human Resources Department (山東省人事廳)	Provincial Excellent Health Care Expert (全省優秀保健專家)	February 2003
China International Exchange and Promotion Association for Medical and Healthcare (中國醫療保健國際交流促進會) and Middle-aged and Elderly Health Care Professional Committee* (中老年保健專業委員會)	Republic's Medical Achievement Award (共和國醫學成就獎)	September 2009
The Health Department of Shandong Province (山東省衛生廳)	Shandong Physician Award (山東醫師獎)	December 2009
The People's Government of Shandong Province (山東省人民政府)	2010 Young and Middle-aged Expert with Outstanding Contributions in Shandong Province (2010年度山東省有突出貢獻的中青年專家)	May 2011
Shandong Association for Science and Technology (山東省科學技術協會), the Health Department of Shandong Province (山東省衛生廳) and Dazhong Press Group* (大眾報業集團)	Outstanding Physicians of Shandong Province (首屆山東省傑出醫師)	November 2011
The Health Department of Shandong Province (山東省衛生廳)	Provincial Health Science and Technology Innovation Talent (全省衛生科技創新人才)	April 2012
China Association for Science and Technology (中國科學技術協會)	National Outstanding Science Worker (全國優秀科技工作者)	December 2012
Chinese Society of Radiology (中華醫學會放射學分會)	2017 Golden Eye Award (2017年度中華放射學會金睛獎)	October 2017

Dr. Chang Shiwang (常世旺) ("**Dr. Chang**"), aged 45, was appointed as an independent non-executive Director of our Company on 7 December 2022. Dr. Chang is primarily responsible for supervising and providing independent advice to our Board. He is also the chairman of the remuneration committee of our Company and a member of both the audit committee and the nomination committee of our Company.

Dr. Chang has been working at the school of economics of Shandong University since July 2007, with his current position as an associate professor since December 2009. He also served as the academic member of the 7th Taxation Academic Research Committee of China Taxation Society* (第七屆中國稅務學會稅收學術研究委員會) from October 2014 to October 2018, and the distinguished researcher of Shandong Institute of Financial Reform and Development* (山東財政改革發展研究院) and the Department of Finance of Shandong Province since July 2015.

Dr. Chang obtained a bachelor's degree in economics and a doctoral degree in economics from Shandong University in July 2001 and June 2007, respectively. He also obtained the teaching qualification of higher education from the Department of Education of Shandong Province in June 2008.

Dr. Wong Man Hin Raymond (黃文顯) ("**Dr. Wong**"), aged 56, was appointed as an independent non-executive Director of our Company on 7 December 2022. Dr. Wong is primarily responsible for supervising and providing independent advice to our Board. He is also the chairman of the audit committee of our Company. Dr. Wong has the appropriate professional qualifications and related financial management expertise for the purpose of Rule 3.10(2) of the Listing Rules.

Dr. Wong has been serving various positions at the following companies listed on the Stock Exchange:

Company	Stock Code	Current Role(s)	Period
Raymond Industrial Limited	229	Executive director and chairman	Since April 2002
Nan Nan Resources Enterprise Limited	1229	Independent non-executive director	Since March 2008
Modern Healthcare Technology Holdings Limited (formerly known as Modern Beauty Salon Holdings Limited)	919	Independent non-executive director	Since December 2009
Tak Lee Machinery Holdings Limited	2102	Independent non-executive director	Since June 2017

Dr. Wong had served as an independent non-executive director of Zhejiang United Investment Holdings Group Limited (a company listed on GEM of the Hong Kong Stock Exchange with a stock code of 8366) from July 2017 to March 2021.

From August 1988 to August 1990, Dr. Wong served as an engineer of Raymond Industrial Limited, a company principally engaged in the manufacture and sale of electrical home appliances, primarily responsible for product design and technical support of production. He served as the manager of production department from August 1990 to April 1993, primarily responsible for the expansion of a factory in Guangzhou and management of production. From October 1995 to November 1997, he served as a financial analyst at Hawaiian Natural Water Company, Inc., whose shares were formerly listed on the Nasdaq stock market (ticker symbol: HNWC), primarily responsible for carrying out due diligence work in preparation for the listing of its shares on the Nasdaq stock market. From November 1997 to February 2002, he served as a vice president of the finance and information department of Raymond Marketing Corporation of North America, a former subsidiary of Raymond Industrial Ltd. prior to its dissolution, primarily responsible for the management of financial data. From November 1997 to February 2002, he served as a partner of Silverstream Group L.L.C., a company principally engaged in the provision of management and sales representation services.

Dr. Wong obtained a bachelor of science degree in chemical engineering and a bachelor of arts degree in economics from Lehigh University, United States, both in October 1988. He further obtained a master of arts degree in economics from University of Hawaii, United States, in December 1994 and a doctor of business administration degree from the Hong Kong Polytechnic University in September 2018. Dr. Wong has been admitted as a Certified Management Accountant and a Certified Public Accountants of the States of Washington since September 1998 and May 1999, respectively. Dr. Wong was also awarded a certificate in financial management by the Institute of Certified Management Accountants of the Institute of Management Accountants in April 1999.

Dr. Wong was a director of the following companies established in the PRC at the time of or within one year prior to its dissolution:

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution	Reason for dissolution
Guangzhou Minkai Household Electric Appliance Co., Ltd* (廣州市民凱家用電器有限公司)	PRC	Production of household electric appliances	17 September 2015	Deregistered	Cessation of business
Guangzhou Minyue Electrical Products Co., Ltd.* (廣州市民悅電器製品有限公司)	PRC	Production and sales of household appliances and related accessories	23 July 2021	Deregistered	Cessation of business

Dr. Wong confirmed that, to the best of his information and belief after making reasonable enquiries, (i) the above company had not been and was not involved in any material legal proceedings since the date of its incorporation until the date of its dissolution; (ii) the above company was solvent and had ceased operations at the time of its dissolution; (iii) the dissolution of the above company had not resulted in any liability or obligation being imposed against him; and (iv) there was no wrongful act, misconduct or misfeasance on his part leading to the dissolution of the above company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the above dissolution.

Save as disclosed in this document, each of our Directors: (i) did not hold any other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders as at the Latest Practicable Date; (iii) did not hold any other directorships in any public companies in Hong Kong and overseas in the three years immediately preceding the date of this document; and (iv) is not interested in any business apart from our Company's business, which competes or is likely to compete, either directly or indirectly, with our Company's business, which would require disclosure under Rule 8.10 of the Listing Rules.

As at the Latest Practicable Date, save as disclosed in the paragraph headed "Statutory and General Information — C. Further Information about our Directors and Shareholders — 1. Interests and short positions of Directors in the share capital of our Company" in Appendix IV to this document, each of our Directors did not have any interest in our Shares within the meaning of Part XV of the SFO.

Save as disclosed in this document, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, there is no additional information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter with respect to their appointments as Directors that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out the composition of the senior management of our Company:

Name	Age	Position	Month of joining our Group	Date of appointment as senior management of our Group	Roles and responsibilities	Relationship with other Director(s), and/or senior management
Mr. Meng Xianzhen (孟憲震)	53	Chairman, chief executive officer and executive Director	November 2015	November 2015	Overall business and strategic planning, operations and management of our Group	Father of Ms. Meng Cathy
Mr. Guo Zhenyu (郭振宇)	45	Executive Director and chief sales officer	November 2015	November 2015	Overseeing the sales and marketing management of our Group	Nil
Mr. Wang Fei (王飛)	31	Chief technical officer	November 2015	November 2015	Overseeing the technical management of our Group	Nil

Name	Age	Position	Month of joining our Group	Date of appointment as senior management of our Group	Roles and responsibilities	Relationship with other Director(s), and/or senior management
Mr. Lu Tao (魯濤)	35	Chief financial officer	May 2021	May 2021	Overseeing the financial management of our Group	Nil
Ms. Lun Yanying (倫彥英)	46	Business manager	September 2016	March 2021	Overseeing the business management of our Group	Nil

Mr. Meng Xianzhen (孟憲震), aged 53, is the Chairman, the chief executive officer and an executive Director of our Company, primarily responsible for the overall business and strategic planning, operations and management of our Group. For further biographic details of Mr. Meng, please refer to "Directors — Executive Directors" in this section.

Mr. Guo Zhenyu (郭振宇), aged 45, is the executive Director and chief sales officer of our Company, primarily responsible for overseeing the sales and marketing management of our Group. For further biographic details of Mr. Guo, please refer to "Directors — Executive Directors" in this section.

Mr. Wang Fei (王飛) ("**Mr. Wang**"), aged 31, is the chief technical officer of our Company. Mr. Wang joined our Group in November 2015 and is primarily responsible for overseeing the technical management of our Group.

From December 2013 to November 2015, Mr. Wang served as the technical manager of Jinan Chaotuo, responsible for the software debugging, installation, research and development and after-sales services. He joined Shanghai Guanze as chief technical officer in November 2015, responsible for the construction and maintenance of the technology management system, technology and product development and innovation, and formulating and organising the implementation of technical system work goals and work plans.

Mr. Wang graduated from Shandong Institute of Commerce and Technology (山東商業職業技術學院), majoring in electrical automation technology, in June 2013.

Mr. Lu Tao (魯濤) ("**Mr. Lu**"), aged 35, is the chief financial officer of our Company. Mr. Lu joined our Group in May 2021 and is primarily responsible for overseeing the financial management of our Group.

From October 2009 to June 2015, Mr. Lu served as an audit manager of PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)). From June 2015 to September 2016, he served as a financial analysis manager of Shanghai Qijia Network Information Technology Co., Ltd.* (上海齊家網信息科技股份有限公司), a company controlled by Qeeka Home (Cayman) Inc. (齊屹科技(開曼)有限公司) (a company listed on the Stock Exchange with stock code: 1739.HK) through contractual arrangements. From March 2019 to January 2021, he served as the chief financial reporting officer of Shanghai Zhongdan Information Technology Co., Ltd.* (上海眾旦信息科技有限公司). Mr. Lu joined Shanghai Guanze in May 2021 and is currently serving as the chief financial officer, responsible for the overall management of financial and accounting operations.

Mr. Lu obtained a bachelor's degree in business administration from the Shanghai University of Finance and Economics (上海財經大學) in July 2009. He obtained the Certificate for Passing all the Required Subjects of The National Uniform CPA Examination of the PRC, awarded by the Certified Public Accountant Examination Committee of the Ministry of Finance, PRC in January 2012. Mr. Lu also passed the AICPA Uniform CPA examination organised by the GUAM Board of Accountancy, Territory of Guam, in November 2018.

Ms. Lun Yanying (倫彥英) ("**Ms. Lun**"), aged 46, is the business manager of our Company. Ms. Lun joined our Group in September 2016 and is primarily responsible for overseeing the business management of our Group.

From March 2002 to November 2011, Ms. Lun worked at the finance department of Shanghai Mingwei Industry and Trade Co., Ltd.* (上海明威工貿有限公司). From December 2011 to August 2016, Ms. Lun served as a financial staff of Jinan Chaotuo, primarily responsible for the processing and reconciliation of accounts. Ms. Lun joined Shanghai Guanze in September 2016 and served as the financial manager of Shanghai Guanze, responsible for the overall management of internal financial and accounting operations. Since March 2021, she was appointed as the business manager of our Group, and is primarily responsible for overseeing the business management of our Group.

Ms. Lun obtained a bachelor's degree in economic administration from the Naval Command College* (海軍指揮學院) in June 2010. She obtained the certificate of accounting profession issued by the Department of Finance of Pudong New District of Shanghai in February 2004.

Save as disclosed above, none of our senior management hold any directorship in any listed companies in the last three years.

COMPANY SECRETARY

Mr. Zhang Senquan (張森泉) ("**Mr. Zhang**"), aged 45, was appointed as the company secretary of our Company on 17 September 2021. Mr. Zhang currently serves as the chief executive officer of Zhong Rui Capital (Hong Kong) Limited, a consultancy company and the audit principal of Nortex (HK) CPA Limited.

Mr. Zhang has been serving various positions at the following companies listed on the Stock Exchange:

Company	Stock Code	Roles	Period
Jiande International Holdings Limited (formerly known as First Mobile Group Holdings Limited)	0865	Independent non-executive director	Since October 2016
Natural Food International Holding Limited	1837	Independent non-executive director	Since November 2018
Sang Hing Holdings (International) Ltd.	1472	Independent non-executive director	Since January 2020
Strawbear Entertainment Group	2125	Independent non-executive director	Since December 2020
China General Education Group Limited	2175	Company secretary	Since October 2020

Mr. Zhang had served as an independent director of Topchoice Medical Investment Co., Inc. (a company listed on the Shanghai Stock Exchange with a stock code of 600763) from December 2014 to March 2017. He had also served as an independent director of Jiangsu Aidea Pharmaceutical Co., Ltd. (a company listed on Sci-Tech innovation board of Shanghai Stock Exchange with stock code: 688488) from May 2019 to March 2022. He had previously served various positions at the following companies listed on the Stock Exchange for the periods as indicated:

Company	Stock Code	Roles	Period
Goodbaby International Holdings Limited	1086	Head of the strategic development department	March 2013 to April 2014
Huazhong In-Vehicle Holdings Company Limited	6830	Chief financial officer and joint company secretary	May 2014 to July 2015
Casablanca Group Limited	2223	Independent non-executive director	April 2015 to April 2018
Southwest Securities International Securities Limited	812	Managing director	February 2016 to March 2020
Beijing Digital Telecom Co., Ltd.	6188	Independent non-executive director	From June 2018 to June 2021
Bonny International Holding Limited	1906	Independent non-executive director	March 2019 to June 2020

Mr. Zhang has over ten years of experience in accounting and auditing, and worked at Ernst & Young, KPMG Huazhen and Deloitte Touche Tohmatsu CPA Ltd., serving several positions from audit staff to assurance partner from October 1999 to October 2012.

Mr. Zhang obtained his bachelor's degree in economics from Fudan University in Shanghai, the PRC in July 1999. Mr. Zhang has been a member of Hong Kong Institute of Certified Public Accountants since September 2011, China Institute of Certified Public Accountants since December 2001 and American Institute of Certified Public Accountants since September 2015.

CORPORATE GOVERNANCE

We aim to achieve high standards of corporate governance to safeguard the interests of our Shareholders. To accomplish this, we will comply with the Corporate Governance Code after the [REDACTED].

Pursuant to C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Nonetheless, in view of Mr. Meng's crucial role in our Group and its historical development and Mr. Meng's extensive experience in the industry, we consider that it is beneficial to the business development of our Group that Mr. Meng acts as both our Chairman and chief executive officer after the [REDACTED]. We consider that this will provide a strong and consistent leadership to us and allow for more effective planning and management to our Group.

Save as disclosed above, our Directors consider that upon [REDACTED], our Company will comply with all applicable code provisions as set forth in the Corporate Governance Code.

BOARD COMMITTEES

Our Company has established an audit committee, a remuneration committee and a nomination committee. Each committee operates in accordance with its terms of reference established by the Board.

Audit Committee

An audit committee was established by our Company pursuant to a resolution of the Board on 7 December 2022 with written terms of reference in compliance with the Corporate Governance Code. The members of the audit committee are Dr. Wong Man Hin Raymond, Dr. Zhao Bin and Dr. Chang Shiwang. All of the members of the audit committee are independent non-executive Directors. Dr. Wong Man Hin Raymond is the chairman of the audit committee. The primary duties of the audit committee are to make recommendations to our Board on the appointment, re-appointment and removal of external auditors, review and approve our Group's financial reporting process and internal control system, provide advice and comment to our Board on matters related to corporate governance and perform other duties and responsibilities as assigned by our Board.

Nomination Committee

A nomination committee was established by our Company pursuant to a resolution of the Board on 7 December 2022 with written terms of reference in compliance with the Corporate Governance Code. The members of the nomination committee are Mr. Meng, Dr. Zhao Bin and Dr. Chang Shiwang. Mr.

Meng is the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to the Board on appointment of Directors and the management of the Board succession and review our board diversity policy.

Remuneration Committee

A remuneration committee was established by our Company pursuant to a resolution of the Board on 7 December 2022 with written terms of reference in compliance with the Corporate Governance Code. The members of the remuneration committee are Dr. Chang Shiwang, Mr. Meng and Dr. Zhao Bin. Dr. Chang Shiwang is the chairman of the remuneration committee. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of our Group.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through consideration of various factors such as professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service.

We believe our Board has a balanced matrix of gender, knowledge, expertise, experiences and skills covering areas relating to medical imaging solution services in the PRC, financial management, accounting, and corporate governance. Furthermore, our Board has a wide range of age, ranging from 24 years old to 66 years old. We are committed to promote gender diversity and have one female Director.

Our nomination committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness. We will ensure that the members of our Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support our Group's business strategy. Our implementation of the Board Diversity Policy will be disclosed in our corporate governance report on an annual basis.

REMUNERATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

For the three years ended 31 December 2021 and the six months ended 30 June 2022, the total remuneration paid to our Directors (including the aggregate amount of fees, salaries, discretionary bonus, welfare contribution plans, other allowances and other benefits in kind) were RMB272,000, RMB198,000, RMB234,000 and RMB117,000, respectively.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, the aggregate amount of fees, salaries, discretionary bonus, welfare contribution plans, other allowances and other benefits in kind received by the five highest-paid individuals (except Directors) were RMB598,000, RMB325,000, RMB388,000 and RMB252,000, respectively.

For the three years ended 31 December 2021 and the six months ended 30 June 2022, no remuneration was paid by us to, or receivable by, our Directors or the five highest-paid individuals as an inducement to join or upon joining our Company, or as a service pay for compensation. For the three years ended 31 December 2021 and the six months ended 30 June 2022, no remuneration was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company. In addition, none of our Directors waived any remuneration for said period.

Save as disclosed above, no other payments have been paid, or are payable, by us or any of our subsidiaries to our Directors for the three years ended 31 December 2021 and the six months ended 30 June 2022.

Under the arrangement currently in force, we estimate the total remuneration (including the aggregate amount of fees, salaries, discretionary bonus, welfare contribution plans (including pensions), other allowances and other benefits in kind) payable to our Directors for the year ending 31 December 2022 will be approximately RMB309,000.

MANAGEMENT PRESENCE

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. Please refer to "Waiver from Strict Compliance with the Listing Rules — Waiver in respect of Management Presence in Hong Kong" in this document for further details.

COMPLIANCE ADVISER

We have appointed Yue Xiu Capital Limited as our compliance adviser pursuant to Rule 3A.19. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction within the meaning of the Listing Rules, is contemplated under the Listing Rules, including share issues and share repurchases;
- where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or [REDACTED] of our Shares or any other issues pursuant to Rule 13.10 of the Listing Rules.

The appointment shall commence from the [REDACTED] Date and shall end on the day on which the annual report regarding our financial performance for the first complete financial year after the [REDACTED] Date is distributed.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as at the Latest Practicable Date and immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued under the [REDACTED]), the following persons will have or be deemed or taken to have beneficial interests and/or short position in the Shares or the underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Name of Shareholder	Capacity/Nature of interest	Shares held as at the Latest Practicable Date (Note 1)		Shares held immediately following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised) (Note 1)	
		Number	*Approximate percentage*	*Number*	*Approximate percentage*
Meng A Capital	Beneficial owner	1,881 (L)	94.05%	[REDACTED] (L)	[REDACTED]%
Mr. Meng	Interest in controlled corporation (Note 2)	1,881 (L)	94.05%	[REDACTED] (L)	[REDACTED]%
Ms. Yang Duanling	Interest of spouse (Note 3)	1,881 (L)	94.05%	[REDACTED] (L)	[REDACTED]%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Mr. Meng directly holds 100% of Meng A Capital. Accordingly, Mr. Meng is deemed to be interested in all the Shares held by Meng A Capital for the purpose of the SFO.

(3) Ms. Yang Duanling is the spouse of Mr. Meng. She is deemed to be interested in all Shares in which Mr. Meng is interested for the purpose of the SFO.

Except as disclosed above, our Directors are not aware of any person who will, immediately following the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following completion of the [REDACTED] and the [REDACTED]:

	HK$
Authorised share capital:	
[REDACTED] Shares of HK$0.01 each	[REDACTED]

Issued and to be issued, fully paid or credited as fully paid:

Assuming the [REDACTED] is not exercised at all, the issued share capital of our Company immediately following the completion of the [REDACTED] and the [REDACTED] will be as follows:

Issued share capital		*HK$*
2,000	Shares in issue as at the date of this document	20
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Shares in total	[REDACTED]

Assuming the [REDACTED] is exercised in full, the issued share capital of our Company immediately following the completion of the [REDACTED] and the [REDACTED] will be as follows:

Issued share capital		*HK$*
2,000	Shares in issue as at the date of this document	20
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Shares in issue upon exercise of the [REDACTED]	[REDACTED]

ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the issue of Shares pursuant to the [REDACTED] and the [REDACTED] are made. It takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

According to Rule 8.08 of the Listing Rules, at the time of the [REDACTED] and at all times thereafter, at least 25% of the total issued share capital of our Company shall be held by the public (as defined in the Listing Rules).

Based on the information as per the above table, our Company will meet the public float requirement under the Listing Rules after the completion of the [REDACTED] (whether or not the [REDACTED] is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after [REDACTED].

RANKING

The [REDACTED] will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document except for the entitlement under the [REDACTED].

GENERAL MANDATE TO ISSUE NEW SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and [REDACTED] with unissued Shares of not more than the sum of:

(a) 20% of the total number of our Shares in issue immediately following completion of the [REDACTED] (excluding any Shares which may fall to be issued pursuant to the [REDACTED]) and the [REDACTED]; and

(b) the total number of Shares repurchased by our Company (if any) pursuant to the mandate referred to in "General Mandate to Repurchase Shares" below.

This mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- on the date by which our Company's next annual general meeting is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or
- when the authority given to our Directors is renewed, revoked or varied by an ordinary resolution of the Shareholders at a general meeting,

whichever is the earliest.

Further details of this general mandate are set forth in the paragraph headed "Statutory and General Information — A. Further Information about our Company — 3. Written resolutions of all the Shareholders passed on 7 December 2022" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general mandate to exercise all of the powers of our Company to repurchase Shares with a total number of Shares of not more than 10% of the total number of Shares in issue or to be issued immediately following the completion of the [REDACTED] and the [REDACTED] (excluding any Shares which may fall to be issued pursuant to the [REDACTED]).

This mandate only relates to repurchases made on the Main Board, or on any other stock exchange on which the Shares are [REDACTED] (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules.

This mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- on the date by which our Company's next annual general meeting is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or
- when the authority given to our Directors is renewed, revoked or varied by an ordinary resolution of the Shareholders at a general meeting,

whichever is the earliest.

Further details of this general mandate are set forth in the paragraph headed "Statutory and General Information — A. Further Information about Our Company — 3. Written resolutions of all the Shareholders passed on 7 December 2022" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Act, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in Appendix III to this document.

*You should read the following discussion and analysis of our Group's financial condition and results of operations in conjunction with our audited consolidated financial statements as at and for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, including notes thereto set forth in the Accountants' Report included as Appendix I to this document (the "**Consolidated Financial Information**"). Our Consolidated Financial Information had been prepared in accordance with HKFRSs. You should read the whole Accountants' Report and not merely rely on the information contained in this section.*

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depend on a number of risks and uncertainties over which we do not have control. Please see the section headed "Risk factors" in this document.

OVERVIEW

We are a medical imaging solutions provider, principally engage in providing medical imaging film products and medical imaging cloud services in Shandong Province.

We have been the distributors of international medical imaging film products since 2016. Leveraging on our established customer base in the medical imaging market in Shandong Province and with a view to increasing our profitability, we have provided our self-branded medical imaging film products to our customers in Shandong Province since 2018.

The sale of the medical imaging film products of the Medical Imaging Products Manufacturer constituted approximately 89%, 76%, 72% and 68% of our revenue under the medical imaging film products business segment during each of the three years ended 31 December 2021 and the six months ended 30 June 2022 and the sale of medical imaging film products of our own brand constituted approximately 9%, 19%, 28% and 32% of our revenue under the medical imaging film products business segment during the same periods. Except for the minimal revenue generated from the sale of medical imaging film products of another international brand, our Group only distributed medical imaging film products of the Medical Imaging Products Manufacturer.

Having established a market position in the medical imaging film products market in Shandong Province and by riding on the increasing demand for medical imaging informatisation and medical imaging cloud platform, we tapped into the medical imaging cloud services market by providing hospitals and healthcare institutions with medical imaging cloud services in 2017. With an aim to quickly penetrate into the market, we provide such services in the course of the sale of medical imaging films.

During the Track Record Period, our products and services were ultimately provided to hospitals and healthcare institutions either directly or through deliverers. Our relationship with our deliverers is deemed as a principal-agent relationship. Accordingly, under HKFRS 15, the relevant transactions through our deliverers are accounted for as sales to hospitals and healthcare institutions rather than sales to deliverers.

For each of the three years ended 31 December 2021 and the six months ended 30 June 2022, we recorded a total revenue of approximately RMB140.8 million, RMB184.4 million, RMB211.1 million and RMB98.6 million respectively.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition, results of operations and the period-to-period comparability of our financial results are principally affected by the following factors:

The level of activity and growth in the medical imaging industry in Shandong Province

Our customers are generally hospitals and healthcare institutions in Shandong Province. During the Track Record Period, all of our revenue were derived from our sales in Shandong Province. As our medical imaging products are principally sold in Shandong Province, the demand for our products and services are predominantly dependent on the level of activity and growth in the medical imaging industry in Shandong Province, which in turn depends on factors such as general economic conditions, government policy, GDP growth, fixed asset investment, consumer confidence, inflation and demographic trends in Shandong Province. Our lack of geographical diversity exposes us to risks associated with fluctuations in the political and economic conditions of Shandong Province.

We have historically benefited from the growth in the economy of Shandong Province. We cannot assure you that the GDP, fixed asset investment or the demand for medical imaging products in Shandong Province will continue to grow at historical rates, or at all. Any slowdown in the growth of Shandong Province's economy or a downturn in the medical imaging industry in Shandong Province could affect the demand for our products, which in turn may adversely affect our profitability and financial conditions.

Our relationship with hospitals and healthcare institutions and expansion of our customers' coverage

The success of the business and growth of our Group depends on our ability to maintain business relationship with our customers and to further strengthen our customers' coverage.

Over years of operations, we have accumulated a solid customer base and our customers covered 43 Grade III hospitals, 30 Grade II hospitals and 20 Grade I hospitals in Shandong Province, accounting for approximately 20.7% Grade III hospitals, 4.1% Grade II hospitals and 1.9% Grade I hospitals in Shandong Province, as at the Latest Practicable Date. According to CIC, Grade III hospitals in the PRC had the highest patient visits, which accounted for only 9.0% of total number of hospitals in the PRC but with approximately 57.5% of total visits to hospitals in the PRC in 2021.

If we fail to maintain our relationship with hospitals and healthcare institutions or if we fail to expand our customer coverage, our revenue and profitability may be materially and adversely affected.

Fluctuation in cost of our raw materials and reliance on our largest supplier

We believe our strong ties with our suppliers is one of the key factors of our success as it serves to ensure a reliable supply of high quality raw materials and equipment which we may offer to our customers. For each of the three years ended 31 December 2021 and the six months ended 30 June 2022, our cost of sales amounted to approximately RMB94.4 million, RMB122.9 million, RMB135.4 million and RMB59.0 million, accounting for approximately 67.0%, 66.6%, 64.1% and 59.8% of our total revenue for the same period, respectively.

Our cost of sales mainly comprised the cost of our purchase of medical imaging films and disc from our suppliers, which represented approximately 95.5%, 94.2%, 96.4% and 95.5% of our total cost of sales for the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively. Our abilities to manage our cost of raw materials and to maintain good relationship with our suppliers are significant factors affecting our results of operations.

In addition, for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, our purchase from Honghe Group amounted to approximately RMB91.8 million, RMB84.5 million, RMB94.5 million and RMB36.9 million respectively, representing approximately 83.1%, 77.0%, 73.8% and 73.0% of our Group's total purchase for the relevant period, respectively. There is no assurance that we are able to maintain business relationship with Honghe Group or there may be unfavourable changes in our current arrangement, such as a substantial reduction of its volume of supply to us or an unexpected termination of its relationship with us for any reason. If Honghe Group terminates or does not renew the agreement with us, we cannot assure that we can continue to source the aforesaid medical imaging products from it. Accordingly, our performance and financial results would be materially and adversely affected.

Also, if the distributorship relationship between the Medical Imaging Products Manufacturer and Honghe Group is terminated for any reason which renders Honghe Group unable to provide any medical imaging film products manufactured by the Medical Imaging Products Manufacturer to us, our performance and financial results would be materially and adversely affected.

The prices of our products are determined based on a cost-plus pricing model in general with the markup after arm's length negotiation with the customers and as such, historically, we have generally been able to pass on fluctuations in costs of raw materials to our customers. However, changes in other components of our cost of sales which we are unable to pass on to our customers may adversely affect our profitability.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the cost of medical imaging films on our profit after tax during the Track Record Period, assuming all other factors remain unchanged.

Hypothetical fluctuations in our cost of medical imaging film products	**–10%**	**–5%**	**–2%**	**–1%**	**1%**	**2%**	**5%**	**10%**
Increase/(decrease) in profit and total comprehensive income for the year[(Note)]	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2022	4,227	2,114	846	423	(423)	(846)	(2,114)	(4,227)
For the year ended 31 December 2021	9,447	4,724	1,890	945	(945)	(1,890)	(4,714)	(9,447)
For the year ended 31 December 2020	9,149	4,574	1,830	915	(915)	(1,830)	(4,574)	(9,149)
For the year ended 31 December 2019	7,122	3,560	1,424	712	(712)	(1,424)	(3,561)	(7,122)

Note: Our profit and total comprehensive income for the year amounted to approximately RMB22.3 million, RMB29.0 million, RMB23.1 million and RMB15.4 million for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

Regulatory environment in China

The medical industry is highly regulated. We are subject to various regulations which govern different aspects of our operations, including licencing and certification requirements and procedures for manufacturers of medical imaging products, operating and safety standards, as well as environmental protection regulations. Any change in the applicable laws, regulations or standards may prevent or restrict us from conducting certain aspects of our current business and may adversely affect our results of operation and financial position.

In addition, the regulatory framework for the medical imaging industry in the PRC is constantly evolving, and we expect it will continue to evolve. We cannot predict the likelihood, nature or extent of regulatory changes that may arise from existing or future legislation in the PRC. Furthermore, if the interpretation or implementation of the existing laws and regulations changes or new regulations come into effect, we may be required to obtain additional permits, licences or certificates. There is no assurance that we will respond successfully to such changes in a timely manner. Such changes may also result in increased compliance costs or prevent our successful development, manufacture or commercialisation of products in the PRC, which would adversely affect our business, financial condition and results of operations.

Furthermore, the introduction of new services and products, particularly in relation to our medical imaging cloud services, may require us to comply with additional, yet undetermined, laws and regulations. Compliance may require obtaining appropriate permits, licences or certificates as well as expending additional resources to monitor developments in the relevant regulatory environment. The failure to adequately comply with these future laws and regulations may delay, or possibly prevent, some of our products or services from being offered to users, which may have a material adverse effect on our business, financial condition and results of operations.

Our ability to continue developing new products and services

Our future growth depends upon our ability to develop and provide new and improved products and services which meet the evolving requirements of our customers, and our ability to bring these products and services to the market in a timely manner. The research and development of new and

improved products and services is a complex process requiring, among other factors, the accurate anticipation of the technological and market trends. New products and services, or refinements and improvements of existing products and services, may have technical failures, which could cause delays in their introduction. Such products and services may have higher implementation costs than we originally expect and such costs may not be easily passed onto our customers. Any failure of these products and services could have a material adverse effect on our financial performance and our reputation. There is also no assurance that any research and development efforts undertaken or to be undertaken by us would result in the successful development of any new or improved products and services or that any such new or improved products and services will meet market requirements and achieve market acceptance. In addition, any failure in our research and development could have an adverse impact on the business and prospects of our Group.

BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Pursuant to the reorganisation, as more fully explained in paragraph headed ''Reorganisation'' in the section headed ''History, Reorganisation and Corporate Structure'' in this 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, 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 relevant 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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Accountants' Report in Appendix I to this document sets forth certain significant accounting policies in Note 2, which are important for understanding our financial condition and results of operations.

Some of our accounting policies involve significant accounting judgements and estimates that are discussed in Note 3 of ''Appendix I — Accountants' Report''. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors by our management, including expectations of future events that are believed to be reasonable under the circumstances. We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Please refer to Note 3 of ''Appendix I — Accountants' Report''.

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 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 is recognised over time during the service period.

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.

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.

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.

DESCRIPTION OF CERTAIN ITEMS FROM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of the consolidated statements of profit or loss and other comprehensive income for the periods indicated. This information should be read together with our Consolidated Financial Information and related notes, which have been prepared in accordance with HKFRSs, and set out in Appendix I to this document. Our operating results in any period are not necessarily indicative of results that may be expected for any future period.

Consolidated statements of profit or loss and other comprehensive income of our Group for the Track Record Period

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	140,825	184,435	211,076	106,728	98,621
Cost of sales	(94,410)	(122,860)	(135,377)	(70,340)	(58,995)
Gross profit	46,415	61,575	75,699	36,388	39,626
Other income and gains	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	(51)	(789)	(597)	(313)	(658)
Other expenses	—	(386)	(236)	(110)	—
Profit before tax	29,595	39,003	33,057	16,033	21,494
Income tax expenses	(7,271)	(9,960)	(9,989)	(4,866)	(6,092)
Profit and total comprehensive income for the year/period	22,324	29,043	23,068	11,167	15,402
Attributable to:					
Owners of the parent	22,324	29,043	22,935	11,095	15,316
Non-controlling interests	—	—	133	72	86
	22,324	29,043	23,068	11,167	15,402

Revenue

Our Group's revenue is generated from the sales of medical imaging film products and the provision of medical imaging cloud services. For each of the three years ended 31 December 2021 and the six months ended 30 June 2022, we recorded a total revenue of approximately RMB140.8 million, RMB184.4 million, RMB211.1 million and RMB98.6 million respectively.

Revenue by business segment

The following table sets forth details of our Group's revenue derived from each business segment during the Track Record Period for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2019		2020		2021		2021		2022	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*	*(RMB'000)* (Unaudited)	*(%)*	*(RMB'000)*	*(%)*
Sales of medical imaging film products	128,909	91.5	172,795	93.7	196,926	93.3	100,565	94.2	92,770	94.1
Medical imaging cloud services	11,916	8.5	11,640	6.3	14,150	6.7	6,163	5.8	5,851	5.9
Total	140,825	100.0	184,435	100.0	211,076	100.0	106,728	100.0	98,621	100.0

Our revenue generated from the sales of medical imaging film products increased from approximately RMB128.9 million for the year ended 31 December 2019 to approximately RMB172.8 million for the year ended 31 December 2020, primarily due to (i) the increased demand of medical imaging film products along with the growth in the medical imaging industry; (ii) the increase in clinical CT diagnosis brought by the outbreak of COVID-19, which created more demand on our thermal and medical dry laser films; and (iii) our focus on self-branded thermal films, which recorded a substantial increase in sales volume. According to CIC, due to the steady increase in the number of patients with cardiovascular diseases, cancer and other diseases caused by the ageing of the population and other factors, and with the continuous increase in per capita medical expenditures, the demand for imaging diagnosis services has increased significantly. This has led to the increase in demand of our medical imaging films. In addition, as Jining No.1 Hospital has begun its expansion plan of a new hospital zone in Shandong in around late 2018, there is an increasing demand from Jining No.1 Hospital on our medical imaging film products along with the continuing development of the new hospital zone. Along with the growth in line with the market, the increase in revenue from Jining No.1 Hospital contributed relatively significant to our increase in sales of medical imaging film products for the year ended 31 December 2020 as compared with the year ended 31 December 2019.

Our revenue generated from the sales of medical imaging film products further increased from approximately RMB172.8 million for the year ended 31 December 2020 to approximately RMB196.9 million for the year ended 31 December 2021, primarily due to the increased demand of medical imaging film products from our customers, in particular the significant increase in sales of thermal films which is due to our focus on our self-branded thermal films. According to CIC, due to the steady increase in the number of patients with cardiovascular diseases, cancer and other diseases caused by the ageing of the population and other factors, and with the continuous increase in per capita medical expenditures, the demand for imaging diagnosis services has increased significantly. This has led to the

increase in demand of our medical imaging films. In particular, Shandong Hospital and Shandong Second Hospital have increased their purchases from us along with the growth in the healthcare industry during 2021.

Our revenue generated from the sale of medical imaging film products decreased from approximately RMB100.6 million for the six months ended 30 June 2021 to approximately RMB92.8 million for the six months ended 30 June 2022, primarily due to the decrease in average selling price of our medical dry laser film as (i) two of our five largest customers, namely Jining No.1 Hospital and Jining Affiliated Hospital, shifted their demand to other models of medical dry laser film of Medical Imaging Products Manufacturer (namely, AMB and DVS model), which (a) are sold at a lower selling price than the model they procured in the past (namely DVB model); and (b) have been distributed to our customers since late May 2021; and (ii) some of our customer who procured medical dry laser film of the Medical Imaging Products Manufacturer in the past shifted their desire to purchase our self-branded medical dry laser film which were sold at a lower unit price.

Our revenue generated from the medical imaging cloud services decreased slightly from approximately RMB11.9 million for the year ended 31 December 2019 to approximately RMB11.6 million for the year ended 31 December 2020. Even though there was an anticipation of an increase in demand of medical imaging cloud services during COVID-19, (i) according to CIC, medical imaging cloud services is still considered to be a new form of services and the use of such services is strongly encouraged by government policies, such as "The Plan of Construction of Demonstration Province for "Internet + Healthcare" (2019–2020)" (山東省推進「互聯網+醫療健康」示範省建設行動計劃 (2019–2020年)), which encourages the medical institutions' use of digital medical imaging films and (ii) in order to quickly penetrate into the market and occupy a certain share in the Shandong market before our competitors, we encouraged the use of our medical imaging cloud services by adding a lower premium rate to the unit selling price of our medical imaging cloud products under our existing pricing policies. As confirmed by CIC, the provision of medical imaging cloud services involves the physical set up of a hard drive in customers' premises and customers are less inclined to change its services provider once the hardware is set up. Hence, our early entrance to the market will offer us a competitive edge over our competitors.

Our revenue generated from the medical imaging cloud services increased to approximately RMB14.2 million for the year ended 31 December 2021, which was in line with the growth of market. According to CIC, COVID-19 has promoted the development of remote diagnosis. As an important part of remote diagnosis, the demand for medical imaging cloud platforms has increased since the outbreak of COVID-19. In addition, such increase was mainly attributable to the increase in total storage volume from existing customers during the year.

Our revenue generated from the medical imaging cloud service slightly decreased from approximately RMB6.2 million for the six months ended 30 June 2021 to approximately RMB5.9 million for the six months ended 30 June 2022. As we provide the medical imaging cloud services in the course of the sale of medical imaging film, the decrease in revenue from medical imaging cloud services was in line with the decrease in revenue of our medical imaging film products.

Revenue by film products

The following table sets forth the revenue, sales volume, average selling prices and selling price range of our major products, namely medical dry laser film, thermal film and medical printing film, for the periods indicated:

	Year ended 31 December												Six months ended 30 June							
	2019				2020				2021				2021				2022			
	Revenue	Sales volume	Average selling price	Selling price range	Revenue	Sales volume	Average selling price	Selling price range	Revenue	Sales volume	Average selling price	Selling price range	Revenue	Sales volume	Average selling price	Selling price range	Revenue	Sales volume	Average selling price	Selling price range
	(RMB '000)	*(piece '000)*	*(RMB/ piece)*	*(RMB/ piece)*	*(RMB '000)*	*(piece '000)*	*(RMB/ piece)*	*(RMB/ piece)*	*(RMB '000)*	*(piece '000)*	*(RMB/ piece)*	*(RMB/ piece)*	*(RMB '000)*	*(piece '000)*	*(RMB/ piece)*	*(RMB/ piece)*	*(RMB '000)*	*(piece '000)*	*(RMB/ piece)*	*(RMB/ piece)*
Medical dry laser film	114,826	8,080	14.2	6.0–17.5	131,048	8,712	15.0	6.6–17.5	143,680	9,959	14.4	3.6–18.1	75,386	5,073	14.9	6.2–18.1	66,569	4,854	13.7	3.6–18.1
Thermal film	10,583	1,006	10.5	3.5–15.0	33,266	3,221	10.3	3.5–16.4	50,824	4,613	11.0	4.0–16.4	24,189	2,185	11.0	4.0–16.4	25,243	2,250	11.2	4.0–16.4
Medical printing film	1,729	226	7.7	2.9–18.1	1,361	234	5.8	1.7–18.1	1,857	341	5.4	2.9–18.1	928	175	5.3	2.9–18.1	809	151	5.4	2.9–17.6
Total	127,138	9,312			165,675	12,167			196,361	14,913			100,503	7,433			92,621	7,255		

Note: The selling price range refers to the lowest selling price of the smallest size of the film and the highest selling price of the largest size of the film. The larger the size of the film, the higher the price.

The sales volume of our medical dry laser film increased steadily throughout the Track Record Period which was in line with the growth of medical imaging scan volume in China and Shandong province. The sales volume of our thermal film demonstrated an increasing trend, which is primarily due to our focus on our self-branded thermal film. Our sales volume of medical printing film remained relatively stable during the Track Record Period.

The average selling price of our medical dry laser film slightly increased from approximately RMB14.2 per piece for the year ended 31 December 2019 to approximately RMB15.0 per piece for the year ended 31 December 2020 mainly because we sold larger amount of 14x17 inch medical dry laser film which had a higher average selling price during the year. The average selling price of our medical dry laser film slightly decreased from approximately RMB15.0 per piece for the year ended 31 December 2020 to approximately RMB14.4 per piece for the year ended 31 December 2021 mainly because we commenced to sell two models of medical dry laser films (namely, AMB and DVS model) and are at a lower selling prices than the model they procured in the past, since late May 2021. The average selling price of our medical dry laser film decreased from approximately RMB14.9 per piece for the six months ended 30 June 2021 to approximately RMB13.7 per piece for the six months ended 30 June 2022 as (i) two of our five largest customers, namely Jining No.1 Hospital and Jining Affiliated Hospital, shifted their demand to other models of medical dry laser film of Medical Imaging Products Manufacturer (namely, AMB and DVS model), which (a) are sold at a lower selling price than the model they procured in the past (namely DVB model); and (b) have been distributed to our customers since late May 2021; and (ii) some of our customer who procured medical dry laser film of the Medical Imaging Products Manufacturer in the past shifted their desire to purchase our self-branded medical dry laser film which were sold at a lower unit price.

The average selling price of our thermal film remained relatively stable at approximately RMB10.5 per piece for the year ended 31 December 2019 to approximately RMB10.3 per piece for the year ended 31 December 2020. The average selling price of our thermal film slightly increased from approximately RMB10.3 per piece for the year ended 31 December 2020 to approximately RMB11.0 per piece for the year ended 31 December 2021 mainly because the proportion of sales of 14x17 inch thermal film (which were sold at a higher average selling price) was slightly higher in 2021 than that in 2020. The average selling price of our thermal film slightly increased from approximately RMB11.0 per piece for the six months ended 30 June 2021 to approximately RMB11.2 per piece for the six months ended 30 June 2022.

The average selling price of our medical printing film decreased from approximately RMB7.7 per piece for the year ended 31 December 2019 to approximately RMB5.8 per piece for the year ended 31 December 2020 because we sold a larger amount of large size medical printing film, which have a higher average selling price than small size medical printing film, in 2019. The average selling price of our medical printing film slightly decreased to approximately RMB5.4 per piece for the year ended 31 December 2021. The average selling price of our medical printing film remained stable at approximately RMB5.3 per piece and RMB5.4 per piece for the six months ended 30 June 2021 and 2022, respectively.

Cost of sales

Our cost of sales represented our costs of inventories sold, costs of services provided and tax and surcharges. For each of the three years ended 31 December 2021 and the six months ended 30 June 2022, we have recorded cost of sales of approximately RMB94.4 million, RMB122.9 million, RMB135.4 million and RMB59.0 million, respectively.

	For the year ended 31 December						For the six months ended 30 June			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Cost of inventories sold	91,985	97.4	120,608	98.2	132,660	98.0	68,860	97.9	57,568	97.6
– Cost of medical imaging films and disc	90,191	95.5	115,684	94.2	130,486	96.4	67,792	96.4	56,405	95.6
– Depreciation	561	0.6	1,089	0.9	2,174	1.6	750	1.1	1,163	2.0
– Cost of equipment	1,233	1.3	3,835	3.1	—	—	318	0.4	—	—
Cost of services provided	2,059	2.2	1,844	1.5	2,105	1.5	1,170	1.6	952	1.6
– Technical service cost	1,776	1.9	1,561	1.3	1,787	1.3	971	1.4	740	1.3
– Cloud storage fees	283	0.3	283	0.2	318	0.2	199	0.2	212	0.3
Tax and surcharges	366	0.4	408	0.3	612	0.5	310	0.5	475	0.8
Total cost of sales	94,410	100.0	122,860	100.0	135,377	100.0	70,340	100.0	58,995	100.0

Our cost of inventories included cost of medical imaging films and disc, depreciation and cost of equipment. Our cost of services provided included our technical service cost and cloud storage fees.

Our cost of inventories sold amounted to approximately RMB92.0 million, RMB120.6 million, RMB132.7 million and RMB57.6 million for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively. Among the depreciation charged under the cost of sales, approximately RMB216,000, RMB828,000, RMB2.0 million, RMB620,000 and RMB1.2 million were the cost borne by our Group in relation to the provision of self-service film output printers and medical image printers for each of the three years ended 31 December 2021 and the six months ended 30 June 2021 and 2022, respectively. Our cost of medical imaging films and disc, which accounted for the largest component of our total cost of sales, represented the purchase cost of our medical imaging films and disc sold. Our cost of medical imaging films and disc exhibited an increasing trend during the three years ended 31 December 2021, which was in line the increase in revenue from sales of medical imaging film products. Our cost of medical imaging films and disc decreased from approximately RMB67.8 million for the six months ended 30 June 2021 to approximately RMB56.4 million for the six months ended 30 June 2022, which was in line with the decrease in our revenue from sales of medical imaging film products. Depreciation represented the depreciation of our medical imaging printers which are acquired or leased. Our cost of equipment represented the acquisition cost of our medical imaging printers. During the Track Record Period, the fluctuation of our cost of equipment are generally in line with our sales of medical equipment, including self-service film output printer and medical image printer.

Our cost of services provided amounted to approximately RMB2.1 million, RMB1.8 million, RMB2.1 million and RMB952,000 for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively. Technical service cost represented the wages and benefits of our technical staff for our provision of medical imaging cloud services and our cost of engaging third-

party cloud platform developers. Our technical service cost decreased from approximately RMB1.8 million for the year ended 31 December 2019 to approximately RMB1.6 million for the year ended 31 December 2020 because of the completion of development of our cloud system in 2017, after which the cost payable to third party suppliers for development our cloud system continued to decrease. Our technical service cost increased to approximately RMB1.8 million for the year ended 31 December 2021, primarily due to the increase in labour cost as a result of the cloud technical support services provided to our enlarged customer base. Our technical service cost decreased from approximately RMB971,000 for the six months ended 30 June 2021 to approximately RMB740,000, which was primarily attributable to the decrease in labour cost of our technical staff as a result of our stable customer base and smooth operation of cloud system. Cloud storage fees represented the storage fees paid to third party suppliers for the cloud system and remained stable during the Track Record Period.

Gross profit and gross profit margin

We recorded gross profit of approximately RMB46.4 million, RMB61.6 million, RMB75.7 million and RMB39.6 million for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively. The respective gross profit margin for the same periods were approximately 33.0%, 33.4%, 35.9% and 40.2%.

Gross profit and gross profit margin by business segment

The following table sets out the gross profit and gross profit margin of our Group by business segment for the periods indicated:

	For the year ended 31 December									For the six months ended 30 June					
	2019			2020			2021			2021			2022		
	Gross profit		*Gross profit margin*	*Gross profit*		*Gross profit margin*	*Gross profit*		*Gross profit margin*	*Gross profit*		*Gross profit margin*	*Gross profit*		*Gross profit margin*
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*	*RMB'000*	*%*	*%*
										(unaudited)					
Sales of medical imaging film products	36,558	78.8	28.4	51,779	84.1	30.0	63,654	84.1	32.3	31,385	86.3	31.2	34,727	87.6	37.4
Medical imaging cloud services	9,857	21.2	82.7	9,796	15.9	84.2	12,045	15.9	85.1	5,003	13.7	81.2	4,899	12.4	83.7
Total	46,415	100	33.0	61,575	100	33.4	75,699	100	35.9	36,388	100	34.1	39,626	100	40.2

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

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

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

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

Our gross profit for medical imaging cloud services slightly increased from approximately RMB9.8 million for the year ended 31 December 2020 to approximately RMB12.0 million for the year ended 31 December 2021, and our gross profit margin of the same segment increased slightly from approximately 84.2% to approximately 85.1% for the same period, which is relatively stable. Our gross profit for medical imaging cloud services remained stable at approximately RMB5.0 million and RMB4.9 million for the six months ended 30 June 2021 and 2022, respectively, while the gross profit margin for the same segment only slightly increased from approximately 81.2% for the six months ended 30 June 2021 to approximately 83.7% for the six months ended 30 June 2022. Such an increase in gross profit margin was due to the decrease in the technical service cost, resulting from the decrease in labour cost of our technical staff as a result of our stable customer base and smooth operation of cloud system.

Other income and gains

During the Track Record Period, we had other income and gains which primarily represented our interest on bank deposits and government grants. The government grants mainly represent subsidies received from the local governments. We recorded other income and gains of approximately RMB146,000, RMB745,000, RMB1.3 million and RMB1.6 million for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

Selling and distribution expenses

Our selling and distribution expenses mainly consists of channel fees, staff costs related to sales and marketing, travelling fees, business development fees and vehicle expense. We incurred selling expenses of approximately RMB11.9 million, RMB17.0 million, RMB24.9 million and RMB12.3 million for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

The following table sets forth a breakdown of our selling and distribution expenses during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Channel fees	7,606	14,362	22,011	10,310	10,706
Staff cost	1,997	1,123	1,237	630	818
Travelling fees	792	406	500	203	174
Business development fees	625	505	697	211	227
Vehicle expense	493	414	249	130	78
Depreciation expense	97	74	232	68	166
Others[(Note 1)]	314	73	17	72	84
Total	11,924	16,957	24,943	11,624	12,253

Note:

(1) Others mainly include telecommunication fees, property management fees and maintenance fees.

We incurred channel fees for the services provided by our deliverers, which is the difference between our sales to hospitals through deliverers (i.e. the selling price of our medical imaging films to hospitals x the sales volume) and sales to deliverers (i.e. the selling price of our medical imaging films to deliverers x the sales volume), and amounted to approximately RMB7.6 million, RMB14.4 million, RMB22.0 million and RMB10.7 million for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively. The services provided by deliverers generally included, amongst others, (i) liaising with the hospitals and healthcare institutions to arrange the schedule of the delivery of our products to the hospitals and healthcare institutions; (ii) monitoring the quality of our products; and (iii) arranging the collection of account receivables from the hospitals and healthcare institutions.The increasing trend of our channel fees during the Track Record Period was primarily because (i) some of our customers have shifted from direct purchase to purchase through deliverers during the Track Record Period, which was in line with the industry trend of increasing use of deliverers, according to CIC; and (ii) the increase in our proportion of sales through deliverers during 2021. For the reasons of increase in channel fees for a particular year/period during the Track Record

Period, please refer to the sub-paragraphs headed "Selling and distribution expenses" under the paragraph headed "Management's discussion and analysis of the results of our operation — Review of historical results of operations" below in this section.

Staff cost represented the salary and benefits to our sales and marketing personnel, which amounted to approximately RMB2.0 million, RMB1.1 million, RMB1.2 million and RMB818,000 for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

Administrative expenses

Our administrative expenses mainly consists of staff cost related to administrative personnel, office fees and business development fees. We incurred administrative expenses of approximately RMB3.5 million, RMB3.9 million, RMB17.8 million and RMB6.6 million for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

The following table sets forth a breakdown of our administrative expenses during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Staff cost	952	801	2,001	814	1,057
Office fees	835	451	243	210	91
Business development fees	580	918	589	268	298
Depreciation expenses	450	560	723	401	511
Agent service fees	245	474	1,768	494	606
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Travelling expenses	160	56	98	134	89
Property management fees	84	84	—	—	—
Amortisation fees	55	98	—	—	—
Share-based payment	—	—	2,120	2,120	—
Others[(Note 1)]	167	219	706	235	193
Total	3,528	3,878	17,849	9,246	6,552

Note:

(1) Others mainly include water and electricity charges, telecommunication fees and bank charges.

Staff cost represented the salary and benefits to our administrative staff, which amounted to approximately RMB952,000, RMB801,000, RMB2.0 million and RMB1.1 million for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

Office fees represented the expenses in relation to the operation of our office, which amounted to approximately RMB835,000, RMB451,000, RMB243,000 and RMB91,000 for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

Agent service fees represented the expenses in relation to the supply, processing and distribution (SPD) platform service fee and tendering agency fees which amounted to approximately RMB245,000, RMB474,000, RMB1.8 million and RMB606,000 for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively. SPD platform service fees represented the fees we paid to SPD platform providers for the use of their SPD platform. SPD platform serves as an online platform for (i) the medical consumables and devices suppliers to sell their products; and (ii) hospitals and healthcare institutions to procure the medical consumable online. The SPD platform service fees are settled monthly. Tendering agency fees represented the fees we paid to the tendering agent designated by the hospital. Such fees generally include the service fee of arranging the tender and notarisation fees.

The following table sets forth a breakdown of the agent service fees during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
SPD platform service fee	134	240	750	111	566
Tendering agency fee	4	174	90	—	—
Others*(Note)*	107	60	928	383	40
Total	245	474	1,768	494	606

Note: Others primarily represented fees we paid to professional agent such as accountants and lawyers for legal and accounting services.

The high tendering agency fee we recorded for the year ended 31 December 2020 was due to the larger number of tenders submitted and number of contracts awarded during the year. For further details on our number of tenders and tender success rate, please refer to the paragraph headed "Our business workflow — Quotation/Tender Process" in the section headed "Business".

Share-based payment of approximately RMB2.1 million for the year ended 31 December 2021 represented the payment in relation to the [REDACTED] Investment made by Tang Operation. 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. Since the consideration is lower than the fair value, a share-based payment expense amounting to RMB2.1 million was recognised in accordance with the relevant accounting standards. 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.

[REDACTED] expenses represented the one-off expenses in relation to the preparation of the [REDACTED] incurred which are charged to the profit or loss, which amounted to approximately RMB[REDACTED] for the year ended 31 December 2020, approximately RMB[REDACTED] million for the year ended 31 December 2021 and approximately RMB[REDACTED] million for the six months ended 30 June 2022.

Research and development costs

We believe our research and development capabilities are the cornerstone for our long-term competitiveness, as well as the driving force for our future growth and development. For details of our research and development, please refer to the paragraph headed ''Business — Research and development'' in this document. Our research and development costs mainly comprise our cost for research and development personnel. Our research and development costs amounted to approximately RMB1.4 million, RMB1.2 million, RMB396,000 and RMB185,000 for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

Impairment losses on trade receivables

Our impairment losses on trade receivables represented the expected credit losses on our trade receivables. Our impairment losses on trade receivables amounted to approximately RMB104,000, RMB122,000, a gain of RMB73,000 and RMB124,000 for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

Finance costs

Our finance costs represented primarily interest on bank loans, interest on discount of bills receivable and interest on lease liabilities. We incurred finance costs of approximately RMB51,000, RMB789,000, RMB597,000 and RMB658,000 for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

Other expenses

Our other expenses represented primarily our impairment on inventory. We incurred other expenses of nil, approximately RMB386,000, RMB236,000 and nil for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

Income tax expense

Income tax expense consists principally of corporate income tax and deferred income tax. For each of the three years ended 31 December 2021 and the six months ended 30 June 2022, our income tax expense were approximately RMB7.3 million, RMB10.0 million, RMB10.0 million and RMB6.1 million, respectively and our effective tax rate for the same period were approximately 24.6%, 25.5%, 30.2% and 28.3%, respectively. The increasing trend of effective tax rate during the Track Record Period was due to the increase in [REDACTED] expenses by our Company which is not tax-deductible.

Pursuant to the rules and regulations of the Cayman Islands, our Company is not subject to any income tax in this jurisdiction during the Track Record Periods. 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 our Group as determined in accordance with the PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008.

During the Track Record Period and up to the Latest Practicable Date, we have performed all our tax obligations and did not have any unresolved tax disputes.

Profit and total comprehensive income for the year/period

Our profit and total comprehensive income for the year amounted to approximately RMB22.3 million, RMB29.0 million, RMB23.1 million, and RMB15.4 million for each of the three years ended 31 December 2021 and the six months ended 30 June 2022, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OUR OPERATION

The following sets forth the management's discussion and analysis of the results of the operation during the Track Record Period. The following discussion should be read in conjunction with the Consolidated Financial Information on the Group for each of the three years ended 31 December 2021 and the six months ended 30 June 2022 in the Accountants' Report, the text of which is set forth in Appendix I to this document.

Review of historical results of operations

Six months ended 30 June 2022 as compared to six months ended 30 June 2021

Revenue

Our revenue decreased by approximately RMB8.1 million, or 7.6%, from approximately RMB106.7 million for the six months ended 30 June 2021 to approximately RMB98.6 million for the six months ended 30 June 2022, which was due to the combined effect of:

(i) the decrease in revenue generated from sales of medical imaging film products from approximately RMB100.6 million for the six months ended 30 June 2021 to approximately RMB92.8 million for the six months ended 30 June 2022 primarily due to the decrease in average selling price of our medical dry laser film as (i) two of our five largest customers, namely Jining No.1 Hospital and Jining Affiliated Hospital, shifted their demand to other models of medical dry laser film of Medical Imaging Products Manufacturer (namely, AMB and DVS model), which (a) are sold at a lower selling price than the model they procured in the past (namely DVB model); and (b) have been distributed to our customers since late May 2021; and (ii) some of our customer who procured medical dry laser film of the Medical Imaging Products Manufacturer in the past shifted their desire to purchase our self-branded medical dry laser film which were sold at a lower unit price; and

(ii) the slight decrease in revenue generated from the medical imaging cloud service from approximately RMB6.2 million for the six months ended 30 June 2021 to approximately RMB5.9 million for the six months ended 30 June 2022, which was in line with the decrease in revenue of our medical imaging film products as we provide the medical imaging cloud services in the course of the medical imaging films.

Cost of sales

Our cost of sales decreased by approximately RMB11.3 million, or 16.1%, from approximately RMB70.3 million for the six months ended 30 June 2021 to approximately RMB59.0 million for the six months ended 30 June 2022, which mainly represented the decrease in our cost of inventories by approximately RMB11.2 million which was due to (i) the decrease in average procurement cost of our self-branded thermal films, resulting from a larger purchase volume of self-branded thermal films procured from Supplier G, a local OEM manufacturer, who is able to offer a lower average selling price as compared to other international OEM manufacturers; and (ii) the decrease in average cost brought by the rebate from Supplier B according to our rebate arrangement with them.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB3.2 million, or 8.8%, from approximately RMB36.4 million for the six months ended 30 June 2021 to approximately RMB39.6 million for the six months ended 30 June 2022, which was primarily due to the significant decrease in cost of sales for the reasons set out in the sub-paragraph headed ''Cost of sales'' above, while our revenue only decreased to a lesser extent.

Our gross profit margin increased by approximately 6.1 percentage points from approximately 34.1% for the six months ended 30 June 2021 to approximately 40.2% for the six months ended 30 June 2022, which was primarily due to (i) the increase in gross profit margin from sale of medical imaging film products (the revenue from this segment accounted for approximately 94.2% and 94.1% of the total revenue for the six months ended 30 June 2021 and 2022, respectively) from approximately 31.2% for the six months ended 30 June 2021 to approximately 37.4% for the six months ended 30 June 2022 because of the significant decrease in cost of sales resulted from (a) the decrease in average procurement cost of our self-branded thermal films procured from Supplier G, a local OEM manufacturer, who is able to offer a lower average selling price as compared to the other international OEM manufacturers; and (b) the decrease in average cost brought by the rebate from Supplier B according to our rebate arrangement with them, while the average selling price of our self-branded medical imaging films remained stable; and (ii) the slight increase in the gross profit margin for the cloud storage services from approximately 81.2% for the six months ended 30 June 2021 to approximately 83.7% for the six months ended 30 June 2022.

Other income and gains

Our other income and gains increased by approximately RMB0.3 million, or 23.1%, from approximately RMB1.3 million for the six months ended 30 June 2021 to approximately RMB1.6 million for the six months ended 30 June 2022, which was primarily due to the receipt of a one-off government grant related to Financial Subsidy Funds for Small, Medium and Micro-enterprises to Upgrade to High-tech Enterprises for the Year 2022* (2022年度中小微企業升級高新技術企業財政補助資金) in the sum of approximately RMB1.5 million.

Selling and distribution expenses

Our selling and distribution expenses increased slightly by approximately RMB0.7 million, or 6.0%, from approximately RMB11.6 million for the six months ended 30 June 2021 to approximately RMB12.3 million for the six months ended 30 June 2022, which was primarily due to (i) the increase in our staff costs of approximately RMB188,000 resulted from the increase in salary to our sales personnel; and (ii) the increase in our channel fees of approximately RMB396,000 notwithstanding the decrease in our revenue mainly because one of our hospital customers shifted from direct purchase to purchase through deliverers during the six months ended 30 June 2022. The amount of revenue derived from the said hospital customer amounted to approximately RMB5.6 million, RMB9.0 million, RMB9.4 million and RMB7.1 million during the Track Record Period, representing approximately 4.0%, 4.9%, 4.4% and 7.2% of our total revenue for the same periods.

Administrative expenses

Our administrative expenses decreased by approximately RMB2.6 million, or 28.3%, from approximately RMB9.2 million for the six months ended 30 June 2021 to approximately RMB6.6 million for the six months ended 30 June 2022, which was primarily due to the absence of share-based payment of approximately RMB2.1 million in relation to the [REDACTED] Investment made by Tang Operation which occurred for the six months ended 30 June 2021. For further details of the incurrence of share-based payment, please refer to the sub-paragraph headed ''Year ended 31 December 2021 as compared to year ended 31 December 2020 — Administrative expenses'' below in this section.

Research and development costs

Our research and development costs remained relatively stable at approximately RMB206,000 and RMB185,000 for each of the six months ended 30 June 2021 and 2022 respectively.

Impairment losses on trade receivables

Our impairment losses on trade receivables remained relatively stable at approximately RMB139,000 and RMB124,000 for each of the six months ended 30 June 2021 and 2022, respectively, which arouse as a result of the expected credit loss made for accounts receivables which was overdue and which we considered the possibility of collection was low.

Finance cost

Our finance cost increased by approximately RMB345,000, or 110.2%, from approximately RMB313,000 for the six months ended 30 June 2021 to approximately RMB658,000 for the six months ended 30 June 2022, which was primarily due to the increase in our interest-bearing bank borrowings.

Other expenses

Our other expenses decreased from approximately RMB110,000 for the six months ended 30 June 2021 to nil for the six months ended 30 June 2022 because we did not recognise impairment on inventory for the six months ended 30 June 2022.

Income tax

Our income tax expenses increased by approximately RMB1.2 million, or 24.5%, from approximately RMB4.9 million for the six months ended 30 June 2021 to approximately RMB6.1 million for the six months ended 30 June 2022, which was in line with the increase in our profit before tax.

Profit and total comprehensive income for the year

As a result of the foregoing factors, our profit and total comprehensive income for the year increased by approximately RMB4.2 million, or 37.9%, from approximately RMB11.2 million for the six months ended 30 June 2021 to approximately RMB15.4 million for the six months ended 30 June 2022.

Year ended 31 December 2021 as compared to year ended 31 December 2020

Revenue

Our revenue increased by approximately RMB26.7 million, or 14.5%, from approximately RMB184.4 million for the year ended 31 December 2020 to approximately RMB211.1 million for the year ended 31 December 2021. The increase was primarily attributable to the increase in sales of medical imaging film products from approximately RMB172.8 million for the year ended 31 December 2020 to approximately RMB196.9 million for the year ended 31 December 2021, while the revenue from medical imaging cloud services increased slightly from approximately RMB11.6 million for the year ended 31 December 2020 to approximately RMB14.2 million for the year ended 31 December 2021.

The increase in revenue generated from the sales of medical imaging film products was primarily due to the increased demand of medical imaging films from our customers and the significant increase in the sales of our thermal films which is due to our focus on our self-branded thermal film.

Cost of sales

Our cost of sales increased by approximately RMB12.5 million, or 10.2%, from approximately RMB122.9 million for the year ended 31 December 2020 to approximately RMB135.4 million for the year ended 31 December 2021. The increase was primarily attributable to the increase in our procurement cost of medical imaging films which is in line with the increase in sales of medical imaging films.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB14.1 million, or 22.9%, from approximately RMB61.6 million for the year ended 31 December 2020 to approximately RMB75.7 million for the year ended 31 December 2021. The increase was primarily attributable to the increase in our gross profit for sales of medical imaging film products from approximately RMB51.8 million for the year ended 31 December 2020 to approximately RMB63.7 million for the year ended 31 December 2021 for the reasons mentioned in the paragraph headed ''Gross profit and gross profit margin by business segment'' in this section above.

Our gross profit margin increased by approximately 2.5 percentage points from approximately 33.4% for the year ended 31 December 2020 to approximately 35.9% for the year ended 31 December 2021. The increase was primarily attributable to an increase in the sales volume of our self-branded medical imaging films, which had a higher gross profit margin as compared to the gross profit margin of the sale of medical imaging films of the Medical Imaging Products Manufacturer.

Other income and gains

Our other income and gains increased significantly by approximately RMB555,000, or 74.5%, from approximately RMB745,000 for the year ended 31 December 2020 to approximately RMB1.3 million for the year ended 31 December 2021. The substantial increase was primarily attributable to the receipt of an one-off subsidy by Shanghai Guanze in the amount of approximately RMB1.0 million from China (Shanghai) Pilot Free Trade Zone Administration* (上海自貿試驗區管委會保稅區局) for information technology enterprise.

Selling and distribution expenses

Our selling and distribution expenses increased significantly by approximately RMB7.9 million, or 46.5%, from approximately RMB17.0 million for the year ended 31 December 2020 to approximately RMB24.9 million for the year ended 31 December 2021. The substantial increase was primarily attributable to the substantial increase in channel fees of approximately RMB7.6 million for our deliverers because three of our customers have shifted from direct purchase to purchase through deliverers during 2021 in line with the industry trend of increasing use of deliverers, according to CIC. The table below sets forth the revenue contribution for of the three customers for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2019		2020		2021		2021		2022	
	(RMB'000)	*(% of total revenue)*	*(RMB'000)*	*(% of total revenue)*	*(RMB'000)*	*(% of total revenue)*	*(RMB'000)* (unaudited)	*(% of total revenue)*	*(RMB'000)*	*(% of total revenue)*
Liaocheng Hospital	9,581	6.8	8,724	4.7	8,979	4.3	5,091	4.8	3,654	3.7
Hospital customer 1	2,578	1.8	3,092	1.7	3,905	1.9	1,798	1.7	1,849	1.9
Hospital customer 2	131	0.1	259	0.1	344	0.2	114	0.1	168	0.2
Total	12,290	8.7	12,075	6.5	13,228	6.4	7,003	6.6	5,671	5.8

In addition to the aforementioned shift in mode of sale, the increase in channel fees during the year was also attributable to the increase in our proportion of sales through deliverers during 2021. In particular, the channel fees we paid to the two of our top five deliverers in 2021 in terms of their revenue contribution to our Group increased during the year ended 31 December 2021. The end customers of the said deliverers included, among others, Shandong Tumour Prevention Hospital. Such increase was in line with our sales through such deliverers. For further details regarding our sales through deliverers, please refer to the paragraph headed "Sales, customers and marketing — Sales through deliverers" in the section headed "Business".

Administrative expenses

Our administrative expenses increased significantly by approximately RMB13.9 million, or 356.4%, from approximately RMB3.9 million for the year ended 31 December 2020 to approximately RMB17.8 million for the year ended 31 December 2021. The substantial increase was primarily

attributable to (i) incurrence of [REDACTED] expenses of approximately RMB[REDACTED] million for the preparation of the [REDACTED]; (ii) the incurrence of share-based payment of approximately RMB[REDACTED] million in relation to the [REDACTED] Investment made by Tang Operation. 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; and (iii) the increase in agent service fees from RMB474,000 for the year ended 31 December 2020 to approximately RMB1.8 million for the year ended 31 December 2021 due to an increase in customers adopting the SPD model and hence an increase in fees paid for the use of SPD platform services.

Research and development costs

Our research and development costs decreased by approximately RMB789,000, or 66.6%, from approximately RMB1.2 million for the year ended 31 December 2020 to approximately RMB396,000 for the year ended 31 December 2021. Such decrease was primarily due to the completion of development of certain cloud storage platform and software in 2020.

Impairment losses on trade receivables

Our impairment losses on trade receivables reversed from a loss of approximately RMB122,000 for the year ended 31 December 2020 to a reversal of approximately RMB73,000 for the year ended 31 December 2021. Such reversal was primarily due to the collection of receivable which was aged over two years from Liaocheng Hospital and was originally impaired.

Finance costs

Our finance cost slightly decreased from approximately RMB789,000 for the year ended 31 December 2020 to approximately RMB597,000 for the years ended 31 December 2021.

Other expenses

Our other expense decreased from approximately RMB386,000 for the year ended 31 December 2020 to approximately RMB236,000 for the year ended 31 December 2021, which is primarily because less impairment on inventory was recognised.

Income tax

Our income tax expense remained relatively stable at approximately RMB10.0 million for the years ended 31 December 2020 and 2021.

Profit and total comprehensive income for the year

As a result of the foregoing factors, our profit and total comprehensive income for the year decreased by approximately RMB5.9 million, or 20.3%, from approximately RMB29.0 million for the year ended 31 December 2020 to approximately RMB23.1 million for the year ended 31 December 2021.

Year ended 31 December 2020 as compared to year ended 31 December 2019

Revenue

Our revenue increased by approximately RMB43.6 million, or 31.0%, from approximately RMB140.8 million for the year ended 31 December 2019 to approximately RMB184.4 million for the year ended 31 December 2020. The increase was primarily attributable to the increase in sales of medical imaging film products from approximately RMB128.9 million to approximately RMB172.8 million, while our revenue generated from the medical imaging cloud services slightly decreased from approximately RMB11.9 million for the year ended 31 December 2019 to approximately RMB11.6 million for the year ended 31 December 2020, which is relatively stable.

The increase in sales of medical imaging film products was primarily due to (i) the increased demand of medical imaging film products along with the growth in the medical imaging industry; and (ii) the increase in clinical diagnosis during COVID-19 which created more demand for our thermal and medical dry laser films.

Cost of sales

Our cost of sales increased by approximately RMB28.5 million, or 30.2%, from approximately RMB94.4 million for the year ended 31 December 2019 to approximately RMB122.9 million for the year ended 31 December 2020. The increase was primarily attributable to (i) the increase in cost of medical imaging film and disc brought by the increase in sales in 2020 due to the impact of COVID-19; and (ii) the increase in cost of equipment of our self-service film output printers.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB15.2 million, or 32.8%, from approximately RMB46.4 million for the year ended 31 December 2019 to approximately RMB61.6 million for the year ended 31 December 2020. The increase was primarily attributable to the increase in our gross profit for the sales of medical imaging film products from approximately RMB36.6 million for the year ended 31 December 2019 to approximately RMB51.8 million for the year ended 31 December 2020 for the reasons mentioned in the paragraph headed ''Gross profit and gross profit margin by business segment'' in this section above.

Our gross profit margin remained stable at approximately 33.0% for the year ended 31 December 2019 and approximately 33.4% for the year ended 31 December 2020 as a result of the combined effect of the increase in gross profit margin for our sales of medical imaging film products and medical imaging cloud services for the reasons mentioned in the paragraph headed ''Gross profit and gross profit margin by business segment'' in this section above.

Other income and gains

Our other income and gains increased significantly by approximately RMB599,000, or 410.3%, from approximately RMB146,000 for the year ended 31 December 2019 to approximately RMB745,000 for the year ended 31 December 2020. The substantial increase was primarily attributable to the receipt of an one-off subsidy by Shanghai Guanze in the amount of RMB713,000 from China (Shanghai) Pilot Free Trade Zone Administration* (上海自貿試驗區管委會保稅區局) for information technology enterprises.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately RMB5.1 million, or 42.9%, from approximately RMB11.9 million for the year ended 31 December 2019 to approximately RMB17.0 million for the year ended 31 December 2020. The increase was primarily attributable to the substantial increase in channel fees of approximately RMB6.8 million paid to the designated deliverers of public hospitals or medical institutions for the sales of our products as a result of the increase in sales through deliveries which is due to the change of hospital's or medical institutions' internal policies to procure through deliverer, as partially offset by the decrease in staff cost due to the reduction in number of sales personnel.

Administrative expenses

Administrative expenses increased by approximately RMB400,000, or 11.4%, from approximately RMB3.5 million for the year ended 31 December 2019 to approximately RMB3.9 million for the year ended 31 December 2020. The increase was primarily attributable to (i) the incurrence of the [REDACTED] expense in preparation for our [REDACTED]; and (ii) increase in business development expenses due to our business expansion, as partially offset by the decrease in our office expense and travelling expense.

Research and development costs

Our research and development costs decreased slightly by approximately RMB200,000, or 12.4%, from approximately RMB1.4 million for the year ended 31 December 2019 to approximately RMB1.2 million for the year ended 31 December 2020. The slight decrease was principally due to the completion of the research and development of our medical image data distribution system in 2019 and therefore no such research and development cost was incurred for the year ended 31 December 2020.

Impairment losses on trade receivables

Our impairment losses on trade receivables increased by approximately RMB18,000, or 17.3%, from approximately RMB104,000 for the year ended 31 December 2019 to approximately RMB122,000 for the year ended 31 December 2020. This was principally due to the larger amount of expected credit loss made for accounts receivable which was overdue and which we considered the possibility of collection was low.

Finance costs

Our finance costs increased significantly by approximately RMB738,000, or 1,447.1% from approximately RMB51,000 for the year ended 31 December 2019 to approximately RMB789,000 for the year ended 31 December 2020. The substantial increase was mainly due to the increase in interest on bank loans by approximately RMB717,000 from approximately RMB9,000 for the year ended 31 December 2019 to approximately RMB726,000 for the year ended 31 December 2020 as a result of the increase in bank borrowings in 2020.

Other expenses

Our other expenses increased from nil for the year ended 31 December 2019 to approximately RMB386,000 for the year ended 31 December 2020, primarily attributable to the incurrence of impairment of inventory and loss on disposal of vehicles.

Income tax

Our income tax increased by approximately RMB2.7 million, or 37.0%, from approximately RMB7.3 million for the year ended 31 December 2019 to approximately RMB10.0 million for the year ended 31 December 2020. The increase was primarily due to the corresponding increase in our profit before taxation.

Profit and total comprehensive income for the year

As a result of the foregoing factors, our profit and total comprehensive income for the year increased by approximately RMB6.7 million, or 30.0%, from approximately RMB22.3 million for the year ended 31 December 2019 to approximately RMB29.0 million for the year ended 31 December 2020.

DISCUSSION OF CERTAIN ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out our consolidated statements of financial position at the dates indicated. This information should be read together with our Consolidated Financial Information included in the Accountants' Report in Appendix I to this document.

Consolidated statements of financial position of our Group as at the dates indicated below

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

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	—	3,592	—	—
Lease liabilities	—	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	—	—	—	—
Reserves	74,297	98,440	162,397	177,713
	74,297	98,440	162,397	177,713
Non-controlling interest	—	—	163	249
Total equity	74,297	98,440	162,560	177,962

Property, plant and equipment

During the Track Record Period, our property, plant and equipment consisted mainly of buildings, plant and machinery, furniture and fixtures, motor vehicles and leasehold improvements. As at 31 December 2019, 2020, 2021 and 30 June 2022, the net book value of our property, plant and equipment were approximately RMB11.1 million, RMB20.3 million, RMB24.8 million and RMB27.3 million, respectively.

The increase in the net book value of our property, plant and equipment from approximately RMB11.1 million as at 31 December 2019 to approximately RMB20.3 million as at 31 December 2020 was mainly due to addition in buildings, plants and machinery of approximately RMB10.9 million attributable to the acquisition of, among others, (i) motor vehicles for business operation; (ii) medical imaging printers including medical image printer, copier and self-service film output printer; and (iii) a property by Jinan Guanze.

The increase in the net book value of our property, plant and equipment from approximately RMB20.3 million as at 31 December 2020 to approximately RMB24.8 million as at 31 December 2021 was mainly due to the acquisition of medical imaging printers including, among others, copier and self-service film output printers by Shanghai Guanze.

The net book value of our property, plant and equipment increased from approximately RMB24.8 million as at 31 December 2021 to approximately RMB27.3 million as at 30 June 2022, primarily attributable to the acquisition of medical imaging printers including, among others, copier and self-service film output printer by Shanghai Guanze, as partially offset by depreciation charged.

Prepayment for property, plant and equipment

We recorded prepayment for property, plant and equipment of approximately RMB830,000 as at 31 December 2020 which mainly represented the prepayment for acquisition of medical imaging printers.

Right-of-use assets

Our right-of-use assets as at 31 December 2019, 2020, 2021 and 30 June 2022 amounted to approximately RMB2.1 million, RMB5.0 million, RMB4.7 million and RMB4.6 million, respectively, which primarily represented our right for use of the rented office in our operation. Our right-of-use assets increased from RMB2.1 million as at 31 December 2019 to approximately RMB5.0 million as at 31 December 2020, which was primarily attributable to the renewal of the lease in relation to one of our leased properties in Shanghai. Our right-of-use assets slightly decreased to approximately RMB4.7 million and RMB4.6 million as at 31 December 2021 and 30 June 2022, respectively, primarily due to depreciation.

Intangible assets

Our intangible assets as at 31 December 2019, 2020, 2021 and 30 June 2022 amounted to approximately RMB2.6 million, RMB1.8 million, RMB1.0 million and RMB587,000, respectively, which represented (i) the software used in relation to our daily operation; and (ii) our medical cloud platform developed in 2017. There has been a decreasing trend in our intangible assets during the Track Record Period due to amortisation as we have capitalised the research and development costs of our medical cloud platform in 2017.

Inventories

Our inventories primarily consisted of raw materials and finished goods. As at 31 December 2019, 2020, 2021 and 30 June 2022, we had inventories of approximately RMB34.2 million, RMB21.6 million, RMB12.6 million and RMB3.4 million, respectively, accounting for approximately 28.5%, 17.2%, 7.2% and 1.7% of our total current assets. The following table sets forth the components of our inventories as at the date indicated.

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	—	1,252	1,539	922
Finished goods	34,231	20,380	11,032	2,506
Total	34,231	21,632	12,571	3,428

Our finished goods was the largest component of our inventories, accounting for 100%, 94.2%, 87.8% and 73.1% of our total inventories as at 31 December 2019, 2020, 2021 and 30 June 2022, respectively. Our finished goods mainly represented our medical imaging film products. Our raw material primarily represented our accessories, packaging materials and shell of self-service film output printer. We did not record any raw material balance as at 31 December 2019 as our raw materials were converted into finished goods at the end of the respective years.

Our inventories decreased from approximately RMB34.2 million as at 31 December 2019 to approximately RMB21.6 million as at 31 December 2020. Such decrease was mainly attributable to the increased demand for medical imaging films due to the outbreak of COVID-19 which led to the increase in our sales and hence faster turnover of medical imaging film products, as partially offset by the increase in raw materials.

Our inventories decreased from approximately RMB21.6 million as at 31 December 2020 to approximately RMB12.6 million as at 31 December 2021. Such decrease was mainly attributable to increase in sales and hence faster turnover of our medical imaging films due to the increase in demand of our medical imaging films from hospitals and healthcare institutions during the end of the year.

Our inventories decreased from approximately RMB12.6 million as at 31 December 2021 to approximately RMB3.4 million as at 30 June 2022, which was mainly due to utilisation of our medical imaging film products. Our Directors considered that due to the change in customers' preference of our medical imaging film products (such as shift from DVB model to the AMB and DVS models) since 2021, there are uncertainties as to their future choice of products, hence we did not actively purchase raw material for the six months ended 30 June 2022 in order to prevent the risk of obsolescence.

As at the Latest Practicable Date, the inventories having been utilised or sold amounted to RMB3.4 million, representing 100% of inventories in stock as at 30 June 2022.

The table below sets forth the turnover days of our inventories[(1)] for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2019	2020	2021	2022
Average inventory turnover days	110	85	46	25

Note:

(1) The average inventory turnover days for a year/period represent is calculated as the average balances of inventories (net of inventories provision) at the beginning and end of the year divided by cost of sales for the year and multiplied by 365 days for each of the three years ended 31 December 2021 and 180 days for the six months ended 30 June 2022.

Our average inventory turnover days decreased from approximately 110 days for the year ended 31 December 2019 to approximately 85 days for the year ended 31 December 2020, primarily attributable to the increase in our sale of medical imaging films products resulting from COVID-19 which may have created more demand for medical imaging films for clinical purpose during the relevant period and hence a faster turnover of our medical imaging films.

Our average inventory turnover days decreased from approximately 85 days for the year ended 31 December 2020 to approximately 46 days for the year ended 31 December 2021, primarily attributable to (i) the increase in the sale and turnaround of our medical imaging films during the relevant period; and (ii) our aim to further lower our inventory turnover days to improve the efficiency of operation of our Group.

Our average inventory turnover days decreased from approximately 46 days for the year ended 31 December 2021 to approximately 25 days for the six months ended 30 June 2022, primarily due to (i) the decrease in inventories balance from approximately RMB12.6 million as at 31 December 2021 to approximately RMB3.4 million as at 30 June 2022 for the reasons mentioned above; and (ii) the lower annualised cost of sales for the six months ended 30 June 2022 as compared to the full year ended 31 December 2021.

The following tables set out the ageing analysis of our inventories:

	Raw materials	Finished goods	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2019			
Within one year	—	32,486	32,486
One to two year	—	1,745	1,745
Total	—	34,231	34,231

	Raw materials	Finished goods	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2020			
Within one year	1,252	19,865	21,117
One to two year	—	693	693
Total	1,252	20,558	21,810
Provision for inventories			(178)
			21,632

	Raw materials	Finished goods	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2021			
Within one year	1,539	11,032	12,571
One to two year	—	—	—
Total	1,539	11,032	12,571

	Raw materials	Finished goods	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 30 June 2022			
Within one year	922	2,149	3,071
One to two year	—	357	357
Total	922	2,506	3,428

We review the condition of our inventories and make provision for obsolete and slow-moving inventory items. We carry out an inventory review on a product-by-product basis at the end of each reporting period and make provision for obsolete or slow-moving items. Provision for inventories is made with reference to the ageing of inventories. We made provision for inventories of approximately RMB178,000 for the year ended 31 December 2020 because of the impairment of our aged inventories.

Trade and bills receivables

Our trade and bills receivables mainly represented the receivables from our customers for the sales of medical imaging film products and provision of cloud services during the ordinary course of our business.

The following table sets forth the components of our trade and bills receivables as at the date indicated.

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	66,571	84,709	125,638	149,591
Bills receivables	3,526	12,270	11,887	17,670
Impairment losses	(227)	(349)	(276)	(400)
Trade and bills receivables, net	69,870	96,630	137,249	166,861

Our trade and bills receivables further increased from approximately RMB69.9 million as at 31 December 2019 to approximately RMB96.6 million as at 31 December 2020 due to the combined effect of (i) the increase in trade receivables from approximately RMB66.6 million as at 31 December 2019 to approximately RMB84.7 million as at 31 December 2020 which was in line with the growth of our revenue; and (ii) the substantial increase in bills receivables from approximately RMB3.5 million as at 31 December 2019 to approximately RMB12.3 million as at 31 December 2020 because some of our customers began to use banker's acceptance bill as a way of settling purchase amount.

Our trade and bills receivables further increased from approximately RMB96.6 million as at 31 December 2020 to approximately RMB137.2 million as at 31 December 2021 due to the substantial increase in trade receivables from approximately RMB84.7 million as at 31 December 2020 to approximately RMB125.6 million as at 31 December 2021 which was in line with the growth of our revenue, as partially offset by the decrease in bills receivables from approximately RMB12.3 million as at 31 December 2020 to approximately RMB11.9 million as at 31 December 2021 resulting from the settlement of banker's acceptance bills by certain of our customers.

Our trade and bills receivable increased from approximately RMB137.2 million as at 31 December 2021 to approximately RMB166.9 million as at 30 June 2022 because most of the trade receivables were not fall due for the sales we made in the previous year, while we continued to record sales during the six months ended 30 June 2022.

The table below sets forth the ageing analysis of our trade receivables based on the due date, maturity date of bills, net of provisions, as at the dates indicated:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	64,178	83,464	123,893	146,967
One to two years	2,166	896	1,469	2,224
	66,344	84,360	125,362	149,191

We normally grant a credit period of 90 to 365 days to our customers while we generally grant a credit term of 90 to 300 days for our five largest customers. According to CIC, public hospitals customers usually required a lengthy credit period as public hospitals generally tend to prioritise the use of their capital for other purposes and it is an industry norm that medical product suppliers like us usually offer a long credit period for downstream hospital customers. For details of our liquidity management measures in light of the cash flow mismatch arising from the gap between the credit period we granted to our customers and the credit period we were granted by our suppliers, please refer to the paragraph headed "Liquidity and capital resources — Liquidity management measures" below in this section. During the Track Record Period, approximately 96.7%, 98.9%, 98.8% and 98.5% of our total trade receivables are due within one year.

As at the Latest Practicable Date, the trade and bills receivable having been subsequently settled amounted to approximately RMB58.4 million, representing approximately 35.0% of trade and bills receivables as at 30 June 2022.

The following table sets forth the movements in the our allowance for impairment of trade receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of year	123	227	349	276
Impairment losses	104	122	(73)	124
At the end of year	227	349	276	400

In determining the recoverability of trade receivables from our customers, we generally take into consideration a number of indicators, including historical recoverability and any change in the credit quality of the trade receivable from the date on which the credit was initially granted up to the reporting

date. Having taken into account the aforementioned factors and a reversal of impairment loss recorded for the year ended 31 December 2021, our Directors are of the view that there is no material recoverability issue with respect to trade receivables from our customers.

Our Directors have carefully assessed the lifetime expected credit loss of trade receivables throughout the Track Record Period. As at 31 December 2019, 2020 and 2021, there was no significant change in the expected credit loss rate for our trade receivables for accounting purposes. This is because (i) there is no material change to the major customers of our Group for the three financial years ended 31 December 2021; (ii) our revenue generated from the sales to public hospitals in Shandong Province amounted to approximately RMB139.9 million, RMB183.1 million and RMB209.9 million, respectively, during each of the three financial years ended 31 December 2021, accounting for approximately 99.4%, 99.3% and 99.4% of our Group's total revenue during the same period, respectively; and (iii) our Directors considered that there was no significant change to the risk pattern and forward-looking factors during the three financial years ended 31 December 2021. We increased the expected credit loss rate as at 30 June 2022 to reflect the adverse impact of the delay of payments of a portion of certain public hospital customers due to the macroeconomic environment. For details of our trade receivables and credit risk exposure, please refer to Note 17 to the Accountants' Report as set out in Appendix I to this Document.

Taking into consideration (i) our liquidity management measures in place; (ii) the low proportion of receivables which are aged over one year; (iii) the industry norm that medical product suppliers usually offer a long credit period for downstream hospital customers; and (iv) most of our customers are public hospitals, our Directors are of the view that the default risk of our overdue trade receivables are relatively low and sufficient provision has been made to the trade receivables during the Track Record Period.

The table below sets forth the turnover days of our trade receivables[(1)] for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2019	2020	2021	2022
Trade receivables turnover days	179	149	181	251

Note:

(1) The average turnover days of trade receivables is calculated as the relevant average balances of trade receivables net of impairment of trade receivables at the beginning and end of the year/period divided by the corresponding revenue for the year and multiplied by 365 days for each of the three years ended 31 December 2021 and 180 days for the six months ended 30 June 2022.

Our trade receivables turnover days decreased from approximately 179 days for the year ended 31 December 2019 to approximately 149 days for the year ended 31 December 2020, primarily attributable to our continuous effort to monitor and evaluate overdue payments on a case-by-case basis with appropriate follow-up actions.

Our trade receivables turnover days increased from approximately 149 days for the year ended 31 December 2020 to approximately 181 days for the year ended 31 December 2021, primarily attributable to certain customers with longer payment cycle increased purchases from us which led to an overall increase in turnover days.

Our trade receivables turnover days increased from approximately 181 days for the year ended 31 December 2021 to approximately 251 days for the six months ended 30 June 2022, primarily due to (i) the increase in our trade receivables (net of provisions) from approximately RMB125.4 million as at 31 December 2021 to approximately RMB149.2 million as at 30 June 2022 for the reasons mentioned above; (ii) the lower annualised revenue for the six months ended 30 June 2022 as compared to the revenue for the year ended 31 December 2021, which contributed to the higher trade receivables turnover days; and (iii) certain hospital customers with longer payment cycle have increased their purchase from us for the year ended 30 June 2021.

Save as discussed above, our Directors considered no further provision is needed on the following basis: (i) our Group did not experience any impediment in collecting trade receivables from our customers during the Track Record Period; (ii) most of our customers have demonstrated good historical repayment record; and (iii) we have put strong effort in chasing payments for overdue balance and assessed the repayment schedules of customers by having communications with them and we were not aware of circumstances which might cause impairment to these trade receivables.

Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets mainly represented deposits provided to the suppliers, which will be refunded thereafter, prepayments, deferred [REDACTED] expense and deductible value-added tax. The following table sets out a breakdown of our prepayments, other receivables and other assets as at the dates indicated:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
Deposits	2,141	480	19	89
Prepayments	4,884	1,604	583	505
Deferred [REDACTED] expense	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deductible value-added tax	2,383	—	232	2,403
Total	9,408	2,084	3,433	6,340

Our prepayments, other receivables and other assets amounted to approximately RMB9.4 million, RMB2.1 million, RMB3.4 million and RMB6.3 million as at 31 December 2019, 2020, 2021 and 30 June 2022, respectively.

Our prepayments, other receivables and other assets decreased substantially by approximately RMB7.3 million from approximately RMB9.4 million as at 31 December 2019 to approximately RMB2.1 million as at 31 December 2020, which is mainly attributable to (i) the significant decrease of prepayment by approximately RMB3.3 million from approximately RMB4.9 million as at 31 December

2019 to approximately RMB1.6 million as at 31 December 2020 as the products we purchased from Supplier B were delivered and the prepayment balance was reduced accordingly; (ii) the absence of deductible value-added tax which was incurred in the previous year due to the utilisation of the deductible VAT input in line with the increase in our revenue and improved management of VAT input certification process by our Group; and (iii) the decrease in deposits of approximately RMB1.7 million primarily as a result of the reduction in deposits balance which was re-classified to non-current assets.

According to Article 25 of Notice of the State Administration of Taxation on Amending the Provisions on the Use of Special Value-Added Tax Invoices (國家税務總局關於修訂《增值税專用發票使用規定》的通知), VAT invoices should be certified by tax authorities before the same can be used for deducting value-added taxes. Our accounting staff is responsible for the certification by accessing to the tax control system. Once the certification is completed, the VAT input tax amount can be used to set off against sales tax, reducing our deductible value-added tax. We have improved our certification process as our account staff performed such process within a shorter timeframe after the receipt of the VAT invoice in 2020 than in 2019.

Our prepayments, other receivables and other assets increased significantly by approximately RMB1.3 million from approximately RMB2.1 million as at 31 December 2020 to approximately RMB3.4 million as at 31 December 2021, which is mainly attributable to the incurrence of deferred [REDACTED] expenses of approximately RMB2.6 million which did not occur in the previous year; as partially offset by the decrease in prepayment of approximately RMB1.0 million primarily because we made less prepayment for the purchase of raw materials.

Our prepayments, other receivables and other assets further increased by approximately RMB2.9 million from approximately RMB3.4 million to as at 31 December 2021 to approximately RMB6.3 million as at 30 June 2022, which is mainly attributable to (i) the significant increase in deductible value-added tax of approximately RMB2.2 million because certain invoices from Honghe Group in mid to late June 2022 regarding our purchase were yet to certified as at 30 June 2022. Therefore, the relevant input tax could not be used to offset output tax; and (ii) the increase in deferred [REDACTED] expense of approximately RMB744,000 in preparation for the [REDACTED].

Trade payables

Our trade payables mainly represented amounts due to suppliers for the purchase of raw materials.

Our trade payables increased significantly from approximately RMB160,000 as at 31 December 2019 to approximately RMB2.8 million as at 31 December 2020, primarily because our payables to Honghe Group was not due and therefore our trade payable balance was relatively high.

Our trade payables further increased to approximately RMB14.8 million as at 31 December 2021, primarily because there has been a bulk purchase of medical imaging film products from Honghe Group in the end of 2021, as we had to replenish our inventory in view of the high turnover of inventories brought by the increase in the demand from hospitals and healthcare institutions during the year. Such payable were not due as at 31 December 2021. As a result, we recognised a larger balance as at 31 December 2021.

Our trade payables decreased from approximately RMB14.8 million as at 31 December 2021 to approximately RMB12.0 million as at 30 June 2022, which was primarily due to the repayment of trade payables which fall due.

The table below sets forth the ageing analysis of our trade payables based on the invoice date, as at the dates indicated:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	160	2,777	14,811	12,028
Total	160	2,777	14,811	12,028

As at the Latest Practicable Date, the trade payables having been subsequently settled amounted to approximately RMB11.2 million, representing approximately 93.3% of trade payables as at 30 June 2022.

The table below sets forth the turnover days of our trade payables[(1)] for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2019	**2020**	**2021**	**2022**
Trade payable turnover days[(1)]	1	4	24	41

Note:

(1) The average turnover days of trade payables is calculated as their average balances at the beginning and end of the year/period divided by cost of sales for the year and multiplied by 365 days.

We have low trade payables turnover days as we generally settle our trade payables upon delivery of goods. Our trade payables turnover days for the three years ended 31 December 2021 remained relatively low at approximately 1 day, 4 days, 24 days, respectively. Our trade payables turnover days for the year ended 31 December 2021 increased significantly to approximately 24 days due to the significant increase in our trade payable balance payable to Honghe Group as at 31 December 2021 for the reason mentioned in this subsection above. Our average trade payable turnover days further increased from approximately 24 days for the year ended 31 December 2021 to approximately 41 days for the six months ended 30 June 2022, primarily due to the increase in our average trade payables balance due to the lower opening balance for the year ended 31 December 2021.

Other payables and accruals

Our other payables and accruals mainly represented other payables, payroll and welfare payables and contract liabilities. The following table sets out a breakdown of our other payables and accruals as at the dates indicated:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	1,365	2,112	2,322	3,492
Payroll and welfare payables	942	503	319	662
Total	2,307	2,615	2,641	4,154

Our other payables and accruals amounted to approximately RMB2.3 million, RMB2.6 million, RMB2.6 million and RMB4.2 million as at 31 December 2019, 2020, 2021 and 30 June 2022, respectively.

Our other payables and accruals increased from approximately RMB2.3 million as at 31 December 2019 to approximately RMB2.6 million as at 31 December 2020 as a result of the significant increase in other payables due to increase in value added tax payable, which was partially offset by the decrease in payroll and welfare payables as our Group did not give out bonus to staff in 2020.

Our other payables and accruals remained relatively stable at approximately RMB2.6 million as at 31 December 2021.

Our other payables and accruals increased from approximately RMB2.6 million as at 31 December 2021 to approximately RMB4.2 million as at 30 June 2022, which was primarily due to the increase in other payables in relation to (i) the increase in salaries payable to our staff in Jinan Guanze; and (ii) the increase in other tax payables due to the increase in, among others, value-added taxes and city construction taxes resulted from the increase in revenue from Jinan Guanze and favourable government policies which allow companies to postpone the payment of taxes.

MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, our related party transactions included (i) the purchase of medical imaging films and medical imaging printers from Guanze Medical Equipment (Shanghai) Co., Ltd., ("**Guanze Medical**") which was controlled by Mr. Meng; and (ii) Hui Yue Business Trading (Shanghai) Co., ("**Hui Yue**") in which Mr. Meng's equity interest was held by him for and on behalf of his family member before their de-registration on 12 August 2020 and 29 June 2020, respectively. For the details of the related parties, please refer to Note 28 to the Accountants' Report as set out in Appendix I to this document.

Guanze Medical was established with an aim to develop a start-up medical project and capture the benefits awarded by the local authority to the enterprises in Shanghai Chongming Industrial Zone (上海崇明工業園區). To finance the initial overheads and required working capital of the Guanze Medical, it was the initial plan to let Guanze Medical distribute some of the medical imaging films products. However, as Guanze Medical did not identify any promising project at the end, the remaining inventories of Guanze Medical were sold to us before its deregistration in August 2020.

Hui Yue was set up with an aim to become a distributor of another international brand of medical imaging film products. However, Hui Yue failed to secure any customers at the end and sold to us the only batch of medical imaging film and medical imaging printers of that international brand before its de-registration in June 2020.

For the years ended 31 December 2019, 2020, 2021 and the six months ended 30 June 2022:

(i) the purchase of medical imaging films by the Group from Guanze Medical of approximately nil, RMB3.9 million, nil and nil for each of the three years ended 31 December 2019, 2020, 2021 and the six months ended 30 June 2022, respectively. Under this purchase, the price of medical imaging film was determined based on the cost charged by third party supplier(s) to Guanze Medical plus a mark-up of approximately 18.6%. If the Group purchased the relevant products directly from other third party supplier(s), the cost for this purchase would decrease by approximately RMB0.6 million for the year ended 31 December 2020; and

(ii) the purchase of medical imaging films and medical imaging equipment by the Group from Hui Yue of approximately nil, RMB578,000, nil and nil for each of the three years ended 31 December 2019, 2020, 2021 and the six months ended 30 June 2022, respectively. Under this purchase, the prices of medical imaging film and medical imaging equipment were determined based on the costs charged by third party supplier(s) to Hui Yue plus a mark-up of approximately 14.2% and 6.7%, respectively. If the Group purchased the relevant products and equipment directly from such third party supplier(s), the cost for this purchase would decrease by approximately RMB55,000 for the year ended 31 December 2020.

For illustrative purpose, if the aforesaid related party transactions were conducted on normal commercial terms and taking into consideration the financial impacts of items (i) and (ii) above, the net profit of the Group would be adjusted upward by approximately RMB$0.7 million for the year ended 31 December 2020.

Our Directors confirmed that the aforementioned transactions were one-off in nature and our Group currently has no intentions to enter into any transaction with Guanze Medical and Hui Yue (both of which were deregistered) going forward. In the event that our Company enter into any transaction with related parties in the future, our Company will comply with the relevant requirements under the Listing Rules.

AMOUNTS DUE TO RELATED PARTIES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade nature				
Due from the controlling shareholder:				
Mr. Meng	—	—	—	8,000
Due to the controlling shareholder:				
Mr. Meng	1,509	30,642	4,582	—
Non-trade nature				
Due to related parties:				
Jinan Green Yuanda Medical Equipment Co., Ltd. ("**Jinan Green**") *(Note 1)*	1,000	—	—	—
Hui Yue Business Trading (Shanghai) Co., Ltd. ("**Hui Yue**") *(Note 2)*	45,270	—	—	—

Note 1: Jinan Green was deregistered on 9 February 2017.

Note 2: Hui Yue was deregistered on 29 June 2020.

The amount due from Mr. Meng as at 30 June 2022 amounted to RMB8.0 million, represented a short-term interest-free loan to Mr. Meng. As at the Latest Practicable Date, such amount due from the controlling shareholder was fully settled by Mr. Meng.

The amount due to Mr. Meng as at 31 December 2019, which amounted to approximately RMB1.5 million, mainly represented the loans which were unsecured, non-interest-bearing and repayable on demand and were settled in December 2020.

The amount due to Mr. Meng increased to approximately RMB30.6 million 31 December 2020, which was resulted from the capital reduction of Shanghai Guanze in relation to the Reorganisation. For further details of the capital reduction, please refer to the paragraph headed "Reorganisation — Step 3: Reduction of registered capital of Shanghai Guanze" under the section headed "History, reorganisation and corporate structure" in this document. For the purpose of settling the amount due to Mr. Meng, on 13 September 2021, shareholders' resolutions were passed to approve the increase in registered capital of Shandong Guanze from RMB3.0303 million to RMB3.0333 million through a capital contribution of RMB25 million made by Mr. Meng. RMB3,000 of such capital injection was credited to the registered capital of Shandong Guanze and the remaining RMB24.997 million was credited to the capital reserve of Shandong Guanze. The amount was paid up in cash on 16 September 2021. Such increased portion of registered capital in the amount of RMB3,000, representing 0.1% of the equity interest in Shandong Guanze, was subscribed by Mr. Meng. For further details, please refer to the paragraph headed "Reorganisation — Step 9: Increase of registered capital of Shandong Guanze and capital contribution

made by Mr. Meng'' under the section headed ''History, reorganisation and corporate structure'' in this document. As a result, the amount due to Mr. Meng decreased to approximately RMB4.6 million as at 31 December 2021. The amount due to Mr. Meng was fully settled as at 30 June 2022.

Jinan Green was controlled by Mr. Meng prior to its deregistration. The amount due to Jinan Green as at 31 December 2019 mainly represented the loans due to Jinan Green, which was unsecured, non-interest-bearing and repayable on demand, and were settled in December 2020.

Hui Yue was controlled by Mr. Meng who held his equity interest on behalf of his family member prior to its deregistration. The amount due to Hui Yue as at 31 December 2019 mainly represented the loan due to Hui Yue, which was unsecured, non-interest-bearing and repayable on demand, and was settled in May 2020.

For the details of the related parties, please refer to Note 29 to the Accountants' Report as set out in Appendix I to this document.

LIQUIDITY AND CAPITAL RESOURCES

Our primary use of liquidity have been (i) payments for our procurement costs; (ii) general operating expenses (excluding depreciation); and (iii) our income tax expenses. As at the Latest Practicable Date, we finance our cash requirements primarily through cash generated from our operating activities and bank loans.

Our bank borrowing contains certain standard covenants that are commonly found in lending arrangements with commercial banks. Our Directors have confirmed that we had not defaulted or delayed in any payment or breached any of the material covenants pertaining to our bank borrowing during the Track Record Period and up to the Latest Practicable Date.

We are able to manage liquidity risks by maintaining adequate reserves, banking facilities, continuously monitoring forecasted and actual cash flows and matching the maturity profiles of assets and liabilities. In the event that additional working capital is required for business expansion, we may approach other banks to obtain additional banking facilities and/or negotiate with our existing lenders for an increase in banking facilities. We do not foresee any deterioration of the credit markets or tightened monetary policies in the PRC and Hong Kong, which may result in an adverse impact on the banking facilities available to us. In the future, we expect that our working capital and other liquidity requirements will be satisfied through a combination of cash generated from our operating activities, banking facilities made available to us and the [REDACTED] from the [REDACTED].

[REDACTED]

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating cash flows before movements in working capital	31,732	43,501	40,078	20,672	24,814
Movements in working capital	(21,309)	(5,968)	(22,314)	(5,685)	(21,980)
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 generated from/(used in) operating activities	5,511	28,168	3,093	4,579	(2,278)
Net cash used in investing activities	(9,831)	(14,349)	(7,856)	(4,168)	(12,462)
Net cash generated from/(used in) financing activities	(3,868)	(14,792)	19,477	27,281	9,430
Net increase/(decrease) in cash and cash equivalents	(8,188)	(973)	14,714	27,692	(5,310)
Cash and cash equivalents at beginning of the year/period	14,682	6,494	5,521	5,521	20,235
Cash and cash equivalents at end of the year/period	6,494	5,521	20,235	33,213	14,925

Operating activities

Net cash generated from or used in operating activities mainly consists of profit before income tax adjusted for non-cash items, such as depreciation of property, plant and equipment, amortisation of intangible assets, finance costs and interest income, and the effects of changes in working capital, such as the increase or decrease in trade receivables, inventories and trade payables, and the effects of interest received, interest paid and income tax paid.

Net cash flows generated from operating activities for the year ended 31 December 2019 were approximately RMB5.5 million, primarily attributable to our profit before taxation of RMB29.6 million, as adjusted primarily by (i) depreciation of property, plant and equipment of approximately RMB1.1 million; (ii) amortisation of intangible asset of approximately RMB816,000; and (iii) income tax paid of approximately RMB5.0 million. Changes in working capital mainly included (i) increase in inventories of approximately RMB13.0 million; (ii) increase in prepayments, other receivables and other assets of approximately RMB7.1 million; (iii) decrease in other payables and accruals of approximately RMB4.9 million, as partially offset by the decrease in trade receivables of approximately RMB4.3 million.

Net cash flows generated from operating activities for the year ended 31 December 2020 were approximately RMB28.2 million, primarily attributable to our profit before taxation of RMB39.0 million, as adjusted primarily by (i) finance cost of approximately RMB789,000; (ii) depreciation of property, plant and equipment of approximately RMB2.2 million; and (ii) amortisation of intangible asset of approximately RMB824,000. Changes in working capital mainly included (i) increase in trade and bill receivables of approximately RMB27.0 million; and (ii) decrease in contract liabilities of approximately RMB926,000, as partially offset by (i) decrease in inventories of approximately RMB12.4 million; (ii) decrease in prepayments, other receivables and other assets of approximately RMB6.5 million; (iii) increase in trade payables of approximately RMB2.6 million; and (iv) increase in other payables and accruals of approximately RMB308,000.

Net cash flows generated from operating activities for the year ended 31 December 2021 were approximately RMB3.1 million, primarily attributable to our profit before taxation of RMB33.1 million, as adjusted primarily by (i) finance cost of approximately RMB597,000; (ii) depreciation of property, plant and equipment of approximately RMB3.3 million; (iii) amortisation of intangible assets of approximately RMB833,000; and (iv) share-based payment of approximately RMB2.1 million. Changes in working capital mainly included (i) increase in trade and bills receivables of approximately RMB40.5 million; and (ii) decrease in contract liabilities of approximately RMB2.4 million, as partially offset by (i) decrease in inventories of approximately RMB9.1 million; and (ii) increase in trade payables of approximately RMB12.0 million.

Net cash flows generated from operating activities for the six months ended 30 June 2021 were approximately RMB4.6 million, primarily attributable to our profit before taxation of approximately RMB16.0 million, as adjusted primarily by (i) finance costs of approximately RMB313,000; (ii) depreciation of property, plant and equipment of approximately RMB1.5 million; and (iii) share-based payment of approximately RMB2.1 million. Changes in working capital mainly included increase in trade and bills receivables of approximately RMB26.4 million, as partially offset by (i) decrease in inventories of approximately RMB10.4 million; and (ii) increase in trade payables of approximately RMB11.8 million.

Net cash flows used in operating activities for the six months ended 30 June 2022 were approximately RMB2.3 million, primarily attributable to our profit before taxation of approximately RMB21.5 million, as adjusted primarily by (i) finance costs of approximately RMB658,000; and (ii) depreciation of property, plant and equipment of approximately RMB2.0 million. Changes in working capital mainly included (i) increase in trade and bills receivables of approximately RMB29.7 million; (ii) increase in prepayments, other receivables and other assets of approximately RMB2.9 million; and (iii) decrease in trade payables of approximately RMB2.8 million, as partially offset by the decrease in inventories of approximately RMB9.1 million. The net cash flow used in operating activities was

primarily resulted from (i) the cash outflow of approximately RMB2.8 million during the six months ended 30 June 2022 as we repaid the amount due to our suppliers in relation to the purchase of, among others, raw materials; and (ii) the decrease in cash generated from operations as most of our trade receivables were not fall due during the six months ended 30 June 2022.

To improve our liquidity, we seek to (i) control cash outflows by controlling our costs; (ii) plan and monitor our cash flow situation on a regular basis; (iii) closely monitor the collection status of our trade receivables and enhance our collection efforts on trade receivables by deploying more staff to liaise for the collection of receivable on a more frequent basis; (iv) request for longer credit period from our suppliers if possible; and (v) maintain stable relationships with our principal bankers such that we are able to obtain bank facilities where necessary. For further details of our liquidity management measures, please refer to the paragraph headed "Liquidity management measures" below in this section.

Investing activities

Net cash flows used in investing activities for the year ended 31 December 2019 were approximately RMB9.8 million, which is attributable to (i) purchase and prepayment of items of property, plant and equipment of approximately RMB7.5 million; and (ii) purchase of intangible assets of approximately RMB2.3 million, which represented payment for previously capitalised development cost.

Net cash flows used in investing activities for the year ended 31 December 2020 were approximately RMB14.3 million, which primarily attributable to (i) purchase and prepayment of items of property, plant and equipment of approximately RMB11.5 million; (ii) purchase of right-of-use assets of approximately RMB2.8 million; and (iii) purchase of intangible assets of approximately RMB27,000, which represented payment for previously capitalised development cost.

Net cash flows used in investing activities for the year ended 31 December 2021 was approximately RMB7.9 million, which primarily represented our cash used in purchases and prepayment for property, plant and equipment of approximately RMB7.8 million.

Net cash flows used in investing activities for the six months ended 30 June 2021 were approximately RMB4.2 million, which represented (i) the purchases and prepayment of property, plant and equipment of approximately RMB4.1 million; and (ii) the purchases of intangible assets of approximately RMB45,000.

Net cash flows used in investing activities for the six months ended 30 June 2022 were approximately RMB12.5 million, which represented (i) increase in due from controlling shareholder of RMB8.0 million; (ii) the purchases and prepayment of property, plant and equipment of approximately RMB4.5 million.

Financing activities

Net cash used in financing activities for the year ended 31 December 2019 were approximately RMB3.9 million, which is primarily attributable to (i) repayment of loans to related parties of approximately RMB54.1 million; and (ii) repayment to the controlling shareholder of approximately RMB5.0 million, as partially offset by (i) loans received from related parties of approximately RMB45.3 million; (ii) advance from the controlling shareholder of approximately RMB4.2 million; and (iii) capital contributions by the then shareholders of a subsidiary of approximately RMB4.9 million.

Net cash used in financing activities for the year ended 31 December 2020 were approximately RMB14.8 million, which is primarily attributable to (i) repayment of loans to related parties of approximately RMB46.3 million; (ii) repayment to the controlling shareholder of approximately RMB2.0 million; (iii) repayment of bank loans of approximately RMB9.0 million; and (iv) payment of capital reduction of approximately RMB9.2 million, as partially offset by (i) capital contributions by the then shareholders of a subsidiary of approximately RMB33.2 million; and (ii) new bank loans of approximately RMB16.3 million.

Net cash flows generated from financing activities for the year ended 31 December 2021 was approximately RMB19.5 million, which was primarily attributable to (i) new bank loans of approximately RMB15.0 million; (ii) capital contributions by the then shareholders of subsidiaries of approximately RMB25.0 million; and (iii) investment from a new shareholder of approximately RMB14.4 million, as partially offset by (i) the repayment to the controlling shareholder of approximately RMB26.0 million; and (ii) repayment of bank loans of RMB8.3 million.

Net cash flows generated from financing activities for the six months ended 30 June 2021 were approximately RMB27.3 million, which were primarily attributable to (i) loans from the controlling shareholder of approximately RMB11.4 million; (ii) new bank loans of RMB6.0 million; and (iii) investment from a new shareholder of approximately RMB14.4 million, as partially offset by the repayment of bank loans of approximately RMB4.0 million.

Net cash flows generated from financing activities for the six months ended 30 June 2022 were approximately RMB9.4 million, which were primarily attributable to new bank loans of approximately RMB17.1 million, as partially offset by (i) repayment to controlling shareholder of approximately RMB4.6 million; and (ii) repayment of bank loans of RMB3.0 million.

Net current assets

	As at 31 December			As at 30 June	As at 31 October
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
CURRENT ASSETS					
Inventories	34,231	21,632	12,571	3,428	15,000
Trade and bills receivables	69,870	96,630	137,249	166,861	160,958
Prepayments, other receivables and other assets	9,408	2,084	3,433	6,340	5,902
Due from the controlling shareholder	—	—	—	8,000	—
Cash and cash equivalents	6,494	5,521	20,235	14,925	36,381
Total current assets	120,003	125,867	173,488	199,554	218,241
CURRENT LIABILITIES					
Trade payables	160	2,777	14,811	12,028	11,931
Contract liabilities	4,559	3,633	1,263	4,053	2,854
Other payables and accruals	2,307	2,615	2,641	4,154	6,062
Interest-bearing bank borrowings	1,000	4,721	15,000	29,052	29,393
Due to the controlling shareholder	1,509	30,642	4,582	—	—
Due to related parties	46,270	—	—	—	—
Lease liabilities	32	69	66	55	—
Tax payables	5,750	7,176	2,974	4,613	7,259
Total current liabilities	61,587	51,633	41,337	53,955	57,499
NET CURRENT ASSETS	58,416	74,234	132,151	145,599	160,742

Our net current assets increased from approximately RMB58.4 million as at 31 December 2019 to approximately RMB74.2 million as at 31 December 2020 due to (i) the increase in trade and bills receivables of approximately RMB26.8 million; and (ii) the absence of due to related parties of approximately RMB46.3 million due to repayment, as partially offset by (i) the decrease in inventories of approximately RMB12.6 million; (ii) the decrease in prepayments, other receivables and other assets of approximately RMB7.3 million; (iii) the increase in trade payables of approximately RMB2.6 million; (iv) the increase in interest-bearing bank borrowings of approximately RMB3.7 million; (v) the increase in due to controlling shareholder of approximately RMB29.1 million; and (vi) the increase in tax payables of approximately RMB1.5 million.

Our net current assets further increased from approximately RMB74.2 million as at 31 December 2020 to approximately RMB132.2 million as at 31 December 2021, which was mainly attributable to (i) the increase in trade and bills receivables of approximately RMB40.6 million; (ii) the increase in prepayments, other receivables and other assets of approximately RMB1.3 million; (iii) the increase in

cash and cash equivalents of approximately RMB14.7 million; (iv) the decrease in tax payables of approximately RMB4.2 million; and (v) the decrease in due to the controlling shareholder of approximately RMB26.0 million as partially offset by (i) the decrease in inventories of approximately RMB9.1 million; (ii) the increase in trade payables of approximately RMB12.0 million; and (iii) the increase in short-term interest-bearing bank borrowing of approximately RMB10.3 million.

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

Our net current assets slightly increased from approximately RMB145.6 million as at 30 June 2022 to approximately RMB160.7 million as at 31 October 2022, which was primarily attributable to the increase in inventories of approximately RMB11.6 million, as partially offset by (i) the repayment of amount due from the controlling shareholder of RMB8 million; and (ii) the increase in tax payables of approximately RMB2.6 million was mainly due to the increase of the provision of outstanding enterprise income tax payable in relation to our sales.

Liquidity management measures

According to CIC, public hospitals customers usually required a lengthy credit period as public hospitals generally tend to prioritise the use of their capital for other purpose and it is an industry norm that medical product suppliers like us usually offer a long credit period for downstream hospital customers. Our Group's trade receivables turnover days for the three years ended 31 December 2021 and the six months ended 30 June 2022 were approximately 179 days, 149 days, 181 days and 251 days respectively. On the other hand, the trade payables turnover days for the three years ended 31 December 2021 and the six months ended 30 June 2022 were approximately 1 day, 4 days, 24 days and 41 days, respectively. Such gap between accounts receivable turnover days and accounts payable turnover days may result in liquidity mismatch.

In view of the cash flow mismatch our Group have put in place the following measures to strengthen our liquidity management:

— we closely monitor and strengthen our liquidity position, both in short run and long run by evaluating the sufficiency of the working capital and the utilisation of borrowings regularly. The bank balance are monitored by the management through our internal records. When there is a potential shortfall in our cash position being identified, we would strive to negotiate for early settlement from our customers and/or request a longer credit period from our suppliers in order to mitigate the mismatches of trade receivable turnover days and trade payable turnover days;

— we closely monitor the ageing analysis of both trade receivables and payables continuously. We will then actively follow up with our customers for overdue receivables; and

— for the trade receivables past due, material overdue payments are monitored continuously and evaluated on a case-by-case basis with appropriate follow-up actions based upon the customer's normal payment processing procedures, our relationship with the customer, its history of making payments, its financial position as well as the general economic environment. Follow-up actions to recover overdue trade receivables include (i) active communications with the customers' appropriate personnel such as the relevant department responsible for processing payments; (ii) stop processing any further purchase orders from such customer until the overdue balance is recovered; (iii) review the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate impairment losses are provided for irrecoverable amounts; and (iv) seeking legal advices when necessary.

Working capital sufficiency

As at 31 December 2019, 2020, 2021 and 30 June 2022, we had cash and cash equivalents of approximately RMB6.5 million, RMB5.5 million, RMB20.2 million and RMB14.9 million, respectively.

Taking into consideration the financial resources presently available to us, including the balance of cash and cash equivalents, expected cash generated from our operations and the estimated [REDACTED] from the [REDACTED], which were approximately RMB[REDACTED] million, our Directors are satisfied that after due and careful inquiry, we will have sufficient working capital for our present working capital requirements for at least the next 12 months from the date of this document.

Our Directors confirm that there was no material defaults in payment of trade and non-trade payables and bank borrowings, and/or breaches of finance covenants during the Track Record Period.

CAPITAL EXPENDITURES

Our Group's capital expenditures principally consisted of additions of property, plant and equipment for our operations. For each of the three years ended 31 December 2021 and the six months ended 30 June 2022, our Group incurred capital expenditures of approximately RMB7.5 million, RMB11.5 million, RMB7.8 million and RMB4.5 million, respectively, which were primarily resulted from the additions of plant and machinery for daily operation. Since 30 June 2022 and up to the Latest Practicable Date, we did not have any material capital expenditures. We financed our capital expenditures primarily through our cash generated from our operating activities.

INDEBTEDNESS

The table below sets out our borrowings as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Bank loan — unsecured-current	1,000	4,290	12,000	14,500	14,500
Bank loan — secured-current portion	—	431	—	—	—
Bank loan — secured-current	—	—	3,000	14,552	14,857
Bank loan — secured-non-current	—	3,592	—	—	—
Lease liabilities	32	289	220	55	158
Due to the controlling shareholder	1,509	30,642	4,582	—	—
Due to related parties	46,270	—	—	—	—
	48,811	39,244	19,802	29,107	29,515

As at 31 October 2022, being the latest practicable date for determining our indebtedness, our Group's total indebtedness amounted to approximately RMB29.5 million, consisting of (i) secured bank loan of approximately RMB14.9 million; (ii) unsecured bank loan of approximately RMB14.5 million; and (iii) lease liabilities of approximately RMB158,000. There were no material covenants relating to the outstanding balances.

Our interest-bearing bank loans and borrowing bore an effective interest rate of 5.00% per annum as of 31 December, 2019, ranging from 3.85% to 6.87% per annum as of 31 December 2020, ranging from 3.85% to 4.60% per annum as of 31 December 2021 and ranging from 3.85% to 4.50% per annum as at 30 June 2022.

For the purpose of settling the amount due to Mr. Meng, on 13 September 2021, shareholders' resolutions were passed to approve the increase in registered capital of Shandong Guanze from RMB3.0303 million to RMB3.0333 million through a capital contribution of RMB25 million made by Mr. Meng. RMB3,000 of such capital injection was credited to the registered capital of Shandong Guanze and the remaining RMB24.997 million was credited to the capital reserve of Shandong Guanze. The amount was paid up in cash on 16 September 2021. Such increased portion of registered capital in the amount of RMB3,000, representing 0.1% of the equity interest in Shandong Guanze, was subscribed by Mr. Meng.

For further details, please refer to the paragraph headed ''Reorganisation — Step 9: Increase of registered capital of Shandong Guanze and capital contribution made by Mr. Meng'' under the section headed ''History, reorganisation and corporate structure'' in this document.

As at the 31 October 2022, we did not have unutilised banking facility. Our Directors confirm that there had been no material change in our indebtedness since 31 October 2022 up to the Latest Practicable Date.

Save as disclosed above, as at 31 October 2022, we did not have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees.

During the Track Record Period, we did not experience any delay or default in repayment of borrowings nor experience any difficulty in obtaining borrowings with terms that are commercially acceptable to us. As at the Latest Practicable Date, we did not have any plan for additional external debt financing.

KEY FINANCIAL RATIOS

The following table sets forth our certain key financial ratios as at the dates indicated:

	For the year ended/As at 31 December			For the six months ended/As at 30 June
	2019	2020	2021	2022
Return on equity[(1)]	30.0%	29.5%	14.2%	N/A[(6)]
Return on total assets[(2)]	16.4%	18.9%	11.2%	N/A[(6)]
Current ratio[(3)]	1.9	2.4	4.2	3.7
Quick ratio[(4)]	1.2	2.0	3.8	3.5
Gearing ratio[(5)]	1.3%	8.4%	9.2%	16.3%

Notes:

(1) Profit attributable to owners of our Company for the year divided by total equity attributable to owners of our Company.

(2) Profit attributable to owners of our Company for the year divided by total assets.

(3) Current assets divided by current liabilities and multiplied by 100%.

(4) Current assets less inventories and prepayments, other receivables and other assets and divided by current liabilities and multiplied by 100%.

(5) Total debt (including interest-bearing bank and other borrowings) divided by total equity and multiplied by 100%.

(6) Such ratios for the six months ended 30 June 2022 are not meaningful and potentially misleading as such ratios do not reflect a full year of operations.

Return on equity

Our return on equity remained stable at approximately 30.0% for the year ended 31 December 2019 and approximately 29.5% for the year ended 31 December 2020.

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

Return on total assets

Our return on total assets increased from 16.4% for the year ended 31 December 2019 to 18.9% for the year ended 31 December 2020, primarily because of the increase in our net profit for the reasons mentioned in the paragraphs headed ''Management's discussion and analysis of the results of our operation'' in this section above.

Our return on total assets decreased from approximately 18.9% for the year ended 31 December 2020 to approximately 11.2% for the year ended 31 December 2021, primarily attributable to the decrease in our profit for the year for the reasons mentioned in the paragraphs headed ''Management's discussion and analysis of the results of our operation'' in this section above.

Current ratio

Our current ratio increased from 1.9 as at 31 December 2019 to 2.4 as at 31 December 2020, mainly due to the increase in our current asset and decrease in our current liabilities as described in the paragraphs headed ''Discussion of certain items from the consolidated statements of financial position'' in this section above.

Our current ratio increased from approximately 2.4 as at 31 December 2020 to approximately 4.2 as at 31 December 2021, primarily attributable to (i) the significant increase in cash and cash equivalent resulted from the capital contribution from Mr. Meng; and (ii) the settlement of the amount due to Mr. Meng.

Our current ratio decreased from approximately 4.2 as at 31 December 2021 to approximately 3.7 as at 30 June 2022, which was primarily attributable to the (i) the decrease in inventories of approximately RMB9.1 million; (ii) the decrease in cash and cash equivalents of approximately RMB5.3 million; and (iii) the increase in interest-bearing bank borrowings of approximately RMB14.1 million.

Quick ratio

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

Gearing ratio

Our gearing ratio increased from 1.3% as at 31 December 2019 to 8.4% as at 31 December 2020. The increase in our gearing ratio was mainly due to the increase in our interest bearing bank borrowings.

Our gearing ratio increased slightly from approximately 8.4% as at 31 December 2020 to approximately 9.2% as at 31 December 2021, primarily attributable to the combined effect of (i) the significant increase in interest-bearing bank borrowings; and (ii) the significant increase in our total equity due to the capital contribution of RMB25 million to Shandong Guanze by Mr. Meng and the subscription of share by Billion Vantage at a consideration of HK$16.5 million.

Our gearing ratio increased from approximately 9.2% as at 31 December 2021 to approximately 16.3% for the six months ended 30 June 2022, which was primarily because the balance of interest-bearing borrowing increased from approximately RMB15.0 million as at 31 December 2021 to approximately RMB29.1 million as at 30 June 2022.

COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

We had various lease contracts that had not yet commenced during the Track Record Period. As of 31 December 2019, 2020, 2021 and 30 June 2022, the future lease payments for these non-cancellable lease contracts in the consolidated financial statements were approximately RMB48,000, RMB322,000, RMB240,000, and RMB149,000, respectively.

Contingent liabilities

As at 31 December 2019, 2020, 2021 and 30 June 2022, we had no outstanding contingent liabilities. We currently are not a party to any litigation that is likely to have a material adverse impact on our business, results of operations or financial condition. Our Directors confirm there has no material change in our contingent liabilities since 30 June 2022 and up to Latest Practicable Date.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third-parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

RISK MANAGEMENT

In the normal course of business, we are exposed to various types of risks from changes in market rate and prices, including the interest rate, foreign currency, credit and liquidity.

Details of the risk to which we are exposed are set out in note 32 of the Accountants' Report as contained in Appendix I to this document.

DIVIDENDS

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

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

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

DISTRIBUTABLE RESERVES

As at 30 June 2022, the aggregate amount of reserves available for distribution to the equity holders of our Company amounted to RMB115.5 million.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

The following unaudited [REDACTED] adjusted consolidated net tangible assets of the Group has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "*Preparation of [REDACTED] Financial Information for Inclusion in Investment Circulars*" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the [REDACTED] on our consolidated net tangible assets as of 30 June 2022 as if it had taken place on that day.

The unaudited [REDACTED] adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] been completed as at 30 June 2022 or any future dates.

It is prepared based on our consolidated net tangible assets as of 30 June 2022 as set out in the Accountants' Report as set out in Appendix I to this document, and adjusted as described below. The unaudited [REDACTED] adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this document.

	Audited consolidated net tangible assets attributable to equity holders of our Company as at 30 June 2022[(1)]	**Estimated [REDACTED] from the [REDACTED][(2)]**	**Unaudited [REDACTED] adjusted net tangible assets**	**Unaudited [REDACTED] adjusted net tangible assets per Share[(3)]**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an [REDACTED] of HK$[REDACTED] per Share	177,132	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	177,132	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The consolidated net tangible assets attributable to equity holders of our Company as at 30 June 2022 is extracted from the accountants' report as set out in Appendix I to this document, which is based on the audited consolidated net assets attributable to equity holders as at 30 June 2022 of RMB177,713,000 with an adjustment for intangible assets attributable to equity holders of RMB581,000 (total intangible assets of RMB587,000 deducting 1.09% minority interest) as at 30 June 2022.

(2) The estimated [REDACTED] from the [REDACTED] are based on an [REDACTED] of HK$[REDACTED] per Share or HK$[REDACTED] per Share after deduction of the [REDACTED] fees and related expenses payable by our Group. For the purpose of calculating the estimated [REDACTED] from the [REDACTED] in Renminbi, the translation of Hong Kong dollars into Renminbi was made at the rate of HK$1 to RMB0.90444.

(3) The unaudited [REDACTED] adjusted consolidated net tangible assets per Share are based on [REDACTED] Shares expected to be in issue following the completion of the [REDACTED] assuming that the [REDACTED] has been completed on or before 30 June 2022 without taking into account any shares which may be issued upon exercise of the [REDACTED].

(4) No adjustment has been made to reflect any trading results or open transactions of the Group entered into subsequent to 30 June 2022.

[REDACTED] EXPENSES

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

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

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

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

We confirm that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

RECENT DEVELOPMENT AND SUBSEQUENT EVENTS AFTER THE TRACK RECORD PERIOD

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

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

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Save for the [REDACTED] expenses as disclosed in the paragraph "[REDACTED] Expenses" above and the events after the Track Record Period as set out in Note 33 of the Accountants' Report in Appendix I in this document, our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 30 June 2022, the date of the latest audited financial statements of our Company, and there has been no events since 30 June 2022 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this document.

FUTURE PLANS AND PROSPECTS

Please refer to "Business — Our Business Strategies" in this document for a detailed description of our future plans.

The aggregate [REDACTED] from the [REDACTED] (after deducting [REDACTED] fees and estimated expenses payable in connection with the [REDACTED] and assuming an [REDACTED] of HK$[REDACTED] per Share, being the mid-point of the indicative range of the [REDACTED] of HK$[REDACTED] to HK$[REDACTED] per Share, and assuming the [REDACTED] is not exercised) will be approximately HK$[REDACTED] million. Our Directors intend to apply the [REDACTED] from the [REDACTED] as follows:

(1) approximately HK$[REDACTED] million (representing approximately [REDACTED]% of the [REDACTED]) will be used to expand our customer base and further consolidate our market presence in Shandong Province by expanding to the eastern part of Shandong Province. For further details, please refer to the paragraph headed "Business — Our Business Strategies — Expand our customer base and further consolidate our market presence in Shandong Province by expanding to the eastern part of Shandong Province" in this document;

(2) approximately HK$[REDACTED] million (representing approximately [REDACTED]% of the [REDACTED]) will be used to enhance the delivery of our medical imaging cloud services through strategic acquisition, obtaining the medical device registration certificate and upgrade of our hardware and software. In choosing our acquisition targets, we may consider a target that: (i) has reached a revenue of more than RMB3 million; (ii) has a geographical coverage in China that is complementary to our business and strategies; (iii) has an operational history and track record of more than three years; and (iv) is valued at RMB20 million to RMB40 million, depending on market conditions, industry development and valuation benchmarks. As at the Latest Practicable Date, the Group had not identified any definite target company for the acquisition. For further details, please refer to the paragraph headed "Business — Our Business Strategies — Enhance the delivery of our medical imaging cloud services through strategic acquisition, obtaining the medical device registration certificate and upgrade of our hardware and software" in this document;

(3) approximately HK$[REDACTED] million (representing approximately [REDACTED]% of the [REDACTED]) will be used to horizontally expand our value chain by broadening our product offerings. For further details, please refer to the paragraph headed "Business — Our Business Strategies — Horizontally expand our value chain by broadening our product offerings" in this document;

(4) approximately HK$[REDACTED] million (representing approximately [REDACTED]% of the [REDACTED]) will be used to continue to promote our brands and increase market awareness by participating in exhibitions. For further details, please refer to the paragraph headed "Business — Our Business Strategies — Continue to promote our brands and increase market awareness by participating in exhibitions" in this document;

(5) approximately HK$[REDACTED] million (representing approximately [REDACTED]% of the [REDACTED]) will be used to upgrade our information technology systems. For further details, please refer to the paragraph headed "Business — Our Business Strategies — Upgrade our information technology systems" in this document; and

(6) the remaining balance of approximately HK$[REDACTED] million (representing approximately [REDACTED]% of the [REDACTED]) will be used for additional working capital and other general corporate purposes.

IMPLEMENTATION PLAN

The following table sets our approximate amount, sources of funding, key milestones and timeframe for each strategic plan. Our actual course of business may vary from the business strategies set forth in this document due to unforeseeable events, and there can be no assurance that we will accomplish our business strategies in a timely manner, or at all.

	Key milestones and [REDACTED]			
Major category	**Implementation activities**	**Amount of [REDACTED]**	**Percentage of total [REDACTED]**	**Intended timeframe and approximate amount**
Expand our customer base and further consolidate our market presence in Shandong Province by expanding to the eastern part of Shandong Province	• Setting up sales office and warehouse in Qingdao	HK$[REDACTED] million	[REDACTED]%	2023: HK$[REDACTED] million 2024: HK$[REDACTED] million 2025: HK$[REDACTED] million
	• Purchasing medical imaging printers from different brands or OEM manufacturers and front-end processors for provision of medical imaging cloud services	HK$[REDACTED] million	[REDACTED]%	2023: HK$[REDACTED] million 2024: HK$[REDACTED] million 2025: HK$[REDACTED] million
	• Recruiting additional staff to form a new sales team and engineering team in Qingdao	HK$[REDACTED] million	[REDACTED]%	2023: HK$[REDACTED] million 2024: HK$[REDACTED] million
Enhance the delivery of our medical imaging cloud services through strategic acquisition, obtaining the medical device registration certificate and upgrade of our hardware and software	• Acquiring (i) a company which possesses the technical know-how of developing PACS system and medical imaging cloud storage platform and (ii) a start-up company in AI healthcare industry, which possesses the technical know-how of building an AI system relating to providing a medical diagnosis recommendation by analysing the historical medical images	HK$[REDACTED] million	[REDACTED]%	2023: HK$[REDACTED] million 2024: HK$[REDACTED] million
	• Obtaining the medical device registration certificate for the AI-aided diagnosis system to be developed	HK$[REDACTED] million	[REDACTED]%	2024: HK$[REDACTED] million
	• Upgrading our hardware and software	HK$[REDACTED] million	[REDACTED]%	2023: HK$[REDACTED] million 2024: HK$[REDACTED] million 2025: HK$[REDACTED] million

	Key milestones and [REDACTED]			
Major category	Implementation activities	Amount of [REDACTED]	Percentage of total [REDACTED]	Intended timeframe and approximate amount
Horizontally expand our value chain by broadening our product offerings	• Registering our self-branded mobile X-ray system	HK$[REDACTED] million	[REDACTED]%	2025: HK$[REDACTED] million
	• Registering our self-branded high pressure injector	HK$[REDACTED] million	[REDACTED]%	2024: HK$[REDACTED] million 2025: HK$[REDACTED] million
Continue to promote our brands and increase market awareness by participating in exhibitions	• Participating in the China International Medical Equipment Fair in Shenzhen and Shanghai	HK$[REDACTED] million	[REDACTED]%	2023: HK$[REDACTED] million 2024: HK$[REDACTED] million 2025: HK$[REDACTED] million
	• Participating in the China International Medical Equipment Exhibition in Jinan	HK$[REDACTED] million	[REDACTED]%	2023: HK$[REDACTED] million 2024: HK$[REDACTED] million 2025: HK$[REDACTED] million
Upgrade our information technology systems	• Expanding the features and functionalities of our enterprise resources planning system	HK$[REDACTED] million	[REDACTED]%	2023: HK$[REDACTED] million 2024: HK$[REDACTED] million 2025: HK$[REDACTED] million
	• Upgrading our in-house technology infrastructure	HK$[REDACTED] million	[REDACTED]%	2023: HK$[REDACTED] million 2024: HK$[REDACTED] million 2025: HK$[REDACTED] million

If the [REDACTED] is fixed at the high-end of the indicative range of the [REDACTED], being HK$[REDACTED] per Share, the [REDACTED] we receive from the [REDACTED] will increase by approximately HK$[REDACTED] million. We intend to apply the additional [REDACTED] for the above purposes on a pro-rata basis. If the [REDACTED] is set at the low-end of the indicative range of the [REDACTED], being HK$[REDACTED] per Share, the [REDACTED] we receive from the [REDACTED] will decrease by approximately HK$[REDACTED] million. We intend to reduce the [REDACTED] for the above purposes on a pro-rata basis.

If the [REDACTED] is exercised in full, we estimate that the additional [REDACTED] from the [REDACTED] of these additional Shares to be received by us, after deducting [REDACTED] fees and estimated expenses payable by it, will be approximately (i) HK$[REDACTED] million, assuming the [REDACTED] is fixed at the high-end of the indicative range of the [REDACTED], being HK$[REDACTED] per Share; (ii) HK$[REDACTED] million, assuming the [REDACTED] is fixed at the mid-point of the indicative range of the [REDACTED], being HK$[REDACTED] per Share; and (iii) HK$[REDACTED] million, assuming the [REDACTED] is fixed at the low-end of the indicative range of the [REDACTED], being HK$[REDACTED] per Share. Any additional [REDACTED] received by us from the exercise of the [REDACTED] will also be allocated to the above businesses and projects on a pro-rata basis.

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the [REDACTED] into short-term deposits at licenced commercial banks and/or other authorised financial institutions (as defined

under the Securities and Futures Ordinance) in Hong Kong. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules. We will issue an appropriate announcement if there is any material change to the above proposed use of [REDACTED].

REASONABLENESS AND FEASIBILITY OF OUR EXPANSION PLAN

We believe that our expansion plan is reasonable and feasible given that there is sufficient demand on our products and services and we are able to capture the demand in the new market on the following grounds:

(i) **Growing demand of medical imaging films in China and Shandong Province:** Given the medical imaging scan volume in China and in Shandong Province grew from 2,166.3 million and 155.8 million in 2016 to 2,933.0 million and 211.1 million in 2021, and is expected to grow to 4,313.4 million and 314.2 million in 2030, respectively, according to CIC, and coupled with the relevant government policies and guidelines as detailed in "(v) Supportive government policies" below, which suggested that physical medical imaging films cannot be completely replaced in recent years, there is still a concrete demand for medical imaging films in China and Shandong Province;

(ii) **Growing market size of the medical imaging cloud services industry in China and Shandong Province:** According to CIC, the market size of the medical imaging cloud services industry in China and Shandong Province grew from RMB0.7 billion and RMB0.06 billion in 2016 to RMB3.5 billion and RMB0.3 billion in 2021 and is expected to grow to RMB18.9 billion and RMB1.63 billion in 2030, respectively. Although the medical imaging cloud films cannot fully replace medical imaging films in the forecast period, the existence of favourable government policies and guidelines as detailed in "(v) Supportive government policies" below (which promote the use of medical imaging cloud services including but not limited to digital medical imaging cloud storage platform, digital medical image platform (patients can view their own cloud films by logging into the platform), regional imaging diagnosis platform and PACS system), and the market drivers of the medical imaging cloud services industry (including but not limited to the demand for automation, remote consultation and inter-hospital information sharing and communication, which requires the use of medical imaging cloud services) indicate the growing trend to use the medical imaging cloud services;

(iii) **Potential market demand from East Shandong:** Given (a) the medical imaging scan volume in East Shandong is expected to grow from approximately 84.0 million in 2021 to approximately 105.0 million in 2025; (b) the medical imaging cloud services industry in East Shandong is expected to grow from approximately RMB0.09 billion in 2021 to approximately RMB0.48 billion in 2030; and (c) the number of hospitals in East Shandong is expected to increase from 1,064 hospitals in 2021 to approximately 1,174 in 2025; and (d) the termination of the cooperation with four hospitals from East Shandong during the Track Record Period due to long commuting time from West Shandong to East Shandong as confirmed by our Directors, our Directors expect that East Shandong will provide ready customers to our Group and hence provide sufficient demand for both our Group's medical imaging film products and medical imaging cloud services. In addition, as our Group is an

early mover to the medical imaging cloud services market, our Directors believe that we may be easily tap into the new market in East Shandong due to our Group's familiarity with the medical imaging cloud services market; and

(iv) **Supportive government policies:** According to the Category and Classification List of Medical Devices (2017 Amendment) (《醫療器械分類目錄》(2017修訂)) issued by National Medical Products Administration (國家藥品監督管理局), First Batch Medical Devices Classification Results of Year 2020 (《2020年第一批醫療器械產品分類界定結果匯總》) issued by the Medical Device Research Institute (醫療器械標準研究所) from the National Institute for Food and Drug Control (中國食品藥品檢定研究院) and Class I Medical Devices Catalogue (《第一類醫療器械產品目錄》) issued by National Medical Products Administration, doctors should make a diagnosis based on the medical images printed on the medical laser film, medical dry laser film and thermal film without mentioning the medical images recorded in medical imaging cloud film. Further, National Medical Products Administration issued the Particular Specification for Medical Dry Imaging Films (《醫用乾式膠片專用技術條件》), which discusses the technical requirements of manufacturing of the medical dry imaging films in 2022, the issue of the article may suggest medical dry imaging films are still being widely used in the market and is not going to be completely replaced in recent years.

Notwithstanding the foregoing, according to the national government policies issued between 2015 till present, in particular, the Guiding Opinions on Further Standardising Medical Behaviours and Promoting Rational Medical Examinations (Guo Wei Yi Fa [2020] No.29) (《關於進一步規範醫療行為促進合理醫療檢查的指導意見》國衛醫發 [2020] 29號) and Notice of the General Office of the National Health and Health Commission on Accelerating the Mutual Recognition of Inspection Results (Guo Wei Ban Yi Han [2021] No.392) (《國家衛生健康委辦公廳關於加快推進檢查檢驗結果互認工作的通知》國衛辦醫函 [2021] 392號), the national government has been promoting the use of medical imaging cloud services. Further, some of the provinces including Liaoning, Zhejiang, Shanxi and Guizhou, have published an official pricing guideline for the use of the medical imaging cloud services. Coupled with the growth drivers of the medical imaging cloud services market as disclosed in the "Industry Overview" section of this document, our Directors believe that there is ample opportunity for our Group to capture the medical imaging cloud services market and the allocation of the [REDACTED] [REDACTED] to upgrade and enhance its medical imaging cloud services allows us to further penetrate into the market and enhance our Group's competitiveness.

Our Controlling Shareholder and executive Director, Mr. Meng, started the medical imaging film products and cloud services business in his family home and place of residence, Jinan, which is situated in West Shandong of Shandong Province. Mr. Meng then started to build its customers network in West Shandong first in order to lay a solid foundation and decided to expand its network in East Shandong by leveraging our competitive edge gained from our network in West Shandong to enhance the brand recognition of our Company and capture more business opportunities.

According to CIC, the market of Tier-2 distributors medical imaging film products and the medical imaging cloud services market in East Shandong are fragmented. Our Directors believe that we can tap into the new market in East Shandong taking into consideration the following reasons:

(i) Similar to West Shandong, the medical imaging film products market in East Shandong is dominated by a few international brands. Given our growing market share of our self-branded products in West Shandong, we likewise target to introduce our self-branded products in East Shandong with an aim to reduce our reliance on Honghe Group and the risks in our Group in the event of the full implementation of the "Two Invoice System" in Shandong Province and to expand our market share. Our Directors believe that our self-branded products can tap into the market in East Shandong taking into consideration the following factors:

(a) the unit selling price of our self-branded medical imaging film is generally lower than the unit selling price of international medical imaging films products. Proven by our track record, certain hospitals and healthcare institutions may change their preference to our self-branded products;

(b) our management team and sales and marketing team are familiar with the procurement process of the hospitals and healthcare institutions in Shandong Province;

(c) we are the only provider in Shandong Province which provides both medical imaging film products and medical imaging cloud services, which in turn may facilitate the hospitals and the medical practitioners to adapt to the shift from traditional medical imaging films to medical imaging cloud films; and

(d) our solid and established relationship with various deliverers would be beneficial to our Group in expanding our customer network in East Shandong as a result of their delivery channel.

Meanwhile, as at the Latest Practicable Date, our Group has already been engaged by an end customer located in East Shandong through Shandong AoXiang to provide medical imaging film products and cloud services. During the Track Record Period, our Group's revenue attributable to Shandong AoXiang amounted to approximately RMB4.3 million, RMB5.6 million, RMB7.0 million and RMB2.8 million, respectively, representing approximately 3.1%, 3.1%, 3.3% and 2.8% of our total revenue for the respective year/period, respectively.

(ii) according to CIC, for our distribution business, our Group was the biggest Tier-2 distributor of the Medical Imaging Products Manufacturer in Shandong Province in terms of sales volume in 2021. In respect of our medical imaging cloud services business, our Group was the third largest medical imaging cloud services supplier in Shandong Province with a market share of approximately 4.7%, in terms of sales revenue in 2021. Such established position enables us to easily overcome the entry barrier to tap into the market in East Shandong and have the competitive advantage over other medical imaging products or services providers who are not based in Shandong Province;

(iii) according to CIC, we are the only provider in Shandong Province which provides medical imaging film products together with medical imaging cloud services. As a one-stop medical imaging solutions provider, if our customers procure medical imaging films from us and

depending on our customers' needs, we will provide the medical imaging cloud services along with the medical imaging films so that the medical imaging printers can be connected to our digital medical imaging cloud storage platform to retrieve medical data. Our Directors consider that we can differentiate ourselves from other medical imaging film products providers and medical imaging cloud services providers in East Shandong by specialising in the integration of both hardware and software for offering a one-stop medical imaging products and services to the potential customers in East Shandong; and

(iv) we have been deeply rooted in Shandong Province since our establishment in 2015 and are familiar with the medical imaging market and the business operating environment in Shandong Province (including East Shandong). Our close proximity to East Shandong is beneficial to the establishment and maintenance of our relationship with our target customers in East Shandong. We can therefore leverage on our market knowledge and geographical advantage to expand into and capture business opportunities from East Shandong.

REASONS FOR [REDACTED]

Our principal business objective is to maintain and/or enhance our growth potential and expand our market share. Our Directors believe the estimated net proceed from the [REDACTED] (assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative range of the [REDACTED] after deduction of [REDACTED] fees and estimated expenses in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised) of approximately HK$[REDACTED] million will help us to pursue our business objectives and implement our business strategies.

Based on our consolidated unaudited management accounts as at 31 October 2022, we had approximately RMB36.4 million in cash and bank balances, which was insufficient for the implementation of our future plans. Furthermore, referring to our major costs of operations, including cost of sales, selling and distribution expenses and administrative expenses (excluding [REDACTED]) for the six months ended 30 June 2022, our average monthly costs are approximately RMB[REDACTED] million. As such, our Directors consider that the current cash and bank balances of RMB16.3 million as at 31 October 2022, is only sufficient for the present scale of the business turnover and our Group may not have sufficient internal generated funds to finance our expansion plan while at the same time maintaining sufficient working capital for our Group's operation.

Our Directors decided to proceed with the [REDACTED] for the purpose of our business expansion instead of debt financing based on the following factors:

— financial institutions generally require owners to provide assets as securities for long-term loans;

— if we raise additional funds by debt financing, we may be subject to various covenants under the relevant debt instruments which may restrict our ability to pay dividends or obtain additional financing. Further, the repayment terms of such loans, including but not limited to the covenants and interest rates, may not be commercially acceptable to us. Uncertain interest rate movement in the future may also expose our Group to increasing borrowing costs which may adversely affect our financial performance and liquidity; and

— servicing debt obligations could be burdensome to our operations. If we fail to service such debt obligations on time or we are unable to comply with any of the covenants, we could be in default of such debt obligations and our liquidity, financial credibility and financial condition could be materially and adversely affected. In contrast, by proceeding with equity financing, our Group could enhance our Shareholders' base and no additional financial liability will be incurred.

Finally, it should be noted that in principle, our Directors remain open to the idea of debt financing; and it does not consider debt financing and equity financing to be mutually exclusive. However, our current objective is to obtain a form of financing that is flexible, able to offer favourable terms, and will enable our Group to achieve our expansion plans without being exposed to unproportional financial risks. Our Directors believe that the [REDACTED] will not only provide the Group with funding for the expansion plan, but will also enhance our Group's corporate profile as we become more transparent and become subject to the relevant regulatory supervision of a [REDACTED] company when we become a [REDACTED] company. Our Directors consider that we will also benefit from the [REDACTED] by (i) the enhanced internal control and corporate governance practises which fosters customers' and suppliers' confidence in our Group; and (ii) the ability to retain and hire suitable talents. Furthermore, in the case of future business expansion and long-term development needs and goals, the [REDACTED] will provide us with additional channels to raise funds in the form of equity and/or debt in the capital markets.

Accordingly, our Directors are of the view that it is in the interests of the Company and its Shareholders to finance our future plans by way of the [REDACTED] and [REDACTED].

[REDACTED]

[REDACTED]

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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.

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.

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

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.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended June 30	
	Notes	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
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		22,324	29,043	23,068	11,167	15,402
Attributable to:						
Owners of the parent		22,324	29,043	22,935	11,095	15,316
Non-controlling interests		—	—	133	72	86
		22,324	29,043	23,068	11,167	15,402
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*12*					
Basic and diluted		N/A	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at 30 June
		2019	2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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		15,881	28,018	30,563	32,493
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		120,003	125,867	173,488	199,554
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		61,587	51,633	41,337	53,955
NET CURRENT ASSETS		58,416	74,234	132,151	145,599
TOTAL ASSETS LESS CURRENT LIABILITIES		74,297	102,252	162,714	178,092

	Notes	As at 31 December			As at 30 June
		2019	2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the parent						
	Notes	**Share capital**	**Capital reserve**	**Statutory surplus reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000	*RMB'000* *Note 25(a)*	*RMB'000* *Note 25(b)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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

		Attributable to owners of the parent						
	Notes	**Share capital**	**Capital reserve**	**Statutory surplus reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000	*RMB'000* *Note 25(a)*	*RMB'000* *Note 25(b)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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

(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.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
	Notes	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
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	—
		31,732	43,501	40,078	20,672	24,814
(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		5,511	28,168	3,093	4,579	(2,278)

	Notes	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
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

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

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

* Amount less than RMB1,000.

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. ("Shandong Guanze") 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.

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, results 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)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9, Comparative Information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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).

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.

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:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
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*
	16,621	59,946	47,660	25,282	22,282

* 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.

5. REVENUE, OTHER INCOME AND GAINS

(a) An analysis of revenue 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* (Unaudited)	*RMB'000*
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	11,916	11,640	14,150	6,163	5,851
	140,825	184,435	211,076	106,728	98,621
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	11,916	11,640	14,150	6,163	5,851
Total revenue from contracts with customers	140,825	184,435	211,076	106,728	98,621

(b) Contract liabilities

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	4,559	3,633	1,263	4,053

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.

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

(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 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	30,680	84,872	36,786	129,617
Over one year	12,470	11,969	3,634	50,497
	43,150	96,841	40,420	180,114

(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* (Unaudited)	*RMB'000*
Other income						
Interest on bank deposits		86	28	41	21	25
Gains						
Government grants	*(1)*	—	713	1,037	1,037	1,520
Others		60	4	228	225	95
Total		146	745	1,306	1,283	1,640

(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.

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* (Unaudited)	*RMB'000*
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:

		Year ended 31 December			Six months ended 30 June	
	Note	2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
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
		51	789	597	313	658

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.

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:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Fees	—	—	—	—	—
Other emoluments:					
— Salaries, allowances and benefits in kind	198	198	234	117	117
— Performance related bonuses	74	—	—	—	—
	272	198	234	117	117

Year ended 31 December 2019

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

Year ended 31 December 2020

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

Year ended 31 December 2021

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

Six months ended 30 June 2021

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

Six months ended 30 June 2022

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

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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	312	325	388	166	252
Performance related bonuses	286	—	—	—	—
	598	325	388	166	252

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	4	4	3	3	3

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:

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

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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before tax	29,595	39,003	33,057	16,033	21,494
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	(30)	(35)	(74)	(39)	(30)
Tax charge at the Group's effective rate	7,271	9,960	9,989	4,866	6,092

* 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.

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

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	—	1,185	187	1,032	216	2,620
At 1 January 2019, net of accumulated 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	3,103	6,941	197	737	171	11,149
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	3,103	6,941	197	737	171	11,149

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	3,103	6,941	197	737	171	11,149
At 1 January 2020, net of accumulated 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	6,406	12,714	195	840	126	20,281
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	6,406	12,714	195	840	126	20,281

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	6,406	12,714	195	840	126	20,281
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	5,969	18,121	193	431	103	24,817
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	5,969	18,121	193	431	103	24,817

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	5,969	18,121	193	431	103	24,817
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	5,762	21,029	192	226	80	27,289
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	5,762	21,029	192	226	80	27,289

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.

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:

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

(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 30 June
	2019	2020	2021	2022
	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	32	289	220	185
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 30 June
	2019	2020	2021	2022
	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	137	260	323	160

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	169	2,421	2,590
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	169	2,421	2,590

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

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

16. INVENTORIES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	—	1,252	1,539	922
Finished goods	34,231	20,380	11,032	2,506
	34,231	21,632	12,571	3,428

17. TRADE AND BILLS RECEIVABLES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	66,571	84,709	125,638	149,591
Bills receivable	3,526	12,270	11,887	17,670
Impairment losses	(227)	(349)	(276)	(400)
Trade and bills receivables, net	69,870	96,630	137,249	166,861

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.

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 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	64,178	83,464	123,893	146,967
1 to 2 years	2,166	896	1,469	2,224
	66,344	84,360	125,362	149,191

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

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of year/period	123	227	349	276
Impairment losses *(Note 6)*	104	122	(73)	124
At the end of year/period	227	349	276	400

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

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

As at 31 December 2020

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

As at 31 December 2021

		Past due			
	Current	Within 1 year	1 to 2 years	Over 2 years	Total
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

		Past due			
	Current	Within 1 year	1 to 2 years	Over 2 years	Total
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

		As at 31 December			As at 30 June
	Note	2019	2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
		9,408	2,084	3,433	6,340

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

The Company

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

* Amount less than RMB1,000.

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

The Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
	6,494	5,521	20,235	14,925

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
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	—	4,898	1,923
Denominated in HKD	—	4,898	1,919
Denominated in USD	—	—	4
	—	4,898	1,923

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.

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:

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

Accounts payable do not accrue interest.

21. OTHER PAYABLES AND ACCRUALS

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

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

The Company

		As at 31 December		As at 30 June
	Note	2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
Other payables		—	—	200
		—	—	200

22. INTEREST-BEARING BANK BORROWINGS

As at 31 December 2019

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

(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

	Note	*Effective interest rate*	*Maturity*	*RMB'000*
Current				
Bank loan — unsecured	*(ii)*	3.85%	2021/9/1	4,290
Bank loan — secured — current portion	*(iii)*	6.87%	2021/12/31	431
				4,721
Non-current				
Bank loan — secured	*(iii)*	6.87%	2030/4/23	3,592

(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

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

(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.

As at 30 June 2022

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

(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.

23. DEFERRED TAX

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

Deferred tax assets

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

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.

24. SHARE CAPITAL

Shares

The Company

	Note	As at 31 December 2020	As at 31 December 2021	As at 30 June 2022
		RMB'000	*RMB'000*	*RMB'000*
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
		RMB'000
As at 1 January 2020	—	—
Issue of ordinary shares *(Note (a))*	1	*
As at 31 December 2020 and 1 January 2021	1	*
Issue of ordinary shares *(Note (b))*	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.

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:

	Capital reserve	Accumulated loss	Total
	RMB'000	*RMB'000*	*RMB'000*
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	16,555	(6,675)	9,880
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	16,555	(8,767)	7,788

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
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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	32	1,000	46,270	1,509
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	289	8,313	—	30,642
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	220	15,000	—	4,582
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	185	29,052	—	—

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.

Name of related party	*Notes*	Relationship with the Company
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:

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

(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.

(c) Outstanding balances with related parties:

The Group

	Note	As at 31 December			As at 30 June
		2019	2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*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].

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 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
	74,979	90,361	145,616	172,205
Financial assets at fair value through other comprehensive income:				
Bills receivable	3,526	12,270	11,887	17,670
	78,505	102,631	157,503	189,875

Financial liabilities

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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
	50,336	44,133	36,935	44,757

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
	RMB'000	*RMB'000*
Financial assets		
Debt instruments at fair value through other comprehensive income	3,526	3,526

As at 31 December 2020

	Carrying amounts	Fair values
	2020	2020
	RMB'000	*RMB'000*
Financial assets		
Debt instruments at fair value through other comprehensive income	12,270	12,270

As at 31 December 2021

	Carrying amounts	Fair values
	2021	2021
	RMB'000	*RMB'000*
Financial assets		
Debt instruments at fair value through other comprehensive income	11,887	11,887

As at 30 June 2022

	Carrying amounts	Fair values
	2022	2022
	RMB'000	*RMB'000*
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.

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

As at 30 June 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*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
	12,161	—	—	66,571	78,732

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*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
	18,271	—	—	84,709	102,980

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*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
	32,141	—	—	125,638	157,779

As at 30 June 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	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
	32,684	—	—	149,591	182,275

* 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
	48,307	2,055	50,362

As at 31 December 2020

	Less than 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*
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
	43,742	592	44,334

As at 31 December 2021

	Less than 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*
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
	37,147	154	37,301

As at 30 June 2022

	Less than 1 year	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*
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
	45,048	130	45,178

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.

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:

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

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.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 December 2020 under the Companies Act (As Revised) of the Cayman Islands (the "**Companies Act**"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 7 December 2022 with effect from the [REDACTED] Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting

two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange (the "**Listing Rules**") that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by

recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the Listing Rules that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange or by electronic means or other means in such manner as may be accepted by the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended in respect of any year if approved by the members by ordinary resolution in that year provided that such period shall not be extended beyond sixty (60) days (or such other period as may be prescribed under any applicable law) in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an

annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or

revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable or that based on legal opinions provided by legal advisers, the board considers it necessary or expedient not to offer the shares to such members on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:

(aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and

does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or

credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members.

The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every financial year other than the year of the Company's adoption of the Articles and such annual general meeting must be held within six (6) months after the end of the Company's financial year, unless a longer period would not infringe the Listing Rules.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the Listing Rules, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorised representative or proxy, and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the Listing Rules, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option

of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the

redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 23 December 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be

wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a

consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the paragraph headed "Documents on Display" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on 11 December 2020. Our Company has established its principal place of business in Hong Kong at Unit 02, 8/F, Tung Che Commercial Centre, 246 Des Voeux Road West, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 19 October 2021. Mr. Zhang Senquan (張森泉) of Flat B, 22F, Tower 16, Pacific Palisades, No.1 Braemar Hill Road, North Point, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the Cayman company law and to our constitution comprising the Memorandum and the Articles. A summary of various provisions of our Company's constitution and certain relevant aspects of the Cayman company law is set out in Appendix III to this document.

2. Changes in share capital of our Company

(a) Changes in authorised share capital and issued share capital

(i) As at the date of incorporation of our Company on 11 December 2020, our authorised share capital was HK$380,000 divided into 38,000,000 Shares having a par value of HK$0.01 each.

(ii) As at the date of incorporation, one Share, representing 100% of the then entire issued share capital of our Company, was allotted and issued at par to the initial subscriber, which was then transferred to Meng A Capital on the same day.

(iii) On 9 April 2021, our Company allotted and issued one Share to Tang Operation as consideration for the acquisition of the entire equity interest in Tang B Capital. On the same day, our Company further allotted and issued 98 Shares at par to Meng A Capital.

(iv) On 26 April 2021, our Company allotted and issued 100 Shares to Billion Vantage at a consideration of HK$16.5 million, and 1,782 Shares and 18 Shares at par to Meng A Capital and Tang Operation, respectively.

(v) On 7 December 2022, the authorised share capital of our Company was further increased to HK$[REDACTED] by the creation of further [REDACTED] Shares pursuant to a resolution passed by our Shareholders referred to in paragraph 3 below and subject to the [REDACTED] therein.

(vi) Immediately following completion of the [REDACTED] and the [REDACTED] (taking no account of any Shares which may be issued upon the exercise of the [REDACTED]), the authorised share capital of our Company will be HK$[REDACTED] divided into [REDACTED] Shares, of which [REDACTED] Shares will be issued, fully paid or credited as fully paid, and [REDACTED] Shares will remain unissued.

Other than pursuant to the exercise of the [REDACTED], there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in the paragraphs headed "A. Further Information about Our Company — 3. Written resolutions of all the Shareholders passed on 7 December 2022" and "A. Further Information about Our Company — 4. Reorganisation" below, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Written resolutions of all the Shareholders passed on 7 December 2022

On 7 December 2022, written resolutions of all the Shareholders were passed pursuant to which, among others:

(a) the Memorandum be and was thereby approved and adopted with immediate effect and the Articles be and were thereby conditionally approved and adopted which will come into effect on the [REDACTED] Date, the terms of which are summarised in Appendix III to this document;

(b) the authorised share capital of our Company be increased from HK$380,000 divided into 38,000,000 Shares with a par value of HK$0.01 each to HK$[REDACTED] divided into [REDACTED] Shares with a par value of HK$[REDACTED] each by the creation of an additional [REDACTED] Shares ranking *pari passu* with the existing Shares with immediate effect;

(c) conditional on (A) the Listing Committee of the Stock Exchange granting the [REDACTED] of, and permission to [REDACTED], the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the [REDACTED]); (B) the entering into of the agreement on the [REDACTED] between the [REDACTED] and the [REDACTED] (for themselves and on behalf of the [REDACTED] and the [REDACTED]) and our Company; (C) the execution and delivery of the [REDACTED] Agreements; and (D) the obligations of the [REDACTED] under the [REDACTED] Agreements becoming unconditional and not

being terminated in accordance with the terms of such agreement or otherwise, in each case on or before the date determined in accordance with the terms of the [REDACTED]:

(i) the [REDACTED] was approved and the Directors were authorised to effect the same and to allot and issue the [REDACTED] pursuant to the [REDACTED];

(ii) the [REDACTED] was approved and the Directors were authorised to allot and issue any Shares which may be required to be issued if the [REDACTED] is exercised; and

(iii) conditional upon the share premium amount of our Company being credited as a result of the [REDACTED] or otherwise having sufficient balance, the Directors were authorised to capitalise the amount of HK$[REDACTED] from the amount standing to the credit of the share premium account of our Company to pay up in full at par [REDACTED] Shares for [REDACTED] and issue to holders of Shares whose names appear on the register of members of our Company as of the date of the passing of these resolutions in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then shareholdings in our Company;

(iv) a general unconditional mandate was given to the Directors authorising them to exercise all the powers of our Company to allot, issue and [REDACTED] (otherwise than by way of rights issue or an issue of shares upon the exercise of the [REDACTED] or any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares, or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries or any other person of share or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the [REDACTED] and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or a specific authority granted by the Shareholders in general meeting) any unissued Shares not exceeding [REDACTED] of the total number of shares of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Shares that may be issued upon exercise of the [REDACTED]) and to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertible into Shares) which might require the exercise of such power to issue Shares until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or

(3) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;

(v) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be [REDACTED], and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares not exceeding 10% of the total number of shares of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Shares that may be issued upon exercise of the [REDACTED]), such mandate to remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or applicable laws of the Cayman Islands to be held; or

(3) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;

(vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the total number of shares of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the total number of shares of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (v) above provided that such extended amount shall not exceed 10% of the total number of shares of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Shares that may be issued upon exercise of the [REDACTED]).

4. Reorganisation

In preparation for the [REDACTED], the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group. For further details, please refer to the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this document.

5. Changes in share capital of our subsidiaries

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this document, there has been no alteration in the share capital of any of our subsidiaries within the two years preceding the date of this document.

6. Particulars of our subsidiaries

Particulars of our subsidiaries are set out in the Accountants' Report, the text of which is set out in Appendix I to this document.

7. Securities repurchase mandate

This paragraph includes information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to the written resolution of all the Shareholders passed on 7 December 2022, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorising any repurchase by our Company of Shares as described above in the paragraph headed "A. Further Information about Our Company — 3. Written resolutions of all the Shareholders passed on 7 December 2022".

(ii) Source of Funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands.

(b) Source of funds

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles and the applicable laws and regulations of the Cayman Islands. Pursuant to the Repurchase Mandate, repurchases will be made out of funds of our Company legally permitted to be utilised in this connection, including profits or the share premium of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the Companies Act, out of capital of our Company. Our Company may not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(c) Reasons for repurchases

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit our Company and the Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share.

(d) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after completion of the [REDACTED] and the [REDACTED] (but taking no account of any Shares which may be issued upon the exercise of the [REDACTED]), could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the course of the period (the "**Relevant Period**") prior to the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles and the applicable laws and regulations of the Cayman Islands to be held; or

(iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of the Shareholders in general meeting.

(e) General

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention, if the Repurchase Mandate is approved by the Shareholders, to sell any Shares to our Company or its subsidiaries. There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this document) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum, the Articles and all the applicable laws and regulations of the Cayman Islands.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interest of the Shareholder(s), could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made after the [REDACTED]. Save as aforesaid, our Directors are not aware of any other consequence under the Takeovers Code as a result of a repurchase of Shares made immediately after the [REDACTED].

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell any Shares to our Company or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) an equity transfer agreement dated 14 January 2021 entered into between Mr. Li Mengfang as transferor and Lingyun Scientific Instrument Engineering (Hong Kong) Co., Limited as transferee, pursuant to which Mr. Li Mengfang agreed to transfer 1% equity interest in Guanze International Trading (Shanghai) Co., Ltd. (冠澤國際貿易(上海)有限公司) to Lingyun Scientific Instrument Engineering (Hong Kong) Co., Limited at a consideration of RMB460,000;

(b) an equity transfer agreement dated 1 March 2021 entered into between Mr. Meng Xianzhen as transferor and Guanze Zhihui Medical Technology (Shandong) Co., Ltd. (冠澤智慧醫療科技(山東)有限公司) ("**Shandong Guanze**") as transferee, pursuant to which Mr. Meng Xianzhen agreed to transfer 99% equity interest in Guanze International Trading (Shanghai) Co., Ltd. (冠澤國際貿易(上海)有限公司) to Shandong Guanze at a consideration of RMB45,495,612.9, which shall be settled by way of Shandong Guanze issuing 1% equity interest in Shandong Guanze to Mr. Meng Xianzhen;

(c) a capital increase agreement dated 1 March 2021 entered into among Guanze Zhihui Medical Technology (Jinan) Co., Ltd. (冠澤智慧醫療科技(濟南)有限公司), Mr. Meng Xianzhen and Guanze Zhihui Medical Technology (Shandong) Co., Ltd. (冠澤智慧醫療科技(山東)有限公司) ("**Shandong Guanze**"), pursuant to which Mr. Meng Xianzhen agreed to subscribe for 1% equity interest in Shandong Guanze by contributing his 99% equity interest in Guanze International Trading (Shanghai) Co., Ltd. (冠澤國際貿易(上海)有限公司) to Shandong Guanze;

(d) a sale and purchase agreement dated 9 April 2021 entered into between Tang Operation Limited as vendor and our Company as purchaser, pursuant to which Tang Operation Limited agreed to sell one share of Tang B Capital Limited to our Company in consideration of our Company allotting and issuing one Share to Tang Operation Limited;

(e) a share subscription agreement dated 24 April 2021 entered into between Billion Vantage Asia Limited and our Company, pursuant to which Billion Vantage Asia Limited agreed to subscribe for, and our Company agreed to allot and issue to Billion Vantage Asia Limited, 100 Shares at a consideration of HK$16.5 million;

(f) a capital increase agreement dated 13 September 2021 entered into among Guanze Zhihui Medical Technology (Jinan) Co., Ltd. (冠澤智慧醫療科技(濟南)有限公司), Mr. Meng Xianzhen and Guanze Zhihui Medical Technology (Shandong) Co., Ltd. (冠澤智慧醫療科技(山東)有限公司) ("**Shandong Guanze**"), pursuant to which Mr. Meng Xianzhen agreed to subscribe for 0.1% equity interest in Shandong Guanze by

contributing RMB25 million to Shandong Guanze, RMB3,000 of which would be contributed to the registered capital of Shandong Guanze and the remaining would be credited to the capital reserve of Shandong Guanze;

(g) the [REDACTED] dated 13 December 2022 entered into among our Company, Carsonlin Investment Ltd and [REDACTED], details of which are included in the section headed "[REDACTED]" in this document;

(h) the [REDACTED] dated 13 December 2022 entered into among our Company, Mu Min and [REDACTED], details of which are included in the section headed "[REDACTED]" in this document;

(i) the [REDACTED] dated 13 December 2022 entered into among our Company, Yang Xinyun and [REDACTED], details of which are included in the section headed "[REDACTED]" in this document;

(j) the Deed of Non-competition;

(k) the Deed of Indemnity; and

(l) the [REDACTED].

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group was the registered owner of the following registered trademarks which are material to our business:

No.	Trademark	Registered Owner	Place of Registration	Class	Registration Number	Expiry date
1.	冠泽慧医	Jinan Guanze	PRC	1	39673280	20 March 2030
				9	39676361	20 March 2030
				10	39676383	20 March 2030
				35	39682390	20 March 2030
				38	39699546	20 March 2030
				40	39680863	20 March 2030
				41	39689050	20 March 2030
				42	39676791	20 March 2030
2.		Jinan Guanze	PRC	1	37128424	13 November 2029
				9	37132594	6 January 2031
				10	37129646	13 November 2029
				40	37113894	6 February 2030
3.	冠泽	Jinan Guanze	PRC	1	37109213	13 November 2029
				9	37116363	6 January 2031
				10	37127192	6 February 2030

(b) Copyrights

As at the Latest Practicable Date, our Group has registered the following material copyrights in the PRC:

Software (軟件)

No.	Copyright	Version	Registered owner	Registration number	Date of registration
1	Guanze Smart Cloud Film Software (冠澤智能雲膠片軟件)	V1.0	Shanghai Guanze	2020SR0529893	28 May 2020
2	Guanze Regional Medical Cloud Image Sharing System (冠澤區域醫療雲影像共享系統)	V1.0	Shanghai Guanze	2020SR0529784	28 May 2020
3	Guanze Image Archiving and Transmission Encryption Intelligent Operation Software (冠澤影像歸檔和傳輸加密智能操作軟件)	V1.0	Shanghai Guanze	2020SR0529704	28 May 2020
4	Guanze Cloud Film Client Preview Service System (冠澤雲膠片客戶端預覽服務系統)	V1.0	Shanghai Guanze	2020SR0532713	29 May 2020
5	Guanze Cloud Image Storage and Archive Security Storage Management System (冠澤雲影像存儲和歸檔安全存儲管理系統)	V1.0	Shanghai Guanze	2020SR0532055	29 May 2020
6	Guanze Image Report Automatic Generation Software (冠澤影像報告自動化生成軟件)	V1.0	Shanghai Guanze	2020SR0532063	29 May 2020
7	Guanze Black and White Colour Film Linkage Printing Software (冠澤黑白彩色膠片聯動打印軟件)	V1.0	Shanghai Guanze	2020SR1148835	23 September 2020
8	Guanze Dicom Medical Image Online Cloud Processing Software (冠澤Dicom醫學影像在線雲處理軟件)	V1.0	Shanghai Guanze	2020SR1150033	23 September 2020
9	Guanze CD Self-burning Software (冠澤光盤自助刻錄軟件)	V1.0	Shanghai Guanze	2020SR1150066	23 September 2020
10	Guanze Digital Film Software (冠澤數字膠片軟件)	V1.0	Shanghai Guanze	2020SR1149985	23 September 2020

No.	Copyright	Version	Registered owner	Registration number	Date of registration
11	Guanze Dicom Medical Image Downloading Hybrid Transmission Software (冠澤Dicom醫學影像下載混合傳輸軟件)	V1.0	Shanghai Guanze	2020SR1151517	24 September 2020
12	Guanze Colour Film Self-printing software (冠澤彩色膠片自助打印軟件)	V1.0	Shanghai Guanze	2020SR1151277	24 September 2020
13	Guanze Dicom Medical Image Cross-platform Cloud Processing System Software (冠澤Dicom醫學影像跨平臺雲處理系統軟件)	V1.0	Shanghai Guanze	2020SR1157920	24 September 2020
14	Guanze Self-printing Software (冠澤自助打印軟件)	V1.0	Shanghai Guanze	2020SR1151363	24 September 2020
15	Guanze Medical Film Yield Management Software (冠澤醫用膠片成品率管理軟件)	V1.0	Jinan Guanze	2020SR0427549	9 May 2020
16	Guanze Medical Film Smart Mixing Control System (冠澤醫用膠片智能混料控制系統)	V1.0	Jinan Guanze	2020SR0424792	9 May 2020
17	Guanze Medical Film Cooling and Shaping System (冠澤醫用膠片冷卻定型系統)	V1.0	Jinan Guanze	2020SR0424786	9 May 2020
18	Guanze Medical Film Warehouse Management System (冠澤醫用膠片倉庫管理系統)	V1.0	Jinan Guanze	2020SR0427561	9 May 2020
19	Guanze Medical Film Smart Coating System (冠澤醫用膠片智能塗覆系統)	V1.0	Jinan Guanze	2020SR0428456	9 May 2020
20	Guanze Medical Film Smart Winding Control System (冠澤醫用膠片智能收卷控制系統)	V1.0	Jinan Guanze	2020SR0428462	9 May 2020
21	Guanze Medical Film Plasticizing Extrusion Temperature Control System (冠澤醫用膠片塑化擠出溫度控制系統)	V1.0	Jinan Guanze	2020SR0428451	9 May 2020
22	Guanze Medical Film Transportation Management System (冠澤醫用膠片運輸管理系統)	V1.0	Jinan Guanze	2020SR0428612	9 May 2020

No.	Copyright	Version	Registered owner	Registration number	Date of registration
23	Guanze Medical Film Storage Temperature Control System (冠澤醫用膠片存儲溫度控制系統)	V1.0	Jinan Guanze	2020SR0427543	9 May 2020
24	Guanze Medical Film Production Management System (冠澤醫用膠片生產管理系統)	V1.0	Jinan Guanze	2020SR0425427	9 May 2020
25	Guanze Medical Film Sales Management Platform (冠澤醫用膠片銷售管理平臺)	V1.0	Jinan Guanze	2020SR0428624	9 May 2020
26	Guanze Medical Film Raw Material Preparation Intelligent Processing System (冠澤醫用膠片原料準備智能處理系統)	V1.0	Jinan Guanze	2020SR0428618	9 May 2020
27	Guanze Medical Device Information Collection and Analysis Software (冠澤醫療器械信息採集和分析軟件)	V1.0	Jinan Guanze	2020SR0427538	9 May 2020
28	Guanze Medical Film Quality Inspection System (冠澤醫用膠片質量檢測系統)	V1.0	Jinan Guanze	2020SR0427555	9 May 2020
29	Guanze Medical Film Smart Slitting System (冠澤醫用膠片智能分切系統)	V1.0	Jinan Guanze	2020SR0424678	9 May 2020
30	Guanze Cloud Imaging Online Diagnosis Platform (冠澤雲影像在線診斷平臺)	V1.0	Jinan Guanze	2020SR0521686	27 May 2020
31	Guanze Cloud Image Storage and Archiving Platform (冠澤雲影像存儲和歸檔平臺)	V1.0	Jinan Guanze	2020SR0521465	27 May 2020
32	Guanze Image Reporting Software (冠澤影像報告軟件)	V1.0	Jinan Guanze	2020SR0523912	27 May 2020
33	Guanze Cloud Film Software (冠澤雲膠片軟件)	V1.0	Jinan Guanze	2020SR0521646	27 May 2020
34	Guanze Image Archiving and Transmission Software (冠澤影像歸檔和傳輸軟件)	V1.0	Jinan Guanze	2020SR0523926	27 May 2020
35	Guanze Dicom Medical Image Cross-platform Cloud Processing System Software (冠澤Dicom醫學影像跨平臺雲處理系統軟件)	V1.0	Jinan Guanze	2020SR1156780	24 September 2020

No.	Copyright	Version	Registered owner	Registration number	Date of registration
36	Guanze Dicom Medical Image Downloading Hybrid Transmission Software (冠澤Dicom醫學影像下載混合傳輸軟件)	V1.0	Jinan Guanze	2020SR1156754	24 September 2020
37	Guanze Image Report Intelligent Generation Software (冠澤影像報告智能生成軟件)	V1.0	Jinan Guanze	2020SR1156758	24 September 2020
38	Guanze Self-printing Software (冠澤自助打印軟件)	V1.0	Jinan Guanze	2020SR1161088	25 September 2020
39	Guanze Digital Film Software (冠澤數字膠片軟件)	V1.0	Jinan Guanze	2020SR1159699	25 September 2020
40	Guanze CD Self-burning Software (冠澤光盤自助刻錄軟件)	V1.0	Jinan Guanze	2020SR1161095	25 September 2020
41	Guanze Dicom Medical Image Online Cloud Processing Software (冠澤Dicom醫學影像在線雲處理軟件)	V1.0	Jinan Guanze	2020SR1160289	25 September 2020
42	Guanze Black and White Colour Film Intelligent Automatic Discrimination Printing Software (冠澤黑白彩色膠片智能自動分辨打印軟件)	V1.0	Jinan Guanze	2020SR1553909	9 November 2020
43	Guanze 3D Image Self-Printing Software (冠澤三維圖像自助打印軟件)	V1.0	Jinan Guanze	2020SR1558086	9 November 2020

(c) Domain Name

As at the Latest Practicable Date, our Group has registered the following domain name that is material to the operation of our business:

Domain Name	Date of Registration	Expiry Date	Registrant
www.guanzegroup.com	10 September 2021	10 September 2031	Shanghai Guanze

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SHAREHOLDERS

1. Interests and short positions of Directors in the share capital of our Company

Immediately following completion of the [REDACTED] and the [REDACTED] (taking no account of Shares which may be issued pursuant to the exercise of the [REDACTED]), the interests or short positions of each of the Directors and the chief executives in the share capital, underlying shares and debentures of our Company which, once the Shares are [REDACTED], will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are [REDACTED], will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange are set out as follows:

(a) Interests in our Company

Name of Director	Nature of interest	Number of Shares in our Company *(Note 1)*	Approximate percentage of interest
Mr. Meng	Interest in controlled corporation *(Note 2)*	[REDACTED] (L)	[REDACTED]%

Notes:

(1) The letter "L" denotes our Directors' long position in the shares of our Company.

(2) Mr. Meng directly holds 100% of Meng A Capital. Accordingly, Mr. Meng is deemed to be interested in all the Shares held by Meng A Capital for the purpose of the SFO.

(b) Interests in shares of associated corporations of our Group

Name of Director	Name of associated corporation	Nature of interest	Approximate percentage of interest in the associated corporation
Mr. Meng	Shandong Guanze	Beneficial owner *(Note 1)*	1.10%

Note:

(1) Mr. Meng owns 1.10% of Shandong Guanze, which owns 99% of Shanghai Guanze. Shanghai Guanze owns 100% of Jinan Guanze.

2. Interests and short positions of substantial Shareholders in the share capital of our Company

Interests in our Company

So far as the Directors are aware, immediately following completion of the [REDACTED] and the [REDACTED] (taking no account of Shares which may be issued pursuant to the exercise of the [REDACTED]), in addition to the interests disclosed under the paragraphs headed "C. Further Information about Our Directors and Shareholders — 1. Interests and short positions of Directors in the share capital of our Company" above, the persons (not being a director or chief executive of our Company) who will have interests or short positions in the Shares and underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Name of Shareholder	Capacity/ nature of interest	Number of Shares *(Note 1)*	Approximate percentage of shareholding
Meng A Capital	Beneficial owner	[REDACTED] (L)	[REDACTED]%
Ms. Yang Duanling	Interest of spouse *(Note 2)*	[REDACTED] (L)	[REDACTED]%

Notes:

(1) The letter "L" denotes a person's long position in our Shares.

(2) Ms. Yang Duanling is the spouse of Mr. Meng, who is interested in [REDACTED] Shares as set out in "—1. Interests and short positions of Directors in the share capital of our Company" above. Ms. Yang Duanling is therefore deemed to be interested in all Shares in which Mr. Meng is interested for the purpose of the SFO.

Save as disclosed herein but taking no account of any Shares which may be issued pursuant to the exercise of the [REDACTED], the Directors are not aware of any person (not being a director or chief executive of our Company) who will immediately following completion of the [REDACTED] and the [REDACTED] have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will immediately following completion of the [REDACTED] and the [REDACTED] be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital in any associated corporations of our Company carrying rights to vote in all circumstances at general meetings of associated corporation of our Company.

3. Directors' service contracts and remuneration

(a) Directors' service contracts

Executive Directors

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the [REDACTED] Date, which may be terminated by not less than three months' notice in writing served by either party on the other. The current basic annual salaries of the executive Directors are as follows:

Name	Approximate annual salary
	(HK$)
Mr. Meng	300,000
Mr. Guo Zhenyu	120,000

Non-executive Director

Our non-executive Director has entered into a letter of appointment with our Company for a term of three years commencing from the [REDACTED] Date, which may be terminated by not less than three months' notice in writing served by either party on the other. The director's fee of the non-executive Director per annum is as follows:

Name	Director's fee
	(HK$)
Ms. Meng Cathy	120,000

Independent non-executive Directors

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the [REDACTED] Date, which may be terminated by not less than three months' notice in writing served by either party on the other. The director's fee of the independent non-executive Directors per annum are as follows:

Name	Director's fee
	(HK$)
Dr. Zhao Bin	120,000
Dr. Chang Shiwang	120,000
Dr. Wong Man Hin Raymond	240,000

Save for Directors' fees, none of the independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(b) Directors' remuneration

For the three years ended 31 December 2021 and the six months ended 30 June 2022, the aggregate amount paid to our Directors as remuneration (including the aggregate amount of fees, salaries, discretionary bonus, welfare contribution plans, other allowances and other benefits in kind) were RMB272,000, RMB198,000, RMB234,000 and RMB117,000 respectively.

Under the arrangements currently in force, the estimated total remuneration (including the aggregate amount of fees, salaries, discretionary bonus, welfare contribution plans (including pensions), housing, other allowances and other benefits in kind) payable to our Directors for the year ending 31 December 2022 will be approximately RMB309,000. There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this document.

4. Disclaimers

Save as disclosed in this document:

(a) none of the Directors nor any of the persons whose names are listed in the paragraph headed "D. Other Information — 6. Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of the Directors nor any of the persons whose names are listed in the paragraph headed "D. Other Information — 6. Qualifications of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group;

(c) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(d) none of the Directors or their close associates (as defined in the Listing Rules) or existing Shareholders of our Company (who, to the knowledge of the Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers of our Company; and

(e) none of the Directors or their close associates (as defined in the Listing Rules) or our existing Shareholders of our Company (who, to the knowledge of the Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest suppliers of our Company.

D. OTHER INFORMATION

1. Estate duty, tax and other indemnity

The Controlling Shareholders (the "**Indemnifiers**") have entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for estate duty under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) which might be incurred by any member of our Group on or before the [REDACTED] Date and any taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the date on which the [REDACTED] becomes unconditional.

2. Litigation

As at the Latest Practicable Date, neither our Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against our Company or any of its subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Group.

3. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$84,000 and are payable by our Company.

4. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed above, within the two years immediately preceding the date of this document, no cash, securities or other benefits have been paid, allotted or given to any promoters in connection with the [REDACTED] or the related transactions described in this document.

5. Sole Sponsor

The Sole Sponsor made an application on our behalf to the Listing Committee of the Stock Exchange for [REDACTED] of, and permission to [REDACTED], the Shares in issue and Shares to be issued as mentioned herein (including the Shares to be issued pursuant to the [REDACTED] and any Shares falling to be issued pursuant to the exercise of the [REDACTED]). All necessary arrangements have been made to enable such Shares to be admitted into [REDACTED]. The Sole Sponsor confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of HK$4.8 million to act as sponsor to our Company in the [REDACTED].

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualification
Southwest Securities (HK) Capital Limited	Licenced under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Jingtian & Gongcheng (Shanghai Office)	Legal advisers to our Company as to PRC law
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
China Insights Industry Consultancy Limited	Industry consultant

7. Consents of experts

Each of the experts named in paragraph 6 above has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named in paragraph 6 above has any shareholding interests in our Group or any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of our Group.

8. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. Agency fees or commission received

The [REDACTED] will receive an [REDACTED], as referred to under the section headed "[REDACTED] — [REDACTED] — [REDACTED]" in this document.

10. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;

(iv) no founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued; and

(v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries.

(b) Since 31 December 2021, being the date of our latest audited consolidated financial results as set out in "Accountants' Report" in Appendix I to this document, there has been no material adverse change in the financial or trading position or prospects of our Group.

(c) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

(d) Subject to the provisions of the Companies Act, the principal register of members of our Company will be maintained in the Cayman Islands by [REDACTED] and a branch register of members of our Company will be maintained in Hong Kong by [REDACTED]. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our [REDACTED] in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into [REDACTED] for clearing and settlement.

(e) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(f) There are no arrangements in existence under which future dividends are to be or agreed to be waived.

11. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by Section 4 of [REDACTED].

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the [REDACTED];

(b) copies of each of the material contracts referred to in "Statutory and General Information — B. Further Information about the Business of our Company — 1. Summary of material contracts" in Appendix IV to this document; and

(c) the written consents referred to in "Statutory and General Information — D. Other Information — 7. Consents of experts" in Appendix IV to this document.

DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.guanzegroup.com** during a period of 14 days from the date of this document:

(a) the Memorandum and Articles of Association;

(b) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Group for the Track Record Period;

(d) the report from Ernst & Young relating to the unaudited [REDACTED] financial information of our Group, the text of which is set out in Appendix II to this document;

(e) the letter of advice prepared by Conyers Dill & Pearman, our legal adviser on Cayman Islands law, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this document;

(f) the legal opinions prepared by Jingtian & Gongcheng (Shanghai Office), our legal adviser on PRC law, in respect of certain aspects of our Group and our property interests;

(g) the material contracts referred to in "Statutory and General Information — B. Further Information about the Business of our Company — 1. Summary of material contracts" in Appendix IV to this document;

(h) the written consents referred to in "Statutory and General Information — D. Other Information — 7. Consents of experts" in Appendix IV to this document;

(i) the service contracts and appointment letters referred to in "Statutory and General Information — C. Further Information about our Directors and Shareholders — 3. Directors' service contracts and remuneration" in Appendix IV to this document;

(j) the industry report issued by China Insights Industry Consultancy Limited, the summary of which is set out in the section headed ''Industry Overview'' in this document; and

(k) the Companies Act.