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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2427)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
REVENUE	4	177,112	211,076
Cost of sales		(96,136)	(135,377)
Gross profit		80,976	75,699
Other income and gains	4	2,068	1,306
Selling and distribution expenses		(23,473)	(24,943)
Administrative expenses		(27,496)	(17,849)
Research and development costs		(542)	(396)
Impairment losses on trade receivables		(200)	73
Finance costs		(1,031)	(597)
Other expenses		(340)	(236)
PROFIT BEFORE TAX	5	29,962	33,057
Income tax expense	6	(11,676)	(9,989)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		18,286	23,068

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME** *(Continued)*

Year ended 31 December

	<i>Note</i>	2022 RMB'000	<i>2021</i> <i>RMB'000</i>
Attributable to:			
Owners of the parent		17,944	22,935
Non-controlling interests		342	133
		<u>18,286</u>	<u>23,068</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u>RMB0.02</u>	<u>RMB0.03</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		29,979	24,817
Right-of-use assets		4,385	4,672
Intangible assets		169	1,005
Deferred tax assets		113	69
		<hr/>	<hr/>
Total non-current assets		34,646	30,563
CURRENT ASSETS			
Inventories		15,405	12,571
Trade and bills receivables	9	154,951	137,249
Prepayments, other receivables and other assets	10	93,353	3,433
Cash and cash equivalents		29,368	20,235
		<hr/>	<hr/>
Total current assets		293,077	173,488
CURRENT LIABILITIES			
Trade payables	11	2,291	14,811
Contract liabilities	4	1,585	1,263
Other payables and accruals	12	29,219	2,641
Interest-bearing bank borrowings		25,535	15,000
Due to a controlling shareholder		1,376	4,582
Lease liabilities		50	66
Tax payables		6,930	2,974
		<hr/>	<hr/>
Total current liabilities		66,986	41,337
NET CURRENT ASSETS		226,091	132,151
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		260,737	162,714
		<hr/>	<hr/>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(Continued)*
As at 31 December

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	<u>96</u>	<u>154</u>
Total non-current liabilities	<u>96</u>	<u>154</u>
Net assets	<u>260,641</u>	<u>162,560</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	8,576	–
Reserves	<u>251,560</u>	<u>162,397</u>
	<u>260,136</u>	<u>162,397</u>
Non-controlling interests	<u>505</u>	<u>163</u>
Total equity	<u>260,641</u>	<u>162,560</u>

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Guanze Medical Information Industry (Holding) Co., Ltd. is a limited liability company incorporated in the Cayman Islands on 11 December 2020. The registered 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 year ended 31 December 2022, the Company's subsidiaries were involved in the following principal activities in the PRC:

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

The Shares of the Company were listed on the Main Board of the Stock Exchange on 29 December 2022.

2.1 BASIS OF PREPARATION

These financial statements have 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**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have 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 Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. 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 generated all of its revenues in the PRC and its non-current assets were located in the PRC during the year, no geographical segments are presented.

Information about major customers

Revenue from operations of approximately RMB177.1 million and RMB211.1 million for the years ended 31 December 2022 and 2021, respectively, was derived from sales of medical imaging film products and the provision of medical imaging cloud services. Revenue from the sales of medical imaging film products and the provision of medical imaging cloud services accounted for approximately 89% and 11% of the total revenue of the year ended 31 December 2022, respectively (2021: 93% and 7%).

Revenue derived from sale to individual customers which accounted for over 10% of the total revenue of the Group during the year is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Customer A	19,198	22,011
Customer B	17,976	25,649
	<u>37,174</u>	<u>47,660</u>

4. REVENUE, OTHER INCOME AND GAINS

(a) An analysis of revenue is as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers by types of goods or services		
Sales of medical imaging film products	157,507	196,926
Provision of medical imaging cloud services	19,605	14,150
	<u>177,112</u>	<u>211,076</u>
Timing of revenue recognition		
Goods transferred at a point in time	157,507	196,926
Services transferred over time	19,605	14,150
	<u>177,112</u>	<u>211,076</u>
Total revenue from contracts with customers	<u>177,112</u>	<u>211,076</u>

(b) Contract liabilities

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contract liabilities	<u>1,585</u>	<u>1,263</u>

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

(i) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>766</u>	<u>3,172</u>

(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 as services are rendered. As the services are provided together with the medical imaging film products to customers, 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 2022 and 31 December 2021 are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Within one year	25,960	36,786
Over one year	1,998	3,634
	<u>27,958</u>	<u>40,420</u>

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

	Note	Year ended 31 December	
		2022	2021
		RMB'000	RMB'000
Other income			
Interest on bank deposits		32	41
Gains			
Government grants	(1)	1,582	1,037
Others		454	228
		<u>2,068</u>	<u>1,306</u>

(1) The government grants mainly represent subsidies received from the local governments for the purpose of rewarding the Group for its 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.

5. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Cost of inventories sold	92,977	132,660
Cost of services provided	3,159	2,105
Employee benefit expenses	4,645	3,618
— Wages, salaries and allowances	3,613	2,634
— Social insurance and housing fund	967	765
— Welfare and other expenses	65	219
Research and development costs	542	396
Listing expenses	18,418	9,601
Depreciation of items of property, plant and equipment	4,167	3,275
Impairment of trade receivables	200	(73)
Depreciation of right-of-use assets	287	310
Amortisation of intangible assets	836	833

6. 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 year is analysed as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current — Mainland China	11,720	9,926
Deferred tax	(44)	63
	<u>11,676</u>	<u>9,989</u>
Total tax charge for the year	<u>11,676</u>	<u>9,989</u>

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit before tax	<u>29,962</u>	<u>33,057</u>
Tax at the statutory tax rate of 25% in Mainland China*	7,491	8,264
Expenses not deductible for tax	4,321	1,799
Extra deduction of research and development expenses	(136)	(74)
Tax charge at the Group's effective rate	<u>11,676</u>	<u>9,989</u>

* In mainland China, the current income tax has been provided based on the statutory rate of 25% of the assessable profit of the subsidiaries of the Group in Mainland China as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008.

7. DIVIDENDS

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Proposed final — HK2.1 cents (2021: nil) per ordinary Share	<u>19,950</u>	<u>—</u>
	<u>19,950</u>	<u>—</u>

The proposed final dividend for the year ended 31 December 2022 is subject to the approval of the Shareholders at the forthcoming annual general meeting.

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

For the purpose of computing basic and diluted earnings per Share, the number of ordinary Shares has been adjusted retrospectively for the effect of the issue of capital as described in note 13 as if the issue of capital had been completed on 1 January 2021.

The calculation of the basic earnings per Share amount is based on the profit for the year ended 31 December 2022 attributable to ordinary equity holders of the parent of RMB20.2 million (2021: RMB22.9 million), and the weighted average number of ordinary shares of 766,132,055 (2021: 757,150,000) in issue during the year ended 31 December 2022.

No adjustment has been made to the basic earnings per Share amount presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the Group had no potential dilutive ordinary Shares in issue during the periods.

The calculation of basic and diluted earnings per Share is based on:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per Share calculation	<u>17,944</u>	<u>22,935</u>
	<u>17,944</u>	<u>22,935</u>
	Number of Shares	
	2022	2021
Shares		
Weighted average number of ordinary Shares in issue during the year used in the basic and diluted earnings per Share calculation	<u>766,132,055</u>	<u>757,150,000</u>
	<u>766,132,055</u>	<u>757,150,000</u>

9. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables	145,277	125,638
Bills receivable	10,150	11,887
Impairment losses	(476)	(276)
Trade and bills receivables, net	<u>154,951</u>	<u>137,249</u>

Trade and bills receivables mainly represented receivables from sales of medical imaging film products and provision of 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. The Group has certain concentrations of credit risk that may arise from the exposure to the trade receivables of its five largest customers accounting for approximately 40.0% and 34.6%, of the Group's total trade receivables as at 31 December 2022 and 2021, respectively. The Group also has concentrations of credit risk, that may arise from the exposure to the trade receivables of its largest customer accounting for approximately 16.8% and 12.1%, of the Group's total trade receivables as at 31 December 2022 and 2021, respectively. 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 2022 and 2021, the Group has discounted certain bank acceptance notes before maturity and the amounts of notes, which were discounted and not due are RMB6.7 million and RMB2.2 million, respectively. Upon the above discounting, the Group has derecognised the notes with an amount of RMB2.2 million. These derecognised bank acceptance notes have maturity dates of less than twelve months from the end of each year. 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 that the banks which issued these notes are of good credit quality and non-settlement of these notes are highly likely to be settled by the banks upon maturity. The Group continued to recognise endorsed notes receivable and the associated liabilities amounting to RMB4.5 million. The Directors considered that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining endorsed notes.

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

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	142,249	123,893
1 to 2 years	2,552	1,469
	<u>144,801</u>	<u>125,362</u>

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

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	276	349
Impairment losses (<i>Note 5</i>)	200	(73)
At end of year	<u>476</u>	<u>276</u>

An impairment analysis is performed at the end of each year 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 2022

	Current	Past due			Total
		Within 1 year	1 to 2 years	Over 2 years	
Expected credit loss rate	0.12%	0.24%	5.31%	100.00%	
Gross carrying amount (RMB'000)	121,129	21,316	2,695	137	145,277
Expected credit losses (RMB'000)	145	51	143	137	476

As at 31 December 2021

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

The Directors have carefully assessed the lifetime expected credit loss of trade receivables throughout the year. As at 31 December 2022 and 2021, there was no significant change for expected loss rate for trade receivables as the Directors have considered that (i) the major customers and historical credit loss experience have hardly changed and (ii) there is no material change in the risk pattern and forward-looking factors.

There was an increase in the expected credit loss rate as at 31 December 2022 to reflect the adverse impact of the delay of payments of certain customers, who are public hospitals due to the macroeconomic environment.

10. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	As at 31 December	
		2022 RMB'000	2021 RMB'000
Other receivables	(i)	82,419	–
Deposits	(ii)	56	19
Prepayments		7,121	583
Deferred listing expense		–	2,599
Deductible value-added tax		3,757	232
		<u>93,353</u>	<u>3,433</u>

(i) On 29 December 2022, upon Listing on the Stock Exchange, the Company issued 192,850,000 new ordinary Shares with a par value HK\$0.01 each at HK\$0.53 per Share for a total cash consideration of HK\$102,210,500. The respective share capital amount was approximately RMB1.73 million. As at 31 December 2022, the Company has received the proceeds from Listing of approximately HK\$10.3 million. The rest amount of approximately HK\$91.9 million (equivalent to approximately RMB82.4 million) was received on 5 January 2023 according to terms with syndicated capital market intermediary and recorded as other receivables as at 31 December 2022.

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

11. TRADE PAYABLES

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

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	<u>2,291</u>	<u>14,811</u>
	<u>2,291</u>	<u>14,811</u>

Accounts payable do not earn interest.

12. OTHER PAYABLES AND ACCRUALS

	Note	As at 31 December	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Other payables	(i)	<u>28,509</u>	<u>2,322</u>
Payroll and welfare payables		<u>710</u>	<u>319</u>
		<u>29,219</u>	<u>2,641</u>

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

13. SHARE CAPITAL

Shares

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Issued and fully paid: Ordinary Shares	<u>8,576</u>	<u>*</u>

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, 2021 (<i>Note (a)</i>)	1	*
Issue of ordinary Shares (<i>Note (b)</i>)	1,999	*
As at 31 December, 2021 and as at 1 January, 2022	<u>2,000</u>	<u>*</u>
Issuance of Shares (<i>Note (c)</i>)	757,148,000	6,848
Issue of Shares for the initial public offering (“ IPO ”) (<i>Note (d)</i>)	192,850,000	1,728
As at 31 December 2022	<u>950,000,000</u>	<u>8,576</u>

* 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 Limited. The Company is an investment holding company.
- (b) On 9 April 2021, Tang Operation Limited transferred one share of Tang B Capital Limited, representing the entire issued share capital of Tang B Capital Limited, to the Company on 9 April 2021 in consideration of the allotment and issue of one Share in the Company, credited as fully paid, to Tang Operation Limited. On the same day, the Company further allotted and issued 98 Shares at par to Meng A Capital Limited. On 26 April 2021, Billion Vantage Asia Limited 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 Limited and Tang Operation Limited, 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 Limited and Tang Operation Limited, respectively.
- (c) Pursuant to the resolution in writing of the Shareholders passed on 7 December 2022, conditional upon the share premium amount of the Company being credited as a result of the offering of the Shares or otherwise having sufficient balance, the Directors were authorised to capitalise the amount of HK\$7,571,480 from the amount standing to the credit of the share premium account of the Company to pay up in full at par 757,148,000 Shares for allotment and issue to holders of shares whose names appear on the register of members of the Company as of 7 December 2022.
- (d) On 29 December 2022, upon Listing on the Stock Exchange, the Company issued 192,850,000 new ordinary Shares with a par value HK\$0.01 each at HK\$0.53 per Share for a total cash consideration of HK\$102,210,500. The respective share capital was approximately RMB1.73 million.

There were 950,000,000 Shares issued and outstanding as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY

The Company is a comprehensive medical imaging solutions provider, principally engaged in providing medical imaging film products and medical imaging cloud services in Shandong Province. The Company is a holding company of the Group which was incorporated in the Cayman Islands as an exempted company with limited liability on 11 December 2020 to prepare for the Listing and was listed on the Main Board of the Stock Exchange on 29 December 2022. We are the only provider in Shandong Province which provides medical imaging film products together with medical imaging cloud services.

BUSINESS REVIEW

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. 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.

1. Sales of medical imaging film products

We are engaged in the sales of (i) medical imaging films procured from international brands; 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 sales 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 types of medical imaging films distributed or provided by us primarily include medical dry laser films, thermal films and medical printing films.

For the year ended 31 December 2022, the revenue from the sales of medical imaging film products was RMB157.5 million. Despite the impact of the pandemic, the level of revenue decreased slightly (2021: RMB196.9 million). However, through the efforts of all staff and cost savings, we maintained an increase in net profit after deducting non-recurring profit and loss. Meanwhile, it is worth noting that (i) the gross profit increased due to a significant decrease in the cost of sales; and (ii) the self-branded “Guanze Huiyi” was recognized by more customers, accounting for a percentage of the total revenue of medical imaging film products of 44.1% for the year ended 31 December 2022 as compared with 27.9% for the same period in 2021. The increase in the revenue of Guanze Huiyi’s medical imaging film and its percentage of total revenue is due to (i) our active development of our self-branded medical imaging film; and (ii) the transition of some customers from purchasing medical dry laser film from other medical imaging products manufacturer to purchasing our self-branded medical dry laser film which has higher cost performance.

2. Provision of medical imaging cloud services

We 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 sales of medical imaging films. 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 clearing 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.

For the year ended 31 December 2022, the revenue from provision of medical imaging cloud services increased to approximately RMB19.6 million from approximately RMB14.2 million for the year ended 31 December 2021, representing an increase of 38.0%. The increase in revenue is due to (i) the higher premium rate charged to the existing customers in view of their increased demand for the functions of the medical imaging cloud services; and (ii) the number of customers subscribed for the medical imaging cloud services increased from 53 for the year ended 31 December 2021 to 59 for the year ended 31 December 2022.

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; and
- upgrade our information technology systems.

IMPACT OF POLICY AND UNCERTAINTIES

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.

OUTLOOK

It is expected that the medical imaging cloud services will bring business growth to Guanze Medical in terms of the following:

- (a) with the rapid development of the medical imaging market in China, the use of digital medical imaging film supported by medical imaging cloud services will also be a development trend in the future. 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 to enhance 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 medical 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%.
- (b) 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 grow continuously and reach approximately RMB1.63 billion in 2030 with a CAGR of approximately 20.5%.
- (c) the development of digital healthcare has created a rare historical opportunity for the further implementation of medical alliances. As the only solution provider in Shandong Province which provides medical imaging film products together with medical imaging cloud services, we have worked closely with healthcare institutions in Shandong Province since we commenced our business, we have accumulated extensive business experience and been striving to improve our service quality. At the same time, we will actively participate in the reform of the medical industry in China, and use our experience and global resources to accelerate technological innovation in core areas.

Guanze Medical’s Business Development Strategy

The listing of “Guanze Medical” will not only provide funds for the expansion plan of the Group, but also enhance the corporate image of the Group as we become more transparent as a listed company and are subject to relevant regulatory supervision of listed companies. The Directors believe that through enhanced internal control and corporate governance practices, we will boost the confidence of customers and suppliers in the Group, retain suitable personnel thereby benefit from the Listing. In addition, in the event of future business expansion and long-term development needs and goals, the Listing will provide us with additional channels to raise funds in the capital market in the form of equity and/or debt, which is in the interests of the Company and the Shareholders.

As a listed medical imaging solution provider, we must be vigilant of the current situation that we face. We will seize opportunities to overcome challenges and improve the equipment of related medical devices at the same time. We endeavour to recognize the situation clearly and be open to transformation so as to formulate effective development strategies. In summary, we are committed to the following:

(a) Strengthening operational risk management

Firstly, we will strengthen the business training for relevant staff to enable a good awareness of risk management, and supervise all processes such as storage, sales, and installation of medical devices. Secondly, the medical device recall system must be prepared in advance, and corresponding coping strategies must be in place. We must carry out risk management at the institutional level, to improve the pervasive mechanism and the response mechanism for issues;

(b) Creating a strong brand strategy

Brand strategy is an inseparable focus of marketing activities and business operations, and an intangible asset. Branding can provide businesses and customers with more value than the products.

(c) Strengthening financial risk control

We will focus on capital operation risk control, including inventory management, based on sales. When preparing production budgets, we will evaluate and analyze market conditions and sales conditions to avoid increasing inventory backlogs due to blind production. We will guard ourselves against capital recovery risks and strengthen working capital risk management and control, etc.

Our Directors believe that there is ample opportunity for our Group to capture the medical imaging cloud services market and the allocation of approximately 37.3% of the net proceeds from Listing to upgrade and enhance its medical imaging cloud services will further facilitate market penetration and enhance our Group's competitiveness. According to China Insights Industry Consultancy Limited ("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 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 film 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.

Technological Innovation

The healthcare systems in developed countries started the shift from traditional medical imaging films to digital films over the past two decades, and digitisation in medical imaging has since gradually become a global trend. 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. 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.

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.

The Group has strong research and development capabilities, following the trend of growing demand for medical imaging informatization and medical imaging cloud services, and has chosen to vigorously develop medical imaging cloud services in face of the immense market opportunities while traditional medical imaging films is being transformed. Currently, the business has shown a good momentum of development. As cloud computing technology further matures and the continuous improvement of healthcare institutions’ acceptance of cloud computing, medical cloud will maintain rapid growth in the next few years, and medical core business systems will gradually migrate to the cloud. In the future, we will strive to help the medical imaging centers of cooperative healthcare institutions to realize functions such as image cloud storage, remote consultation, quality control, multi-disciplinary consultation, and big data applications, so that the general public can enjoy high-quality examinations and accurate diagnoses. We believe that our research and development capabilities are the cornerstone of our long-term competitiveness and the driving force for our future growth and development.

FINANCIAL REVIEW

Revenue

The revenue of the Group was derived from business consisting of: (i) sales of medical imaging film products; and (ii) provision of medical imaging cloud services.

	For the year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	% of total revenue	<i>RMB'000</i>	% of total revenue
Sales of medical imaging film products	157,507	88.9	196,926	93.3
Provision of medical imaging cloud services	19,605	11.1	14,150	6.7
Total	177,112	100.0	211,076	100.0

For the year ended 31 December 2022, the total revenue of the Group decreased by 16.1% from approximately RMB211.1 million for the year ended 31 December 2021 to approximately RMB177.1 million. The decrease was primarily attributable to the following reasons:

(i) Sales of medical imaging film products

Revenue generated from sales of medical imaging film products decreased by approximately RMB39.4 million, or 20.0%, from approximately RMB196.9 million for the year ended 31 December 2021 to approximately RMB157.5 million for the year ended 31 December 2022. The decrease was primarily attributable to a decrease in average selling price of our medical dry laser film, as two of our five largest customers shifted their demand from international brand models to our self-branded medical dry laser films, which were sold at a lower unit price.

(ii) Provision of medical imaging cloud services

Revenue generated from the provision of medical imaging cloud services increased by 38.0%, from approximately RMB14.2 million for the year ended 31 December 2021 to approximately RMB19.6 million for the year ended 31 December 2022, which was in line with the growth of the industry. Our 6 existing customers started to use medical image cloud platform services during the year ended 31 December 2022.

Cost of Sales

Cost of sales decreased by 29.0% from approximately RMB135.4 million for the year ended 31 December 2021 to approximately RMB96.1 million for the year ended 31 December 2022, which was mainly due 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 a local OEM manufacturer, who is able to offer a lower average selling price as compared to other international OEM manufacturers.

Gross Profit and Gross Profit Margin

	For the year ended 31 December			
	2022	2021	2022	2021
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Sales of medical imaging film products	64,530	41.0	63,654	32.3
Provision of medical imaging cloud services	16,446	83.9	12,045	85.1
Total	80,976	45.7	75,699	35.9

Despite the decrease in revenue, the Group's gross profit increased from approximately RMB75.7 million for the year ended 31 December 2021 to approximately RMB81.0 million for the year ended 31 December 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.

The gross profit margin increased by approximately 9.8 percentage points from approximately 35.9% for the year ended 31 December 2021 to approximately 45.7% for the year ended 31 December 2022, which was primarily attributable to (i) the increase in gross profit margin from sales of medical imaging film products from approximately 32.3% for the year ended 31 December 2021 to approximately 41.0% for the year ended 31 December 2022 because of the significant decrease in cost of sales resulted from the decrease in average procurement cost of our self-branded thermal films procured from a local OEM manufacturer, who is able to offer a lower average selling price as compared to other international OEM manufacturers; and (ii) the percentage of revenue contributed from the provision of medical imaging cloud services, which had a higher gross profit margin as compared to the sales of medical imaging film products, increased from approximately 6.7% for the year ended 31 December 2021 to approximately 11.1% for the year ended 31 December 2022.

Other Income and Gains

The Group's other income and gains increased by approximately RMB0.8 million, or 61.5%, from approximately RMB1.3 million for the year ended 31 December 2021 to approximately RMB2.1 million for the year ended 31 December 2022. The increase was mainly attributable 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

The Group's selling and distribution expenses decreased by approximately RMB1.4 million, or 5.6%, from approximately RMB24.9 million for the year ended 31 December 2021 to approximately RMB23.5 million for the year ended 31 December 2022, which was mainly attributable to the decrease of channel fees charged by our deliverers and was in line with the decrease trend of our revenue.

Administrative Expenses

The Group's administrative expenses increased by approximately RMB9.7 million, or by 54.5%, from approximately RMB17.8 million for the year ended 31 December 2021 to approximately RMB27.5 million for the year ended 31 December 2022, which was primarily attributable to an increase in listing expenses of approximately RMB8.8 million, which were non-recurring in nature, and other professional fees after Listing (including auditor's remuneration and other professional fees) amounting to approximately RMB2.3 million during the year ended 31 December 2022.

Finance costs

The Group's finance costs increased by approximately RMB0.4 million, or 66.7%, from approximately RMB0.6 million for the year ended 31 December 2021 to approximately RMB1.0 million for the year ended 31 December 2022, which was primarily attributable to the increase in interest-bearing bank borrowings.

Income tax expense

Despite of the decrease in profit before tax, the Group's income tax expenses increased by approximately RMB1.7 million, or 17.0%, from approximately RMB10.0 million for the year ended 31 December 2021 to approximately RMB11.7 million for the year ended 31 December 2022 as a result of an increase in effective tax rate from approximately 30.2% for the year ended 31 December 2021 to approximately 39.0% for the year ended 31 December 2022. The increase of effective tax rate was primarily attributable to the increase of non-deductible listing expenses.

Profit for the year and Net Profit Margin

As a result of the cumulative effect of the above factors, the Group's profit for the year decreased by approximately RMB4.8 million, or 20.8%, from approximately RMB23.1 million for the year ended 31 December 2021 to approximately RMB18.3 million for the year ended 31 December 2022. The Group's net profit margin decreased from approximately 10.9% for the year ended 31 December 2021 to approximately 10.3% for the year ended 31 December 2022. If we excluded the non-recurring listing expenses and one-off other income and gains/expenses from our results, we would have recorded profit for the year of approximately RMB34.8 million and a net profit margin of approximately 19.6% for the year ended 31 December 2022.

Liquidity and Financial Resources

As at 31 December 2022, the Group reported net current assets of approximately RMB226.1 million, as compared to approximately RMB132.2 million as at 31 December 2021. As at 31 December 2022, the Group's cash and cash equivalents balances was approximately RMB29.4 million, representing an increase of approximately RMB9.2 million as compared to approximately RMB20.2 million as at 31 December 2021.

For the year ended 31 December 2022, the net cash generated from operating activities was approximately RMB9.3 million (2021: RMB3.1 million). The cash generated from operating activities was mainly from the profits during the year ended 31 December 2022.

The net cash used in investing activities was approximately RMB9.3 million (2021: RMB7.9 million). The net cash used in investing activities was mainly attributable to the purchase and prepayment of property, plant and equipment. The net cash generated from financing activities was approximately RMB9.1 million (2021: RMB19.5 million). The net cash generated from financing activities was mainly attributable to receipt of approximately RMB9.2 million from the Listing.

During the year ended 31 December 2022, the Group maintained a healthy liquidity position. The Board expects that the bank loans will be settled by funding from internal resources or extended as it becomes due. All principal banks will continue to provide funding to the Group for its business operation.

Bank Borrowings

As of December 31, 2022, the Group had outstanding interest-bearing bank borrowings of RMB25.5 million (2021: RMB15.0 million). Our bank loans bear interest at rates ranging from 3.65% to 4.45% per annum.

Contingent Liabilities

As at 31 December 2022, the Group had no significant contingent liabilities (31 December 2021: Nil).

Capital Commitments

As at 31 December 2022, the Group had no significant capital commitments (31 December 2021: Nil).

Foreign Exchange Exposure

The sales and purchases of the Group were denominated in Renminbi. The cash and cash equivalents of the Group were mainly denominated in Renminbi and Hong Kong dollars. The borrowings are denominated in Renminbi. Since the Group's exposure to fluctuations in foreign exchange rates was minimal, the Group has not implemented any foreign currency hedging policy at the moment. However, the management will closely monitor the foreign exchange exposure of the Group and will consider hedging the foreign exchange exposure if it becomes significant to the Group.

Pledge of Assets

As at 31 December 2022, certain of the Group's buildings with a net carrying amount of approximately RMB5.4 million were pledged to secure some of the Group's interest-bearing bank borrowings (As at 31 December 2021: nil).

Gearing Ratio

As at 31 December 2022, the Group's gearing ratio was approximately 9.8%, which was close to the gearing ratio of approximately 9.2% as at 31 December 2021. The gearing ratio is derived by dividing total debt (including interest-bearing bank and other borrowings) by total equity at the end of the respective years.

Material Investments

The Group did not make any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as of 31 December 2022) during the year ended 31 December 2022.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 December 2022 or future plans for material investments or capital assets as at the date of this announcement.

Dividend

No dividend was paid to the Shareholders before the Listing during the year ended 31 December 2022.

On 28 March 2023, the Board recommended the payment of a final dividend of HK2.1 cents per Share for the year ended 31 December 2022, amounting to approximately HK\$20.0 million. Subject to the passing of the relevant resolution at the Annual General Meeting, the final dividend will be paid on or around Wednesday, 21 June 2023 to Shareholders whose names appear on the register of members of the Company on Monday, 12 June 2023.

Employees and Remuneration Policies

The Group had a total of 43 (31 December 2021: 35) employees as at 31 December 2022. Total staff costs of the Group (excluding the Directors' and chief executive's remuneration) for the year ended 31 December 2022 was approximately RMB4.4 million (2021: approximately RMB3.4 million). The increase was mainly attributable to the increase of number of employees. The Group's remuneration policies were in line with relevant legislation, market conditions and the performance of our employees. The remuneration of employees was determined based on their performance, skills, knowledge, experience and market trend. The Group reviews the remuneration policies and packages on a regular basis and will make necessary adjustment commensurate with the pay level in the industry.

MODEL CODE

The Company has adopted the Model Code for dealings in securities of the Company by the Directors and relevant employees who are likely to be in possession of unpublished inside information of the Company. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code since the Listing Date. No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company since the Listing Date.

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 31 December 2022 and up to the date of this announcement.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was successfully listed on the Stock Exchange on 29 December, 2022. The net proceeds from the global offering (the “**Global Offering**”) were HK\$76.8 million, which was based on the offer price of HK\$0.53 per Share and the actual expenses related to the Listing. After the Listing, these proceeds were and will be used for the purposes in accordance with the future plans as set out under the section headed “**Future Plans and Use of Proceeds**” in the Prospectus. Since the Listing Date and up to 31 December 2022, the Group had not utilized any proceeds from the Global Offering.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2022, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Audit Committee of the Company comprises three independent non-executive Directors, namely, Dr. Wong Man Hin Raymond, Dr. Zhao Bin and Dr. Chang Shiwang. Dr. Wong Man Hin Raymond is the chairman of the Audit Committee. The primary duties of the Audit Committee are to assist the Board by monitoring and evaluating the work of the external auditor, supervising the implementation of our internal audit system, reviewing and commenting on our financial reports and related disclosures, and other duties conferred by the Board.

REVIEW OF ANNUAL RESULTS

The Audit Committee has jointly reviewed with the management and the independent auditors of the Company, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters (including the review of the audited consolidated financial statements of the Group for the year ended 31 December, 2022, which has been agreed by the independent auditors of the Company) of the Group. The Audit Committee and the independent auditors consider that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions stated in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

As the Company only became listed on the Stock Exchange on the Listing Date, being 29 December 2022, the Board and each of the Board committees, including the Audit Committee, the remuneration committee and the nomination committee of the Board, did not convene any meeting during the period from the Listing Date to 31 December 2022. The Board believes that the Company has fully complied with the CG Code since the Listing Date and up to 31 December 2022 except for the deviations set out below.

Code provision C.2.1 of the CG Code stipulates that the roles of Chairman and chief executive officer of the Company should be separate and not be performed by the same individual. Nonetheless, in view of Mr. Meng Xianzhen's crucial role in the Group and its historical development and Mr. Meng Xianzhen's extensive experience in the industry, we consider that it is beneficial to the business development of the Group that Mr. Meng Xianzhen acts as both Chairman and chief executive officer of the Company after Listing. This will provide a strong and consistent leadership to the Group and allow for more effective planning and management to the Group.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group's independent auditor, Ernst & Young (the "Auditor"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2022. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on this preliminary announcement.

CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The principal place of business of the Company in Hong Kong has been changed to Unit A, 16/F., Kingswell Commercial Tower, 171 Lockhart Road, Wan Chai, Hong Kong with effect from 28 March 2023.

ANNUAL GENERAL MEETING

The AGM is scheduled to be held on Friday, 2 June 2023. A notice convening the AGM will be issued and disseminated to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 30 May 2023 to Friday, 2 June 2023 both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 29 May 2023.

For determining the entitlement to the proposed final dividend for the year ended 31 December 2022 subject to the approval by the Shareholders at the AGM, the register of members of the Company will be closed from Thursday, 8 June 2023 to Monday, 12 June 2023 both days inclusive. In order to qualify for the proposed final dividend, all transfer documents should be lodged for registration with Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 7 June 2023.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.guanzegroup.com>). The annual report for the reporting period containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

APPRECIATION

The Company would like to take this opportunity to thank all our valued Shareholders and various stakeholders of the Company for their continuous support. Also, the Company would like to express its appreciation to all the staff for their efforts and commitments to the Group.

DEFINITION

“AGM”	the annual general meeting of the Company to be held on Friday, 2 June 2023
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Chairman”	the chairman of the Board
“China” or the “PRC”	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“CG Code”	the corporate governance code as set out under Appendix 14 to the Listing Rules
“Company” or “Guanze Medical”	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

“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries at the relevant time
“HK dollar(s)” or “HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the Shares on the Main Board on the Listing Date
“Listing Date”	29 December 2022, on which dealings in Shares first commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	main board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Prospectus”	the prospectus issued by the Company dated 15 December 2022
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the twelve-month period from 1 January 2022 to 31 December 2022

“Share(s)” ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company

“Shareholder(s)” holder(s) of the Share(s)

By order of the Board
Guanze Medical Information Industry (Holding) Co., Ltd.
Meng Xianzhen
Chairman of the Board

Hong Kong, 28 March 2023

As at the date of this announcement, the executive Directors are Mr. Meng Xianzhen and Mr. Guo Zhenyu, the non-executive Director is Ms. Meng Cathy, the independent non-executive Directors are Dr. Zhao Bin, Dr. Chang Shiwang and Dr. Wong Man Hin Raymond.