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Gaush Meditech Ltd

高视医疗科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2407)

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

INTERIM RESULTS HIGHLIGHTS

Revenue of the Group was RMB642.0 million for the six months ended June 30, 2024, representing a decrease of 8.4% as compared to the revenue of RMB700.7 million in the same period in 2023.

Net profit of the Group was RMB26.9 million for the six months ended June 30, 2024, representing a decrease of 75.6% as compared to the net profit of RMB110.4 million recorded in the same period in 2023.

The Group's basic earnings per Share was RMB0.19 for the six months ended June 30, 2024 as compared to the basic earnings per Share of RMB0.75 in the same period in 2023.

The Group's research and development expenses were RMB35.1 million, representing an increase of 34.5% as compared to the research and development expenses of RMB26.1 million in the same period in 2023. The Group's research and development expenses amounted to 3.7% and 5.5% of its revenue for the six months ended June 30, 2023 and 2024, respectively, remained at a relatively stable and high level.

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2024 (six months ended June 30, 2023: Nil).

**SUMMARY OF UNAUDITED CONDENSED CONSOLIDATED STATEMENT
OF PROFIT OR LOSS**

	For the six months ended June 30,	
	2024	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Unaudited)
REVENUE	642,034	700,703
Cost of sales	<u>(343,681)</u>	<u>(345,096)</u>
Gross profit	298,353	355,607
Other income and gains	16,824	21,761
Selling and distribution expenses	(115,475)	(120,888)
Administrative expenses	(73,608)	(62,525)
Finance costs	(20,603)	(23,683)
Research and development expenses	(35,140)	(26,105)
Other expenses	<u>(11,956)</u>	<u>(1,938)</u>
PROFIT BEFORE TAX	58,395	142,229
Income tax expenses	<u>(31,467)</u>	<u>(31,808)</u>
PROFIT FOR THE PERIOD	<u>26,928</u>	<u>110,421</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is principally engaged in the R&D, production and distribution of a broad spectrum of ophthalmic medical equipment and consumables, and the provision of ancillary technical services to end customers. As of the date of this announcement, the Group has possessed a “Global 4+2” R&D layout, with several R&D and production platforms in four cities in the PRC, namely Shenzhen, Suzhou, Wuxi and Wenzhou, and two R&D and production platforms overseas in the Netherlands and Germany. At the same time, the Group has a sales network covering 51 countries and regions around the world, and has 130 engineers in Greater China which makes the Group capable of providing 7*24 hours technical support services for its equipment.

As of June 30, 2024, the Group: (i) had a product portfolio of 150 products in total, including 65 Proprietary Products, further enriching the portfolio of Proprietary Products; (ii) co-operated with 18 overseas brand partners, of which 16 had entered into exclusive distribution arrangements with the Group in respect of their products, including Heidelberg, Schwind and Optos, among which Sometech Inc., a Korean company, was added as its exclusive partner during the Reporting Period; (iii) had its products sold to 51 countries and regions worldwide, and had served over 5,000 end customers in Greater China during the Reporting Period; and (iv) continued to invest in R&D, where the Group obtained a medical device registration certificate for each of the two domestic monofocal intraocular lens in March 2024 and May 2024, respectively, nearly two quarters ahead of schedule, which further enriched the Group’s domestic intraocular lens product line, and also signified the further consolidation of R&D, the overall process and the production capability of Gaussh’s intraocular lens.

Products of the Group

As of June 30, 2024, the Group had a product portfolio of 150 products in total, which included the Proprietary Products, being products developed and manufactured by the Group, and the Distribution Products, being the products of the Group’s brand partners, and consisted of diagnostic equipment, treatment and surgical instrument, high-value consumables and general consumables. The Group’s product portfolio covers seven major ophthalmology sub-specialties where ophthalmic medical devices are utilized for their diagnosis, treatment or surgery, being the vitreoretinal diseases, cataracts, refractive surgery, glaucoma, ocular surface diseases, optometry and pediatric ophthalmology, which enables the Group to provide the customers with integrated product and service offering.

Proprietary Products

As a result of its “Global 4+2” R&D layout and continuous investment in R&D, the Group’s portfolio of Proprietary Products continued to expand, mainly including intraocular lens, ophthalmic scalpel products and ophthalmic examination equipment. For the six months ended June 30, 2024, the revenue contribution of the Group’s Proprietary Products amounted to RMB178.0 million, accounting for 33.6% of the Group’s revenue from sales of products, representing an increase as compared with the ratio of revenue contribution of the Proprietary Products to the Group’s revenue from sales of products of 32.7% in the first half of 2023. For the six months ended June 30, 2024, the revenue contribution of the Group’s intraocular lens under the Proprietary Products amounted to RMB153.0 million, representing a year-on-year decrease of 6.0%.

Distribution Products

As of June 30, 2024, the Group had co-operated with 18 overseas brand partners, 16 of which had entered into exclusive distribution arrangements with the Group, including Heidelberg, Schwind and Optos, among which Sometech Inc., a Korean company, was added as the exclusive partner during the Reporting Period. For the six months ended June 30, 2024, the revenue contribution of the Group’s Distribution Products amounted to RMB351.0 million, representing a year-on-year decrease of 12.1%, which was mainly due to the continuous impact from domestic medical services policies and regulation, as well as the negative impact brought about by the weak macroeconomy.

The Group’s Technical Services Business

The Group has strong technical service capability. As of June 30, 2024, the Group has a technical service team comprising 130 technicians in Greater China. The Group sets up 13 technical service centers in Greater China, including one in Hong Kong, and has a technical service network covering all provincial administrative regions in China to provide 7*24 hours technical services, ensure the Group provide services to the customers in a timely manner. During the Reporting Period, the Group’s technical service team in Greater China had a total number of nearly 13,000 service visits. The technical service presents a great opportunity for the Group to interact with its customers, build brand loyalty and gain first-hand insights into market demand and unmet market needs. For the six months ended June 30, 2024, the revenue contribution of the Group’s technical services amounted to RMB110.0 million, representing a year-on-year increase of 6.5%.

The Group's R&D and Production Line-up

As of June 30, 2024, the Group had already possessed a “Global 4+2” R&D layout through organic growth and acquisitions and had a total of 261 R&D and production personnel, accounting for approximately 29.9% of the total headcount, with an average industry experience of more than 10 years. The Group's domestic R&D and production bases are located in four cities in the PRC, namely Shenzhen, Suzhou, Wuxi and Wenzhou, and its overseas R&D and production bases are located in the Netherlands and Germany. The Group has made significant investments in the R&D of intraocular lens and OK-Lens, rigid gas permeable corneal contact lenses (“RGP”), ophthalmic surgical consumables, ophthalmic electrophysiological equipment and ancillary consumables, ophthalmic scalpels, optometry equipment, and diagnostic devices for dry eyes. During the Reporting Period, the Group's research and development expenses amounted to RMB35.1 million, representing a year-on-year increase of 34.5% and accounting for 19.7% of the revenue from Proprietary Products, which was mainly due to continuous expansion of the Group's R&D team and upgrading of its R&D center.

Shenzhen Base: It mainly focuses on the layout of products such as domestic intraocular lens, myopic intraocular lens, ophthalmic electrophysiological equipment and intraoperative consumables for vitrectomy. Among which, in respect of the domestic intraocular lens, a medical device registration certificate for each of the two monofocal intraocular lens has been obtained in March 2024 and May 2024, respectively. The registration certificate for the third kind of domestic monofocal intraocular lens is expected to be obtained in the second half of 2024, and subsequently, the R&D and registration for domestic high-end intraocular lens will continue to be promoted at the same time of focusing on the mass production of the approved products. In addition, the process validation of myopic intraocular lens has been in progress; ophthalmic electrophysiological equipment has entered the stage of registration testing, and is expected to obtain the product registration certificate in 2025.

Suzhou Base: It consists of two R&D and production platforms, mainly focusing on the layout of products such as OK-Lens, RGP and ophthalmic scalpels. Among which, the half-year follow-up of OK-Lens has mostly completed with exceptional results. It is expected to receive the product registration certificate of the OK-Lens by the end of 2025 or early 2026. The design for the defocus lenses has been completed and is being prepared for clinical trials. Subsequently, the R&D and production in the fields of optometry and refraction will continue to be promoted.

Wenzhou Base: It has product registration certificates for the self-developed fundus photographic imaging machines, digital slit lamp microscopes, contrast sensitivity testers, retinal vision testers and corneal topography. During the Reporting Period, it mainly focused on the R&D of two products, namely fully automatic fundus cameras and optical biometers. Among them, the hardware and software of fully automatic fundus cameras have been upgraded and optimized. The optical biometer has entered the stage of registration and is expected to obtain the product registration certificate in the second half of 2024.

Wuxi Base: According to the cooperation agreement with the upstream partner, SBM in Italy, the Group commenced the domestic production and registration of two diagnostic devices for dry eyes, which both obtained the medical device registration certificates in July 2024, and formally approved for marketing. At the same time, the Group successively improved its diagnosis and physiotherapy treatment solution for dry eye, including products such as mite inspection microscopy, steam eye masks, eye hot compress pads, 4-terpineol cleanser wipes. Subsequently, investment in domestic production projects with partners and internal R&D diagnosis projects will be continued.

Expansion of the Group's Distribution Products

Leveraging the Group's nationwide multi-channel sales network and a well-established ophthalmology KOL network, as well as the professional sales team, the Group helps the customers evaluate their clinical needs, application environment and technical capabilities, thereby offers products that best suits their needs and circumstances, and creates value for the customers. During the Reporting Period, the Group cooperated with 18 overseas brand partners, of which 16 had entered into exclusive distribution arrangements with the Group to distribute their products, including Heidelberg, Schwind and Optos, among which Somotech Inc., a Korean company, was added as the exclusive partner in respect of the distribution of 3D 4K digital surgical microscope for ophthalmology, including but not limited to the VOMS-400 series. In addition, the existing upstream partners have also been continuously advancing their R&D or iterative computing upgrades, and gradually launching new products to further enrich the Group's Distribution Product portfolio.

Overseas Business Expansion

The Company acquired Roland and Teleon in November 2020 and January 2021, respectively, both of which were brand partners of the Company. The acquisitions of Roland and Teleon enabled the Company to expand its Proprietary Products portfolio to high-tech ophthalmic diagnostic systems and increase the revenue contribution of its Proprietary Products, as well as the obtainment of core intellectual property rights related to regional refraction and extended depth of focus intraocular lenses, giving the Company the R&D capabilities of intraocular lenses and extending its business scope to the entire value chain of intraocular lenses.

The Group has sold products of Teleon to 51 countries and regions and sold products of Roland to 35 countries and regions.

Long-term Strategies and Outlook

Adhering to the mission of “Technology Creates Bright Vision”, the Group is committed to becoming a leader of the global ophthalmic medical device industry. Based on this goal, the Group will:

- I. maintain the two-pronged approach of “Proprietary Products + high end imports”, continuously increase investment on R&D, enhance the cooperation with upstream business partners, efficiently promote the domestic layout and thereby increase the revenue contribution from Proprietary Products;
- II. maintain the leading position in diagnostic inspection products so as to prioritize and increase investment in surgical treatment products, especially focusing on the development of surgical device related consumables and independent implant consumables;
- III. continue to consolidate the platform advantages of the product portfolio fully covering the major sub-specialties of ophthalmology, and continuously diversify and improve its product lines through a combination of internal R&D and mergers and acquisitions;
- IV. continue to strengthen the construction of the dual-core markets in Asia and Europe, and promote international coverage in an orderly manner. Through organic growth and strategic cooperation, consolidate the Group’s market position in China and further expand its global footprint to achieve a balanced development between domestic and overseas business; and
- V. continue to enhance management capabilities and improve its operational efficiency, strengthen the Company’s brand building and talent building, and practice the Group’s core values.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group mainly generated its revenue from (i) sales of products, including ophthalmic medical equipment and consumables; and (ii) provision of technical services.

The Group's revenue decreased by 8.4% from RMB700.7 million for the six months ended June 30, 2023 to RMB642.0 million for the six months ended June 30, 2024, which was mainly attributable to the decrease of RMB64.9 million in the revenue generated from sales of ophthalmic medical equipment. The decrease in revenue was mainly due to (i) the absence of the contribution of a surge in short-term demand after the lift of the pandemic control; (ii) the slowdown of demand of orders from part of public hospitals as a result of ongoing impact of the domestic medical services policies and regulation; and (iii) a generally more prudent approach adopted by industry customers in new investments and procurement schedules as compared to the same period last year as affected by the macroeconomy.

The table below sets forth the breakdown of revenue of the Group by business segments for the periods indicated:

	For the six months ended June 30,	
	2024	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Unaudited)
Sales of ophthalmic medical equipment	273,009	337,863
Sales of ophthalmic medical consumables	256,044	255,370
Technical services	110,048	103,325
Others	2,933	4,145
	<hr/>	<hr/>
Total	<u>642,034</u>	<u>700,703</u>

The table below sets forth the breakdown of sales revenue from the products of the Group by Distribution Products and Proprietary Products for the periods indicated:

	For the six months ended June 30,	
	2024	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Unaudited)
Distribution Products	351,048	399,365
Proprietary Products	178,005	193,868
	<hr/>	<hr/>
Total	<u>529,053</u>	<u>593,233</u>

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by 16.1% from RMB355.6 million for the six months ended June 30, 2023 to RMB298.4 million for the six months ended June 30, 2024. The Group's gross profit margin decreased from 50.8% for the six months ended June 30, 2023

to 46.5% for the six months ended June 30, 2024. Such decrease was mainly due to (i) the increase in the raw materials costs and labor costs required for the production of Proprietary Products; (ii) the changes in the Group's sales product mix; and (iii) the significant decrease in unit price caused by the commencement of the national procurement price for intraocular lens from May 2024.

The following table sets forth the breakdown of gross profit and gross profit margin of the Group by business segments for the periods indicated:

	For the six months ended June 30,			
	2024		2023	
	Gross profit	Gross profit	Gross profit	Gross profit
	(RMB'000)	margin	(RMB'000)	margin
	(Unaudited)	%	(Unaudited)	%
Sales of ophthalmic medical equipment	122,237	44.8%	164,570	48.7%
Sales of ophthalmic medical consumables	125,078	48.9%	139,648	54.7%
Technical services	48,841	44.4%	48,763	47.2%
Others	2,197	74.9%	2,626	63.4%
Total	<u>298,353</u>	46.5%	<u>355,607</u>	50.8%

Other Income and Gains

During the Reporting Period, the Group's other income and gains primarily consisted of (i) bank interest income; (ii) government grants; (iii) investment income and gains from financial products at fair value through profit or loss; and (iv) foreign exchange gains.

The Group's other income and gains decreased from RMB21.8 million for the six months ended June 30, 2023 to RMB16.8 million for the six months ended June 30, 2024. Such decrease was mainly attributable to the significant exchange gains incurred related to the receivables denominated in EUR recorded by the Group totaling RMB7.3 million for the same period last year, while exchange losses was recorded during the Reporting Period, and the increase in gains of RMB2.4 million arising from government grants as compared to the same period last year.

Selling and Distribution Expenses

During the Reporting Period, the Group's selling and distribution expenses primarily consisted of (i) salaries and remuneration of the Group's sales and marketing personnel; (ii) marketing expenses for organizing marketing events and promotion of the Group's products; and (iii) transportation and travel expenses incurred in the course of the Group's marketing activities.

The Group's selling and distribution expenses decreased slightly by 4.5% from RMB120.9 million for the six months ended June 30, 2023 to RMB115.5 million for the six months ended June 30, 2024. The amounts stay relatively flat for both periods. As a percentage of revenue, the selling and distribution expenses increased from 17.3% for the six months ended June 30, 2023 to 18.0% for the six months ended June 30, 2024.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses primarily consisted of (i) salaries and remuneration of administrative staff; (ii) consulting services fees, which include audit fees incurred with respect to engaging external auditors and IT service fees, and other service expenses procured to support corporate operations; (iii) transportation and travel expenses incurred in the course of administration; and (iv) depreciation and amortization of non-current assets.

The Group's administrative expenses increased by 17.8% from RMB62.5 million for the six months ended June 30, 2023 to RMB73.6 million for the six months ended June 30, 2024, which was primarily attributable to the Group's expansion of staff in certain administrative departments in order to enhance operation management functions, and in addition, the corresponding increase in staff costs included in administrative expenses as a result of the organizational restructuring with some of the senior management's management and daily actions were more focused on the Group's administrative work.

Finance Costs

During the Reporting Period, the Group's finance costs primarily consisted of interest expenses on bank and other borrowings and lease liabilities. The Group's finance costs decreased by 13.1% from RMB23.7 million for the six months ended June 30, 2023 to RMB20.6 million for the six months ended June 30, 2024. Such decrease was mainly attributable to (i) the decrease in interest expenses on bank and other borrowings as a result of the repayment of the revolving loans of domestic subsidiaries in full and the overseas Vendor Loan in part during the Reporting Period; and (ii) the lower interest rate on the loan granted by China Minsheng Bank to repay the Senior Facility Loan.

Research and Development Expenses

During the Reporting Period, the Group's research and development expenses increased by 34.5% from RMB26.1 million for the six months ended June 30, 2023 to RMB35.1 million for the six months ended June 30, 2024, primarily as the Group continuously expanded its R&D team and upgraded its R&D center. As of the date of this announcement, Gaush Neotech has commenced full production and conducted the domestic R&D project of SBM equipment. Meanwhile, Gaush Teleon continued to conduct its domestic R&D and production for intraocular lens, while Shenzhen Gaush Technology started the domestic R&D projects of Geuder consumables and ophthalmic electrophysiological consumables. The above increase in research and development expenses reflected the Group's commitment as to R&D of the Proprietary Products, currently including optometric products (namely optometry units, optical biometers and automatic ocular fundus cameras), OK Lens, intraocular lens and related products and technology (namely quantum crystal, hydrophilic and hydrophobic materials, and molding technology), as well as consumables of ultrasonic emulsification and equipment of electrophysiology and dry eye diagnosis.

Other Expenses

During the Reporting Period, the Group's other expenses primarily consisted of asset impairment losses, credit impairment losses and exchange losses.

The Group's other expenses increased from RMB1.9 million for the six months ended June 30, 2023 to RMB12.0 million for the six months ended June 30, 2024, which was mainly due to (i) the increase in provision for inventory impairment based on the Group's inventory impairment policy, which was in line with the increase in total amount of inventories during the Reporting Period, and (ii) an increase in exchange losses related to payables denominated in EUR due to exchange rate fluctuations.

Income Tax Expenses

The Group's income tax expenses amounted to RMB31.5 million for the six months ended June 30, 2024, as compared to the income tax expenses of RMB31.8 million for the six months ended June 30, 2023.

Profit for the Period

For the foregoing reasons, the Group recorded a net profit of RMB26.9 million for the six months ended June 30, 2024, as compared to a net profit of RMB110.4 million for the six months ended June 30, 2023.

Financial Position

Financial Assets at Fair Value Through Profit or Loss

The Group's financial assets at fair value through profit or loss represented funds purchased from certain financial institutions to improve cash utilization efficiency. The Group's financial assets at fair value through profit or loss as of December 31, 2023 was RMB175.6 million, and the financial assets at fair value through profit or loss as of June 30, 2024 was RMB178.7 million.

As of June 30, 2024, the Group's financial assets at fair value through profit or loss mainly include (i) the fund units of private fund I with a fair value of RMB97.8 million; and (ii) the fund units of private fund II with a fair value of RMB80.9 million. The expected rate of return of such funds ranges from 2.5% to 4.5% per annum.

Inventories

The Group's inventories consisted of finished goods, goods in transit, raw materials and work-in-progress. Under the inventory control policy, the Group regularly monitors and analyzes the Group's historical procurement, production and sales statistics and adjusts its inventories to meet the demand of customers in a timely manner without causing inventory accumulation. The Group's inventories increased by 11.6% from RMB328.5 million as of December 31, 2023 to RMB366.7 million as of June 30, 2024, primarily due to the Group's preparation in advance for the national procurement and sale of the intraocular lens, while the inventories balance varied in line with the Group's sales plan and the lead time of the Group's products, which were volatile in response to the market conditions.

For the foregoing reasons, the Group's inventory turnover days increased from 159 days for the year ended December 31, 2023 to 187 days for the six months ended June 30, 2024. The inventory turnover days are calculated by dividing the arithmetic mean of the opening and ending carrying amount of inventories in that period by the cost of sales for the corresponding period and then multiplying by the number of days.

Trade Receivables

The Group's trade receivables represented outstanding amounts due from its customers. The Group's trade receivables remained relatively stable at RMB151.7 million and RMB149.7 million as of December 31, 2023 and June 30, 2024, respectively.

The Group's trade receivable turnover days remained relatively stable, both being 42 days for the year ended December 31, 2023 and for the six months ended June 30, 2024, respectively. The Group's trade receivable turnover days were generally in line with the Group's credit term policies between 30 days and 90 days.

Trade Payables

The Group's trade payables primarily represented payments due to suppliers from whom imported the Distribution Products. The original value of the Group's trade payables increased by 20.5% from RMB90.6 million as of December 31, 2023 to RMB109.2 million as of June 30, 2024, primarily as a result of the Group's stocking of Optos products in advance and the centralized stocking of Schwind and Haag-Streit products for orders on hand.

Prepayments, Other Receivables and Other Assets

The Group's prepayments, other receivables and other assets primarily consisted of (i) prepayments to suppliers; (ii) deposits that the Group paid to its customers as product quality assurance deposits; (iii) deposits for participating in public tenders; (iv) advance payment of income tax; and (v) value-added tax recoverable, etc. The Group's prepayments, other receivables and other assets increased by 45.0% from RMB110.8 million as of December 31, 2023 to RMB160.7 million as of June 30, 2024, primarily due to (i) the increase in the prepayments to suppliers for importing Distribution Products, and the increase in deductible import value-added tax accordingly; and (ii) the increase in the advance payment of income tax for overseas operating entities during the Reporting Period.

Other Payables and Accruals

The Group's other payables and accruals primarily consisted of (i) dividends payable to the Shareholders; (ii) payroll payable; and (iii) tax payables other than income tax, etc. The Group's other payables and accruals increased by 71.1% from RMB164.6 million as of December 31, 2023 to RMB281.6 million as of June 30, 2024, primarily attributable to the final dividends declared by the Group for the year ended December 31, 2023 during the Reporting Period, and the relevant dividends were not yet paid as of June 30, 2024.

Goodwill

Goodwill arose from acquisitions of the Group's subsidiaries including Teleon and Roland, of which, the carrying amounts of Roland and Teleon asset group were denominated in Euro. The Group's goodwill slightly decreased by 2.5% from RMB961.4 million as of December 31, 2023 to RMB937.8 million as of June 30, 2024, primarily attributable to the exchange rate fluctuation between RMB and Euro. The Group did not record any goodwill impairment during the Reporting Period.

Intangible Assets

The Group's intangible assets (other than goodwill) mainly represented the software the Group purchased and used in the ordinary course of business as well as the patents and trademarks identified as a result of business combinations. The Group's intangible assets decreased from RMB269.8 million as of December 31, 2023 to RMB247.5 million as of June 30, 2024. During the Reporting Period, the original value of intangible assets increased by RMB2.7 million, primarily attributable to the capitalization of development costs, but the net value of intangible assets decreased by 8.3%, primarily attributable to the accumulated amortization.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Company's Shares were listed on the Main Board of the Stock Exchange on December 12, 2022, and the share capital structure of the Company remained unchanged during the Reporting Period. As of June 30, 2024, the issued share capital of the Company was USD14,797, and the number of issued Shares of USD0.0001 each was 147,970,369.

In the first half of 2024, the Group used internal resources to fund its liquidity. As the Group's business can generate stable cash inflow, together with abundant cash and bank balances, the Group has sufficient liquidity and financial resources to satisfy its daily operation and working capital needs, as well as to support its expansion plan. The Group regards monetary fund management as an essential part in financial management, and incorporates it to the key items of financial inspection and internal audit, and has continuously improved corresponding internal control management systems, including the "Treasury Management Regulation", to strengthen its monetary fund management, ensure the security of its monetary fund, and reduce the utilization costs and financial risks of its monetary fund. As of June 30, 2024, the Group continued to maintain a solid financial position, with cash and cash equivalents amounting to RMB546.8 million, representing a decrease of 11.6% from RMB618.7 million as of December 31, 2023, primarily due to the Group's repayments of the revolving loans in full for domestic subsidiaries and the overseas Vendor Loan in part during the Reporting Period. In addition, the Group recorded term deposits of RMB28.6 million and RMB38.7 million as of June 30, 2024 and December 31, 2023, respectively, due to higher term deposits rates as compare to demand deposits with banks, and the Group deposited the residual funds from its operation with an aim for higher interest income. The Group's cash is mainly in the form of bank deposit balances and deposited with reputable financial institutions and mature within one year. As of June 30, 2024, all cash and cash equivalents and term deposits of the Group were denominated in RMB, HKD, Euro and US dollars.

The Group's anticipated cash needs primarily include costs associated with the R&D of its products and business operations. The Group expects to fund its future working capital and other cash requirements with cash generated from its operations, net proceeds from the Global Offering and, when necessary, bank and other borrowings.

The Group's interest-bearing bank and other borrowings represented current and non-current pledged bank loan and Vendor Loan. As of June 30, 2024, the Group's interest-bearing bank and other borrowings amounted to RMB568.2 million, including short-term borrowings of RMB216.2 million and long-term borrowings of RMB352.0 million, all of which bore fixed interest rates, except for the bank loan. The Company's main borrowings included the loan granted by China Minsheng Bank to repay the Senior Facility Loan and the Vendor Loan borrowed when it acquired Teleon, and the Group repaid a total of EUR3.03 million of Vendor Loan during the Reporting Period. As of June 30, 2024, all of the Group's bank and other borrowings were denominated in Euro.

Capital Expenditure

The Group's capital expenditure for the six months ended June 30, 2024 amounted to RMB10.2 million, representing an increase of 8.5% as compared to that of RMB9.4 million for the six months ended June 30, 2023. The capital expenditure was primarily for the addition of machinery and equipment the Group has made to upgrade and renovate the R&D centers collectively during the Reporting Period.

Gearing Ratio

Gearing ratio represented total interest-bearing borrowings divided by net assets or liabilities as of the end of the period and multiplied by 100%. Interest-bearing borrowings included interest-bearing bank borrowings and other borrowings, and lease liabilities. As of June 30, 2024, the Group's gearing ratio was 40.2%. As of December 31, 2023, the Group's gearing ratio was 39.1%.

Pledge of Assets

Except for the pledged assets mentioned in Note 13 to the financial statements as set out in this announcement, the Group had no other pledged assets as of June 30, 2024.

Contingent Liabilities

As of June 30, 2024, the Group did not have any outstanding debt securities, mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, liabilities under acceptance or acceptance credits or other similar indebtedness, lease and finance lease commitments, hire purchase commitments, guarantees or other material contingent liabilities.

FINANCIAL RISKS

Foreign Currency Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the financial condition and results of operations of the Group. The Group purchases products from brand partners in many countries around the world. Therefore, the Group exposes to foreign currency risk when it enters into transactions denominated in multiple currencies. For example, changes in currency exchange rates may affect the Group's costs of goods sold and competitiveness against its domestic competitors or competitors who are multinational companies whose international operations provide a natural hedge to currency fluctuation risk. The Group predominantly purchases its products in US dollars and Euro. The Group sells the goods to distributors and hospitals and clinics in China in RMB. Currently, the Group does not have any foreign currency hedging policy. The Group's management will continue to pay attention to the Group's foreign exchange exposure, and seeks to limit its exposure to foreign currency risk by minimizing its net foreign currency position. Exchange differences on translation of foreign operations represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency of Euro, which is different from the functional currency of RMB for the financial statements of the Company. For the six months ended June 30, 2024, the exchange differences on translation of foreign operations amounted to a loss of RMB19.8 million, primarily due to the fluctuation of exchange rate of Euro during the Reporting Period.

Credit Risk

The Group trades on credit terms only with recognized and creditworthy third parties. It is the Group's policy that all traders who wish to trade on credit terms are subject to credit verification procedures. In addition, the Group monitors the receivable balances on an ongoing basis.

SIGNIFICANT INVESTMENT HELD

As of June 30, 2024, the Group did not have any significant investment.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in this announcement and the Prospectus, the Group did not have any other future plans for material investment and capital assets as of the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2024, the Group had a total of 872 employees (as of December 31, 2023: 869). For the Reporting Period, the total costs for the Group's employees amounted to RMB184.0 million (for the six months ended June 30, 2023: RMB169.6 million). "Diligence and Capability" is the core value of the Group. The Group attaches great importance to employee competency development and continuously establishes a comprehensive training management system according to the Company's development needs. Through launching new employee induction training, general skills training for all positions, business training and external learning, the Group continuously deepens employees with professional and management knowledge and skills required for different fields, levels and positions, with an aim to help the employees achieve their career plan and development direction, effectively implement the overall strategic planning of human resources, and build sufficient talent reserves for the Group to achieve long-term high-quality development.

The Group adheres to the principles of fairness, justice and reasonable remuneration and provides its employees with competitive remuneration and benefits. The remuneration package of employees mainly includes basic salary and performance-based bonus. The performance targets of employees are primarily determined according to their positions and departments, and regular performance review will be conducted, and salaries, bonus and promotion appraisals will be determined based on appraisal results.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

As of the date of this announcement, there was no other subsequent event after the Reporting Period which has material impact to the Group.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Main Board of the Stock Exchange on December 12, 2022. On January 9, 2023, an additional 35,500 Shares were issued by the Company at the price of HK\$51.40 each pursuant to the partial exercise of the over-allotment option, which resulted in additional net proceeds of approximately HK\$1.77 million. The net proceeds raised from the Global Offering and the partial exercise of the over-allotment option, after deduction of the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the Global Offering and the partial exercise of the over-allotment option, amounted to approximately HK\$286.48 million (the “**Net Proceeds**”).

As at the date of this announcement, there was no change in the intended use of the Net Proceeds and the expected timeline as previously disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The following table sets forth a summary of the utilization of the Net Proceeds as of June 30, 2024:

Purposes	% of the Net Proceeds	Amount available for utilization	Net Proceeds (HK\$ in million)			Expected timeline for full utilization of the remaining Net Proceeds
			Utilized amount up to December 31, 2023	Actual amount of Net Proceeds utilized during the Reporting Period	Unutilized amount as of June 30, 2024	
Improve the R&D capability of the Group and accelerate the commercialization of the Group’s patents	38.2%	109.43	18.47	21.66	69.30	December 11, 2024
Improve the production capacity and strengthen the manufacturing capabilities of the Group	29.0%	83.08	21.39	8.37	53.32	December 11, 2024
Expand the Group’s sales and marketing	9.5%	27.22	5.97	21.16	0.09	December 11, 2024
For working capital and general corporate purposes	10.6%	30.37	30.37	—	—	Not applicable
Repay the interest-bearing borrowings of the Group	12.7%	36.38	36.38	—	—	Not applicable
Total	100.0%	286.48	112.58	51.19	122.71	

As of June 30, 2024, the remaining Net Proceeds of approximately HK\$122.71 million have been deposited into the bank account(s) maintained by the Group. The Group will gradually utilize the Net Proceeds in accordance with the intended purposes set out in the Prospectus.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2024 (six months ended June 30, 2023: Nil).

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. Save as disclosed in this announcement, the Company has, to the best knowledge of the Board, complied with all applicable code provisions of the CG Code during the Reporting Period.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from January 1, 2024 to March 24, 2024, Mr. Gao Tieta (“**Mr. Gao**”) is the Chairman and the Chief Executive Officer. While this constitutes a deviation from code provision C.2.1 of the CG Code, the Board believes that, in view of Mr. Gao’s experience, personal profile and his roles in the Company, Mr. Gao has extensive understanding of the Group’s business as the Chief Executive Officer and is therefore the best suited Director to identify strategic opportunities and the focus of the Board. The combined role of the Chairman and the Chief Executive Officer by the same individual can promote the effective execution of strategic initiatives and facilitate the flow of information between the management of the Company and the Board, which would be beneficial to the business prospect and operational efficiency of the Group. The Board believes that this arrangement will not impact on the balance of power and authorizations between the Board and the senior management of the Company, given that: (i) Mr. Gao and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that each of them acts for the benefit and in the best interests of the Company; (ii) there is sufficient check and balance in the Board, which comprises experienced and high caliber individuals, and decision to be made by the Board requires approval by at least a majority of the Directors; and (iii) the overall strategic and other key business, financial and operational policies of the Group are and will be made collectively after thorough discussion at both the Board and senior management levels.

On March 25, 2024, Mr. Liu Xinwei was appointed as the new Chief Executive Officer, and Mr. Gao ceased to act as the Chief Executive Officer but continued to act as the Chairman, therefore, the role of the Chairman and the Chief Executive Officer would be separated and not performed by the same individual.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. The Company has made specific enquiries of all the Directors, and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

During the Reporting Period, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the Reporting Period. The Company did not held any treasury shares as of June 30, 2024.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the requirements under the Listing Rules. As at the date of this announcement, the Audit Committee comprises two independent non-executive Directors, namely, Mr. Chan Fan Shing and Mr. Feng Xin, and a non-executive Director, Dr. David Guowei Wang. The chairman of the Audit Committee is Mr. Chan Fan Shing. The primary functions of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management system of the Group, oversee the audit process, provide advice and comments to the Board, perform other duties and responsibilities as may be assigned by the Board, and review and oversee the risk management of the Company.

The Audit Committee had, together with the management and external auditor of the Company, reviewed the accounting standards and practices adopted by the Group and the interim condensed consolidated financial statements of the Group for the six months ended June 30, 2024. The Audit Committee considered that the interim condensed consolidated financial statements of the Group for the six months ended June 30, 2024 are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

SCOPE OF WORK OF THE COMPANY’S AUDITOR

The Group’s interim condensed consolidated financial information for the six months ended June 30, 2024 is unaudited but has been reviewed by the Company’s auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gaush.com), and the interim report of the Company for the six months ended June 30, 2024 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

The Board is pleased to announce the condensed consolidated interim results of the Group for the six months ended June 30, 2024 together with the comparative figures for the same period in 2023 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	<i>Notes</i>	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
REVENUE	4	642,034	700,703
Cost of sales		<u>(343,681)</u>	<u>(345,096)</u>
Gross profit		298,353	355,607
Other income and gains		16,824	21,761
Selling and distribution expenses		(115,475)	(120,888)
Administrative expenses		(73,608)	(62,525)
Research and development expenses		(35,140)	(26,105)
Other expenses		(11,956)	(1,938)
Finance costs		<u>(20,603)</u>	<u>(23,683)</u>
PROFIT BEFORE TAX	5	58,395	142,229
Income tax expense	6	<u>(31,467)</u>	<u>(31,808)</u>
PROFIT FOR THE PERIOD		<u>26,928</u>	<u>110,421</u>
Attributable to:			
Owners of the parent		28,474	111,296
Non-controlling interests		<u>(1,546)</u>	<u>(875)</u>
		<u>26,928</u>	<u>110,421</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic			
For profit for the period (<i>in RMB</i>)		<u>0.19</u>	<u>0.75</u>
Diluted			
For profit for the period (<i>in RMB</i>)		<u>0.19</u>	<u>0.75</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	<u>26,928</u>	<u>110,421</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(19,818)</u>	<u>36,749</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>7,110</u>	<u>147,170</u>
Attributable to:		
Owners of the parent	8,656	148,045
Non-controlling interests	<u>(1,546)</u>	<u>(875)</u>
	<u>7,110</u>	<u>147,170</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024	31 December 2023
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		74,306	80,865
Right-of-use assets		56,763	45,210
Goodwill		937,830	961,389
Intangible assets		247,487	269,827
Long-term prepayments and other receivables		45,677	38,581
Deferred tax assets		59,087	57,009
		<hr/>	<hr/>
Total non-current assets		1,421,150	1,452,881
CURRENT ASSETS			
Financial assets at fair value through profit or loss	9	178,724	175,602
Inventories		366,663	328,527
Trade receivables	10	143,783	146,543
Contract assets		1,856	2,548
Prepayments, other receivables and other assets		115,065	72,186
Term deposits		28,634	38,741
Pledged deposits		5,057	7,994
Cash and cash equivalents	11	546,839	618,695
		<hr/>	<hr/>
Total current assets		1,386,621	1,390,836
CURRENT LIABILITIES			
Trade payables	12	109,179	90,564
Derivative financial instruments		365	9
Other payables and accruals		249,586	132,847
Tax payable		17,733	5,204
Interest-bearing bank and other borrowings	13	216,198	523,269
Contract liabilities		124,280	125,458
Lease liabilities		22,735	14,316
		<hr/>	<hr/>
Total current liabilities		740,076	891,667

		30 June	31 December
		2024	2023
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NET CURRENT ASSETS		646,545	499,169
TOTAL ASSETS LESS CURRENT LIABILITIES		2,067,695	1,952,050
NON-CURRENT LIABILITIES			
Government grant		1,322	—
Interest-bearing bank and other borrowings	<i>13</i>	351,959	95,293
Contract liabilities		30,963	29,974
Deferred tax liabilities		60,670	66,553
Other payables and accruals		32,033	31,764
Lease liabilities		34,807	31,480
Total non-current liabilities		511,754	255,064
Net assets		1,555,941	1,696,986
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>14</i>	102	102
Other reserves		1,540,466	1,680,365
		1,540,568	1,680,467
Non-controlling interests		15,373	16,519
Total equity		1,555,941	1,696,986

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

The interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

Six months ended 30 June 2024	Proprietary products <i>RMB'000</i> (Unaudited)	Distribution products <i>RMB'000</i> (Unaudited)	Technical services <i>RMB'000</i> (Unaudited)	Others <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
External sales	178,005	351,048	110,047	2,934	642,034
Intersegment sales	72,581	—	—	—	72,581
Total segment revenue	<u>250,586</u>	<u>351,048</u>	<u>110,047</u>	<u>2,934</u>	<u>714,615</u>
Elimination of intersegment sales					(72,581)
Segment revenue	178,005	351,048	110,047	2,934	642,034
Segment cost	84,371	197,367	61,206	737	343,681
Segment gross profit	93,634	153,681	48,841	2,197	298,353
Six months ended 30 June 2023	Proprietary products <i>RMB'000</i> (Unaudited)	Distribution products <i>RMB'000</i> (Unaudited)	Technical services <i>RMB'000</i> (Unaudited)	Others <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
External sales	193,868	399,365	103,325	4,145	700,703
Intersegment sales	54,641	—	—	4,343	58,984
Total segment revenue	<u>248,509</u>	<u>399,365</u>	<u>103,325</u>	<u>8,488</u>	<u>759,687</u>
Elimination of intersegment sales					(58,984)
Segment revenue	193,868	399,365	103,325	4,145	700,703
Segment cost	74,100	214,915	54,562	1,519	345,096
Segment gross profit	119,768	184,450	48,763	2,626	355,607

Geographical information

(a) Revenue from external customers

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Greater China	497,129	556,024
Asia Pacific (excluding Greater China)	24,978	31,279
Germany	81,404	74,116
Europe (excluding Germany)	21,394	22,076
Americas (including Canada)	6,753	6,140
Oceania	8,172	7,121
Others	2,204	3,947
	<hr/>	<hr/>
Total	642,034	700,703
	<hr/> <hr/>	<hr/> <hr/>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Greater China	142,789	119,572
Germany	21,218	22,882
Netherlands	1,193,043	1,243,404
	<hr/>	<hr/>
Total	1,357,050	1,385,858
	<hr/> <hr/>	<hr/> <hr/>

The non-current asset information above is based on the locations of the assets and excluded financial instruments and deferred tax assets.

4. REVENUE

An analysis of revenue is as follows:

Disaggregated revenue information for revenue from contracts with customers

Segments	For the six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Types of goods or services		
Sale of ophthalmic medical devices	273,009	337,863
Sale of ophthalmic medical consumables	256,044	255,370
Technical services*	110,047	103,325
Others	2,934	4,145
Total	<u>642,034</u>	<u>700,703</u>
Geographical markets**		
Greater China	496,770	554,223
Germany	72,950	67,942
Netherlands	72,314	78,538
Total	<u>642,034</u>	<u>700,703</u>
Timing of revenue recognition		
Goods transferred at a point in time	531,140	595,739
Services transferred over time	110,894	104,964
Total	<u>642,034</u>	<u>700,703</u>

* Technical services include repair and maintenance services, which are either sold separately or bundled together with the sale of ophthalmic medical devices to customers.

** Allocated by the geographical location of entities generating revenue.

5. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	281,738	289,015
Cost of services provided	61,943	56,081
	<hr/>	<hr/>
Cost of sales	343,681	345,096
	<hr/> <hr/>	<hr/> <hr/>
Depreciation of property, plant and equipment*	9,711	8,001
Depreciation of right-of-use assets*	11,723	10,594
Amortisation of intangible assets*	18,719	18,323
Research and development expenses	35,140	26,105
Lease payments not included in the measurement of lease liabilities	331	311
Employee benefit expenses (including directors' and chief executive's remuneration)**:		
Wages and salaries and pension scheme contributions	183,995	169,610
Foreign exchange losses/(gains), net	4,523	(7,337)
Impairment/(reversal of impairment) trade receivables, net	773	(526)
Reversal of impairment contract assets, net	(6)	(8)
Impairment/(reversal of impairment) other receivables, net	94	(228)
Write-down of inventories to net realisable value	5,135	2,690
Fair value losses/(gains), net:		
Derivative financial instruments	400	—
Financial assets at fair value through profit or loss	(2,059)	(1,150)
Bank interest income	(2,250)	(2,953)
Investment income from financial assets at fair value through profit or loss	(423)	(578)
Losses/(gains) on disposal of property, plant, and equipment	97	(1)

- * Depreciation and amortisation are included in “Cost of sales”, “Selling and distribution expenses”, “Research and development expenses” and “Administrative expenses” in the interim condensed consolidated statement of profit or loss.
- ** Employee benefit expenses of approximately RMB37,685,000, RMB20,913,000 (30 June 2023: RMB48,467,000, RMB15,085,000) are included in “Cost of sales” and “Research and development expenses” in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2024, respectively.

6. INCOME TAX

Income tax for the Cayman Islands and the British Virgin Islands

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands. In addition, upon payments of dividends by the Company and the subsidiaries incorporated in the British Virgin Islands to their shareholders, no withholding tax is imposed.

Hong Kong profits tax

Hong Kong profits tax has been provided at the two-tiered profits tax rates on the estimated assessable profits arising in Hong Kong. The first HKD2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Corporate income tax for Chinese Mainland

Under the Law of the PRC on Corporate Income Tax (the “**CIT Law**”) and the Implementation Regulation of the CIT Law, the CIT rate for PRC subsidiaries is 25% except for those subsidiaries that are subject to tax exemption as set out below.

The Group’s subsidiary, Wenzhou Gauth Raymond Photoelectric Technology Co., Ltd., was accredited as a “High and New Technology Enterprise” in 2020 for a term of three years, and the certificate has been reissued in December 2023 for a term of three years, therefore the subsidiary was entitled to a preferential CIT rate of 15% for the six months ended 30 June 2024.

Pursuant to Caishui [2022] No. 13 “Announcement of the Ministry of Finance and the State Administration of Taxation on Further Implementation of Preferential Income Tax Policies for Small Meagre-profit Enterprises” (財政部、稅務總局關於進一步實施小微企業所得稅優惠政策的公告) and Caishui [2023] No.6 “Announcement on Preferential Income Tax Policies for Small Enterprises with Meager Profit and Individually-owned Businesses” (關於小微企業和個體工商戶所得稅優惠政策的公告), for certain small low-profit subsidiaries, the portion of the annual taxable income not exceeding RMB3,000,000 shall be computed at a reduced rate of 25% as taxable income amount, and be subject to corporate income tax at a tax rate of 20%.

Income tax for other jurisdictions

The Group’s tax provision in respect of other jurisdictions has been calculated at the applicable tax rates in accordance with the prevailing practices of the jurisdictions in which the Group operates.

Subsidiaries established in Germany were subject to corporate income tax at the rate of 15.825%. Furthermore, subsidiaries established in Germany were also subject to trade tax at trade tax rates of 14.35% and 15.75%, depending on the locations of the respective subsidiaries.

From 1 January 2023, subsidiaries established in the Netherlands were subject to corporate income tax at the rate of 19% for taxable income of EUR200,000 or less and at the rate of 25.8% for the portion exceeding EUR200,000. The management of the Group expects that Teleon Holding B.V., a subsidiary of the Company, together with its Dutch subsidiaries should qualify for the innovation box. A reduced tax rate of 9% applies to activities covered by the innovation box. The innovation box provides tax relief to encourage innovative research. Qualifying profits earned from qualifying innovative activities are taxed at this special rate.

An analysis of the provision for tax in the interim condensed consolidated financial information is as follows:

	For the six months ended	
	30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current — Hong Kong	9,639	7,564
Current — Chinese Mainland	20,050	32,712
Current — Other jurisdictions	8,768	11,104
Deferred	(6,990)	(19,572)
	<hr/>	<hr/>
Total tax charge for the period	<u>31,467</u>	<u>31,808</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, are as follows:

	For the six months ended	
	30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit before tax	<u>58,395</u>	<u>142,229</u>
Tax at the statutory tax rate	17,927	25,696
Lower tax rates for specific jurisdictions or enacted by local authority	(1,834)	(5,169)
Tax losses utilised from previous periods	(653)	(964)
Expenses not deductible for tax	4,367	4,259
Super deduction for research and development expenses*	(4,801)	(2,938)
Unrecognised temporary differences and tax losses	13,011	8,464
Income not subject to tax	(864)	—
Adjustments in respect of current tax of previous period	4,863	1,465
Other items	(549)	995
	<hr/>	<hr/>
Tax charge at the Group's effective rate	<u>31,467</u>	<u>31,808</u>

- * According to relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that was effective from 2018, enterprises engaging in research and development activities were entitled to claim 200% of their eligible research and development costs so incurred as tax deductible expenses when determining their assessable profits for that period (“**Super Deduction**”). Enterprises can also amortise the intangible assets based on 200% of the actual costs incurred, if the research and development expenses incurred have been capitalised. The Group made its best estimate for the Super Deduction to be claimed for the Group’s PRC subsidiaries in ascertaining their assessable profits for the six months ended 30 June 2024.

7. DIVIDENDS

The proposed final dividend of HKD1.10 per ordinary share of the Company for the year ended 31 December 2023 was declared payable by the shareholders of the Company at the annual general meeting of the Company on 30 May 2024.

No dividends have been declared and paid by the Company for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 147,970,369 (2023: 147,968,604) in issue during the period, as adjusted to reflect the rights issue during the period.

No dilution issues effected the earning per share attributable to ordinary equity holders of the parent for the six months ended 30 June 2024.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended	
	30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	28,474	111,296
	28,474	111,296
	Number of shares	
	2024	2023
	(Unaudited)	(Unaudited)
Shares:		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	147,970,369	147,968,604
Effect of dilution — weighted average number of ordinary shares:		
Over-allotment option*	—	107,906
Total	147,970,369	148,076,510

- * The Company grants the over-allotment option to the international underwriters, exercisable by the overall coordinators and the joint global coordinators at any time up to 30 days after the last date for the lodging of applications under the Hong Kong public offering, pursuant to which the Company may be required to allot and issue up to an aggregate of 1,960,200 additional shares representing no more than 15.0% of the initial offer shares, at the same price per offer share under the international offering. On 9 January 2023, the Company issued 35,500 ordinary shares for HKD51.40 per share due to the exercise of the over-allotment option. The Company was listed on the Main Board of the Stock Exchange on 12 December 2022, and the over-allotment option expired on 11 January 2023. The over-allotment option had dilution effect.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Subscription for investment in private funds*	178,696	175,530
Foreign Exchange Forward Transaction	28	72
Total	<u>178,724</u>	<u>175,602</u>

* The Group subscribed for relevant participating shares attributable to two segregated portfolios. The subscribed private funds totalled RMB178,696,000 (equivalent to approximately USD24,300,000) with expected rates of return ranging from 2.5% to 4.5% per annum. The segregated portfolios seek to achieve the investment objective by investing in cash or cash equivalents, U.S. national debt and other money market instruments. The subscriptions of the above funds were approved by the board of directors and were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

10. TRADE RECEIVABLES

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables	149,738	151,725
Impairment	(5,955)	(5,182)
Total	<u>143,783</u>	<u>146,543</u>

The Group's trading terms with its customers are mainly on payment in advance, except for some transactions which are traded on credit. The credit period is generally one or three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 1 year	123,478	122,437
1 to 2 years	11,897	19,332
2 to 3 years	7,907	3,916
3 to 4 years	352	726
4 to 5 years	149	132
Over 5 years	—	—
	<hr/>	<hr/>
Total	<u>143,783</u>	<u>146,543</u>

11. CASH AND CASH EQUIVALENTS

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Cash and bank balances	<u>546,839</u>	<u>618,695</u>

The Group's cash and cash equivalents were denominated in the following currencies:

	30 June 2024	31 December 2023
	'000	'000
	(Unaudited)	(Audited)
RMB	260,250	383,465
USD	3,135	2,093
EUR	29,894	27,865
HKD	27,605	1,562

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and 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 and cash equivalents earn interest at floating rates based on daily bank deposit rates or the specific rates in the agreement deposit contracts with bank. The bank balances are deposited with creditworthy banks with no recent history of default.

12. TRADE PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	101,999	84,359
Over 1 year	7,180	6,205
Total	<u>109,179</u>	<u>90,564</u>

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2024		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loan — secured*	Euribor+1	2025	53,626
Vendor loan — secured	7.00	2025	162,572
Total-current			<u>216,198</u>
Non-current			
Bank loan — secured*	2025: Euribor+1 2026–2027: Euribor+0.7	2027	351,959
Total-non-current			<u>351,959</u>
Total			<u>568,157</u>

- * In anticipation of the due date of the outstanding senior facility loan, Gaush Coöperatief U.A., the Group’s subsidiary, as the borrower entered into a facility agreement with China Minsheng Banking Corp. Ltd Shanghai Pilot Free Trade Zone Branch (中國民生銀行股份有限公司上海自貿試驗區分行) (the “**Minsheng Bank**”), as the lender, pursuant to which Gaush Coöperatief U.A. was granted by the lender a facility of EUR52.5 million to repay the senior facility loan on 2 February 2024. The replacement loan amounting to RMB402,239,000 (equivalent to EUR52,500,000) as at 30 June 2024 was guaranteed by Gaush Meditech Ltd and pledged by 100% of shares of Gaush Coöperatief U.A., 100% of shares of Teleon Holding B.V., and the Company’s debt service reserve account (“**DSRA**”) balance in Minsheng Bank amounting to RMB5,057,000 (equivalent to EUR660,000). The maturity date of the replacement facility loan is 22 December 2027.

	As at 31 December 2023		
	Effective interest rate (%)	Maturity	RMB’000
Current			
Bank loans — secured	5.10–5.32	2024	8,461
Vendor loan — secured	7.00	2024	95,293
Senior facility loan — secured	5.44–7.12	2024	419,515
Total-current			<u>523,269</u>
Non-current			
Vendor loan — secured	7.00	2025	95,293
Total-non-current			<u>95,293</u>
Total			<u>618,562</u>

14. SHARE CAPITAL

Shares

	30 June 2024 RMB’000 (Unaudited)	31 December 2023 RMB’000 (Audited)
Issued and fully paid:	<u>102</u>	<u>102</u>

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

	Number of shares in issue	Share capital <i>RMB'000</i>
At 1 January 2023 (Audited)	147,934,869	102
Issuance of ordinary shares (i)	<u>35,500</u>	<u>—</u>
At 31 December 2023 and 1 January 2024 (Audited)	<u>147,970,369</u>	<u>102</u>
At 30 June 2024 (Unaudited)	<u>147,970,369</u>	<u>102</u>

- (i) The Company grants the over-allotment option to the international underwriters, exercisable by the overall coordinators and the joint global coordinators at any time up to 30 days after the last date for the lodging of applications under the Hong Kong public offering, pursuant to which the Company may be required to allot and issue up to an aggregate of 1,960,200 additional shares representing no more than 15.0% of the initial offer shares, at the same price per offer share under the international offering. On 9 January 2023, the Company issued 35,500 ordinary shares for HKD51.40 per share due to the exercise of the over-allotment option. Calculated at a nominal price of USD0.0001 per share, an additional share capital of RMB24.23 was added due to the exercise of over-allotment option.

DEFINITIONS AND GLOSSARIES

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“associates”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“cataract”	a dense, cloudy area that forms in the lens of the eye which begins when proteins in the eye form clumps that prevent the lens from sending clear images to the retina
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Chairman”	the chairman of the Board
“Chief Executive Officer”	the chief executive officer of the Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires otherwise, references herein to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Company”	Gaush Meditech Ltd 高视医疗科技有限公司, an exempted company incorporated under the laws of the Cayman Islands with limited liability on November 1, 2017, the Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company

“Distribution Products”	products of the brand partners which the Group distributes
“EUR” or “Euro”	the lawful currency of the European Union
“electrophysiological equipment”	electrophysiological equipment uses an objective and non-invasive diagnostic technique, which can evaluate visual disorder by measuring electrical signals produced by the visual system
“Gaush Netherlands”	Gaush Coöperatief U.A., a cooperative (coöperatie) company duly incorporated under the laws of the Netherlands on October 29, 2020 and an indirect wholly-owned subsidiary of the Company
“Geuder”	Geuder AG, a company established in Germany
“glaucoma”	a group of eye diseases that are usually characterized by progressive structural and functional changes of the optic nerve, which is caused by fluid building up in the front part of the eye
“Global Offering”	the Hong Kong Public Offering and the International Offering (both as defined in the Prospectus)
“Greater China”	for the purposes of this announcement and for geographical reference only, the Chinese Mainland, Hong Kong, Macau and Taiwan
“Group”	the Company and all of its subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board

“intraocular lens”	an artificial replacement for the lens of human eye removed during cataract surgery
“KOL”	key opinion leaders, being physicians with influence on their peers’ medical practice for the purpose of this announcement
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on December 12, 2022
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“OK-Lens”	orthokeratology lenses, also known as orthokeratology, is a non-surgical method to eliminate the refractive error of the eye and improve the naked vision by changing the geometry of the cornea within the pressure of the eyelids during sleep which is placed on the upper surface of the cornea when wearing
“Proprietary Products”	products that the Group develops and manufactures
“Prospectus”	the prospectus of the Company dated November 30, 2022
“refractive error”	eye disorder caused by irregularity in the shape of the eye, which makes it difficult for the eyes to focus images clearly
“R&D”	research and development
“Reporting Period”	the six months ended June 30, 2024
“RMB”	the lawful currency of the PRC

“Roland”	Roland Consult Stasche & Finger GmbH, a limited liability company (Gesellschaft mit beschränkter Haftung) duly incorporated under the laws of Germany and founded on November 29, 1995 and an indirect subsidiary of the Company which it holds 80% equity interest
“SBM”	SBM Sistemi S.r.l., a company established in Italy
“Senior Facility Loan”	the secured loan granted by Credit Suisse and other lenders to Gaush Netherlands pursuant to a senior facility agreement of EUR75 million dated December 30, 2020, which was subsequently refinanced by the facility granted by the lender to Gaush Netherlands under the facility agreement in February 2024
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of US\$0.0001 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under Section 15 of the Companies Ordinance of Hong Kong
“Teleon”	Teleon Holding B.V., an indirect wholly-owned subsidiary of the Company acquired in January 2021, and its subsidiaries
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars”, “USD” or “US\$”	United States dollars, the lawful currency of the United States
“Vendor Loan”	the secured loan granted by Stichting Administratiekantoor OPM to Gaush Netherlands pursuant to a facility agreement of EUR24.25 million dated December 23, 2020 to partially finance the acquisition of Teleon and which shall mature in 2025

“vitreoretinal diseases”

diseases that develop from the back surface of the eye and the vitreous fluid around it, with the most representative vitreoretinal diseases being wet age-related macular degeneration (wAMD), diabetic macular edema (DME), retinal vein occlusion (RVO) and myopic choroidal neovascularization (mCNV)

“%”

per cent

By order of the Board
Gaush Meditech Ltd
Mr. Gao Tieta
Chairman and Executive Director

Hong Kong, August 28, 2024

As at the date of this announcement, the Board comprises Mr. Gao Tieta as Chairman and executive Director, Mr. Liu Xinwei, Mr. Zhao Xinli, Mr. Zhang Jianjun and Ms. Li Wenqi as executive Directors, Dr. David Guowei Wang as non-executive Director, and Mr. Feng Xin, Mr. Wang Li-Shin and Mr. Chan Fan Shing as independent non-executive Directors.