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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2427

Interim Report

2024

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Meng Xianzhen *(Chairman and Chief Executive Officer)*
Mr. Guo Zhenyu

Non-executive Director

Ms. Meng Cathy

Independent non-executive Directors

Dr. Zhao Bin
Dr. Chang Shiwang
Dr. Wong Man Hin Raymond

BOARD COMMITTEES

Audit Committee

Dr. Wong Man Hin Raymond *(Chairman)*
Dr. Zhao Bin
Dr. Chang Shiwang

Remuneration Committee

Dr. Chang Shiwang *(Chairman)*
Mr. Meng Xianzhen
Dr. Zhao Bin

Nomination Committee

Mr. Meng Xianzhen *(Chairman)*
Dr. Zhao Bin
Dr. Chang Shiwang

COMPANY SECRETARY

Mr. Zhang Senquan

AUTHORISED REPRESENTATIVES

Mr. Meng Xianzhen
Mr. Zhang Senquan

HONG KONG LEGAL ADVISOR

Jingtian & Gongcheng LLP

COMPLIANCE ADVISOR

Yue Xiu Capital Limited
(A licensed corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO)
Room 17–37, 49/F
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30 Harbour Road
Wanchai, Hong Kong

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 2427

COMPANY'S WEBSITE

www.guanzegroup.com

HEAD OFFICE IN THE PRC

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Jinan High-tech Zone
Shandong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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171 Lockhart Road
Wanchai
Hong Kong

REGISTERED OFFICE

The offices of Vistra (Cayman) Limited
P.O. Box 31119 Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman KY1-1205
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AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Vistra (Cayman) Limited
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Hibiscus Way
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Grand Cayman KY1-1205
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKER

Industrial and Commercial Bank of China Limited
(Shanghai Pilot Free Trade Zone branch)

Management Discussion and Analysis

The board (the “**Board**”) of directors (the “**Directors**”) of Guanze Medical Information Industry (Holding) Co., Ltd. (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 (the “**Period**” or the “**Review Period**”).

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 of the People’s Republic of China (“**Mainland China**” or the “**PRC**”, excluding Hong Kong, Macau and Taiwan for purpose of this report). 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 of the shares of the Company (the “**Shares**”) on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 29 December 2022 (the “**Listing**”). We are a 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 and software

We are engaged in the sales of (i) medical imaging films procured from international brands; and (ii) medical imaging films and software 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 them with the corresponding self-service film output printer and/or medical image printer to them free of charge. 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. In 2024, we commenced to sell the medical imaging software to the customers and recorded the revenue of approximately RMB6.3 million during the Period.

For the Period, the revenue from the sales of medical imaging film products and software was RMB33.6 million (for the six months ended 30 June 2023: RMB67.9 million). The level of revenue decreased by 50.5% when compared with the same period of last year. The decrease was mainly due to the facts that 1) the self-branded “Guanze Huiyi”, which was more price friendly for consumers than the international brands offered by us, was recognized by more customers, accounting for an increase in the percentage of the total revenue of medical imaging film products from 50.3% for the same period of last year to 93.8% for the Period, and gradually completing the substitution of international brands of medical imaging films. The increase in the percentage of Guanze Huiyi’s medical imaging film of total revenue was due to (i) our active development of our self-branded medical imaging film; and (ii) more customers purchased our self-branded medical imaging film which has higher cost-effectiveness; 2) the price of medical imaging film for some customers decreased; and 3) the economic downturn resulted in an unexpected decrease in demand from customers.

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 Period, the revenue from provision of medical imaging cloud services decreased by 1.7% to approximately RMB6.4 million from approximately RMB6.5 million for the six months ended 30 June 2023, but the percentage of the revenue from provision of medical imaging cloud services increased from approximately 9% for the six months ended 30 June 2023 to approximately 16% for the six months ended 30 June 2024. The increase was attributable to the gradually expanding market of our medical imaging cloud services and trust from customers. We believe that the proportion of our medical imaging cloud service sales will increase year by year.

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 other medical institutions are encouraged to promote the same with an aim to promote the "Two Invoice System" across the nation by 2018.

OUTLOOK

During the Two Sessions in 2023, which were the first session of the fourteenth National People's Congress and the first session of the fourteenth National Committee of the Chinese People's Political Consultative Conference, proposals in the healthcare sector covered a wide array of topics including Healthy China initiatives, quality development of public hospitals, smart hospitals, digital upgrades, healthcare payment reform, data standardization and sharing, sustainable centralized procurement, urban medical consortia, and county-level healthcare collaborations. Proposals advocating for the development of an "AI+Healthcare" system and the shared use of big medical data attracted considerable attention, becoming a focal point of public interest. Smart healthcare has emerged as a new direction for the future formulation of national healthcare industry development policies, and we will accelerate the completion of our business transformation as well.

Smart healthcare utilizes AI technologies to facilitate the sharing, ecosystem integration and interaction of big medical data among doctors, patients, medical institutions and medical technology providers. AI, machine learning, natural language processing and deep learning enable stakeholders in smart healthcare and medical professionals to identify needs and solutions more rapidly and accurately. They can make informed medical or business decisions in a fast manner based on data patterns and enhance interactions between patients, medical staff, medical institutions and medical devices through the development of health record information platforms and the use of advanced IoT technologies, moving clinical diagnostics towards more intelligent and information-based processes. Our Group plans to utilize the technological knowledge, expertise and experience of start-ups, as well as the AI-assisted diagnostic software they are developing or have developed. This AI-assisted diagnostic software supports medical personnel during the diagnostic process by detecting and confirming through medical imaging, as well as providing diagnostic recommendations. We believe that there is significant potential in AI-assisted diagnostic software, not only because it aligns with the new direction of healthcare development policies but also due to the anticipated increase in patients in Shandong Province, coupled with expected improvements in diagnostic efficiency.

The original data, including patients' digital medical images and diagnostic reports, is stored on our digital imaging cloud platform and/or within the existing consultation IT systems of our hospital and medical institution clients. This data serves as a database for establishing a smart healthcare AI system capable of automatic processing of vast amounts of medical data, reducing the workload on doctors and nurses, while improving the quality and efficiency of medical services and enhancing the medical experience for patients. We believe the development of software built upon our medical imaging cloud services will complement our existing range of medical cloud services, expand our product offerings and increase our revenue in long term, thereby strengthening our position as a one-stop provider of medical imaging solutions.

THE GROUP'S BUSINESS DEVELOPMENT STRATEGY

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 keep an open mind towards transformation in order to clearly recognize the state of affairs 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 comprehensive 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 a 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 distributors would be beneficial to our Group in expanding our customer network in East Shandong as a result of their delivery channels.

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 digitization in medical imaging has since gradually become a global trend. The shift to digital films is mainly 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 patient information are usually stored in the databases of medical institutions and can be accessed online by physicians and patients through portals, where the patients can still request hard copies of their medical imaging examination results for purposes such as transferring between medical institutions.

The National Health Commission, the National Data Bureau and other departments jointly issued a notice on the "Data Element X" Three-Year Action Plan (2024–2026), pointing out that giving full play to the amplification, superposition, and multiplication of data elements and building a digital economy with data as the key element are inevitable requirements for promoting high-quality development. Strengthening the joint innovation of medical data, and expanding new data application models such as smart medical care and smart health are encouraged.

The Group has strong research and development capabilities. Following the trend of growing demand for medical imaging informatization and medical imaging cloud services, the Group has chosen to vigorously develop medical imaging cloud services business 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 imaging 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

The revenue of the Group was derived from the: (i) sales of medical imaging film products and software; and (ii) provision of medical imaging cloud services in Mainland China during the Period.

Revenue

For the Period, the total revenue decreased by 46.2% to approximately RMB40.0 million (for the six months ended 30 June 2023: RMB74.4 million). The decrease was primarily attributable to the decrease in revenue from the sales of medical imaging film products:

(i) Sales of medical imaging film products and software

For the Period, revenue generated from sales of medical imaging film products and software decreased by approximately RMB34.3 million, or 50.5%, to approximately RMB33.6 million (for the six months ended 30 June 2023: RMB67.9 million). The decrease was primarily attributable to 1) the increase in the percentage of revenue contributed by our self-branded "Guanze Huiyi" product, which was more price friendly than the international brands offered by us, against the total revenue generated from our medical film imaging products from 50.3% for the same period last year to 93.8% for the Period, as a result of the wider recognition from our customers for our own brand; 2) the decrease in the selling price of medical imaging film products to certain customers; and 3) the unexpected decrease in demand from customers resulting from the economic downturn.

(ii) Provision of medical imaging cloud services

For the Period, revenue generated from the provision of medical imaging cloud services decreased by approximately RMB0.1 million, or 1.7%, to approximately RMB6.4 million (for the six months ended 30 June 2023: RMB6.5 million).

Cost of Sales

For the Period, cost of sales decreased by 41.8% to approximately RMB18.2 million (for the six months ended 30 June 2023: RMB31.2 million), which was mainly due to the substantial decrease in sales revenue.

Gross Profit and Gross Profit Margin

For the Period, the gross profit decreased by RMB21.3 million to approximately RMB21.9 million (for the six months ended 30 June 2023: RMB43.2 million), which was primarily due to the significant decrease in revenue generated from sales of medical imaging film products and software.

For the Period, the gross profit margin decreased by approximately 3.4 percentage points to approximately 54.7% (for the six months ended 30 June 2023: 58.1%), which was primarily attributable to the decrease in gross profit margin from sales of medical imaging film products and software by approximately 4.5 percentage points to approximately 51.7% (for the six months ended 30 June 2023: 56.2%), primarily caused by the decrease in the average selling price of medical imaging film products.

Management Discussion and Analysis (continued)

Other Income and Gains

For the Period, other income and gains decreased by approximately RMB0.7 million to approximately RMB1.3 million (for the six months ended 30 June 2023: RMB2.0 million). The decrease was mainly attributable to the decrease in government grants by approximately RMB0.7 million to approximately RMB0.5 million during the Period (for the six months ended 30 June 2023: RMB1.2 million).

Selling and Distribution Expenses

For the Period, selling and distribution expenses decreased by approximately RMB4.8 million to approximately RMB8.5 million (for the six months ended 30 June 2023: RMB13.3 million), which was mainly attributable to the decrease in channel expenses by approximately RMB4.8 million to approximately RMB6.0 million during the Period as a result of the decrease in sales of medical imaging film products through distributors (for the six months ended 30 June 2023: RMB10.8 million).

Administrative Expenses

For the Period, administrative expenses increased by approximately RMB0.3 million to approximately RMB6.9 million (for the six months ended 30 June 2023: RMB6.5 million), which was primarily attributable to the increased labour costs arising from the increase in headcount.

Finance costs

For the Period, finance costs decreased by approximately RMB0.1 million, or 34.5%, to approximately RMB0.3 million (for the six months ended 30 June 2023: RMB0.4 million), which was primarily attributable to the decrease in interests of bank loans by RMB0.1 million to RMB0.3 million for the Period (for the six months ended 30 June 2023: RMB0.4 million).

Income tax expense

For the Period, income tax expenses decreased by approximately RMB3.7 million, or 56.0%, to approximately RMB2.9 million (for the six months ended 30 June 2023: RMB6.7 million) as a result of a significant decrease in profit before tax for the Period as compared to the corresponding period of last year.

Loss for the Period and Net Profit Margin

As a result of the cumulative effect of the above factors, the Group recorded loss for the Period of approximately RMB0.1 million (for the six months ended 30 June 2023: profit of RMB16.1 million), with a net profit margin of approximately -0.3% for the Period (for the six months ended 30 June 2023: 21.7%).

Liquidity and Financial Resources

As at 30 June 2024, the Group recorded net current assets of approximately RMB199.7 million (31 December 2023: RMB230.4 million). The cash and cash equivalents balances decreased by approximately RMB35.5 million to approximately RMB32.9 million (31 December 2023: RMB68.4 million).

For the Period, the net cash generated from operating activities was approximately RMB0.7 million (for the six months ended 30 June 2023: net outflow of RMB0.4 million). The cash generated from operating activities was mainly from the operating income during the Period.

For the Period, the net cash used in investing activities was approximately RMB4.6 million (for the six months ended 30 June 2023: RMB5.1 million). The net cash used in investing activities was mainly attributable to the purchase and prepayment of property, plant and equipment. For the Period, the net cash used in financing activities was approximately RMB31.5 million (for the six months ended 30 June 2023: net inflow of RMB47.3 million). The net cash used in financing activities was mainly attributable to 1) payment of final dividends for 2023 of approximately RMB18.2 million and 2) share repurchase under the Share Award Scheme of approximately RMB10.5 million.

As of 30 June 2024, 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.

Prepayment, other receivables and other assets

The prepayments, other receivables and other assets mainly represented the prepayment provided to the suppliers for procuring the self-branded medical imaging film products, deposits and other receivables. As at 30 June 2024, the prepayments, other receivables and other assets of the Group decreased by approximately RMB31.1 million to approximately RMB41.7 million (31 December 2023: RMB72.8 million). The decrease was mainly due to the successive delivery of goods in respect of the prepayments made last year during the Period.

Bank Borrowings

As of 30 June 2024, the Group had outstanding interest-bearing bank loans of RMB18.5 million (31 December 2023: RMB21.1 million). Our bank loans bear interest at rates ranging from 3.1% to 3.9% per annum.

Contingent Liabilities

As at 30 June 2024, the Group had no significant contingent liabilities (31 December 2023: nil).

Capital Commitments

As at 30 June 2024, the Group had no significant capital commitments (31 December 2023: 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 were 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 30 June 2024, certain of the Group’s buildings with a net carrying amount of approximately RMB8.9 million were pledged to secure some of the Group’s interest-bearing bank borrowings (31 December 2023: RMB9.2 million).

Gearing Ratio

As at 30 June 2024, the Group’s gearing ratio decreased by 0.2% to 7.6% (31 December 2023: 7.8%), which was mainly due to the decrease in interest-bearing bank borrowings. The gearing ratio is calculated by dividing total debt (including interest-bearing bank and other borrowings) by total equity at the end of the respective periods.

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 30 June 2024) during the Period or have future plans for material investments or capital assets as at the date of this report.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the Period.

Dividend

On 28 March 2024, the Board recommended the payment of a final dividend of HK2.1 cents per Share for the year ended 31 December 2023 (2022: HK2.1 cents per Share), amounting to approximately HK$20.0 million in total (2022: HK$20.0 million).

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

Employees and Remuneration Policies

The Group had a total of 56 (31 December 2023: 56) employees as at 30 June 2024. 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.

The Group offers training programs on topics such as industry trends, technology, management and professional skills, and other areas tailored to the needs of our employees for career advancement and overall employee quality improvement.

Pension Scheme

The Group participates in the central pension schemes as defined by the laws of the countries in which it has operations. The subsidiaries established and operated in Mainland China are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees. During the Period, there was no forfeited contribution (by the Group on behalf of its employees who leave the Group prior to vesting fully in such contributions) available to be utilized by the Group to reduce the contributions payable in the future years or to reduce the Group's existing level of contributions to the defined contribution retirement plan.

RECENT DEVELOPMENT AND EVENTS AFTER THE PERIOD

Save for as disclosed in this report, no material events have occurred since the end of the Period and up to the date of this report.

Subsequent to the Period and up to the date of this report, we have continued to focus on our medical imaging film products and software business and there had not been any material change to our business model, revenue structure and cost structure. We continue to explore opportunities for our business through participating in different exhibitions.

Our Directors confirmed that, after the Period and up to the date of this report,

(a) there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial and operating position;

(b) there was no material adverse change in the operation and financial position or prospects of our Group; and

(c) no event had occurred that would materially and adversely affect the information shown in the interim condensed consolidated financial statements set out in this report.

Corporate Governance and Other Information

USE OF NET PROCEEDS FROM THE LISTING

The Company issued 192,850,000 Shares in the global offering at a price of HK$0.53 per Share. The net proceeds from the global offering received by the Company amounted to approximately HK$76.8 million (equivalent to approximately RMB68.6 million).

There has been no change in the intended use of net proceeds from the Listing as disclosed in the prospectus of the Company dated 15 December 2022 (the "**Prospectus**"). The planned applications of the net proceeds as well as the expected timeline for utilization is set out below:

	Approx. % of the net proceeds from the Listing	Net proceeds from the Listing	Unutilized amount of net proceeds brought forward from 31 December 2023	Utilized amount during the Period	Utilized amount up to 30 June 2024	Unutilized amount as at 30 June 2024	Expected timeline for full utilization
		RMB' million	RMB' million	RMB' million	RMB' million	RMB' million	
Expanding customer base and consolidating market presence	46.4%	31.8	31.8	25.1	25.1	6.7	December 2025
Enhancing medical imaging cloud services	37.3%	25.6	24.3	2.5	3.8	21.8	December 2025
Broadening product offerings	2.7%	1.9	1.9	0.1	0.1	1.8	December 2025
Promoting brands and increasing market awareness	2.5%	1.7	1.6	0.9	1.0	0.7	December 2025
Upgrading information technology systems	2.5%	1.7	1.6	–	0.1	1.6	December 2025
Working capital and other general corporate purposes	8.6%	5.9	–	–	5.9	–	N/A
Total	100.0%	68.6	61.2	28.6	36.0	32.6	

As at 30 June 2024, the amount of unutilized net proceeds amounted to approximately RMB32.6 million. The unutilized net proceeds were placed in interest-bearing deposits with authorized financial institutions or licensed banks in Hong Kong and the PRC.

Up to 30 June 2024, the utilized net proceeds were applied in accordance with the planned use as previously disclosed in the Prospectus and the remaining net proceeds are expected to be used as planned. The remaining unutilized net proceeds are expected to be utilized on or before 31 December 2025.

SHARE SCHEME

Share Option Scheme

Neither the Company nor its subsidiaries has any share option scheme up to date of this report.

Share Award Scheme

A share award scheme (the "**Share Award Scheme**") was adopted by the Company on 2 December 2023 (the "**Adoption Date**"). The purposes of the Share Award Scheme are to recognize and reward the contribution of eligible participants as defined in the rules of the Share Award Scheme to include any employees of the Group (excluding any Director(s) and connected person(s) of the Company) (the "**Eligible Participant(s)**"), to motivate Eligible Participants to optimize their performance and efficiency for the benefit of the Group, to recognise and reward the Eligible Participants for their performance and contributions, and to retain them for their continual contribution to the operation and development of the Group.

The Board may, from time to time, at its absolute discretion select any Eligible Participants as selected participants (the "**Selected Participant(s)**") to participate in the Share Award Scheme to be awarded Shares, and is entitled to impose any conditions as it deems appropriate with respect to the entitlement of the Selected Participants to the award of Shares. The grant of Shares awarded under the Share Award Scheme to Selected Participants shall be satisfied solely by the purchase of existing Shares through the trustee of the Share Award Scheme (the "**Trustee**"), funded by the Company, on the secondary market.

The vesting date in respect of any award of Shares shall be determined in accordance with the rules relating to the Share Award Scheme or the conditions imposed by the Board. The maximum number of Shares under the Share Award Scheme (i) to be purchased by the Trustee; and (ii) to be awarded by the Board, in aggregate shall be no more than 47,500,000 Shares representing 5% of the total number of issued Shares as at the adoption date of the Share Award Scheme (the "**Adoption Date**"). The maximum number of Shares which may be awarded to a Selected Participant under the Share Award Scheme shall not exceed 9,500,000, being 1% of the total number of issued Shares as at the Adoption Date. There is no service provider sublimit being defined under the Share Award Scheme. No purchase price is payable by the grantees for Shares awarded under the Share Award Scheme.

The Share Award Scheme shall be valid and effective for a period of 10 years from the Adoption Date subject to early termination as may be determined by the Board, after which no award shall be granted but the provision of the Share Award Scheme will in all other respects remain in full force and effect until all awards that are granted before the expiry of the Share Award Scheme are vested and transferred to the relevant Selected Participants.

References are made to voluntary announcements of the Company dated 2 February 2024 and 8 May 2024 in respect of grants of awarded Shares to Selected Participants pursuant to the Share Award Scheme (the "**Awarded Shares**") on 6 January 2024 (the "**First Grant**") and 1 April 2024 (the "**Second Grant**") respectively. A summary of grants of Awarded Shares during the Review Period is set out below:

	First Grant	Second Grant
Date of grant:	6 January 2024	1 April 2024
Grantees:	16 Selected Participants, being employees of the Group	35 Selected Participants, being employees of the Group
Number of Awarded Shares granted:	6,802,000 Awarded Shares	7,586,000 Awarded Shares
Consideration:	Nil	Nil
Vesting date:	5 January 2029, being 5 years from the date of grant (inclusive)	31 March 2029, being 5 years from the date of grant (inclusive)
Performance target:	No performance target attached to the Awarded Shares granted	No performance target attached to the Awarded Shares granted
Percentage of issued Shares at the date of grant:	0.72%	0.80%
Closing price of the Share on the last trading day before date of grant:	HK$0.67 per Share	HK$0.70 per Share
Fair value of Awarded Shares at the date of grant:	HK$4,557,340	HK$5,310,200

There is no performance target attached to the Award Shares.

Subsequent to the Second Grant, two of the 35 Selected Participants resigned. As a result, the 472,000 Awarded Shares granted to these two employees lapsed pursuant to the Share Award Scheme as of 30 June 2024.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Selected Participants of the First Grant and the Second Grant is a connected person of the Company.

Details of movements of Awarded Shares of the Group during the Review Period are as follows:

			Number of Awarded Shares						
Category of participants	Date of grant	Vesting date	Unvested as at 1 January 2024	Granted during the Review Period	Fair value of Awarded Shares at the date of grant during the Review Period [(1)]	Vested during the Review Period	Lapsed during the Review Period	Cancelled during the Review Period	Unvested as at 30 June 2024
Employees	6 Jan 2024	5 Jan 2029	–	6,802,000	HK$4,557,340	–	–	–	6,802,000
Employees	1 Apr 2024	31 Mar 2029	–	7,586,000	HK$5,310,200	–	(472,000)	–	7,114,000
Total				14,388,000	HK$9,867,540	–	(472,000)	–	13,916,000

Note:

1. The fair value of the awarded shares is determined based on the closing market price of the ordinary shares as at the date of grant.

The number of Shares available for grant under the Share Award Scheme as of 1 January 2024 and 30 June 2024 were 47,500,000 Shares and 33,584,000 Shares respectively.

The Company was informed by the Trustee that an aggregate of 13,918,000 Shares had been purchased on the market during the Review Period (the "**Shares Purchased**") for the purpose of the Share Award Scheme. Details of the Shares Purchased are set out in the announcements of the Company dated 2 February 2024, 8 May 2024, 6 June 2024 and 8 July 2024. The Shares Purchased in relation to the First Grant and the Second Grant are held by the Trustee at the date of this report and regarded as being held in public hands under the Listing Rules.

Rule 17.07(3) of the Listing Rules is not applicable to the Share Award Scheme as it involves no issuance of new Shares in respect of awards granted under the Share Award Scheme during the Review Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save as disclosed in the section headed "Share Award Scheme" above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Review Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 June 2024, the interests and short positions of the Directors and the chief executive in the Shares, underlying Shares and debentures and share options of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix C3 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (the "**Model Code**"), were as follows:

Long position in the Company

Name of Director	Nature of interest	Number of Shares held/interested	Percentage of the issued share capital of the Company (Note 2)
Mr. Meng Xianzhen	Interest in a controlled corporation (Note 1)	712,099,575	74.96%

Notes:

(1) Mr. Meng Xianzhen directly owns the entire issued share capital of Meng A Capital Limited ("**Meng A Capital**") which in turn owns 712,099,575 Shares, representing 74.96% of the Company's issued share capital. Therefore, Mr. Meng Xianzhen is deemed to be interested in all the Shares held by Meng A Capital for purpose of SFO.

(2) The percentage is calculated on the basis of 950,000,000 Shares in issue as at 30 June 2024.

Long position in the associated corporation

Name of Director	Name of associated corporation	Nature of interest	Percentage of interest in associated corporation
Mr. Meng Xianzhen	Shandong Guanze (Note 1)	Beneficial owner (Note 2)	1.10%

Notes:

(1) Shandong Guanze refers to Guanze Zhihui Medical Technology (Shandong) Co., Ltd.* (冠澤智慧醫療科技(山東)有限公司).

(2) Mr. Meng Xianzhen owns 1.10% of Shandong Guanze which owns 99% of Guanze International Trading (Shanghai) Co., Ltd.* (冠澤國際貿易(上海)有限公司) ("**Shanghai Guanze**").

(3) Shanghai Guanze owns 100% of Jinan Guanze Medical Equipment Co., Ltd.* (濟南冠澤醫療器材有限公司) ("**Jinan Guanze**").

(4) Shandong Guanze, Shanghai Guanze and Jinan Guanze are indirect non-wholly owned subsidiaries of the Company.

* *for identification purposes only*

Save as disclosed above, as at 30 June 2024, none of the Directors, chief executive and their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2024, the register of substantial shareholders of the Company (the "**Shareholders**") maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain Directors and chief executive, the following Shareholders had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which are recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in Shares

Name of Shareholder	Capacity/ nature of interest	Number of Shares held	Percentage of the issued share capital of the Company (Note 3)
Meng A Capital (Note 1)	Beneficial owner	712,099,575	74.96%
Ms. Yang Duanling	Interest of spouse (Note 2)	712,099,575	74.96%

Notes:

(1) Meng A Capital is a company incorporated in the British Virgin Islands and directly wholly-owned by Mr. Meng Xianzhen.

(2) Ms. Yang Duanling is the spouse of Mr. Meng Xianzhen, who is interested in 712,099,575 Shares. Therefore, Ms. Yang Duanling is deemed to be interested in all Shares in which Mr. Meng Xianzhen is interested for the purpose of the SFO.

(3) The percentage is calculated on the basis of 950,000,000 Shares in issue as at 30 June 2024.

Save as disclosed above, as at 30 June 2024, the Directors are not aware of any other person (who were not Directors or chief executives of the Company) or corporation having an interest or short position in the Shares or the underlying Shares of the Company or its associated corporation(s) which would fall to be disclosed to the Company and the Stock Exchange under provision of Divisions 2 and 3 of Part XV of the SFO or which would be required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance. The Directors recognise that sound corporate governance practices are crucial for the long-term growth of the Company and for safeguarding the interests of Shareholders. The Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules (the "**CG Code**") as its own code of corporate governance. To the best knowledge of the Directors, the Company has fully complied with the CG Code during the Review Period save and except for code provision C.2.1 of the CG Code.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive 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 the Chairman and the Chief Executive Officer of the Group. This provides a strong and consistent leadership to the Group and allows for more effective planning and management to the Group. The balance of power and authority is ensured by the operation of the Board, which comprises experienced and diverse individuals. The Board currently comprises two executive Directors (including Mr. Meng Xianzhen), one non-executive Director and three independent non-executive Directors, and therefore has a strong independent element in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for the Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they had complied with the Model Code throughout the Review Period.

UPDATE ON DIRECTORS' INFORMATION

There is no change in information of the Directors since 31 December 2023 pursuant to Rule 13.51B of the Listing Rules.

AMENDMENTS TO MEMORANDUM AND ARTICLES OF ASSOCIATION

At the annual general meeting of the Company held on 31 May 2024, the special resolution to approve the amendments to the memorandum and articles of association of the Company (the "**M&A**") and the adoption of the new M&A was duly passed by the Shareholders. Please refer to the circular of the Company dated 30 April 2024 for details of the amendments to the M&A.

REVIEW OF INTERIM RESULTS

The Company has established the audit committee in compliance with rule 3.21 of the Listing Rules and code provision D.3 of the CG Code for the purpose of reviewing and supervising the Group's financial reporting system, risk management and internal control systems. The audit committee of the Company, comprising three independent non-executive Directors, namely Dr. Wong Man Hin Raymond, Dr. Zhao Bin and Dr. Chang Shiwang, and chaired by Dr. Wong Man Hin Raymond, has reviewed the results (including the unaudited interim condensed consolidated financial statements) of the Group for the six months ended 30 June 2024.

In addition, the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 have been reviewed by our 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.

BOARD OF DIRECTORS

As at the date of this report, the Board of the Company comprises Mr. Meng Xianzhen and Mr. Guo Zhenyu as the executive Directors, Ms. Meng Cathy as the non-executive Director, Dr. Zhao Bin, Dr. Chang Shiwang and Dr. Wong Man Hin Raymond as the independent non-executive Directors.

By Order of the Board
Guanze Medical Information Industry (Holding) Co., Ltd.

Meng Xianzhen
Chairman
PRC, 26 August 2024

Independent Review Report

EY 安永

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To the board of Guanze Medical Information Industry (Holding) Co., Ltd.
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 21 to 36, which comprises the condensed consolidated statement of financial position of Guanze Medical Information Industry (Holding) Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**") as at 30 June 2024 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

26 August 2024

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Notes	**2024 (Unaudited) RMB'000**	2023 (Unaudited) RMB'000
REVENUE	5	**40,030**	74,413
Cost of sales		**(18,150)**	(31,184)
Gross profit		**21,880**	43,229
Other income and gains	5	**1,319**	2,024
Selling and distribution expenses		**(8,451)**	(13,300)
Administrative expenses		**(6,858)**	(6,544)
Research and development costs		**(1,508)**	(734)
Impairment losses on trade receivables		**(1,643)**	(1,374)
Finance costs		**(264)**	(403)
Other expenses		**(1,674)**	(89)
PROFIT BEFORE TAX	6	**2,801**	22,809
Income tax expense	7	**(2,938)**	(6,683)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(137)**	16,126
Attributable to:			
Owners of the parent		**(160)**	15,948
Non-controlling interests		**23**	178
		(137)	16,126
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		**RMB (0.0002)**	RMB0.017

Interim Condensed Consolidated Statement of Financial Position

30 June 2024

	Notes	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**36,411**	34,150
Right-of-use assets		**4,598**	4,829
Intangible assets		**125**	139
Deferred tax assets		**1,593**	1,183
Total non-current assets		**42,727**	40,301
CURRENT ASSETS			
Inventories		**60,457**	10,891
Trade and bills receivables	11	**98,994**	120,175
Prepayments, other receivables and other assets	12	**41,675**	72,776
Cash and cash equivalents	13	**32,884**	68,350
Total current assets		**234,010**	272,192
CURRENT LIABILITIES			
Trade payables	14	**731**	1,378
Contract liabilities	5	**4,007**	1,032
Other payables and accruals		**2,456**	7,088
Interest-bearing bank borrowings		**18,500**	21,146
Lease liabilities		**287**	307
Tax payables		**8,322**	10,832
Total current liabilities		**34,303**	41,783
NET CURRENT ASSETS		**199,707**	230,409
TOTAL ASSETS LESS CURRENT LIABILITIES		**242,434**	270,710
NON-CURRENT LIABILITIES			
Lease liabilities		**278**	392
Total non-current liabilities		**278**	392
Net assets		**242,156**	270,318
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	**8,576**	8,576
Reserves		**232,640**	260,825
		241,216	269,401
Non-controlling interests		**940**	917
Total equity		**242,156**	270,318

Meng Xianzhen	**Guo Zhenyu**
Director	*Director*

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

		Attributable to owners of the parent								
	Notes	Share Capital RMB'000	Shares held for share award schemes RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2024 (Audited)		**8,576**	**–**	**78,070**	**46,634**	**12,286**	**123,835**	**269,401**	**917**	**270,318**
Loss and total comprehensive loss for the period		**–**	**–**	**–**	**–**	**–**	**(160)**	**(160)**	**23**	**(137)**
Share purchased for the share award scheme	15	**–**	**(10,471)**	**–**	**–**	**–**	**–**	**(10,471)**	**–**	**(10,471)**
Share award scheme — value of employee service	15	**–**	**–**	**640**	**–**	**–**	**–**	**640**	**–**	**640**
Final 2023 dividend declared	8	**–**	**–**	**–**	**–**	**–**	**(18,194)**	**(18,194)**	**–**	**(18,194)**
At 30 June 2024 (Unaudited)		**8,576**	**(10,471)**	**78,710**	**46,634**	**12,286**	**105,481**	**241,216**	**940**	**242,156**
At 1 January 2023 (Audited)		8,576	–	78,067	46,634	10,040	116,819	260,136	505	260,641
Profit and total comprehensive income for the period		–	–	–	–	–	15,948	15,948	178	16,126
Transfer to statutory surplus reserve		–	–	–	–	1,192	(1,192)	–	–	–
Final 2022 dividend declared	8	–	–	–	–	–	(18,305)	(18,305)	–	(18,305)
At 30 June 2023 (Unaudited)		8,576	–	78,067	46,634	11,232	113,270	257,779	683	258,462

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Notes	**2024 (Unaudited) RMB'000**	2023 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,801**	22,809
Finance costs		**264**	403
Interest income	5	**(599)**	(112)
Loss on disposal of items of property, plant and equipment	10	**1,567**	–
Impairment of trade receivables	6	**1,643**	1,374
Depreciation of items of property, plant and equipment	6	**3,005**	2,448
Depreciation of right-of-use assets	6	**281**	136
Amortisation of intangible assets	6	**14**	15
Purchase rebate of property, plant and equipment		**(2,280)**	(6,265)
Share-based payment expenses	15	**640**	–
		7,336	20,808
(Increase)/decrease in inventories		**(49,566)**	2,924
Decrease in trade and bills receivables		**19,538**	6,016
Decrease/(increase) in prepayments, other receivables and other assets		**31,155**	(22,194)
Decrease in trade payables		**(647)**	(1,074)
Increase in contract liabilities		**2,975**	2,076
Decrease in other payables and accruals		**(4,632)**	(4,191)
Cash generated from operations		**6,159**	4,365
Interest received		**599**	112
Interest paid		**(201)**	(385)
Interest element on finance lease rental payments		**(37)**	–
Income tax paid		**(5,858)**	(4,491)
Net cash flows generated from (used in) operating activities		**662**	(399)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(4,607)**	(5,087)
Purchases of right-of-use assets		**(5)**	–
Net cash flows used in investing activities		**(4,612)**	(5,087)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment to the controlling shareholder		**–**	(1,376)
Principal portion of lease payments		**(205)**	(101)
New bank loans		**10,500**	22,865
Repayment of bank loans		**(13,146)**	(17,595)
Dividend paid		**(18,194)**	(18,166)
Proceeds from issuance of shares		**–**	82,401
Share issue expenses		**–**	(20,696)
Shares purchased for the share award scheme	15	**(10,471)**	–
Net cash flows (used in) generated from financing activities		**(31,516)**	47,332
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(35,466)**	41,846
Cash and cash equivalents at beginning of period		**68,350**	29,368
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**32,884**	71,214

Notes to the Interim Condensed Consolidated Financial Information

30 June 2024

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 the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

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

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

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 29 December 2022.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with HKAS 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 Financial Information is presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

3. 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 Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

(a) Amendments to HKFRS 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 HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(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 HKAS 7 and HKFRS 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.

4. OPERATING SEGMENT INFORMATION

For management purpose, the Group has only one reportable operating segment and the measurement of segment results is based on the profit before tax as presented in the interim condensed 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 period, no geographical segments are presented.

Information about major customers

Revenue from operations of approximately RMB40.0 million and RMB74.4 million for the six months ended 30 June 2024 and 2023, respectively, was derived from sales of medical imaging film products and softwares and the provision of medical imaging cloud services. Revenue from the sales of medical imaging film products and softwares and the provision of medical imaging cloud services accounted for approximately 84% and 16% of the total revenue of the six months ended 30 June 2024, respectively. (six months ended 30 June 2023: 91% and 9%).

Notes to the Interim Condensed Consolidated Financial Information (continued)

30 June 2024

4. OPERATING SEGMENT INFORMATION *(continued)*

Information about major customers *(continued)*

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

	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Customer A	**5,822**	N/A
Customer B	**N/A**	10,673
Customer C	**N/A**	7,850
Customer D	**N/A**	7,515
Total	**5,822**	26,038

5. REVENUE, OTHER INCOME AND GAINS

(a) An analysis of revenue is as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue from contracts with customers by types of goods or services		
Sales of medical imaging film products and softwares	**33,611**	67,885
Provision of medical imaging cloud services	**6,419**	6,528
	40,030	74,413
Timing of revenue recognition		
Goods transferred at a point in time	**33,611**	67,885
Services transferred over time	**6,419**	6,528
Total	**40,030**	74,413

(b) Contract liabilities

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contract liabilities	**4,007**	1,032

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

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

(b) Contract liabilities *(continued)*

(i) Revenue recognised in relation to contract liabilities

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	**384**	887

(c) Performance obligations

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

Sales of medical imaging film products and softwares

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 30 June 2024 and 31 December 2023 are as follows:

	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within one year	**18,657**	10,179
Over one year	**5,552**	10,887
Total	**24,209**	21,066

5. REVENUE, OTHER INCOME AND GAINS *(continued)*

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

	Note	Six months ended 30 June **2024** **RMB'000** **(Unaudited)**	 2023 RMB'000 (Unaudited)
Other income			
Interest on bank deposits		**599**	112
Gains			
Government grants	(i)	**507**	1,202
Others		**213**	710
Total		**1,319**	2,024

(i) 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.

6. PROFIT BEFORE TAX

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

	Six months ended 30 June **2024** **RMB'000** **(Unaudited)**	 2023 RMB'000 (Unaudited)
Cost of inventories sold	**16,317**	29,753
Cost of services provided	**1,833**	1,018
Employee benefit expenses	**5,083**	4,354
— Wages, salaries and allowances	**4,192**	3,585
— Social insurance and housing fund	**826**	724
— Welfare and other expenses	**65**	45
Research and development costs	**1,508**	734
Depreciation of items of property, plant and equipment	**3,005**	2,448
Impairment of trade receivables	**1,643**	1,374
Depreciation of right-of-use assets	**281**	136
Amortisation of intangible assets	**14**	15

7. 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 period is analysed as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current — Mainland China*	**3,349**	7,027
Deferred tax	**(411)**	(344)
Total tax charge for the period	**2,938**	6,683

* 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.

8. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final declared — HK2.1 cents (2023: HK2.1 cents) per ordinary share	**18,194**	18,305
	18,194	18,305

On 28 March 2024, the board of directors declared a final dividend in respect of 31 December 2023 of HK2.1 cent (six months ended 30 June 2023: HK2.1 cent) per ordinary share, amounting to a total of approximately HK$19,950,000 (six months ended 30 June 2023: HK$19,950,000).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the parent of RMB0.16 million (six months ended 30 June 2023: profit for the period attributable to ordinary equity holders of the parent of RMB15.9 million), and the weighted average number of ordinary shares of 943,020,500 (six months ended 30 June 2023: 950,000,000) in issue during the periods.

No adjustment has been made to the basic (loss)/earnings per share amount presented for the six months ended 30 June 2024 and 2023 in respect of a dilution as the Group had no potential dilutive ordinary shares in issue during the periods.

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

The calculation of basic and diluted (loss)/earnings per share is based on:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/Earnings		
(Loss)/profit for the period attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**(160)**	15,948
Total	**(160)**	15,948

	Number of shares Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**943,020,500**	950,000,000
Total	**943,020,500**	950,000,000

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired assets at a cost of RMB6,887,000 (unaudited) (31 December 2023: RMB17,069,000 (audited)).

Assets with net carry amounts of RMB1,621,000 (unaudited) were disposed of by the Group during the six months ended June 30, 2023 (December 31, 2023: RMB7,257,000 (audited)), resulting in a net loss on disposal of RMB1,567,000 (unaudited) (December 31, 2023: RMB1,461,000 (audited)).

The net book value of property, plant and equipment as at 30 June 2024 is RMB36,411,000 (unaudited) (December 31, 2023: RMB34,150,000 (audited)).

11. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	**101,694**	120,122
Bills receivable	**3,697**	4,807
Impairment losses	**(6,397)**	(4,754)
Trade and bills receivables, net	**98,994**	120,175

11. TRADE AND BILLS RECEIVABLES *(continued)*

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	**88,582**	106,434
1 year to 2 years	**6,715**	8,934
	95,297	115,368

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At beginning of period	**4,754**	476
Impairment of trade receivables (Note 6)	**1,643**	4,278
At end of period	**6,397**	4,754

An impairment analysis is performed at the end of each period 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 periods 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 30 June 2024 (unaudited)

		Past due			
	Current	Within 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	**1.12%**	**4.70%**	**15.79%**	**100.00%**	
Gross carrying amount (RMB'000)	**77,267**	**12,780**	**7,974**	**3,673**	**101,694**
Expected credit losses (RMB'000)	**864**	**601**	**1,259**	**3,673**	**6,397**

11. TRADE AND BILLS RECEIVABLES *(continued)*

As at 31 December 2023 (audited)

		Past due			
	Current	Within 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	1.49%	1.90%	9.00%	100%	
Gross carrying amount (RMB'000)	85,281	22,859	9,817	2,165	120,122
Expected credit losses (RMB'000)	1,272	434	883	2,165	4,754

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	**30 June 2024 RMB'000 (Unaudited)**	31 December 2023 RMB'000 (Audited)
Deposits and other receivables	(i)	**16,687**	5,862
Prepayments		**24,988**	66,914
		41,675	72,776

(i) As at 30 June 2024, the deposits and other receivables are receivable from disposing of property, plant and equipment and advance provided to suppliers.

13. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Cash and bank balances	**32,884**	68,350
Denominated in RMB	**24,854**	30,087
Denominated in HKD	**7,912**	38,143
Denominated in USD	**118**	120
Total	**32,884**	68,350

14. TRADE PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	**731**	1,378
Total	**731**	1,378

The trade payables are non-interest-bearing.

15. SHARE CAPITAL

Shares:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Issued and fully paid:		
950,000,000 Ordinary shares	**8,576**	8,576

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

	Note	**Number of shares**	**Issued capital**	**Share held for share award scheme**	**Share premium**	**Total**
At January 1, 2023 (audited)		950,000,000	8,576	–	78,067	86,643
Capital contribution by the shareholder of a subsidiary		–	–	–	3	3
At December 31, 2023 and January 1, 2024 (audited)		950,000,000	8,576	–	78,070	86,646
Shares held for share award scheme	(i)	–	–	(10,471)	–	(10,471)
Share award scheme — value of employee service		–	–	–	640	640
At June 30, 2024 (unaudited)		950,000,000	8,576	(10,471)	78,710	76,815

(i) During the six months ended June 30, 2024, 13,918,000 ordinary shares of the Company on the Stock Exchange of Hong Kong Limited were purchased by the trustee for the share award scheme at the consideration of HK$11,515,610 (approximately to RMB10,471,000).

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

As at 30 June 2024

	Carrying amounts 30 June 2024 RMB'000 (Unaudited)	Fair values 30 June 2024 RMB'000 (Unaudited)
Financial assets		
Debt instruments at fair value through other comprehensive income	**3,697**	**3,697**

As at 31 December 2023

	Carrying amounts 31 December 2023 RMB'000 (Audited)	Fair values 31 December 2023 RMB'000 (Audited)
Financial assets		
Debt instruments at fair value through other comprehensive income	4,807	4,807

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

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

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

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

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	**Significant observable inputs (Level 2) RMB'000 (Unaudited)**	**Significant unobservable inputs (Level 3) RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Debt instruments designated at fair value through other comprehensive income	**–**	**3,697**	**–**	**3,697**
Total	**–**	**3,697**	**–**	**3,697**

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Debt instruments designated at fair value through other comprehensive income	–	4,807	–	4,807
Total	–	4,807	–	4,807

17. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2024.

18. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 26 August 2024.