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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code : 2427)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2024**

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024 as follows:

#### **INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2024*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2024</b> <b>(Unaudited)</b> <b>RMB'000</b>	<b>2023</b> <b>(Unaudited)</b> <b>RMB'000</b>
REVENUE	5	<b>40,030</b>	74,413
Cost of sales		<b>(18,150)</b>	(31,184)
Gross profit		<b>21,880</b>	43,229
Other income and gains	5	<b>1,319</b>	2,024
Selling and distribution expenses		<b>(8,451)</b>	(13,300)
Administrative expenses		<b>(6,858)</b>	(6,544)
Research and development costs		<b>(1,508)</b>	(734)
Impairment losses on trade receivables		<b>(1,643)</b>	(1,374)
Finance costs		<b>(264)</b>	(403)
Other expenses		<b>(1,674)</b>	(89)
PROFIT BEFORE TAX	6	<b>2,801</b>	22,809
Income tax expense	7	<b>(2,938)</b>	(6,683)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		<b>(137)</b>	16,126

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2024

	<i>Notes</i>	Six months ended 30 June	
		2024 (Unaudited) <i>RMB'000</i>	2023 (Unaudited) <i>RMB'000</i>
Attributable to:			
Owners of the parent		(160)	15,948
Non-controlling interests		<u>23</u>	<u>178</u>
		<u>(137)</u>	<u>16,126</u>
 (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	 9		
Basic and diluted		<u>RMB(0.0002)</u>	<u>RMB0.017</u>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		<b>30 June 2024</b>	31 December 2023
		<b>(Unaudited)</b>	(Audited)
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>36,411</b>	34,150
Right-of-use assets		<b>4,598</b>	4,829
Intangible assets		<b>125</b>	139
Deferred tax assets		<b>1,593</b>	1,183
		<hr/>	<hr/>
Total non-current assets		<b>42,727</b>	40,301
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories		<b>60,457</b>	10,891
Trade and bills receivables	<i>10</i>	<b>98,994</b>	120,175
Prepayments, other receivables and other assets		<b>41,675</b>	72,776
Cash and cash equivalents		<b>32,884</b>	68,350
		<hr/>	<hr/>
Total current assets		<b>234,010</b>	272,192
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>11</i>	<b>731</b>	1,378
Contract liabilities	<i>5</i>	<b>4,007</b>	1,032
Other payables and accruals		<b>2,456</b>	7,088
Interest-bearing bank borrowings		<b>18,500</b>	21,146
Lease liabilities		<b>287</b>	307
Tax payables		<b>8,322</b>	10,832
		<hr/>	<hr/>
Total current liabilities		<b>34,303</b>	41,783
		<hr/>	<hr/>
NET CURRENT ASSETS		<b>199,707</b>	230,409
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>242,434</b>	270,710
		<hr/>	<hr/>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

30 June 2024

	<b>30 June 2024</b>	31 December 2023
	<b>(Unaudited)</b>	(Audited)
<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT LIABILITIES</b>		
Lease liabilities	<u>278</u>	<u>392</u>
Total non-current liabilities	<u>278</u>	<u>392</u>
Net assets	<u><b>242,156</b></u>	<u><b>270,318</b></u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	8,576	8,576
Reserves	<u>232,640</u>	<u>260,825</u>
	<b>241,216</b>	269,401
Non-controlling interests	<u>940</u>	<u>917</u>
<b>Total equity</b>	<u><b>242,156</b></u>	<u><b>270,318</b></u>

# 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 software
- 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	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
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.
- (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 software and the provision of medical imaging cloud services. Revenue from the sales of medical imaging film products and software 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%).

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:

	Six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (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	<u>5,822</u>	<u>26,038</u>

## 5. REVENUE, OTHER INCOME AND GAINS

(a) An analysis of revenue is as follows:

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

**(b) Contract liabilities**

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Contract liabilities	<b><u>4,007</u></b>	<u>1,032</u>

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

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

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

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

**(c) Performance obligations**

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

***Sales of medical imaging film products and software***

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:

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

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

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

(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:

	<b>Six months ended 30 June</b>	
	<b>2024 RMB'000 (Unaudited)</b>	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
	<u>14</u>	<u>15</u>

## 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 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Current — Mainland China*	3,349	7,027
Deferred tax	(411)	(344)
Total tax charge for the period	<u>2,938</u>	<u>6,683</u>

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

## 8. DIVIDENDS

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

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.

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

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(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	<u>(160)</u>	<u>15,948</u>
Total	<u><u>(160)</u></u>	<u><u>15,948</u></u>
	<b>Number of shares</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<u>943,020,500</u>	<u>950,000,000</u>
Total	<u><u>943,020,500</u></u>	<u><u>950,000,000</u></u>

## 10. TRADE AND BILLS RECEIVABLES

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

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:

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

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

	<b>30 June 2024 RMB'000</b>	31 December 2023 RMB'000
At beginning of period	<b>4,754</b>	476
Impairment of trade receivables ( <i>Note 6</i> )	<b>1,643</b>	4,278
	<hr/>	<hr/>
At end of period	<b><u>6,397</u></b>	<b><u>4,754</u></b>

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**

	Current	Past due			Total
		Within 1 year	1 to 2 years	Over 2 years	
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

**As at 31 December 2023**

	Current	Past due			Total
		Within 1 year	1 to 2 years	Over 2 years	
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

**11. TRADE PAYABLES**

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

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Within 1 year	<u>731</u>	<u>1,378</u>
Total	<u><u>731</u></u>	<u><u>1,378</u></u>

The trade payables are non-interest-bearing.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SUMMARY

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

### **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 RMB6.8 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 announcement.

## **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 (2022: HK2.1 cents per Share) for the year ended 31 December 2023, 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 announcement, no material events have occurred since the end of the Period and up to the date of this announcement.

Subsequent to the Period and up to the date of this announcement, 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 announcement,

- (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 announcement.

## 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. A summary of 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 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
<b>Total</b>	<b>100.0%</b>	<b>68.6</b>	<b>61.2</b>	<b>28.6</b>	<b>36.0</b>	<b>32.6</b>	

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.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Pursuant to the rules of the Share Award Scheme, the Company instructed the trustee to purchase from the market a total of about 13.9 million Shares for awards to the relevant grantees during the Period. The total costs (excluding related transaction costs) involved was about HK\$11.5 million. Save as disclosed above, during the Review Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **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 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.

## **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.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.guanzegroup.com>). The interim report for the six months ended 30 June 2024 containing all the information required by Appendix D2 to the Listing Rules will be dispatched to the Shareholders and available on the same websites in due course.

## **DEFINITION**

“Board”	the board of Directors
“Chairman”	the chairman of the Board
“CG Code”	the corporate governance code as set out under Appendix C1 to the Listing Rules
“Company” or “Guanze Medical”	Guanze Medical Information Industry (Holding) Co., Ltd. (formerly known as Guanze Intelligent Medical Information Industry (Holding) Co., Ltd.), an exempted company incorporated in the Cayman Islands with limited liability on 11 December 2020
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries at the relevant time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the Shares on the Main Board on 29 December 2022
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	main board of the Stock Exchange
“Mainland China” or the “PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“Prospectus”	the prospectus issued by the Company dated 15 December 2022
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Review Period” or “Period”	the six-month period from 1 January 2024 to 30 June 2024
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 2 December 2023
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

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

Hong Kong, 26 August 2024

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