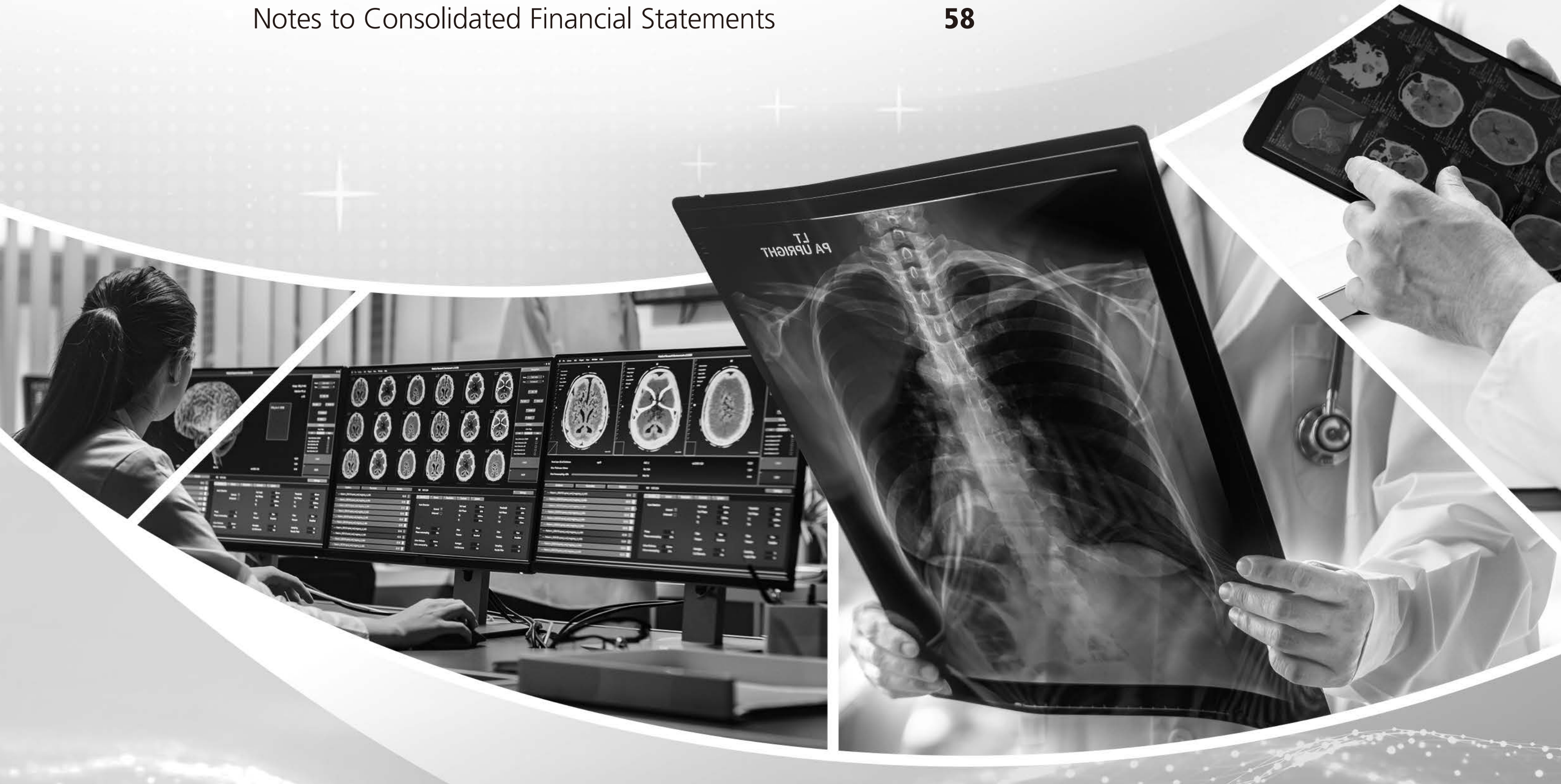
Guanze Medical Information Industry (Holding) Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2427

Annual 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
Sun Hung Kai Centre
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 PEOPLE'S REPUBLIC OF CHINA

Room 501-A, Block 10
Strategic Emerging Industry Base
Jinan High-tech Zone
No. 2966 Chunhui Road
Jinan High-tech Zone
Shandong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 16/F.,
Kingswell Commercial Tower,
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
Cayman Islands

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
P.O. Box 31119 Grand Pavilion
Hibiscus Way
802 West Bay Road
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)

Financial Highlights and Summary

FINANCIAL RESULTS

	For the year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**155,740**	156,072	177,112	211,076	184,435
Gross Profit	**62,786**	85,405	80,976	75,699	61,575
Profit for the year attributable to owners of the Company	**17,204**	27,567	17,944	22,935	29,043

ASSETS AND LIABILITIES

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**58,686**	40,301	34,646	30,563	28,018
Current assets	**245,482**	272,192	293,077	173,488	125,867
Current liabilities	**43,507**	41,783	66,986	41,337	51,633
Net current assets	**201,975**	230,409	226,091	132,151	74,234
Non-current liabilities	**155**	392	96	154	3,812
Net assets	**260,506**	270,318	260,641	162,560	98,440
Equity attributable to the owners of the Company	**259,343**	269,401	260,136	162,397	98,440
Non-controlling interest	**1,163**	917	505	163	–

KEY FINANCIAL RATIOS

		For the year ended 31 December				
	Notes	**2024**	2023	2022	2021	2020
Return on equity (%)	1	**6.6%**	10.2%	6.9%	14.2%	29.5%
Return on total assets (%)	2	**5.7%**	8.8%	5.5%	11.2%	18.9%
Current ratio (times)	3	**5.6**	6.5	4.4	4.2	2.4
Quick ratio (times)	4	**4.7**	4.5	2.8	3.8	2.0
Gearing ratio (%)	5	**6.8%**	7.8%	9.8%	9.2%	8.4%

Notes:

1. Return on equity equals profit attributable to owners of the Company divided by total equity attributable to owners of the Company.

2. Return on total assets equals profit attributable to owners of the Company divided by total assets and multiplied by 100%.

3. Current ratio equals current assets divided by current liabilities.

4. Quick ratio equals current assets less inventories and prepayments, other receivables and other assets and divided by current liabilities and multiplied by 100%.

5. Gearing ratio equals total debt (including interest-bearing bank and other borrowings) divided by total equity and multiplied by 100%.

Chairman's Statement

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**"), I would like to express my sincere gratitude to all shareholders for their trust and support to Guanze Medical Information Industry (Holding) Co., Ltd. (the "**Company**") and I am pleased to present the annual report of the Company (together with its subsidiaries, the "**Group**") for the year ended 31 December 2024 (the "**Reporting Period**" or "**Year**").

In 2024, the global economic remained unstable, and the overall macro-economy showed signs of weak recovery. China's economy continued to show resilience amidst the complex internal and external environment. Under the general principle of 'seeking progress in stability', China's economy in 2024 basically remained at a similar level as the 2023 target. Economic resilience continued to be demonstrated, although the growth rate still fell short of the pre-epidemic level. Therefore, under the influence of the general economic environment, the Group should also maintain the attitude of 'seeking progress in stability' and gradually pursue an increase in the level of business.

In 2024, China's medical device industry, driven by policy support, growing market demand, and technological innovation, showed a positive development trend of scale expansion, innovation acceleration, and in-depth digital transformation, while international competitiveness strengthened. According to the annual audit report of Ernst & Young, for the year ended 31 December 2024, we achieved annual revenue of RMB155.7 million, with a year-on-year decrease of 0.2%, which was mainly attributable to the decline in revenue from the sale of traditional medical imaging films due to the decrease in the selling prices of products sold to some customers and the sale of medical imaging film products at lower prices in order to develop new markets. Total assets amounted to RMB304.2 million, with a gearing ratio of 6.8%.

In 2024, medical imaging films still accounted for a significant share of the market, especially in primary care institutions or where physical records are required by law. County-level hospitals and rural health centers in China still rely on films as their main imaging carriers due to limited budgets and lagging information technology. Therefore, we have increased our investment in the medical imaging film products market in 2024 to consolidate our position in the medical imaging film market in Shandong Province. However, the medical informatization policy of the 14th Five-Year Plan for Economic and Social Development of the People's Republic of China promotes the full access of Class III-A hospitals to the regional imaging cloud platform. We have four types of medical imaging cloud services, including digital medical imaging cloud storage platform, digital medical image platform, regional imaging diagrams platform and PACS system. With the gradual development of digital intelligence, the acceleration of sales of our medical imaging cloud services has become an unstoppable trend.

In 2024, we continued to expand our headcount. In 2024, we added 9 new sales staff and gradually strengthened our sales team, with sales staff deployed in Qingdao, Yantai, Weihai and other regions and dedicated staff in each region, which enabled us to gain a deeper understanding of the local market and customers' needs and increase the penetration rate of our own brand. At the same time, we could visit our customers frequently and respond to their needs in a timely manner to accelerate the promotion of our medical imaging cloud services and improve customer satisfaction. The increase in the number of sales staff has provided a channel base for us to make rapid adjustments to our future digital imaging transformation and to expand our new business. The "mentorship" mechanism and internal competition can accelerate the growth of newcomers and form a healthy talent team.

Our operations have been in compliance with the relevant environmental protection laws and regulations promulgated by the government of the People's Republic of China (the "**PRC**"), including the Environmental Protection Law of the People's Republic of China. Given the nature of our business, our operations do not directly generate industrial pollutants or greenhouse gas emissions. Therefore, our operations do not have material negative impact on the environment. In addition, as a supporter of the Paris Agreement, we promote green office practices to protect the environment. The Company has adopted paperless operation in 2024 to achieve a low-carbon footprint, while to continuously raise our employees' environmental protection awareness. We have also obtained the Environmental Management System Standard Certificate.

In 2024, we are also increasing the pace of setting up other businesses to accelerate the Group's transition from traditional business to digitalization and diversification. We are in the process of adding new digital radiography ("**DR**") and endoscopy businesses. Up to now, DR has reached the stage of registration and inspection, and endoscopy has also reached the stage of delivery and inspection. The Plan for the Allocation of Large-scale Medical Equipment of the National Healthcare Commission encourages the procurement of domestically-produced equipment, with priority given to DR and endoscopy products, so we should capitalize on the opportunities for growth in the medical equipment market. DR and endoscopy are integral parts of the medical imaging equipment sector and their market demand is growing steadily. Especially with the development of medical technology and the promotion of primary healthcare, the penetration rate of such equipment is also increasing. Diverse businesses can reduce the Company's reliance on traditional films and diversify risks. At the same time, these devices often require complementary consumables and services, which can bring us sustainable revenue.

2024 is the first year of the wide commercial application of large language model and Generative AI. Against this background, the healthcare sector also gradually moved towards the crossroad of digital and intelligent development. In 2024, our joint research and development center with Pen-Tung Sah Institute of Micro-Nano Science and Technology of Xiamen University developed a preliminary model of the AI intelligent system application for medical imaging products. The application can improve the diagnostic efficiency and accuracy of doctors, enhance the added value of our products and strengthen our competitiveness. In the future, it can help us transition from the sale of traditional consumables to an integrated solution provider, which is in line with the trend of digitalization in the industry. However, in terms of technological and AI market competition, we still have to face huge challenges. AI has been clinically validated for disease identification, image quality control and diagnostic process optimization. Some of our products have been certified by NMPA/FDA. With China's policies such as Development Plan on the New Generation of Artificial Intelligence and Development Plan of Medical Equipment Industry explicitly supporting the application of AI in medical care, the penetration rate of AI tools purchase in the Class III-A hospitals rapidly increase. Given the shortage of doctor resources in grassroot hospitals, AI-assisted diagnosis can compensate gaps in the capacity, which is in line with the national strategy of "hierarchical diagnosis and treatment". Looking ahead, the integration of AI-assisted diagnosis and medical imaging will be an irreversible development trend in the industry. I believe we can take solid steps to forge forward in the tide of continuous change.

Flowers in spring will turn into fruits in autumn as times go by. On behalf of the Board, I would like to express my deepest gratitude to all shareholders for their trust and support to the Group. It is your strong belief and continuous support that has enabled us to maintain consistent strategies and steadily achieve our development goals in the challenging market environment. In the future, we will continue to drive our business to new heights with prudent business strategies and innovative development thinking. We are confident that with the trust and support of our shareholders, the Company will continue to achieve great progress.

Mr. Meng Xianzhen
Chairman
PRC, 28 March 2025

Management Discussion and Analysis

SUMMARY

The Company is a comprehensive medical imaging solutions provider, principally engaged in providing medical imaging film products and medical imaging cloud services in Shandong Province. The Company is a holding company of the Group which was incorporated in the Cayman Islands as an exempted company with limited liability on 11 December 2020 and was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 29 December 2022 (the "**Listing Date**"). 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.

For the Reporting Period, the revenue from the sales of medical imaging film products and software was RMB146.5 million (2023: RMB141.1 million). Our revenue increased by 3.8% when compared with 2023, which is mainly due to the net impact of the following factors: 1) revenue generated from sales of medical imaging film products decreased by approximately RMB23.1 million to approximately RMB118.0 million (2023: RMB141.1 million) as a result of the decrease in average selling price of medical imaging film products resulted from the decrease in selling price of medical imaging film products to some customers and selling medical imaging film products at lower prices to explore new markets; and 2) revenue generated from sales of medical imaging software increased by RMB28.5 million during the Year.

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 Reporting Period, the revenue from provision of medical imaging cloud services decreased by 38.4% from approximately RMB14.9 million for the year ended 31 December 2023 to approximately RMB9.2 million. The decrease was mainly due to the corresponding reduction in sales income from imaging film products.

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 rest part of Shandong Province;

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

— horizontally expand our value chain by broadening our product offerings;

— continue to promote our brands and increase market awareness by participating in exhibitions; and

— upgrade our information technology systems.

IMPACT OF POLICY AND UNCERTAINTIES

Our business operation, financial results and our cashflow may be adversely affected if the "Two Invoice System" is fully implemented in medical imaging films industry in Shandong Province. As part of the measures for the PRC healthcare system reform, the State Council together with seven other central government departments (including the NHFPC and the State Administration of Food and Drug) jointly issued the Notice on Opinions on the Implementation of the Two Invoice System in Drug Procurement by Public Medical Institutions (for Trial Implementation) (《關於在公立醫療機構藥品採購中推行兩票制的實施意見(試行)》) on 26 December 2016. Pursuant to the above notice, public medical institutions are required to implement the "Two Invoice System" for drug procurements gradually and encourage other medical institutions to promote the same with an aim to promote the "Two Invoice System" across the nation by 2018.

OUTLOOK

2024 is the first year of the wide commercial application of large language model(LLM) and Generative AI. Against this background, the healthcare sector also gradually moved towards the crossroad of digital and intelligent development. With China's policies such as "Development Plan on the New Generation of Artificial Intelligence" (《新一代人工智能發展規劃》) and "Development Plan of Medical Equipment Industry" (《醫療裝備產業發展規劃》) explicitly supporting the application of AI in medical care, the penetration rate of AI tools purchase in the Class III-A hospitals rapidly increase. Given the shortage of doctor resources in grassroot hospitals, AI-assisted diagnosis can compensate gaps in the capacity, which is in line with the national strategy of "hierarchical diagnosis and treatment". Smart healthcare has emerged as a new direction for the future formulation of national healthcare industry development policies.

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 suppliers. 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 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 cloud services, expanding our product offerings and increasing our revenue in long term, thereby strengthening our position as a one-stop supplier 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 perversive 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.

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 mainly is to facilitate digital storage, access, and transmission of medical imaging data for purposes such as remote consultation and diagnosis. Presently, medical imaging results along with other patient information are usually stored in medical institutions database and could be accessed online by physicians and patients through patient portal, where the patients can still request hard copies of their medical imaging examination results for purposes such as transferring between medical institutions.

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

The Group has strong research and development capabilities, following the trend of growing demand for medical imaging informatization and medical imaging cloud services, and has chosen to vigorously develop medical imaging cloud services in face of the immense market opportunities while traditional medical imaging films is being transformed. Currently, the business has shown a good momentum of development. As cloud computing technology further matures and the continuous improvement of healthcare institutions' acceptance of cloud computing, medical 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 Year.

Revenue

For the Year, the total revenue decreased by 0.2% to approximately RMB155.7 million (2023: RMB156.1 million). The decrease was primarily attributable to the decrease in sales of medical imaging film products and medical imaging cloud services:

(i) Sales of medical imaging film products and software

For the Year, revenue generated from sales of medical imaging film products and software increased by approximately RMB5.4 million, or 3.8%, to approximately RMB146.5 million (2023: RMB141.1 million), which is mainly due to the net impact of the following factors: 1) revenue generated from sales of medical imaging film products decreased by approximately RMB23.1 million to approximately RMB118.0 million (2023: RMB141.1 million) as a result of the decrease in average selling price of medical imaging film products resulted from the decrease in selling price of medical imaging film products to some customers and selling medical imaging film products at lower prices to explore new markets; and 2) revenue generated from sales of medical imaging software increased by RMB28.5 million during the Year.

(ii) Provision of medical imaging cloud services

For the Year, revenue generated from the provision of medical imaging cloud services decreased by approximately RMB5.7 million, or 38.4%, to approximately RMB9.2 million (2023: RMB14.9 million). The decrease was mainly due to the reduction in sales income from imaging film products.

Cost of Sales

For the Year, cost of sales increased by 31.5% to approximately RMB93.0 million (2023: RMB70.7 million), which was mainly because the number of medical imaging film products sold increased by 36.6% to 16.7 million (2023: 12.3 million) during the Year.

Gross Profit and Gross Profit Margin

For the Year, the Group’s gross profit decreased by RMB22.6 million to approximately RMB62.8 million (2023: RMB85.4 million), which was primarily due to the decrease in average selling price of medical imaging film products.

For the Year, the gross profit margin decreased by approximately 14.4 percentage points to approximately 40.3% (2023: 54.7%), which was primarily attributable to the decrease in gross profit margin from sales of medical imaging film products and software by approximately 13.4 percentage points to approximately 38.1% (2023: 51.5%), attributable to the decrease in average selling price of medical imaging film products.

Other Income and Gains

For the Year, the Group’s other income and gains increased by approximately RMB6.2 million, or 259.6%, to approximately RMB8.6 million (2023: RMB2.4 million). The increase was mainly attributable to the increase in gains of government grants by approximately RMB6.1 million to approximately RMB7.6 million during the year (2023: RMB1.5 million).

Selling and Distribution Expenses

For the Year, the Group's selling and distribution expenses decreased by approximately RMB8.8 million, or 32.9%, to approximately RMB17.8 million (2023: RMB26.6 million), which was mainly attributable to the decrease in channel expenses paid to the distributors by approximately RMB8.4 million to approximately RMB12.9 million (2023: RMB21.3 million) as a result of the decreased revenue from the sales of medical imaging film products through distributors during the Year.

Administrative Expenses

For the Year, the Group's administrative expenses decreased by 4.0% to approximately RMB13.8 million (2023: RMB14.3 million).

Finance Costs

For the Year, the Group's finance costs decreased by approximately RMB0.2 million, or 17.5%, to approximately RMB0.7 million (2023: RMB0.9 million), which was primarily attributable to the absence of interest on discounted bills during the Year (2023: RMB0.2 million).

Income Tax Expense

For the Year, the Group's income tax expenses decreased by approximately RMB1.8 million, or 17.4%, to approximately RMB8.9 million (2023: RMB10.7 million) as a result of a decrease in total amount of profit before tax for the Year by RMB12.3 million to approximately RMB26.3 million (2023: RMB38.7 million).

Profit for the Year and Net Profit Margin

As a result of the cumulative effect of the above factors, the Group's profit for the Year decreased by approximately RMB10.4 million, or 37.5%, to approximately RMB17.5 million (2023: RMB27.9 million). For the Year, the Group's net profit margin decreased to approximately 11.2% (2023: 17.9%).

Liquidity and Financial Resources

As at 31 December 2024, the Group reported net current assets of approximately RMB202.0 million (as at 31 December 2023: RMB230.4 million); cash and cash equivalents balances decreased by approximately RMB40.1 million to approximately RMB28.2 million (as at 31 December 2023: RMB68.4 million).

For the Year, the net cash generated from operating activities was approximately RMB21.5 million (2023: RMB8.8 million). The cash generated from operating activities was mainly from the operating profits during the Year.

For the Year, the net cash used in investing activities was approximately RMB29.1 million (2023: RMB7.3 million). The net cash used in investing activities was mainly attributable to the purchase and prepayment of property, plant and equipment. For the Year, the net cash used from financing activities was approximately RMB32.5 million (2023: the net cash generated from financing activities was RMB37.4 million). The cash used from financing activities was mainly: 1) payment of final dividends for 2023 of approximately RMB18.2 million; and 2) shares of the Company purchased by the trustee of the share award scheme of the Company adopted by the Board on 2 December 2023 (the "**Share Award Scheme**") pursuant to the terms of the Share Award Scheme of approximately RMB10.5 million.

As of 31 December 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. In particular, the Group recorded a decrease in prepayment by approximately RMB44.1 million to approximately RMB28.7 million (2023: RMB72.8 million). The decrease is mainly due to the delivery of all the goods in 2024 in respect of the prepayments made to suppliers for purchasing self-branded medical imaging film products in 2023.

Bank Borrowings

As of 31 December 2024, the Group had outstanding interest-bearing bank loans of RMB17.7 million (as at 31 December 2023: RMB21.1 million).

Contingent Liabilities

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

Capital Commitments

As at 31 December 2024, the Group had no significant capital commitments (as at 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 are denominated in Renminbi. Since the Group's exposure to fluctuations in foreign exchange rates was minimal, the Group has not implemented any foreign currency hedging policy at the moment. However, the management will closely monitor the foreign exchange exposure of the Group and will consider hedging the foreign exchange exposure if it becomes significant to the Group.

Pledge of Assets

As at 31 December 2024, certain of the Group's buildings with a net carrying amount of approximately RMB8.6 million were pledged to secure some of the Group's interest-bearing bank borrowings (as at 31 December 2023: RMB9.2 million).

Gearing Ratio

As at 31 December 2024, the Group's gearing ratio decreased by 1.0% to 6.8% (as at 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 years.

Material Investments

The Group did not make any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as of 31 December 2024) during the Year or have future plans for material investments or capital assets in the coming year as at the date of this annual 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 Year.

Dividend

The Board does not recommend the payment of a final dividend for 2024 (2023: HK$0.021 per Share).

Employees and Remuneration Policies

The Group had a total of 57 (as at 31 December 2023: 56) employees as at 31 December 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 operating 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 year, there is 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.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Meng Xianzhen (孟憲震) ("**Mr. Meng**"), aged 56, is the founder of our Group and the Chairman, the chief executive officer and an executive Director of our Company. Mr. Meng was appointed as a Director on 11 December 2020 and was re-designated as an executive Director on 17 September 2021. Mr. Meng is primarily responsible for the overall business and strategic planning, operations and management of our Group. Mr. Meng is currently a director of all subsidiaries of our Group. Mr. Meng is the father of Ms. Meng Cathy.

Mr. Meng has over 30 years of experience in sales and corporate management in the medical device industry. Mr. Meng founded Shanghai Guanze in November 2015 and has been serving as its executive director and legal representative from November 2015 to November 2017 and since June 2019, primarily responsible for the overall business and strategic planning, operations and management of Shanghai Guanze. Since November 2015 and August 2018, he has also been serving as the chief executive officer of each of Shanghai Guanze and Jinan Guanze, respectively, and is primarily responsible for the overall management of Shanghai Guanze and Jinan Guanze.

Mr. Meng obtained a bachelor's degree in engineering, majoring in scientific instrument engineering, from Xiamen University (廈門大學) in July 1991. He further obtained a master's degree in economics, majoring in industrial economics from Shandong University (山東大學) in June 2006.

Mr. Guo Zhenyu (郭振宇) ("**Mr. Guo**"), aged 47, was appointed as a Director on 17 September 2021 and was re-designated as an executive Director on the same date. He is the chief sales officer of our Company and is primarily responsible for overseeing the sales and marketing management of our Group.

Mr. Guo has over 20 years of experience in sales and management in the medical device industry. Mr. Guo joined Shanghai Guanze as the chief sales officer in November 2015, responsible for the overall management of sales department and the supervision of the works of sales specialists.

Mr. Guo obtained a bachelor's degree in management, majoring in economics management, from North China Institute of Traffic Engineering (華北交通工程學院) in July 2005. He obtained the certificate of Shandong Province Computer Application Ability Assessment (Intermediate Level) from the Computer Application Ability Assessment Office of Shandong Province (山東省計算機應用能力考核辦公室) in December 2002.

NON-EXECUTIVE DIRECTOR

Ms. Meng Cathy ("**Ms. Meng**") (former name: Meng Qingyang (孟慶楊)), aged 26, was appointed as a Director on 17 September 2021 and was re-designated as a non-executive Director on the same date. Ms. Meng is primarily responsible for providing advice on the overall development of our Group. Ms. Meng is the daughter of Mr. Meng.

Ms. Meng obtained a bachelor's degree in science, majoring in bioengineering, from the University of California, Berkeley, in the United States in May 2020. Since September 2020, Ms. Meng has been serving as the associate consultant of the San Francisco office of Bain & Company, Inc., a company engaging mainly in management consultancy, and is primarily responsible for customer communication, project implementation and researching on innovative solutions.

Since April 2024, Ms. Meng has held the position of Strategic Operations Manager at Uber Technologies, a technology company that offers a platform for ride-sharing, food delivery, and other logistical services. Ms. Meng is based in the Toronto office and is primarily responsible for driving growth for various strategic verticals, process optimization, and project execution.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Zhao Bin (趙斌) ("**Dr. Zhao**"), aged 68, was appointed as an independent non-executive Director of our Company on 7 December 2022. Dr. Zhao is primarily responsible for supervising and providing independent advice to our Board. He is also a member of the audit committee, the remuneration committee and the nomination committee of our Company.

Prior to Dr. Zhao's retirement in June 2016, he served various senior positions at Shandong Medical Imaging Research Institute (山東省醫學影像學研究所) from December 1982 to June 2016. He had also been the professor at Shandong University, the part-time professor at Shandong Medical University (山東醫科大學) (currently known as Shandong University), the research associate in radiology at Harvard University and the visiting fellow in the Department of Radiology at University of California, Los Angeles.

Dr. Zhao obtained a bachelor's degree in medicine, majoring in traditional Chinese medicine, from Shandong University of Traditional Chinese Medicine (山東中醫藥大學) (formerly known as College of Traditional Chinese Medicine of Shandong (山東中醫學院)) in December 1982. He further obtained a doctoral degree in medicine, majoring in medical imaging and nuclear medicine, from Shandong University in December 2004. Dr. Zhao completed the MR&II training program provided by the University of California, Los Angeles, in September 1988.

Dr. Zhao received various awards and recognitions in the PRC, including the 2017 Golden Eye Award (2017年度中華放射學會金睛獎) in October 2017, the National Outstanding Science Worker (全國優秀科技工作者) in December 2012, the Provincial Health Science and Technology Innovation Talent (全省衛生科技創新人才) in April 2012, the Outstanding Physicians of Shandong Province (首屆山東省傑出醫師) in November 2011 and the 2010 Young and Middle-aged Expert with Outstanding Contributions in Shandong Province (2010年度山東省有突出貢獻的中青年專家) in May 2011.

Dr. Chang Shiwang (常世旺) ("**Dr. Chang**"), aged 47, was appointed as an independent non-executive Director of our Company on 7 December 2022. Dr. Chang is primarily responsible for supervising and providing independent advice to our Board. He is also the chairman of the remuneration committee of our Company and a member of both the audit committee and the nomination committee of our Company.

Dr. Chang has been working at the school of economics of Shandong University since July 2007, with his current position as an associate professor since December 2009. He also served as the academic member of the 7th Taxation Academic Research Committee of China Taxation Society (第七屆中國稅務學會稅收學術研究委員會) from October 2014 to October 2018, and the distinguished researcher of Shandong Institute of Financial Reform and Development (山東財政改革發展研究院) and the Department of Finance of Shandong Province since July 2015.

Dr. Chang obtained a bachelor's degree in economics and a doctoral degree in economics from Shandong University in July 2001 and June 2007, respectively. He also obtained the teaching qualification of higher education from the Department of Education of Shandong Province in June 2008.

Dr. Wong Man Hin Raymond (黃文顯) ("**Dr. Wong**"), aged 58, was appointed as an independent non-executive Director of our Company on 7 December 2022. Dr. Wong is primarily responsible for supervising and providing independent advice to our Board. He is also the chairman of the audit committee of our Company.

Dr. Wong is currently an executive director and chairman of Raymond Industrial Limited (stock code: 229) and an independent non-executive director of Nan Nan Resources Enterprise Limited (stock code: 1229), Modern Healthcare Technology Holdings Limited (formerly known as Modern Beauty Salon Holdings Limited) (stock code: 919) and Tak Lee Machinery Holdings Limited (stock code: 2102). Dr. Wong had also served as an independent non-executive director of Zhejiang United Investment Holdings Group Limited (stock code: 8366) from July 2017 to March 2021. The shares of above companies with stock code indicated are listed on the Stock Exchange.

Dr. Wong obtained a bachelor of science degree in chemical engineering and a bachelor of arts degree in economics from Lehigh University, United States, both in October 1988. He further obtained a master of arts degree in economics from University of Hawaii, United States, in December 1994 and a doctor of business administration degree from the Hong Kong Polytechnic University in September 2018. Dr. Wong has been admitted as a Certified Management Accountant and a Certified Public Accountants of the States of Washington since September 1998 and May 1999, respectively. Dr. Wong was also awarded a certificate in financial management by the Institute of Certified Management Accountants of the Institute of Management Accountants in April 1999.

SENIOR MANAGEMENT

Ms. Lun Yanying (倫彥英) ("**Ms. Lun**"), aged 48, is the business manager of our Company and is primarily responsible for overseeing the business management of our Group.

Ms. Lun joined our Group in September 2016 as the financial manager of Shanghai Guanze, responsible for the overall management of internal financial and accounting operations. Before joining the Group, Ms. Lun had been as a financial staff for about 14 years.

Ms. Lun obtained a bachelor's degree in economic administration from the Naval Command College (海軍指揮學院) in June 2010. She obtained the certificate of accounting profession issued by the Department of Finance of Pudong New District of Shanghai in February 2004.

COMPANY SECRETARY

Mr. Zhang Senquan (張森泉)(“**Mr. Zhang**”), aged 48, was appointed as the company secretary of the Company on 17 September 2021. Mr. Zhang currently serves as the audit principal of Nortex (HK) CPA Limited.

Mr. Zhang is currently an independent non-executive director of Natural Food International Holding Limited (stock code:1837), Strawbear Entertainment Group (stock code: 2125), Chenqi Technology Limited (stock code: 9680) and TYK Medicines, Inc (stock code: 2410), and a company secretary of China General Education Group Limited (stock code: 2175), whose shares are listed on the Stock Exchange.

Mr. Zhang served as the chief executive officer of Zhong Rui Capital (Hong Kong) Limited, a consultancy company, from May 2018 to July 2024. Mr. Zhang had also served as an independent director of Jiangsu Aidea Pharmaceutical Co., Lid. (江蘇艾迪藥業股份有限公司) (a company listed on Sci-Tech innovation board of Shanghai Stock Exchange with a stock code of 688488) from May 2019 to March 2022. He also once served in other companies listed on the Stock Exchange, including: (i) Jiande International Holdings Limited (stock code: 865) as independent non-executive director from October 2016 to December 2024; (ii) Sang Hing Holdings (International) Limited (stock code: 1472) as an independent non-executive director from January 2020 to April 2023; (iii) Southwest Securities International Securities Limited (stock code: 812) as the managing director from February 2016 to March 2020; (iv) Huazhong in-Vehicle Holdings Company Limited (stock code: 6830) as the chief financial officer and joint company secretary from May 2014 to July 2015; and (v) Goodbaby International Holdings Limited (stock code: 1086) as the head of the strategic development department from March 2013 to April 2014. Mr. Zhang has over ten years of experience in accounting and auditing, and worked at Ernst & Young Hua Ming, KPMG Huazhen and Deloitte Touche Tohmatsu CPA Ltd., serving several positions from audit staff to audit partner from October 1999 to October 2012.

Mr. Zhang obtained his bachelor’s degree in economics from Fudan University in Shanghai, the PRC in July 1999. Mr. Zhang has been a member of Hong Kong Institute of Certified Public Accountants since September 2011, China Institute of Certified Public Accountants since December 2001 and American Institute of Certified Public Accountants since September 2015.

Report of Directors

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2024 (the "**Year**").

CORPORATE REORGANIZATION AND LISTING

The Company was incorporated in the Cayman Islands on 11 December 2020 as an exempted company with limited liability under the Companies Act of the Cayman Islands.

Pursuant to a corporate reorganization in preparation for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of the companies now comprising the Group. Details of the corporate reorganization are set out in the section headed "History, Reorganization and Corporate Structure" in the prospectus of the Company dated 15 December 2022 (the "**Prospectus**").

The ordinary shares, each with nominal value of HKS$0.01, of the Company (the "**Shares**") have been listed on the Main Board of the Stock Exchange (the "**Listing**") since 29 December 2022 (the "**Listing Date**"). The total number of Shares in issue upon Listing was 950,000,000 Shares.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group principally engages in providing medical imaging film products and medical imaging cloud services in the People's Republic of China (the "**PRC**"). Details of the activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business, is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. Details of the Group's environmental policies and compliance with laws and regulations can be found in the environmental, social and governance report of the Company for the year ended 31 December 2024 (the "**Environmental, Social and Governance Report**") which has been published separately and made available on the websites of the Company and the Stock Exchange together with this annual report. These discussions form part of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The financial risk management objectives and policies of the Group in managing financial risks, such as interest rate risk, credit risk and liquidity risk, are set out in note 30 to the consolidated financial statements. These discussions form part of this report.

In addition to financial risks, the Group's results of operations and prospects may be exposed to a number of business and operational risks and uncertainties. The following are key risks relating to our business and operations that are considered to be of most significance at this time:

i. our products, our business, financial position and prospects could be materially and adversely affected if we fail to effectively respond or adapt to market changes, such as the implementation of the "Notice of the General Office of the National Health Commission on Accelerating the Mutual Recognition of the Examination Results"《(國家衛生健康委辦公廳關於加快推進檢查檢驗結果互認工作的通知》) in relation to the construction of the national and regional health information platform, through the establishment of medical institutions examination database, to achieve the interconnection and mutual recognition of examination data between medical institutions in Shandong Province, the PRC, which encourage the shift of demand from traditional medical imaging films to medical imaging cloud films;

ii. our business depends on the level of activity and growth in the medical imaging industry in Shandong Province, the PRC; and

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

They are not exhaustive or comprehensive and there may be other risks which are not known by the Group or which may not be material now but would turn out to be material in the future.

FINANCIAL KEY PERFORMANCE INDICATORS

An analysis of the Group's performance for the Year using financial key performance indicators (the "**KPIs**") is set out in the section headed "Financial Highlights and Summary" on page 3 of this annual report. Such KPIs are selected on basis of their effectiveness in measuring the performance of Group's business with nature in trading and providing related services.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Our operational activities do not directly generate industrial pollutants and thus our Directors are of the view that the Group's operational activities do not significantly pose negative impact to the environment and the Group is not aware of any material environmental liability risk or compliance costs. Our Directors also expect that we will not incur significant costs for the compliance with applicable environmental protection rules and regulations in the future. However, as a supporter of environment protection, we advocate for green office practices to reduce our carbon footprint, constantly raise the awareness of environmental protection among our employees and take account of the resources and materials we use in daily operation.

Details of the Group's environmental policies and performance are disclosed in the Environmental, Social and Governance Report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC and subject to the laws, regulations and supervision of the regulatory authorities in the PRC. We are required to maintain certain licences, permits and approvals in order to operate our business. The Group, to the best knowledge of the Directors, had complied with relevant laws and regulations in all material respects in the PRC for the Year.

As at the date of the annual report, neither our Company nor any of our subsidiaries, to the best knowledge of the Directors, were aware of any material litigation, arbitration, investigation or non-compliance matters pending or threatened against our Company or any of our subsidiaries or any of our Directors, that would have material adverse effect on our business operation or financial results.

Save as the full implementations of the "Notice on 'Two Invoice System' Implementation Plan in Medicines Procurement by Public Medical Institutions in Shandong Province" (《關於印發<山東省公立醫療機構藥品採購推行「兩票制」實施方案>的通知》) and the "Notice of the General Office of the National Health Commission on Accelerating the Mutual Recognition of the Examination Results" (《國家衛生健康委辦公廳關於加快推進檢查檢驗結果互認工作的通知》) in Shandong Province, the PRC, the Directors are not aware of any material changes in relevant laws and regulations in the PRC with significant potential impacts on the Group's operations.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, AND SUPPLIERS

Employees

Human resources are one of the valuable assets of the Group. The Group intends to be an attractive employer for competent employees. The objective of the Group's human resource management is to provide employees with competitive remuneration packages and to promote career development and progression of employees by appropriate training and providing opportunities within the Group for career advancement. We have maintained good relationship with our employees. The average length of service of our employees has been about four years. We have not experienced any material disputes with our employees or any disruption to our business and operations due to labour disputes, nor have us experienced any material difficulties in recruitment and retention of experienced core staff or skilled personnel for the past three years.

Major Customers

Our customers include hospitals and healthcare institutions in Shandong Province, the PRC. For direct sales to hospitals and healthcare institutions, we establish and maintain direct contact with certain key hospital customers and medical practitioners with understanding of the frontline of medical practice and the application of our products so as to help us design new and upgraded products and form new strategies to adjust to market demands. Some of our hospital and healthcare institutions customers will procure our medical imaging film products through the distributors who are chosen by our hospitals and healthcare institutions without our involvement. Our relationship with distributors is regarded as a principal-agent relationship with goods and after-sales services provided by us, whereas distributors liaise with the hospitals and healthcare institutions for delivery of our products and monitor the quality of our products. We have maintained business relationships with our five largest customers for a period ranging from approximately 1 to 9 years.

For the Year, sales to the Group's five largest customers and the largest customer accounted for approximately 63.6% and 26.6%, respectively of the Group's total sales for the Year.

Major Suppliers

Our suppliers primarily comprise distributors of international medical imaging film products, OEM medical imaging film products manufacturers and software companies. We select our suppliers based on a number of criteria. We have maintained business relationships with our five largest suppliers ranging from 1 to 6 years.

For the Year, the Group's purchases attributable to the five largest suppliers and the largest supplier accounted for approximately 83.1% and 28.2%, respectively of the Group's total purchases for the Year.

To the best knowledge of the Directors, none of the Directors, their close associates, or any shareholder of the Company (the "**Shareholder**") who owns more than 5% of our issued share capital had any interest in any of our five largest customers or suppliers during the Year.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 53 of this annual report.

The Board does not recommend the payment of a final dividend for the Year (2023: HK$0.021 per Share).

As at the date of this annual report, the Board was not aware that any Shareholder had waived or agreed to any arrangement to waive dividends.

DISTRIBUTABLE RESERVES

The Company may pay dividends out of share premium and retained earnings provided that immediately following the payment of such dividends the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

The Company's reserves available for distribution to Shareholders as at 31 December 2024 calculated in accordance with the Companies Act of the Cayman Islands, amounted to approximately RMB12,234,000.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 24 to the consolidated financial statements.

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 RMB' million	Unutilized amount of net proceeds brought forward from 31 December 2023 RMB' million	Utilized amount during the Year RMB' million	Utilized amount up to 31 December 2024 RMB' million	Unutilized amount at 31 December 2024 RMB' million	Expected timeline for full utilization
Expanding customer base and consolidating market presence	46.4%	31.8	31.8	31.8	31.8	—	N/A
Enhancing medical imaging cloud services	37.3%	25.6	24.3	3.9	5.2	20.4	December 2025
Broadening product offerings	2.7%	1.9	1.9	0.6	0.6	1.3	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	0.2	0.3	1.4	December 2025
Working capital and other general corporate purposes	8.6%	5.9	—	—	5.9	—	N/A
Total	100.0%	68.6	61.2	37.4	44.8	23.8	

As at 31 December 2024, the amount of unutilized net proceeds amounted to approximately RMB23.8 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 31 December 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.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2024 are set out in note 1 to the consolidated financial statements.

BORROWINGS

Particulars of the Group's bank borrowings as at 31 December 2024 are set out in note 22 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during the Year and up to the date of this annual report were:

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

In accordance with Article 84 of the Third Amended and Restated Articles of Association, Mr. Meng Xianzhen and Dr. Zhao Bin will retire from office by rotation at the AGM and shall then be eligible for re-election.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Save as disclosed in this annual report, there was no change to information which is required to be disclosed and has been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") since 31 December 2023.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors of the Company an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors of the Company are independent.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the Directors has entered into a service contract or an appointment letter with the Company, under which they agreed to act as Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the respective Director or the Company.

The appointments are subject to the provisions of retirement and rotation of Directors under the Third Amended and Restated Articles of Associations and the applicable Listing Rules.

No Director proposed for re-election at the AGM has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2024, the interests and short positions of the Directors and the chief executive and their associates 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 Listing Rules (the "**Model Code**"), were as follows:

Long position in the Company

Name of Director	Capacity/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)	700,574,575	73.74%

Notes:

(1) Mr. Meng Xianzhen directly owns the entire issued share capital of Meng A Capital Limited ("**Meng A Capital**") which in turn owns 700,574,575 Shares, representing 73.74% 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 the SFO.

(2) The percentage is calculated on the basis of 950,000,000 Shares in issue as at 31 December 2024.

Long position in the associated corporation

Name of Director	Name of associated corporation	Capacity/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 31 December 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 31 December 2024, the register of substantial shareholders of the Company 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	700,574,575	73.74%
Ms. Yang Duanling	Interest of spouse (Note 2)	700,574,575	73.74%

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 700,574,575 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 31 December 2024.

Save as disclosed above, as at 31 December 2024 the Directors are not aware of any other person or corporation (who were not Directors or chief executives of the Company) 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.

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

During the Year, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the Share Award Scheme, purchased on the Stock Exchange a total of 13,918,000 Shares at a total consideration of approximately RMB10.5 million.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Third Amended and Restated Memorandum and Articles or the Companies Act of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

ARRANGEMENTS TO PURCHASE SHARES AND DEBENTURES

Save as disclosed in this annual report, at no time during the Year was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, no equity-linked agreements were entered into by the Group or existed during the Year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Third Amended and Restated Articles of Association, the Directors or the officers of the Company acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their respective offices. The Company has arranged appropriate directors' and officers' liability insurance which is currently in force to provide coverage for the Directors and officers of the Group at the date of this annual report.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the Year, no Directors have interests in any business which directly or indirectly competes, or is likely to compete, with the business of the Group or have any other conflict of interests with the Group.

NON-COMPETITION UNDERTAKINGS

Details of the non-competition undertakings in the deed of non-competition (the "**Deed of Non-Competition**") executed by Meng A Capital and Mr. Meng Xianzhen (collectively the "**Controlling Shareholders**") in favour of the Company have been set out in the Prospectus.

Pursuant to the Deed of Non-competition, the Controlling Shareholders and/or their respective close associates (other than members of the Group) confirmed that as of the date of the Deed of Non-competition, neither of the Controlling Shareholders or their respective close associates (other than members of the Group) had, in any form, engaged in, assisted or supported any third party in the operation of, participated, or had any interest in, any business that, directly or indirectly, competes or will compete or may compete with the business carried on or contemplated to be carried on by any member of the Group from time to time, including medical imaging film product business and medical imaging cloud services.

Each of the Controlling Shareholders has given a written confirmation to the Company that it/he has complied with the terms of the Deed of Non-Competition for the Year.

The independent non-executive Directors of the Company have reviewed the available information and understood that, as far as they can ascertain, the Controlling Shareholders have complied with the terms of the Deed of Non-Competition for the Year.

CONNECTED TRANSACTION

There was no connected transaction nor continuing connected transaction of the Group which has to be disclosed in accordance with the Chapter 14A of the Listing Rules and the Company has complied with the requirements in the Chapter 14A of the Listing Rules during the Year.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in this annual report, no transaction, arrangement or contract of significance, to which a Director or an entity connected with a Director was a party and in which a Director is or was materially interested, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year. There was no other transaction, arrangement or contract of significance in relation to the Company's business between the Company or any of its subsidiaries and any of Controlling Shareholders or any companies under its/his control nor was there any contracts of significance between the Company or any of its subsidiaries and the Controlling Shareholder or any of its subsidiaries in relation to provision of services during the Year.

MANAGEMENT CONTRACT

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group during the Year.

EMOLUMENT POLICY

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees of the Group. The Group mainly determines staff remuneration on basis of the performance, skills, knowledge and experience of individual employee and the salary trends in the PRC. The staff remuneration will be reviewed regularly.

The remuneration committee of the Board (the "**Remuneration Committee**") is responsible for making recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration, having regard to relevant Director's experience, duties and responsibilities, performance and achievement, and market rate. None of the Directors will determine their own remuneration.

DIRECTORS' REMUNERATIONS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remunerations and those of the five highest paid individuals in the Group are set out in notes 8 and 9 to the consolidated financial statements respectively.

SIGNIFICANT LEGAL PROCEEDINGS

As at 31 December 2024 and up to the date of this annual report, Shanghai Guanze and Jinan Guanze are plaintiffs in two litigations in relation to claims of about RMB2.4 million in total, of which the Group had already provided impairment allowance, against a customer in the PRC for trade receivables being overdue and unpaid.

Save as disclosed above, the Company was not engaged in any litigation or arbitration of material importance for the Year. No litigation or claim of material importance is known to the Directors to be pending or threatening against the Company up to date of this annual report.

SHARE SCHEME

Share Option Scheme

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

Share Award Scheme

A share award scheme was adopted by the Company on 2 December 2023 (the "**Adoption Date**") (the "**Share Award Scheme**"). 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 give incentives to Eligible Participants to optimize their performance and efficiency, and to retain them for the continual operation and development of the Group and to attract suitable personnel for further 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 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. 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. As of the date of this annual report, the remaining life of the Share Award Scheme was approximately 8 years and 7 months.

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 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. Subsequent to the First Grant, one of 16 Selected Participants resigned with 706,000 Awarded Shares to this employee lapsed. On 26 July 2024, based on the recommendation of the remuneration committee of the Company, the Board (including all independent non-executive Directors) resolved to further grant a total of 706,000 Awarded Shares under the Share Award Scheme to 3 Selected Participants, who were employees of the Group, (the "**Third Grant**") at nil consideration. The Awarded Shares had been accepted by the 3 Selected Participants in accordance with terms of the Third Grant. Subsequent to the Second Grant, 4 of the 35 Selected Participants resigned. As a result, the 986,000 Awarded Shares granted under the Second Grant to these four employees lapsed pursuant to the Share Award Scheme as of 31 December 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, the Second Grant and the Third Grant is a connected person of the Company.

A summary of grants of Awarded Shares during the Year is set out below:

	First Grant	Second Grant	Third Grant
Date of grant:	6 January 2024	1 April 2024	26 July 2024
Grantees:	16 Selected Participants, being employees of the Group	35 Selected Participants, being employees of the Group	3 Selected Participants, being employees of the Group
Number of Awarded Shares granted:	6,802,000 Awarded Shares	7,586,000 Awarded Shares	706,000 Awarded Shares
Consideration:	Nil	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)	25 July 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	No performance target attached to the Awarded Shares granted
Percentage of issued Shares at the date of grant:	0.72%	0.80%	0.07%
Closing price of the Share on the last trading day before date of grant:	HK$0.67 per Share	HK$0.70 per Share	HK$0.74 per Share
Fair value of Awarded Shares at the date of grant:	HK$4,557,340	HK$5,310,200	HK$522,400

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

			Number of Awarded Shares						
Category of participants	Date of grant	Vesting date	Unvested as at 1 January 2024	Granted during the Year	Fair value of Awarded Shares at the date of grant during the Year(Note 1)	Vested during the Year	Lapsed during the Year	Cancelled during the Year	Unvested as at 31 December 2024
Employees	6 Jan 2024	5 Jan 2029	—	6,802,000	HK$4,557,340	—	(706,000)	—	6,096,000
Employees	1 Apr 2024	31 Mar 2029	—	7,586,000	HK$5,310,200	—	(986,000)	—	6,600,000
Employees	26 Jul 2024	25 Jul 2029	—	706,000	HK$522,400	—	—	—	706,000
Total			—	15,094,000	HK$10,389,940	—	(1,692,000)	—	13,402,000

Notes:

(1) The fair value of the Awarded Shares is determined as based on the closing market price of the Shares at the date of grant.

(2) No Awarded Shares were granted and to be granted in excess of the 1% individual limit.

The number of Shares available for grant under the Share Award Scheme as of 1 January 2024 and 31 December 2024 were 47,500,000 Shares and 32,406,000 Shares respectively. Expenses arising from equity settled share-based payments in relation to Awarded Shares granted to employees of the Group during the Year were RMB1.4 million. Details of expenses arising from equity settled share-based payment transactions are set out in note 25 to the consolidated financial statements.

The Company was informed by the Trustee that an aggregate of 13,918,000 Shares had been purchased on the market during the Year (the "**Shares Purchased**") for the purpose of the Share Award Scheme. The purchase of existing Shares by the Trustee was financed with funds provided by the Company in accordance with the Share Award Scheme. Total consideration paid for the Shares Purchased was HK$11,515,610 with average consideration of approximately HK$0.83 per Share. 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 13,402,000 Shares out of the Shares Purchased are held by the Trustee for the purpose of satisfying Awarded Shares granted to Selected Participants at the date of this annual 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 Year.

Subsequent to the end of the Year and up to the date of this annual report, one of Selected Participants with Awarded Shares resigned. As a result, the 456,000 Awarded Shares granted to this employee lapsed as of the date of this annual report.

AUDIT COMMITTEE

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

REVIEW OF ANNUAL RESULTS

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

EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group subsequent to the end of the Year and up to the date of this annual report.

CHANGES IN THE MEMORANDUM AND ARTICLES

For the purpose of, among others, updating and bringing the Company's memorandum of association and articles of association (the "**Memorandum and Articles**") in line with the latest regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules which took effect from 31 December 2023, as well as other housekeeping changes, certain amendments to the Memorandum and Articles and the amended and restated Memorandum and Articles (the "**Amended and Restated Memorandum and Articles**") were approved by the Shareholders by way of a special resolution at the annual general meeting on 31 May 2024.

The Amended and Restated Memorandum and Articles was also adopted by the Company on 31 May 2024. Details of the amendments to the Memorandum and Articles were set out in the circular to the Shareholders sent on 30 April 2024.

There have been no changes in the Company's Amended and Restated Memorandum and Articles up to the date of this annual report since its adoption on 31 May 2024.

ANNUAL GENERAL MEETING

The AGM is scheduled to be held on Friday, 30 May 2025. A notice convening the AGM will be issued and disseminated to Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 27 May 2025 to Friday, 30 May 2025 both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 26 May 2025.

CORPORATE GOVERNANCE PRACTICES

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. The Board believes that the Company has fully complied with the CG Code for the Year except for the deviation set out below.

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

Details of corporate governance practices of the Company are set out in the Corporate Governance Report of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times for the Year and up to the date of this annual report.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

DONATIONS

There was no charitable donation by the Group during the Year.

AUDITOR

The Company has appointed Ernst & Young as the auditor of the Company for the year ended 31 December 2024. A resolution will be proposed for approval by Shareholders at the AGM to re-appoint Ernst & Young as the auditor of the Company.

There was no change in auditor of the Company since the Listing Date.

On behalf of the Board

Meng Xianzhen
Chairman
PRC, 28 March 2025

Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended 31 December 2024.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standards of corporate governance practices and procedures to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions stated in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules as its own code of corporate governance.

The Board is of the view that during the year ended 31 December 2024, the Company has complied with applicable code provisions as set out in the Corporate Governance Code except for the deviation set out below under paragraphs headed "Chairman and Chief Executive Officer" of this report.

CULTURE AND VALUES

The Group vision is to create sustainable value. The vision guides the Group to pursue its mission to integrate economic growth, environmental protection and social responsibility in its business strategies to design, manufacture and supply innovative and high quality products for the people wellbeing and benefits of society aiming to drive sustainable value for its stakeholders and communities.

A healthy corporate culture across the Group is important for the Company to achieve its vision and mission towards sustainable growth. It is the Board's role to foster a corporate integrity and innovation culture to guide the behaviors of its employees, and ensure that the Company's vision, values and business strategies are aligned to it.

THE BOARD

Responsibilities and Delegation

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The senior management team of the Group has a wide range of skills, knowledge and experience necessary to govern the Group's operations. The Board has delegated the authorities and responsibilities for day-to-day management and operations of the Group to the senior management team of the Group. This will allow the Group to allocate resources more efficiently for its decision-making and facilitate its daily operations. The delegated functions and responsibilities are periodically reviewed by the Board to ensure that they remain appropriate to the Company's needs. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management on the Company's behalf.

To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. Matters of which the Board considers suitable for delegation to its committees are contained in the specific terms of reference of its committees. The terms of reference clearly define the powers and responsibilities of the Board committees. In addition, the Board will receive reports and/or recommendations from time to time from the Board committees on any matter significant to the Group. All Board committees are provided with sufficient resources to perform their duties.

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of overall strategies, budgets, material transactions, conflict of interests, financial information, appointment of Directors and other significant financial and operational matters.

Corporate Governance Functions

The Board is responsible for the overall corporate governance functions. The primary corporate governance duties are to monitor the Company's policies and practices on corporate governance; to ensure the Company's compliance with legal and regulatory requirements; to review the training and continuous professional development of Directors and senior management; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report.

Chairman and Chief Executive Officer

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and not be performed by the same individual. Nonetheless, in view of Mr. Meng Xianzhen's crucial role in the Group and its historical development and Mr. Meng Xianzhen's extensive experience in the industry, we consider that it is beneficial to the business development of the Group that Mr. Meng Xianzhen acts as both Chairman and chief executive officer of the Group after Listing. This will provide a strong and consistent leadership to the Group and allow 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 Directors and three independent non-executive Directors, and therefore has a strong independent element in its composition.

During the year ended 31 December 2024, the positions of Chairman and Chief Executive Officer are held by Mr. Meng Xianzhen. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally. Their respective responsibilities are clearly established and set out in writing.

Board Composition

The Board currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors. The Board has at least one-third of its membership comprising independent non-executive Directors in accordance with Rule 3.10A of the Listing Rules. The following are the members of the Board from the Listing Date and as at the date of this annual report:

Executive Directors
Mr. Meng Xianzhen *(Chairman)*
Mr. Guo Zhenyu

Non-Executive Director
Ms. Meng Cathy

Independent non-executive Directors
Dr. Zhao Bin
Dr. Chang Shiwang
Dr. Wong Man Hin Raymond

The biographical details and responsibilities of the Directors as well as the senior management are set out in the section headed "Biographies of Directors and Senior Management" on pages 14 to 17 of this annual report.

Save as disclosed in the section headed "Biographies of Directors and Senior Management" to this annual report, the Directors have no other financial, business, family or other material/relevant relationships with one another.

During the year ended 31 December 2024, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10(A) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the number of independent non-executive Directors represents at least one-third of the Board.

Independent Views and Input

In order to ensure independent views and input are available to the Board, the Board has developed the following mechanisms, including but not limited to:

(i) at least one-third of Board members are independent non-executive Directors;

(ii) every independent non-executive Director is appointed for a specific term and subject to retirement by rotation at least once every three years;

(iii) independent non-executive Directors possess professional knowledge and broad experience;

(iv) no independent non-executive Director has served the Company for more than nine years;

(v) no independent non-executive Director holds more than six listed company directorships to make sure that each of independent non-executive Directors has sufficient time to make contributions to the Board;

(vi) every independent non-executive Director has made an annual confirmation of his independence to the Company; and

(vii) the Board, each of its committees or every Director is able to seek professional advice in appropriate circumstances at the Company's expenses.

The implementation and effectiveness of relevant mechanisms have been reviewed by the Board annually.

Nomination Policy

The appointment of a Director is made on the recommendations of the Nomination Committee and by approval of the Board or by the Shareholders at a general meeting either to fill a casual vacancy or as an addition to the Board.

The Nomination Committee invites nominations of candidates from members of the Board and may also put forward other candidates when vacancies on the Board exist. Before making recommendations to the Board, the Nomination Committee reviews and assesses the suitability of candidates for directorship, according to certain assessment criteria, including but not limited to reputation for integrity, experience in the relevant industry, contributions to the Board and time commitments, and by making reference to the board diversity policy, the Company's needs and the current composition of the Board. The Board will also consider the independence of independent non-executive Directors before making appointments or recommendations. The Board may consider engaging an external recruitment agency to carry out the recruitment and selection process when necessary.

A Shareholder can serve a notice, at least 7 days prior to the date of the general meeting with candidates standing for election as Directors, to the Company of intention to propose a person as a Director without nomination by the Nomination Committee or recommendation by the Board.

Board Diversity Policy

The Company has adopted a board diversity policy to ensure that the Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategy. Pursuant to the board diversity policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board. The Board believes that such merit-based appointments will best enable the Company to serve the Shareholders and other stakeholders going forward. The implementation and effectiveness of board diversity policy have been reviewed by the Board during the Reporting Period and will be reviewed annually.

As at the date of this annual report, the Board comprises six Directors. Directors have a balanced matrix of gender, knowledge, expertise, experiences and skills covering areas relating to medical imaging solution services in the PRC, financial management, accounting, and corporate governance. They obtained degrees in various majors including medicine, finance and management. Furthermore, the Board has a wide range of age, ranging from 26 years old to 68 years old. The Company has also taken, and will continue to take steps to promote gender diversity at all levels, including but without limitation at the Board and the management levels. In particular, one of six Directors is female. After due consideration, the Board believes that based on existing business model and meritocracy of Directors, its composition satisfies the principles under the board diversity policy.

The Company understands and recognizes the benefits of diversified staff structure and regards it as one of the important elements in sustaining a long-term competitive advantage of the Company. A multicultural company should be comprised of employees with different gender, age, religion, skills, educational background, industry experience and other qualities so as to achieve the most appropriate structure and balance. As at 31 December 2024, the total number of employees of the Group was 57 (2023: 56) with 41 male staff and 16 female staff. The male to female ratio in the workforce was about 2:1. The Company deemed this gender ratio as adequate and appropriate for a company with major business in sales of medical imaging film products and provision of medical imaging cloud service.

Measurable Objectives

The Company aims to maintain an appropriate balance of Directors with diverse perspectives that are relevant to the development of Company's business. The Company is committed to ensuring that recruitment and selection of Directors are structured at all levels so as to have a diverse range of candidates for consideration. Meanwhile, the Board has not set any measurable objectives for achieving the diversity in the Board and is currently of the view that there is no immediate need to do so given its size and existing diversity. However, the Nomination Committee will discuss periodically and, when necessary, agree on the measurable objectives and recommend them to the Board for adoption.

Board Meetings

During the year ended 31 December 2024, the Board held 5 meetings, at which the Board considered and approved the proposals focused on business strategy, operations and financial performance of the Company.

The table below sets out the details of Board meetings and general meeting attendance of each Director during the year ended 31 December 2024:

Name of Directors	Attendance/Number of board meetings	Attendance/Number of general meeting
Executive Directors		
Mr. MENG Xianzhen *(Chairman)*	5/5	1/1
Mr. GUO Zhenyu	5/5	1/1
Non-executive Directors		
Ms. Meng Cathy	5/5	1/1
Independent non-executive Directors		
Dr. ZHAO Bin	5/5	1/1
Dr. CHANG Shiwang	4/5	1/1
Dr. WONG Man Hin Raymond	5/5	1/1

Regular meeting of the Board is scheduled four times a year with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The company secretary of the Company is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Directors' inspection.

Save for the family relationships disclosed in the section headed "Biographies of Directors and Senior Management" of this annual report, the Directors do not have any material financial, business or other relationships among members of the Board. Should a Director have a potential conflict of interest in a matter being considered in the Board Meeting, he or she will abstain from voting. The INEDs with no conflict of interest will be present at meetings dealing with such conflict of interest issues.

Appointment and Re-election of Directors

Each of Mr. Meng Xianzhen and Mr. Guo Zhenyu, being the executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date as the executive Directors.

Ms. Meng Cathy, being the non-executive Director, and each of Dr. Zhao Bin, Dr. Chang Shiwang and Dr. Wong Man Hin Raymond, being the independent non-executive Directors, has entered into a letter of appointment with the Company for an initial term of three years commencing from the Listing Date as the non-executive Director or independent non-executive Directors (as the case may be).

Pursuant to the Article 84 of the Articles of Association, Mr. Meng Xianzhen, our executive Director and Dr. Zhao Bin, our Independent non-executive Director will retire from office by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election at the Annual General Meeting.

Appointments and re-appointments of Directors by the Board are subject to recommendations from the Nomination Committee of the Company, after having reviewed and assessed their suitability by reference to the board diversity policy and the nomination policy adopted by the Company.

Independence of the Independent Non-executive Directors

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive Directors. The Board considers that all independent non-executive Directors have appropriate and sufficient experiences and qualifications to carry out their duties so as to protect the interests of the Shareholders.

The Company has received a written annual confirmation from each of independent non-executive Directors of his independence pursuant to the requirements of the Listing Rules. The Board considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

Induction and Continuous Professional Development

Pursuant to the code provision C.1.4 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Pursuant to the code provision C.1.1 of the Corporate Governance Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations.

During the year ended 31 December 2024, each of the Directors, namely Mr. Meng Xianzhen, Mr. Guo Zhenyu, Ms. Meng Cathy, Dr. Zhao Bin, Dr. Chang Shiwang and Dr. Wong Man Hin Raymond, attended the training courses conducted by the legal adviser of the Company covering a wide range of topics including but not limited to directors' duties and responsibilities, corporate governance and on-going obligations of a listed company.

The Directors are continually updated on the latest development regarding the Listing Rules and relevant statutory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors are encouraged to participate in continuous professional development courses and seminars to develop and refresh their knowledge and skills.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct for the Directors in their dealing in the Company's securities transactions. Having made specific enquiry to all the Directors, each of the Directors confirmed that he/she had complied with the Model Code throughout the year ended 31 December 2024. No incident of non-compliance of the Model Code by the relevant employees has been noted by the Company throughout the year ended 31 December 2024.

Directors' and Officers' Liability Insurance and Indemnity

The Company has arranged appropriate liability insurance, which is currently in force at the date of this annual report, to indemnify its Directors and senior management from liabilities arising from, including but not limited to, any proceedings brought against them during the performance of their duties.

Procedure for Seeking Independent Professional Advice

The Directors are able, upon reasonable request, to seek professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

BOARD COMMITTEES

Audit Committee

The Company has established the Audit Committee with specific written terms of reference in compliance with the Corporate Governance Code. Throughout the year ended 31 December 2024 and up to the date of this annual report, the Audit Committee comprises three members, namely Dr. Wong Man Hin Raymond, Dr. Zhao Bin and Dr. Chang Shiwang. The chairman of the Audit Committee is Dr. Wong Man Hin Raymond, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules and all members are independent non-executive Directors.

The main duties of the Audit Committee include the following:

i. to be primarily responsible for making recommendations to the Board on the remuneration, appointment, reappointment and removal of the external auditor;

ii. to discuss with the external auditor the nature and scope of the audit and reporting obligations;

iii. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

iv. to review the Company and its subsidiaries' financial and accounting policies and practices;

v. to monitor the integrity of the Company's financial statements, annual reports and interim reports and to review significant financial reporting judgments contained in them;

vi. to review the Group's financial controls, risk management and internal control systems;

vii. to review the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

viii. where an internal audit function exists, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness; and

ix. to review ongoing connected transactions of the Company and ensure compliance with the Listing Rules.

The Audit Committee shall meet at least twice a year. During the year ended 31 December 2024, the Audit Committee held 3 meetings, at which the Audit Committee reviewed and approved the Company's 2023 annual report, 2023 annual results announcement, 2024 interim report, 2024 interim results announcement. The Audit Committee also reviewed (i) the internal control report of the Company; (ii) the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function and the Company's performance and reporting in the aspect of environmental, social and governance; and (iii) the risk management and internal control systems of the Company.

The table below sets out the details of meetings attendance of each member of the Audit Committee during the year ended 31 December 2024:

Name of Directors	Attendance/ Number of Meetings
Dr. WONG Man Hin Raymond *(Chairman)*	3/3
Dr. ZHAO Bin	3/3
Dr. CHANG Shiwang	2/3

Auditor's Remuneration

Ernst & Young, Certified Public Accountants, acting as the Company's external auditor provided the annual audit services for the year ended 31 December 2024. For the year ended 31 December 2024, the remuneration paid or payable to Ernst & Young in respect of audit and non-audit services provided is set out below:

Services Rendered	Remuneration Paid/Payable RMB'000
Audit services	1,880
Non-audit services	–
Total	1,880

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company's external auditor for annual audit services is reasonable. There has been no major disagreement between the external auditor and the management of the Company for the year ended 31 December 2024.

Remuneration Committee

The Company has established the Remuneration Committee with specific written terms of reference in compliance with the Corporate Governance Code. Throughout the year ended 31 December 2024 and up to the date of this annual report, the Remuneration Committee comprises three members, namely Dr. Chang Shiwang, Mr. Meng Xianzhen and Dr. Zhao Bin. The chairman of the Remuneration Committee is Dr. Chang Shiwang and majority of members are independent non-executive Directors.

The Remuneration Committee is to make recommendations to the Board on the remuneration packages of individual executive Director and the senior management.

The principal duties of the Remuneration Committee include the followings:

i. to make recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management;

ii. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time;

iii. to make recommendations to the Board on the remuneration packages of individual executive Director and senior management;

iv. to make recommendations to the Board on the remuneration of non-executive Directors; and

v. to advise Shareholders, if necessary, on how to vote in respect of any service contracts of Directors that requires Shareholders' approval in accordance with the Listing Rules.

The Remuneration Committee shall meet at least once every year. During the year ended 31 December 2024, the Remuneration Committee held 4 meetings, at which the Remuneration Committee reviewed, among other things, the remuneration for the Directors and senior management, and reviewed and approved matters relating to the Share Award Scheme.

The table below sets out the details of meeting attendance of each member of the Remuneration Committee during the year ended 31 December 2024:

Name of Directors	Attendance/ Number of Meetings
Dr. CHANG Shiwang *(Chairman)*	4/4
Mr. MENG Xianzhen	4/4
Dr. ZHAO Bin	4/4

Equity based remuneration with performance related elements was not granted to independent non-executive directors.

Details of the remuneration by band of the members of the senior management (excluding two executive Directors) of the Company for the year ended 31 December 2024 are set out below:

Remuneration band	Number of employee
Nil to RMB1,000,000	1

Details of the Directors' remuneration for the year ended 31 December 2024 are set out in the note 8 to the consolidated financial statements.

Equity based remuneration with performance related elements was not granted to independent non-executive Directors.

Nomination Committee

The Company has established the Nomination Committee with specific written terms of reference in compliance with the Corporate Governance Code. Throughout the year ended 31 December 2024 and up to the date of this annual report, the Nomination Committee comprises three members, namely Mr. Meng Xianzhen, Dr. Zhao Bin and Dr. Chang Shiwang. The chairman of the Nomination Committee is Mr. Meng Xianzhen and majority of members are independent non-executive Directors.

The principal duties of the Nomination Committee include the followings:

i. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board;

ii. to develop the criteria for identifying and assessing the qualification of and evaluating candidates for directorship;

iii. to identify individuals who are suitable to become a member of the Board and to make recommendations to the Board on the selection of individuals nominated for directorships;

iv. to assess the independence of independent non-executive Directors;

v. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors; and

vi. to review the board diversity policy and the nomination policy.

The Nomination Committee shall meet at least once every year. During the year ended 31 December 2024, the Nomination Committee held 1 meeting, at which the Nomination Committee reviewed the proposals of the Board structure, the diversity policy of the Board members, the independence of the independent non-executive Directors, etc.

The table below sets out the details of meeting attendance of each member of the Nomination Committee during the year ended 31 December 2024:

Name of Directors	Attendance/ Number of Meetings
Mr. MENG Xianzhen *(Chairman)*	1/1
Dr. ZHAO Bin	1/1
Dr. CHANG Shiwang	1/1

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Company provides monthly updates on the business performance with explanatory information to the Directors for them to understand the position, development and prospects of the Group.

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirements under the Listing Rules. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner as required by the Listing Rules.

The statement by the external auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for overseeing the Company's risk management and internal control systems and reviewing its effectiveness on an ongoing basis. The Group's risk management and internal control systems are designed to manage rather than eliminate business risk and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company's risk management and internal control systems have been developed with the following features and processes:

(a) The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

(b) The main features of the risk management and internal control systems are summarised as below:

Control procedures have been designed to safeguard assets against unauthorised use and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; and to provide reasonable assurance against material misstatement, loss or fraud.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

The Board has engaged an external professional service firm as its risk management and internal control review adviser (the "**Adviser**") to conduct the annual review of the risk management and internal control systems for the year ended 31 December 2024. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The Adviser has reported major findings and areas for improvement to the Audit Committee and management. The Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

DISSEMINATION OF INSIDE INFORMATION

The Group has in place a framework for the disclosure of inside information by reference to the Guidelines on Disclosure of Inside Information issued by the Securities and Future Commission. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in an appropriate and timely manner, such as steps to ascertain sufficient details, conduct internal assessment of the matter and its likely impact on the Company, seek professional advice where required and verification of the facts. Before the information is fully disclosed to the public, any persons who possess the knowledge of such information must ensure strict confidentiality and must not deal in any of the Company's securities.

WHISTLEBLOWING POLICY

The Group maintains a whistleblowing policy to facilitate the raising of matters of serious concern by employees and those who deal with the Company (e.g. customers and suppliers), in confidence and anonymity, without the fear of recrimination. Procedures are established for employees to report complaints and suspected internal malpractices directly to the Group senior management, who will review the complaints and determine the appropriate mode of investigation and subsequent corrective action.

The nature, status and the results of the complaints received under the whistleblowing policy are reported to the Audit Committee on a biannual basis. No incident of fraud or misconduct was considered to have material effect on the Group's financial statements or overall operation for the year ended 31 December 2024. The whistleblowing policy is reviewed and updated periodically to align with industry best practice.

ANTI-CORRUPTION POLICY

The Group is committed to achieve the highest standards of business conduct and has zero tolerance for corruption and related malpractice. The anti-corruption policy outlines the Group's expectations and requirements of business ethics, as well as the investigation and reporting mechanism of suspected corruption practices.

The anti-corruption policy sets out the specific behavioral guidelines that Group's personnel and business partners must follow to combat corruption. It demonstrates Group commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. Every employee, officer and members of the Board must act with utmost integrity, defined not only by the applicable laws and regulations, but also by the determination to do the right thing in all circumstances.

The anti-corruption policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice.

DIVIDEND POLICY

The determination to pay dividends will be made at the discretion of the Board, depending on the Company's results of operations, capital requirements and surplus, general financial condition, contractual restrictions, future prospects, and, as well as any other factors of which the Board may consider relevant. Dividends may be paid only out of distributable profits as permitted under the relevant laws. Any final dividend distribution shall also be subject to the approval of the Shareholders in a Shareholders' meeting.

COMPANY SECRETARY

The Company has appointed Mr. Zhang Senquan as the company secretary of the Company (the "**Company Secretary**"). Mr. Zhang Senquan is a member of each of Hong Kong Institute of Certified Public Accountants, China Institute of Certified Public Accountants and American Institute of Certified Public Accountants. His biography is set out in the "Biographies of Directors and Senior Management" section of this annual report.

Although Mr. Zhang Senquan is not an employee of the Company, his primary contact of the Company is Mr. Meng Xianzhen, the Chief Executive Officer and an executive Director. He reports to the Board and in his capacity as the Company Secretary advises the Board on governance matters. In compliance with Rule 3.29 of the Listing Rules, Mr. Zhang Senquan attained not less than 15 hours of relevant professional training during the year ended 31 December 2024.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2024, the Company has adopted an third amended and restated memorandum of association (the "**M&A**") to keep in line with the update and align the M&A with the latest regulatory requirements, including those related to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers, as well as the relevant amendments to the Listing Rules effective from 31 December 2023, together with other housekeeping changes. The third amended and restated M&A was adopted by our Shareholders by special resolution at the AGM held on 31 May 2024, which are available on the website of the Company and that of the Stock Exchange.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company had established a shareholders communication policy, which its implementation and effectiveness had been reviewed by the Board during the Reporting Period and will be reviewed annually.

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Shareholders and potential investors on the Group's business, performance and strategies. The Company also recognizes the importance of timely and frank disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The general meetings provide opportunities for Shareholders to communicate directly with the Directors. The chairman of the Board, and the chairmen of the Board committees will attend the annual general meeting of the Company to answer Shareholders' questions. The Company recognizes the importance of maintaining on-going communications with the Shareholders and encourages them to attend the general meetings to stay informed of the Group's businesses and convey any concerns they may have to the Directors and senior management.

As there are various means of communication between Shareholders and the Company as prescribed above, the Board considered the existing communication with Shareholders is effective during the year ended 31 December 2024.

The Company maintains a website at https://www.guanzegroup.com/ where extensive information and updates on the Company's financial information, corporate governance practices and other useful information are posted and available for access by public investors.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each substantially different issue at Shareholder meetings, including nomination and election or re-election of individual Directors.

All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholder meeting in accordance with the Listing Rules.

Procedures for Shareholders to convene an extraordinary general meeting

In accordance with Article 58 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at general meeting

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Act of the Cayman Islands. However, Shareholders who wish to propose resolutions may follow Article 58 of the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 58 are set out above.

In respect of proposing a person for election as a Director at general meetings, the period during which a written notice of intention to propose a person for election as a Director and a written notice by that person of his willingness to be elected together with the candidate's information as required to be disclosed under the Listing Rules are to be given to the Company's headquarters or its Hong Kong branch share registrar and transfer office shall be at least 7 days, such period shall commence on the day after the date when the notice of the general meeting convened for such election is dispatched and end no later than 7 days prior to the date of such meeting.

Procedures for putting enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by mail to the principal office of the Company in Hong Kong. The Company Secretary shall forward communications relating to matters within the Board's purview to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and complaints, to the Chief Executive Officer.

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Guanze Medical Information Industry (Holding) Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 53 to 107, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition: Identification of performance obligation	
In the year ended 31 December 2024, the Group provided integrated medical imaging information technology services using cloud platforms, which were sold together with medical imaging film products to customers. The Group applied significant judgements and estimates in recognising revenue from such transactions including: • identifying performance obligations, such as the sales of medical imaging film products, provision of medical imaging cloud services and sale of software in the contracts; and • allocating the transaction price to each performance obligation based on the stand-alone selling prices of the underlying goods or services. For the year ended 31 December 2024, the Group's revenue amounted to RMB155.7 million. Out of this amount, RMB146.5 million was generated from the sales of medical imaging film products while RMB9.2 million was generated from the provision of medical imaging cloud services. When the stand-alone selling prices of imaging cloud services were not directly observable, the Group allocated the transaction prices based on estimated stand-alone selling prices using expected cost plus a margin approach. The related disclosures about significant accounting judgements and estimates are included in notes 3 and 5 to the financial statements.	Our main procedures included, among others, the following: • Obtaining an understanding of and assessing the design and implementation of management's key internal controls in relation to revenue recognition; • Evaluating the judgements and estimates applied by the management in applying the expected cost plus a margin approach and assessing the availability of the observable stand-alone selling prices on a sample basis; • Reviewing the allocation of transaction prices under expected cost plus a margin approach; checking the cost against the management schedule, considering the cost of other companies in the same industry and verifying the original data to evaluate the appropriateness of the margin; • Reviewing agreements and orders with customers, on a sample basis, to understand the terms of the sales transactions; assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards; and • Performing an overall analytical review by month and by revenue stream, investigating any significant changes or lack of expected changes.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shun Lung Wai.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2025

Consolidated Statement of Profit Or Loss and Other Comprehensive Income

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	**155,740**	156,072
Cost of sales		**(92,954)**	(70,667)
Gross profit		**62,786**	85,405
Other income and gains	5	**8,583**	2,387
Selling and distribution expenses		**(17,813)**	(26,563)
Administrative expenses		**(13,752)**	(14,334)
Research and development costs		**(4,068)**	(1,528)
Impairment losses on trade receivables		**(3,199)**	(4,278)
Finance costs	7	**(710)**	(861)
Other expenses		**(5,518)**	(1,578)
PROFIT BEFORE TAX	6	**26,309**	38,650
Income tax expense	10	**(8,859)**	(10,728)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**17,450**	27,922
Attributable to:			
Owners of the parent		**17,204**	27,567
Non-controlling interests		**246**	355
		17,450	27,922
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic			
— For profit for the year		**RMB0.02**	RMB0.03
Diluted			
— For profit for the year		**RMB0.02**	RMB0.03

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**48,624**	34,150
Right-of-use assets	14	**4,406**	4,829
Intangible assets	15	**3,674**	139
Deferred tax assets	23	**1,982**	1,183
Total non-current assets		**58,686**	40,301
CURRENT ASSETS			
Inventories	16	**14,371**	10,891
Trade and bills receivables	17	**174,190**	120,175
Prepayments, other receivables and other assets	18	**28,695**	72,776
Cash and cash equivalents	19	**28,226**	68,350
Total current assets		**245,482**	272,192
CURRENT LIABILITIES			
Trade payables	20	**560**	1,378
Contract liabilities	5	**938**	1,032
Other payables and accruals	21	**11,613**	7,088
Interest-bearing bank borrowings	22	**17,712**	21,146
Lease liabilities	14	**279**	307
Tax payables		**12,405**	10,832
Total current liabilities		**43,507**	41,783
NET CURRENT ASSETS		**201,975**	230,409
TOTAL ASSETS LESS CURRENT LIABILITIES		**260,661**	270,710
NON-CURRENT LIABILITIES			
Lease liabilities	14	**155**	392
Total non-current liabilities		**155**	392
Net assets		**260,506**	270,318
EQUITY			
Equity attributable to owners of the parent			
Share capital	24	**8,576**	8,576
Reserves	25	**250,767**	260,825
		259,343	269,401
Non-controlling interests		**1,163**	917
Total equity		**260,506**	270,318

Meng Xianzhen
Director

Guo Zhenyu
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

		Attributable to owners of the parent								
	Notes	**Share capital** RMB'000	**Shares held for share award schemes** RMB'000 Note (b)	**Share premium*** RMB'000 Note 26(a)	**Capital reserve*** RMB'000 Note 26(b)	**Statutory surplus reserve*** RMB'000 Note 26(c)	**Retained earnings*** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2024		**8,576**	**—**	**78,070**	**46,634**	**12,286**	**123,835**	**269,401**	**917**	**270,318**
Profit and total comprehensive income for the year		**—**	**—**	**—**	**—**	**—**	**17,204**	**17,204**	**246**	**17,450**
Share purchased for the share award scheme		**—**	**(10,471)**	**—**	**—**	**—**	**—**	**(10,471)**	**—**	**(10,471)**
Share award scheme — value of employee service		**—**	**—**	**1,403**	**—**	**—**	**—**	**1,403**	**—**	**1,403**
Final 2023 dividend paid	11	**—**	**—**	**—**	**—**	**—**	**(18,194)**	**(18,194)**	**—**	**(18,194)**
At 31 December 2024		**8,576**	**(10,471)**	**79,473**	**46,634**	**12,286**	**122,845**	**259,343**	**1,163**	**260,506**
At 1 January 2023		8,576	—	78,067	46,634	10,040	116,819	260,136	505	260,641
Profit and total comprehensive income for the year		—	—	—	—	—	27,567	27,567	355	27,922
Transfer to statutory surplus reserve		—	—	—	—	2,246	(2,246)	—	—	—
Capital contribution by the shareholder of a subsidiary	(a)	—	—	3	—	—	—	3	57	60
Final 2022 dividend paid	11	—	—	—	—	—	(18,305)	(18,305)	—	(18,305)
At 31 December 2023		8,576	—	78,070	46,634	12,286	123,835	269,401	917	270,318

(a) A capital contribution of RMB60,000 was made to Guanze Zhihui Medical Technology (Shandong) Co., Ltd. ("**Shandong Guanze**") by the then shareholder, Meng Xianzhen. RMB57,000 of such capital injection was credited to the registered capital of Shandong Guanze, and the remaining RMB3,000 was credited to the capital reserve of Shandong Guanze. The amount of RMB60,000 was paid up in cash on 15 November 2023.

(b) The Company have purchased an aggregate of 13,918,000 shares through the trustee of the Share Award Scheme on the market during the period from 16 January 2024 to 25 June 2024 (the "**Shares Purchased**") for the purpose of satisfying the Share Award Scheme grant.

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**26,309**	38,650
Finance costs	7	**710**	861
Interest income	5	**(716)**	(843)
Loss on disposal of items of property, plant and equipment		**4,882**	1,490
Impairment of trade receivables	6	**3,199**	4,278
Depreciation of items of property, plant and equipment	6	**6,562**	5,641
Depreciation of right-of-use assets	6	**473**	336
Amortisation of intangible assets	6	**239**	30
Purchase rebate of property, plant and equipment		**(2,940)**	(9,765)
Share-based payment expenses		**1,403**	—
		40,120	40,678
(Increase)/decrease in inventories		**(3,480)**	4,514
(Increase)/decrease in trade and bills receivables		**(57,214)**	30,498
Decrease/(increase) in prepayments, other receivables and other assets		**46,428**	(56,057)
Decrease in trade payables		**(818)**	(913)
Decrease in contract liabilities		**(94)**	(553)
Increase/(decrease) in other payables and accruals		**4,525**	(1,435)
Cash generated from operations		**29,468**	16,732
Interest received		**716**	843
Interest paid		**(626)**	(831)
Income tax paid		**(8,085)**	(7,896)
Net cash flows generated from operating activities		**21,473**	8,848
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases and prepayment of items of property, plant and equipment		**(25,325)**	(7,304)
Purchases of intangible assets		**(3,774)**	—
Net cash flows used in investing activities		**(29,099)**	(7,304)

Consolidated Statement of Cash Flows (continued)

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment to a controlling shareholder	26	—	(1,376)
Principal portion of lease payments	14	**(399)**	(257)
New bank loans	26	**12,712**	27,766
Repayment of bank loans	26	**(16,146)**	(32,155)
Capital contributions by the then shareholders of subsidiaries		—	60
Dividend paid		**(18,194)**	(18,305)
Proceeds from issue of shares		—	82,401
Share issue expenses		—	(20,696)
Shares purchased for the share award scheme		**(10,471)**	—
Net cash flows (used in)/generated from financing activities		**(32,498)**	37,438
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(40,124)**	38,982
Cash and cash equivalents at beginning of year		**68,350**	29,368
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	**28,226**	68,350

Notes to Consolidated Financial Statements

31 December 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 year ended 31 December 2024, the Company's subsidiaries were involved in the following principal activities in the People's Republic of China (hereafter, the "**PRC**"):

- Sale of medical imaging film products
- Provision of medical imaging cloud services
- Sale of software

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.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guanze Intelligent Medical Information Industry (BVI) Co., Ltd.	British Virgin Islands 22 December 2020	USD1.00	100%	—	Investing holding
Tang B Capital Limited	British Virgin Islands 10 December 2020	USD1.00	100%	—	Investing holding
Guanze Zhihui Medical Technology (Shandong) Co., Ltd. ("**Shandong Guanze**") 冠澤智慧醫療科技(山東)有限公司	PRC Mainland China 25 February 2021	RMB8,178,642	—	98.9%	Investing holding
Guanze Zhihui Medical Technology (Jinan) Co., Ltd. ("**Zhihui Jinan**") 冠澤智慧醫療科技(濟南)有限公司	PRC Mainland China 22 February 2021	RMB11,500,000	—	100%	Investing holding
Guanze International Trading (Shanghai) Co., Ltd. ("**Shanghai Guanze**") 冠澤國際貿易(上海)有限公司	PRC Mainland China 27 November 2015	RMB20,170,381	—	98.91%	Sale of medical imaging film products and provision of medical imaging cloud services
Jinan Guanze Medical Equipment Co., Ltd. ("**Jinan Guanze**") 濟南冠澤醫療器材有限公司	PRC Mainland China 30 August 2018	RMB12,000,000	—	98.91%	Sale of medical imaging film products and provision of medical imaging cloud services

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 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 the impact of the revised HKFRSs that are applicable to the Group 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. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKAS 21	*Lack of Exchangeability*[1]
Annual Improvements to HKFRS Accounting Standards — Volume 11	*Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7*[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027

The Group is in the process of making an assessment of the impact of these new and amended standards upon initial application. HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. The new requirements are expected to impact the Group's presentation of the statement of profit or loss and disclosures of the Group's financial performance. So far, the Group considers that the new and amended standards are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 MATERIAL ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Leasehold improvements	Over the shorter of the lease term and 20%
Plant and machinery	12.5% to 33⅓%
Furniture and fixtures	20%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

The Group's software mainly includes server software and terminal software for cloud service. The useful economic life for software is based on the anticipated number of years before the software will retire due to significant upgrades of the software.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Office	3 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss and other comprehensive income. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss *(continued)*

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 to 365 (up to the customers) days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The ECLs on these assets are assessed individually for debtors with significant increase in credit risk and collectively for the rest using a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings and payables)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss and other comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practises prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of medical imaging film products

Revenue from the sales of medical imaging film products is recognised at the point in time when control of the products is transferred to the customer, generally on delivery of the products.

(b) Provision of medical imaging cloud services

The Group provides integrated medical imaging cloud services together with medical imaging film products to a customer.

Revenue from medical imaging cloud services is recognised over time during as services are rendered.

(c) Sale of software

Revenue is recognized when the customer obtains control of the software, which is typically when the entity has fulfilled its performance obligations under the contract.

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

If the identifiable consideration received by the Group appears to be less than the fair value of the Group instruments granted or liability incurred, typically this situation indicates that other consideration (i.e., unidentifiable goods or services) has been (or will be) received by the Group.

The Group measures the identifiable goods or services received in accordance with HKFRS 2. The Group measures the unidentifiable goods or services received (or to be received) as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received). The Group measures the unidentifiable goods or services received at the grant date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Identification of performance obligation

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Identifying performance obligations in the sales of medical imaging film products, provision of medical imaging cloud services and sales of software.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Identification of performance obligation *(continued)*

The Group provides integrated medical imaging information technology services using cloud platform that are sold together with the medical imaging film products to a customer. The medical imaging cloud services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer. The Group determined that both medical imaging film products and medical imaging cloud services are each capable of being distinct. The Group also determined that the promises to transfer the medical imaging film products and to provide medical imaging cloud services are distinct within the context of the contract. The medical imaging film products and medical imaging cloud services are not inputs to a combined item in the contract. The Group is not providing a significant integration service because the presence of the medical imaging film products and medical imaging cloud services together in the contract does not result in any additional or combined functionality and neither the medical imaging film products nor the medical imaging cloud services modify or customise the other. In addition, the medical imaging film products and medical imaging cloud services are not highly interdependent or highly interrelated, because the Group would be able to transfer the medical imaging film products even if the customer declined medical imaging cloud services and would be able to provide medical imaging cloud services in relation to products sold by other suppliers. Consequently, the Group has allocated a portion of the transaction price to the medical imaging film products and medical imaging cloud services based on estimated standalone selling prices using expected cost plus a margin approach. The Group recorded cost for medical imaging film products and medical imaging cloud services separately, and applied estimated margin considering the margin of other companies in the same industry.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The chief operating decision-maker ("**CODM**") has been identified as the chairman of the Company who reviews the consolidated results of the Group when making decisions about resource allocation and assessing the performance of the Group. The chairman considers that the Group operates in one business segment and the measurement of segment results is based on the profit before tax as presented in the consolidated statements of profit or loss and other comprehensive income.

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

Information about major customers

Revenue from operations of approximately RMB155.7 million and RMB156.1 million for the years ended 31 December 2024 and 2023, respectively, was derived from sale of medical imaging film products, the provision of medical imaging cloud services and sale of software. Revenue from the sale of medical imaging film product, the provision of medical imaging cloud services and sale of software accounted for approximately 76%, 6% and 18%of the total revenue of the year ended 31 December 2024, respectively, (2023: 90%,10% and Nil).

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

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Customer A	**41,432**	N/A*
Customer B	**29,294**	N/A*
	70,726	N/A*

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% of the Group's revenue for the year ended 31 December 2023.

5. REVENUE, OTHER INCOME AND GAINS

(a) An analysis of revenue is as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue from contracts with customers by types of goods or services		
Sale of medical imaging film products	**118,060**	141,137
Provision of medical imaging cloud services	**9,203**	14,935
Sale of software	**28,477**	—
	155,740	156,072
Timing of revenue recognition		
Goods transferred at a point in time	**146,537**	141,137
Services transferred over time	**9,203**	14,935
Total revenue from contracts with customers	**155,740**	156,072

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

(b) Contract liabilities

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Contract liabilities	**938**	1,032

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

(i) Revenue recognised in relation to contract liabilities

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

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**735**	1,497

(c) Performance obligations

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

Sales of medical imaging film products

The performance obligation is satisfied upon acceptance of consumables when the control of goods is transferred, and the transaction is completed. Payment is generally due within 90 to 365 days from acceptance by customers, except for new customers, where payment in advance is normally required.

Provision of medical imaging cloud services

The performance obligation of medical imaging cloud services is satisfied over time as services are rendered. As the services are provided together with the medical imaging film products to customers, payments are made in advance with the payment for medical consumables.

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

(c) Performance obligations *(continued)*

Sales of software

The performance obligation of sale of software is recognized at the point in time when the software is delivered and the customer has the ability to use and benefit from the software.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2024 and 31 December 2023 are as follows:

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Within one year	**5,691**	10,179
Over one year	**5,964**	10,887
	11,655	21,066

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

		Year ended 31 December	
	Note	**2024** **RMB'000**	2023 RMB'000
Other income			
Interest on bank deposits		**716**	843
Gains			
Government grants	(1)	**7,562**	1,511
Others		**305**	33
Total		**8,583**	2,387

(1) The government grants mainly represent subsidies received from the local governments for the purpose of rewarding the Group for its financial contribution. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies. There is no assurance that the Group will continue to receive such subsidies in the future.

6. PROFIT BEFORE TAX

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

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Cost of inventories sold	**90,695**	68,508
Cost of services provided	**2,259**	2,159
Employee benefit expenses	**10,481**	8,181
Wages, salaries and allowances	**8,784**	7,073
Social insurance and housing fund	**1,621**	1,042
Welfare and other expenses	**76**	66
Research and development costs	**4,068**	1,528
Depreciation of items of property, plant and equipment	**6,562**	5,641
Impairment of trade receivables	**3,199**	4,278
Depreciation of right-of-use assets	**473**	336
Amortisation of intangible assets	**239**	30

7. FINANCE COSTS

An analysis of finance costs is as follows:

		Year ended 31 December	
	Note	**2024 RMB'000**	2023 RMB'000
Interest on bank loans		**625**	625
Interest on discount of bills receivable		**1**	206
Interest on lease liabilities	14(c)	**84**	30
		710	861

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Mr. Meng Xianzhen was appointed as an executive director on 11 December 2020 and also served as the chairman of the board and chief executive officer of the Company. Mr. Guo Zhenyu was appointed as an executive director of the Company on 17 September 2021. Ms. Meng Cathy was appointed as a non-executive director of the Company on 17 September 2021. Dr. Zhao Bin, Dr. Chang Shiwang and Dr. Wong Man Hin Raymond were appointed as independent non-executive directors of the Company on 7 December 2022.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Dr. Zhao Bin	**109**	109
Dr. Chang Shiwang	**109**	109
Dr. Wong Man Hin Raymond	**219**	218
Total	**437**	436

There were no other emoluments payable to the independent non-executive directors during the year (2023: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors, a non-executive director and the chief executive

Year ended 31 December 2024

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:						
Mr. Meng Xianzhen	—	1,705	—	—	54	1,759
Mr. Guo Zhenyu	—	242	—	—	41	283
	—	1,947	—	—	95	2,042
Non-executive director:						
Ms. Meng Cathy	109	—	—	—	—	109
Total	109	1,947	—	—	95	2,151

Year ended 31 December 2023

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:						
Mr. Meng Xianzhen	—	1,204	—	—	57	1,261
Mr. Guo Zhenyu	—	230	—	—	44	274
	—	1,434	—	—	101	1,535
Non-executive director:						
Ms. Meng Cathy	109	—	—	—	—	109
Total	109	1,434	—	—	101	1,644

The above remuneration information of each of these directors was recorded in the financial statements of the Group.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During both years, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2024 included two directors (2023: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining three highest paid employees who are not directors of the Company during the year are as follows:

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Salaries, allowances and benefits in kind	**1,036**	906
Equity-settled share option expense	**156**	—
	1,192	906

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees Year ended 31 December	
	2024	2023
Nil to HK$1,000,000	**3**	3

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The income tax expense of the Group for the year is analysed as follows:

		Year ended 31 December	
	Note	**2024** **RMB'000**	2023 RMB'000
Current — Mainland China		**9,658**	11,798
Deferred tax	23	**(799)**	(1,070)
Total tax charge for the year		**8,859**	10,728

10. INCOME TAX *(continued)*

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

	Year ended 31 December	
	2024 **RMB'000**	2023 RMB'000
Profit before tax	**26,309**	38,650
Tax at the statutory tax rate of 25% in Mainland China*	**6,577**	9,663
Expenses not deductible for tax	**1,357**	1,447
Extra deduction of research and development expenses	**(1,143)**	(382)
Tax losses not recognized	**2,068**	—
Tax charge at the Group's effective rate	**8,859**	10,728

* 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.

11. DIVIDENDS

	Year ended 31 December	
	2024 **HK$'000**	2023 HK$'000
Proposed final — Nil (2023: HK2.1 cents per ordinary share)	**—**	19,950
	—	19,950

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

The calculation of the basic earnings per share amount is based on the profit for the year ended 31 December 2024 attributable to ordinary equity holders of the parent of RMB17.2 million (2023: RMB27.6 million), and the weighted average number of ordinary shares of 939,398,644 (2023: 950,000,000) in issue during the year ended 31 December 2024.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

The calculation of basic earnings per share is based on:

	Year ended 31 December	
	2024 RMB'000	2023 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**17,204**	27,567
	17,204	27,567

	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**939,398,644**	950,000,000
Effect of dilution-weighted average number of ordinary shares:		
Restriction shares	**10,601,356**	—
	950,000,000	950,000,000

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Equipment and others RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2024						
As at 1 January 2024:						
Cost	7,181	49,830	197	1,638	227	59,073
Accumulated depreciation	(1,904)	(21,212)	(8)	(1,584)	(215)	(24,923)
Net carrying amount	5,277	28,618	189	54	12	34,150
At 1 January 2024, net of accumulated depreciation	5,277	28,618	189	54	12	34,150
Additions	—	28,232	33	—	—	28,265
Disposals	—	(7,229)	—	—	—	(7,229)
Depreciation provided during the year	(612)	(5,880)	(4)	(54)	(12)	(6,562)
As at 31 December 2024, net of accumulated depreciation	4,665	43,741	218	—	—	48,624
At 31 December 2024:						
Cost	7,181	70,833	230	1,638	227	80,109
Accumulated depreciation	(2,516)	(27,092)	(12)	(1,638)	(227)	(31,485)
Net carrying amount	4,665	43,741	218	—	—	48,624

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings RMB'000	Plant and machinery RMB'000	Equipment and others RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2023						
As at 1 January 2023:						
Cost	7,181	32,761	197	1,638	227	42,004
Accumulated depreciation	(1,266)	(9,115)	(6)	(1,469)	(169)	(12,025)
Net carrying amount	5,915	23,646	191	169	58	29,979
At 1 January 2023, net of accumulated depreciation	5,915	23,646	191	169	58	29,979
Additions	—	17,069	—	—	—	17,069
Disposals	—	(7,257)	—	—	—	(7,257)
Depreciation provided during the year	(638)	(4,840)	(2)	(115)	(46)	(5,641)
As at 31 December 2023, net of accumulated depreciation	5,277	28,618	189	54	12	34,150
At 31 December 2023:						
Cost	7,181	49,830	197	1,638	227	59,073
Accumulated depreciation	(1,904)	(21,212)	(8)	(1,584)	(215)	(24,923)
Net carrying amount	5,277	28,618	189	54	12	34,150

As at 31 December 2024, certain of the Group's buildings with a net carrying amount of approximately RMB8.6 million (including prepayment of leased land of RMB3.8 million) were pledged to secure general banking facilities granted to the Group (note 22).

As at 31 December 2023, certain of the Group's buildings with a net carrying amount of approximately RMB9.2 million (including prepayment of leased land of RMB4.1 million) were pledged to secure general banking facilities granted to the Group (note 22).

14. LEASES

The Group as a lessee

The Group has signed lease contracts for the office and land use rights used in its operations. The lease term of the office is 3 to 5 years. Lump sum payments were made upfront to acquire the land use rights with the lease periods of 50 years from the owners, and no ongoing payments will be made under the terms of the land lease. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group as further discussed below.

14. LEASES *(continued)*

The Group as a lessee *(continued)*

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments	Office premises	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2024	**4,147**	**682**	**4,829**
Additions	**—**	**50**	**50**
Depreciation charge	**(99)**	**(374)**	**(473)**
As at 31 December 2024	**4,048**	**358**	**4,406**
As at 1 January 2023	4,246	139	4,385
Additions	—	780	780
Depreciation charge	(99)	(237)	(336)
As at 31 December 2023	4,147	682	4,829

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Carrying amount at 1 January	**699**	146
New leases	**50**	780
Accretion of interest recognised during the year	**84**	30
Payments	**(399)**	(257)
Carrying amount at 31 December	**434**	699
Analysed into:		
Current portion	**279**	307
Non-current portion	**155**	392

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Interest on lease liabilities	**84**	30
Depreciation charge of right-of-use assets	**473**	336
Total amount recognised in profit or loss	**557**	366

15. INTANGIBLE ASSETS

	Software RMB'000	Total RMB'000
31 December 2024		
As at 1 January 2024, net of accumulated amortisation	**139**	**139**
Additions	**3,774**	**3,774**
Amortisation provided during the year	**(239)**	**(239)**
As at 31 December 2024, net of accumulated amortisation	**3,674**	**3,674**
As at 31 December 2024:		
Cost	**4,023**	**4,023**
Accumulated amortisation	**(349)**	**(349)**
Net carrying amount	**3,674**	**3,674**
31 December 2023		
As at 1 January 2023, net of accumulated amortisation	169	169
Additions	—	—
Amortisation provided during the year	(30)	(30)
As at 31 December 2023, net of accumulated amortisation	139	139
As at 31 December 2023:		
Cost	249	249
Accumulated amortisation	(110)	(110)
Net carrying amount	139	139

All intangible assets have been available for use during the year.

16. INVENTORIES

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Raw materials	**10,101**	10,068
Finished goods	**4,270**	823
	14,371	10,891

17. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables	**178,519**	120,122
Bills receivable	**3,624**	4,807
Impairment losses	**(7,953)**	(4,754)
Trade and bills receivables, net	**174,190**	120,175

Trade and bills receivables mainly represented receivables from sales of medical imaging film products, provision of medical imaging cloud services and sales of software. The Group's trading terms with its customers are mainly on credit stipulated in the relevant contracts. The credit period is generally 90 to 365 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group has certain concentrations of credit risk that may arise from the exposure to the trade receivables of its five largest customers accounting for approximately 61.9% and 39.3%, of the Group's total trade receivables as at 31 December 2024 and 2023, respectively. The Group also has concentrations of credit risk, that may arise from the exposure to the trade receivables of its largest customer accounting for approximately 27.45% and 5.4%, of the Group's total trade receivables as at 31 December 2024 and 2023, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

As at 31 December 2024 and 2023, the Group has discounted certain bank acceptance notes before maturity and the amounts of notes, which were discounted and not due are RMB0.2 million and RMB2.6 million, respectively. Upon the above discounting, the Group has derecognised the notes with an amount of RMB0.2 million. These derecognised bank acceptance notes have maturity dates of less than twelve months from the end of each year. In the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these notes. The Group considered that the banks which issued these notes are of good credit quality and non-settlement of these notes are highly likely to be settled by the banks upon maturity.

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 1 year	**163,215**	106,434
1 to 2 years	**7,351**	8,934
	170,566	115,368

17. TRADE AND BILLS RECEIVABLES *(continued)*

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
At beginning of year	**4,754**	476
Impairment losses *(Note 6)*	**3,199**	4,278
At end of year	**7,953**	4,754

An impairment analysis is performed at the end of each year using an expected credit loss ("**ECL**") model to measure expected credit losses ("**ECLs**"). In respect of trade receivables, individual credit evaluations are performed for those debtors with significant increase in credit risk. These evaluations focus on the customer's financial position, past history of making payments and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. For the rest of trade receivables which consist of numbers of customers with common risk characteristics, the Group uses ageing to assess the impairment. The ECL rates are based on days past due for groupings of various customer segments with similar loss patterns. The measurement of ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for over two years or when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of future recovery.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2024

		Past due			
	Current	**Within 1 year**	**1 to 2 years**	**Over 2 years**	**Total**
Expected credit loss rate	**1%**	**5%**	**16%**	**100%**	
Gross carrying amount (RMB'000)	**153,329**	**12,346**	**8,775**	**4,069**	**178,519**
Expected credit losses (RMB'000)	**1,840**	**620**	**1,424**	**4,069**	**7,953**

As at 31 December 2023

		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

17. TRADE AND BILLS RECEIVABLES *(continued)*

The directors of the Company have carefully assessed the lifetime expected credit loss of trade receivables throughout the year. As at 31 December 2024 and 2023, there was no significant change for expected loss rate for trade receivables as the directors have considered that (i) the major customers and historical credit loss experience have hardly changed and (ii) there is no material change in the risk pattern and forward-looking factors.

As at 31 December 2024, the Group provided impairment allowance of RMB5.60 million(2023: RMB2.40 million) for trade receivables, based on the provision matrix. In addition, as at 31 December 2024, the Group provided impairment allowance of RMB2.35 million (2023: RMB2.35 million) for trade receivables with significant increase in credit risk which were assessed individually.

There was an increase in the expected credit loss rate as at 31 December 2024 to reflect the adverse impact of the delay of payments of certain customers, who are public hospitals due to the macroeconomic environment.

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

		As at 31 December	
		2024	2023
	Notes	**RMB'000**	RMB'000
Other receivables	(i)	**13,830**	5,776
Deposits	(ii)	**—**	86
Prepayments		**11,695**	66,914
Deductible value-added tax		**3,170**	—
		28,695	72,776

(i) As at 31 December 2024, the other receivables are received from disposing of property, plant and equipment.

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

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash and bank balances	**28,226**	68,350
Denominated in RMB	**22,219**	30,087
Denominated in HKD	**5,888**	38,143
Denominated in USD	**119**	120
	28,226	68,350

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. TRADE PAYABLES

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Within 1 year	**560**	1,378
	560	1,378

Accounts payable do not earn interest.

21. OTHER PAYABLES AND ACCRUALS

		As at 31 December	
		2024	2023
	Notes	**RMB'000**	RMB'000
Other payables	(i)	**10,397**	5,933
Payroll and welfare payables		**1,216**	1,155
		11,613	7,088

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

22. INTEREST-BEARING BANK BORROWINGS

As at 31 December 2024

	Notes	Effective interest rate	Maturity	RMB'000
Current				
Bank loans — unsecured	(i)	**3.90%**	**2025/7/22**	**4,000**
Bank loan — unsecured	(ii)	**3.90%**	**2025/7/22**	**1,000**
Bank loan — unsecured	(iii)	**3.75%**	**2025/3/21**	**3,000**
Bank loan — unsecured	(iv)	**3.10%**	**2025/10/16**	**1,980**
Bank loan — secured	(v)	**3.45%**	**2025/4/25**	**4,138**
Bank loan — secured	(v)	**3.45%**	**2025/4/25**	**3,362**
Bank loan — unsecured	(vi)	**3.90%**	**2025/11/11**	**232**
				17,712

(i) The Group's unsecured loans are unsecured, bear interest at 3.90% per annum and are repayable on 22 July 2025.

(ii) The Group's unsecured loan is unsecured, bears interest at 3.90% per annum and is repayable on 22 July 2025.

(iii) The Group's unsecured loan is unsecured, bears interest at 3.75% per annum and is repayable on 21 March 2025.

(iv) The Group's unsecured loan is unsecured, bears interest at 3.10% per annum and is repayable on 16 October 2025.

(v) The Group's bank loan is secured by mortgages over the Group's buildings, with a net carrying value of approximately RMB8.6 million at 31 December 2024.

(vi) The Group's unsecured loan is unsecured, bears interest at 3.90% per annum and is repayable on 11 November 2025.

22. INTEREST-BEARING BANK BORROWINGS *(continued)*

As at 31 December 2023

	Notes	Effective interest rate	Maturity	RMB'000
Current				
Bank loans — unsecured	(i)	3.95%	2024/3/6	2,646
Bank loan — unsecured	(ii)	3.90%	2024/7/27	4,000
Bank loan — unsecured	(iii)	3.90%	2024/7/27	1,000
Bank loan — unsecured	(iv)	4.25%	2024/2/25	3,000
Bank loan — unsecured	(v)	3.10%	2024/9/21	3,000
Bank loan — secured	(vi)	3.65%	2024/4/17	4,990
Bank loan — secured	(vi)	3.65%	2024/4/19	2,510
				21,146

(i) The Group's unsecured loans are unsecured, bear interest at 3.95% per annum and are repayable on 6 March 2024.

(ii) The Group's unsecured loan is unsecured, bears interest at 3.90% per annum and is repayable on 27 July 2024.

(iii) The Group's unsecured loan is unsecured, bears interest at 3.90% per annum and is repayable on 27 July 2024.

(iv) The Group's unsecured loan is unsecured, bears interest at 4.25% per annum and is repayable on 25 February 2024.

(v) The Group's unsecured loan is unsecured, bears interest at 3.10% per annum and is repayable on 21 September 2024.

(vi) The Group's bank loan is secured by mortgages over the Group's buildings, with a net carrying value of approximately RMB9.2 million at 31 December 2023.

23. DEFERRED TAX

The movements in deferred tax assets during the year are as follows:

Deferred tax assets

	Impairment of trade receivables RMB'000
Deferred tax assets as at 1 January 2024	**1,183**
Deferred tax credited to profit or loss during the period *(note 10)*	**799**
Deferred tax assets as at 31 December 2024	**1,982**
Deferred tax assets as at 1 January 2023	113
Deferred tax credited to profit or loss during the period *(note 10)*	1,070
Deferred tax assets as at 31 December 2023	1,183

23. DEFERRED TAX *(continued)*

Deferred tax liability

As at 31 December 2024 and 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the Group's earnings will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The total amounts of temporary differences associated with the investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised were approximately RMB191.59 million and RMB170.24 million as at 31 December 2024 and 2023, respectively.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

24. SHARE CAPITAL

Shares

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Issued and fully paid:		
Ordinary shares	**8,576**	8,576

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

	Number of shares	**Nominal value of shares**
		RMB'000
As at 31 December, 2023 and as at 1 January, 2024	950,000,000	8,576
As at 31 December 2024	950,000,000	8,576

There were 950,000,000 shares issued and outstanding as at 31 December 2024.

25. SHARE-BASED PAYMENTS

Expenses arising from equity-settled share-based payment transactions were as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Share award schemes	**1,403**	—

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cost of sales	**168**	—
Selling and marketing expenses	**529**	—
Administrative expenses	**477**	—
Research and development expenses	**229**	—
	1,403	—

Pursuant to the rules of the Share Award Scheme approved at the board of director meeting of the Company on 2 December 2023, 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. The Company granted 6,802,000, 7,586,000 and 706,000 awarded Shares to Selected Participants pursuant to the Share Award Scheme on 6 January 2024 (the "**First Grant**"), 1 April 2024 (the "**Second Grant**") and 26 July 2024 (the "**third Grant**") respectively. The vesting period was 5 years from the date of grant (inclusive).

The number of restricted shares granted to the Company's incentive participants is summarised as follows:

	Year ended 31 December 2024	
		Number of
	Exercise price	**Share Awards***
		'000
At the beginning of the year	—	—
Granted	—	15,094
Forfeited	—	(1,692)
At the end of the year	—	13,402

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statements of changes in equity of the financial statements.

(a) Shares held for share award schemes

The Company have purchased an aggregate of 13,918,000 shares through the trustee of the Share Award Scheme on the market during the period from 16 January 2024 to 25 June 2024 (the "**Shares Purchased**") for the purpose of satisfying the Share Award Scheme grant, Total consideration paid for the Shares Purchased was RMB10,471,000.

(b) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

(c) Capital reserve

The capital reserve represented the aggregate of the paid-up share capital of the subsidiaries.

(d) Statutory surplus reserve

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Statutory surplus reserve is non-distributable except in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital.

27. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities:

	Lease liabilities RMB'000	Interest-bearing bank borrowings RMB'000	Due to a controlling shareholder RMB'000
As at 1 January 2024	**699**	**21,146**	—
Changes from financing cash flows	**(399)**	—	—
New lease liabilities	**50**	—	—
Interest expense	**84**	—	—
New bank loans	—	**12,712**	—
Repayment of bank loans	—	**(16,146)**	—
Repayment to a controlling shareholder	—	—	—
As at 31 December 2024	**434**	**17,712**	—
As at 1 January 2023	146	25,535	1,376
Changes from financing cash flows	(257)	—	—
New lease liabilities	780	—	—
Interest expense	30	—	—
New bank loans	—	27,766	—
Repayment of bank loans	—	(32,155)	—
Repayment to a controlling shareholder	—	—	(1,376)
As at 31 December 2023	699	21,146	—

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each year are as follows:

Financial assets

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Financial assets at amortised cost:		
Cash and cash equivalents	**28,226**	68,350
Trade receivables	**170,566**	115,368
Financial assets included in other receivables	**13,830**	5,862
	212,622	189,580
Financial assets at fair value through other comprehensive income:		
Bills receivable	**3,624**	4,807
	216,246	194,387

28. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade payables	**560**	1,378
Lease liabilities	**434**	699
Interest-bearing bank borrowings	**17,712**	21,146
Financial liabilities included in other payables and accruals	**10,397**	5,933
	29,103	29,156

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

As at 31 December 2024

	Carrying amounts 2024 RMB'000	Fair values 2024 RMB'000
Financial assets		
Debt instruments at fair value through other comprehensive income	**3,624**	**3,624**

As at 31 December 2023

	Carrying amounts 2023 RMB'000	Fair values 2023 RMB'000
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.

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

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.

Fair value hierarchy

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

Assets measured at fair value:
As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Debt instruments designated at fair value through other comprehensive income	—	3,624	—	3,624
	—	3,624	—	3,624

As at 31 December 2023

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise trade and bills receivables, other receivables which arise directly from its operations, and cash. The main purpose of these financial instruments is to support the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the board of directors of the Company holds meetings regularly to analyse and approve the proposals made by senior management of the Company. Generally, the Group introduces conservative strategies for its risk management. As the Group's exposure to these risks is kept to a minimum level, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in interest rates is limited as its interest-bearing bank borrowings bear a fixed interest rate.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Maximum exposure and year-end staging as at 31 December 2024 and 2023

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2024 and 2023. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	178,519	178,519
Bills receivable					
— Not yet past due	3,624	—	—	—	3,624
Financial assets included in other receivables					
— Normal**	13,830	—	—	—	13,830
Cash and cash equivalents					
— Not yet past due	28,226	—	—	—	28,226
	45,680	—	—	178,519	224,199

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	120,122	120,122
Bills receivable					
— Not yet past due	4,807	—	—	—	4,807
Financial assets included in other receivables					
— Normal**	5,862	—	—	—	5,862
Cash and cash equivalents					
— Not yet past due	68,350	—	—	—	68,350
	79,019	—	—	120,122	199,141

* Trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and amounts due from shareholders and related parties is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is "doubtful."

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of each year, based on the contractual undiscounted payments, is as follows:

As at 31 December 2024

	Less than 1 year (RMB'000)	Over 1 year (RMB'000)	Total (RMB'000)
Trade payables	**560**	**—**	**560**
Interest-bearing bank borrowings	**17,712**	**—**	**17,712**
Financial liabilities included in other payables and accruals	**10,397**	**—**	**10,397**
Lease liabilities	**279**	**155**	**434**
	28,948	**155**	**29,103**

As at 31 December 2023

	Less than 1 year (RMB'000)	Over 1 year (RMB'000)	Total (RMB'000)
Trade payables	1,378	—	1,378
Interest-bearing bank borrowings	21,430	—	21,430
Financial liabilities included in other payables and accruals	5,933	—	5,933
Lease liabilities	307	392	699
	29,048	392	29,440

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

The Group monitors capital using a ratio, which is total liabilities divided by total equity. The Group's strategy is to maintain the ratio at a healthy level in order to support its business. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses.

The ratios as of the end of each year are as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Total liabilities (RMB'000)	**43,662**	42,175
Total equity (RMB'000)	**260,506**	270,318
Ratio	**17%**	16%

31. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 31 December 2024.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**4**	8
Right-of-use assets-non-current	**99**	198
Investments in subsidiaries	**2,749**	2,749
Total non-current assets	**2,852**	2,955
CURRENT ASSETS		
Other receivables and other assets	**12,935**	12,506
Cash and cash equivalents	**5,481**	37,727
Total current assets	**18,416**	50,233
CURRENT LIABILITIES		
Due to a controlling shareholder	**—**	—
Other payables and accruals	**291**	283
Lease liabilities-current	**95**	99
Total current liabilities	**386**	382
NET CURRENT ASSETS	**18,030**	49,851
NON-CURRENT LIABILITIES		
Lease liabilities	**72**	104
Total non-current liabilities	**72**	104
NET ASSETS	**20,810**	52,702
EQUITY		
Share capital	**8,576**	8,576
Reserves	**12,234**	44,126
Total equity	**20,810**	52,702

Meng Xianzhen
Director

Guo Zhenyu
Director

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserve is as follows:

	Capital reserve (RMB'000)	Accumulated loss (RMB'000)	Total (RMB'000)
At 1 January 2023	88,985	(22,448)	66,537
Loss and total comprehensive loss for the year	—	(4,106)	(4,106)
Final 2022 dividend declared	—	(18,305)	(18,305)
At 31 December 2023 and at 1 January 2024	**88,985**	**(44,859)**	**44,126**
Share purchased for the share award scheme	**(10,471)**	**—**	**(10,471)**
Share award scheme — value of employee service	**1,403**	**—**	**1,403**
Loss and total comprehensive loss for the year	**—**	**(4,630)**	**(4,630)**
Final 2023 dividend declared	**—**	**(18,194)**	**(18,194)**
At 31 December 2024	**79,917**	**(67,683)**	**12,234**

33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2025.