Rimag Group (2522 HK)

A leading medical imaging service provider in China

BUY

Target Price	**HK$21.41**
Up/Downside	**21.1%**
Current Price	**HK$17.68**

China Healthcare

Jill WU, CFA
(852) 3900 0842
jillwu@cmbi.com.hk

Cathy WANG
(852) 3916 1729
cathywang@cmbi.com.hk

Stock Data

Mkt Cap (HK$ mn)	6,299.6
Avg 3 mths t/o (HK$ mn)	12.8
52w High/Low (HK$)	NA/NA
Total Issued Shares (mn)	356.3

Source: FactSet

Shareholding Structure

Nanchang Rimag	16.6%
Beijing GS	8.7%

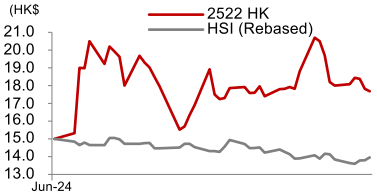
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	1.0%	3.6%
3-mth	NM	NM
6-mth	NM	NM

Source: FactSet

12-mth Price Performance



Source: FactSet

Rimag leads in the third-party medical imaging services market in China. According to Frost & Sullivan (F&S), the Company was the largest medical group specialized in medical imaging in China in 2023 in terms of medical imaging centers, equipment units, registrations by practicing radiologists who registered the Company as their primary workplace, average daily screening volume, and patient fees.

- **Significant unmet demand for quality medical imaging services in China.** With a large population, China has a rapidly expanding market for medical imaging services. According to F&S, China's medical imaging service market is expected to grow at a CAGR of 13.6% from RMB270.9bn in 2023 to RMB661.5bn in 2030E. However, the uneven distribution of medical imaging services has resulted in heavy patient flow pressure at large public hospitals, and insufficient imaging capabilities in the primary healthcare system. Third-party medical centers can alleviate long waiting time and address the unmet demand for quality medical imaging services. Nevertheless, the third-party medical centers in China are still at an early stage, with only 163 effective licenses for third-party medical imaging centers as of 6 May 2024, indicating strong growth potential. China's third-party medical imaging center market is expected to reach RMB18.6bn in 2030E, with a CAGR of 30.7% from 2023 to 2030E, according to F&S. Rimag currently owns 31 licenses, placing it in a leading position.
- **Comprehensive medical imaging platform providing end-to-end imaging services.** Rimag offers a full suite of medical imaging services and solutions to patients and medical institutions. It is also the only service provider that encompasses the entire development process of medical imaging centers, according to F&S. Rimag provides imaging center services through four types of imaging centers, including its own flagship imaging centers and those established in collaboration with hospitals such as regional collaborative, specialized medical consortium and operational management imaging centers. Through these imaging centers, Rimag integrated imaging resources and enabled lower-level hospitals to acquire professional imaging capabilities at a lower cost. This business model aligns well with the needs of hierarchical diagnosis and treatment. Rimag provides imaging solution services and the Rimag Cloud platform to medical institutions to improve their operation efficiency. With the expansion of medical imaging center network and increasing number of imaging solutions services projects, Rimag's revenue increased at a CAGR of 25.3% from RMB592.0mn in 2021 to RMB928.9mn in 2023. In terms of revenue generated from imaging center services, Rimag ranked second among all third-party medical imaging center operators in China in 2023.
- **Initiate at BUY with TP of HK$21.41.** We expect Rimag's revenue to grow at a CAGR of 23.3% from 2023 to 2026E. We derived our target price of HK$21.41 based on a 9-year DCF model (WACC: 10.6%, terminal growth rate: 2.5%).

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	784	929	1,004	1,337	1,743
YoY growth (%)	32.5	18.4	8.1	33.1	30.4
Attributable net profit (RMB mn)	0.4	44	73	131	198
YoY growth (%)	na	na	65.4	77.9	51.9
EPS (Reported) (RMB)	na	na	0.21	0.37	0.56
P/E (x)	na	na	77.2	43.4	28.6
Net gearing (%)	11.2	15.3	(0.8)	6.4	9.4

Source: Company data, Bloomberg, CMBIGM estimates

Contents

Investment Thesis

Large growth potential of the third-party medical imaging center market

China's medical imaging market faces the following pain points: 1) low number of imaging equipment per capita, 2) imbalance in medical imaging resources, with the primary healthcare system lacking medical imaging equipment and professionals, 3) unmet patient demand for convenient and quality medical imaging services due to overloaded public hospitals and long waiting times for medical imaging examinations.

With favorable policies and regulations, including 1) the hierarchical diagnosis and treatment initiative, 2) encouragement of private medical care, 3) allowing multi-site practice of doctors, 4) issuing licenses for third-party medical imaging centers and 5) lifting of licensing restraints for deploying large imaging equipment, the penetration rate of third-party medical imaging centers in China is expected to further increase to 2.8% by 2030, according to F&S. China's third-party medical imaging center market is expected to reach RMB 18.6bn in 2030E, with a CAGR of 30.7% from 2023 to 2030E, according to F&S.

Lead in China's third-party medical imaging services industry with solid growth

Established in 2014, Rimag is a leading medical group specialized in medical imaging in China. Rimag is the only company with a full suite of end-to-end services across the entire medical imaging industry chain for hospitals and patients.

Rimag provides imaging center services through four types of imaging centers. Rimag's self-owned flagship imaging centers offer imaging examination and diagnostic services directly to hospitals and patients, such as MRI, CT, PET, X-ray, ultrasound and mammography etc. In addition to medical imaging services, Rimag provides operational services, infrastructure renovation services and equipment selection and configuration through its regional collaborative imaging centers, specialized medical consortium imaging centers and operational management imaging centers. These operational services help improve the imaging capabilities of the regional and primary healthcare system. According to F&S, Rimag was the largest medical imaging group specialized in medical imaging in 2023 with the largest number of medical imaging centers, equipment units, registrations by practicing radiologists registered with it as the primary workplace, average daily screening volume and patient fees. As of 31 December 2023, Rimag established 97 imaging centers in 17 provinces with over 220 advanced imaging equipment at its flagship imaging centers and regional collaborative imaging centers and over 230 registrations by practicing radiologists registered with Rimag as the primary workplace. In 2023, Rimag's imaging centers conducted approximately 20,000 examinations per day on average.

Drawing on its comprehensive operational expertise on medical imaging centers, Rimag also provides imaging solution services to help healthcare institutions procure appropriate imaging equipment that meet their development needs, and maximize utility value of imaging equipment. As of 31 December 2023, Rimag served over 80 medical institutions with imaging solution services. Besides, Rimag developed Rimag Cloud services to improve imaging services efficiency.

Thanks to the expansion of medical imaging center network, Rimag achieved significant growth in revenue. Rimag's revenue increased at a CAGR of 25.3% from RMB592.0mn in 2021 to RMB928.9mn in 2023. In terms of revenue generated from imaging center services, Rimag ranked second in China's third-party medical imaging center market in 2023.

The majority of cost of sales are trading medical equipment, employee benefit expenses and depreciation of property, plant and equipment, which accounted for 75.5% of the total costs in 2023. As Rimag's business continued to grow, its fixed costs were spread on an increasing number of examinations and therefore, Rimag's cost control has improved with economies of scale. Rimag's bottom line turned positive in 2022, with an attributable net profit of RMB0.4mn. The attributable net profit further increased to RMB44.4mn in 2023 and the attributable net profit margin was improved to 4.8%.

Comprehensive imaging services to meet the demand of the hierarchical diagnosis and treatment system

Rimag has a comprehensive business model which provides medical imaging services, capabilities of operational, management and investments to different levels of hospitals and institutions. Its flagship centers serve patients with demand of high-quality imaging services in large cities, while its regional collaborative and specialized medical consortium centers enable city/county-level institutions to access high-quality imaging services at lower costs.

Besides, as the government has been introducing policies and providing financial support to the development of primary healthcare system, several medical institutions own imaging equipment but still lack professionals to provide quality imaging services for patients. For these medical institutions, Rimag provides diversified services targeted at improvement of professional capabilities and equipment utilization.

Efficient and standardized operational management systems to support the rapid replication and expansion of imaging centers

Rimag has established a strategic development system for the imaging centers, including a standardized management process to closely monitor the progress of imaging center investments, and large-scale procurement to minimize costs and ensure a good return on investments for the imaging centers. For example, the majority of regional collaborative imaging centers are expected to achieve positive monthly net profits and reach the break-even point within the first year of operation. Rimag has also implemented a multidimensional operational and management SOP (standard operating procedure) system, quality control system, training system and a strong radiologist consultant team to support the development of its imaging centers.

Initiate at BUY with TP of HK$21.41

We expect Rimag's total revenue to increase at a CAGR of 23.3% from 2023 to 2026E. We derived our target price of HK$21.41 based on a 9-year DCF model (WACC: 10.6%, terminal growth rate: 2.5%)

Investment risks

Operation risks

Rimag is in the early stage of expanding its business through establishing new imaging centers and providing imaging related services to medical institutions. The successful expansion of business will depend on several factors, including relationships with medical institution customers, employment of imaging professionals and cooperation with multi-site practice of doctors, renewal of licenses and certificates, price and service competency, reputation of Rimag's medical imaging centers, quality control of the imaging service and supply chain, etc.

Moreover, new imaging centers may incur substantial expenses before opening new imaging centers such as renovation costs, rental expenses and equipment costs, and may have lower income and higher operating costs during the initial stages of their operations. Therefore, establishing new imaging centers may exert a significant impact on Rimag's profitability.

Regulatory risks

Any failure to comply with applicable laws and regulations, or obtain or maintain, or experience delays in obtaining or maintaining, required regulatory licenses, approvals or certificates may adversely affect Rimag's business and results of operations. The practicing activities of imaging professionals are strictly regulated under China's laws and regulations. Imaging professionals must hold practicing licenses and only practice within the scope of their licenses and at designated medical institutions. If Rimag's imaging centers fail to properly manage the employment of imaging professionals, the relevant government authorities may impose administrative penalties on it and its operations may be adversely affected.

Competition risks

China's medical imaging service market is highly competitive and the related technologies are constantly evolving, including advanced medical equipment, cutting-edge diagnostic technology, more comprehensive imaging solution services, etc. If Rimag is not able to keep pace with these advances and develop new services that meet customer demand, demand for its services may diminish, and its future operations and prospect could suffer. To remain competitive, the Company must continuously upgrade and further optimize its existing services and launch new services, to adapt to the technological changes of medical imaging. Rimag may expend significant resources in order to continuously upgrade existing services or equipment to keep pace with industry and technological advances.

The largest medical group specialized in medical imaging services in China

Founded in 2014, Rimag was the largest medical group in China specialized in medical imaging in 2023, with the largest number of medical imaging centers, equipment units, registrations by practicing radiologists registered with Rimag as the primary workplace, average daily screening volume, and patient fees, according to F&S. As of 6 May 2024, there were 163 third-party medical imaging center licenses in effect in China, according to the National Health Commission (NHC). Among them, Rimag obtained 31 licenses, accounting for 19% of the total third-party medical imaging center licenses. As of 31 Dec 2023, Rimag established 97 imaging centers in 17 provinces with over 230 registrations by practicing radiologists registered Rimag as the primary workplace. The average daily examination volume of Rimag's imaging centers was approximately 20,000 in 2023.

Figure 1: Top five players in the third-party medical imaging center market in China (in terms of patient fees and revenue generated from imaging center services)

Company	Revenue in 2023 (RMBbn)	Fees paid by patients in 2023 (RMBbn)	Number of licenses	As of 6 May 2024 Number of county-level divisions covered	Number of imaging centers in operation
Rimag	0.6	1.5 ~ 1.6	31	61	101
Universal Medical Imaging (上海全景医学影像科技股份有限公司)(1)	0.7 ~ 0.8	0.7 ~ 0.8	11	10	11
Gosun Medical Imagine (广东高尚医学影像科技集团有限公司)(2)	0.3 ~ 0.4	0.3 ~ 0.4	8	8	8
Imagingrace (上海联影智慧医疗投资管理有限公司)(3)	0.2 ~ 0.3	0.2 ~ 0.3	11	10	11
Ping An Healthcare (平安好医投资管理有限公司)(4)	0.2 ~ 0.3	0.2 ~ 0.3	11	11	11

Source: NHC, Frost & Sullivan, Rimag

(1) Universal Medical Imaging (上海全景医学影像科技股份有限公司) was founded in Shanghai in 2011, which is a chain brand of professional medical institutions specializing in the diagnosis of difficult diseases. The cities covered by its medical imaging centers include Beijing, Tianjin, Shanghai, Nanjing, Xuzhou, Hangzhou, Guangzhou, Chongqing, and Chengdu. This company's total revenue in 2023 ranged from RMB0.7bn to RMB0.8bn.

(2) Gosun Medical Imagine (广东高尚医学影像科技集团有限公司) was founded in Guangzhou province in 2016, which is a chain brand of for-profit medical imaging diagnosis centers. The cities covered by its medical imaging centers include Hefei, Xiamen, Wuhan, Guangzhou, Chengdu, Kunming, Shanghai and Xi'an. This company's total revenue in 2023 ranged from RMB0.3bn to RMB0.4bn.

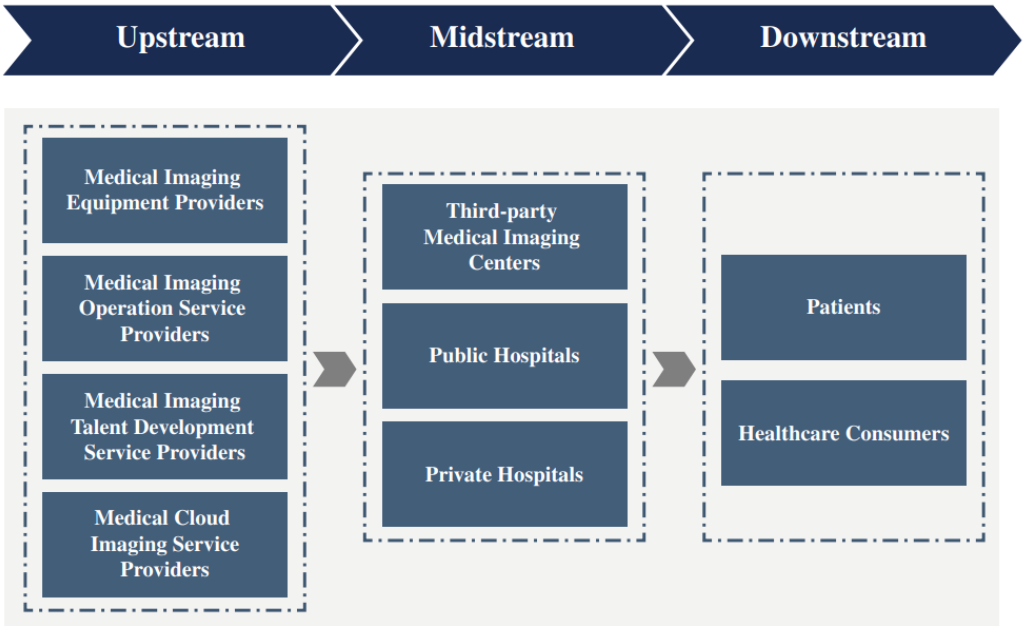
(3) Imagingrace (上海联影智慧医疗投资管理有限公司) was founded in 2016 in Shanghai, which is a chain brand of medical imaging diagnosis centers and an associate company of a listed company engaged in the manufacture and sales of medical imaging equipment. The cities covered by its medical imaging centers include Hengshui, Changchun, Xi'an, Chengdu, Hefei, Beijing, Wuhan, Zhongshan, Jingzhou, and Yinchuan. This company's total revenue in 2023 ranged from RMB0.2bn to RMB0.3bn.

(4) Ping An Healthcare (平安好医投资管理有限公司) was founded in 2015, and its parent company is listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange. The cities covered by its medical imaging centers include Hefei, Shenyang, Xiamen, Nanchang, Qingdao, Wuhan, Xiangyang, Guangzhou, Xi'an, Chongqing, and Shanghai. This company's total revenue in 2023 ranged from RMB0.3bn to RMB0.4bn, and its business also covers operating medical clinics and health check-up centers.

Medical imaging services are essential for clinicians in diagnosing, recommending treatment, and assessing health status. The effectiveness relies on factors like equipment performance, radiologic technologists' proficiency, radiologists' diagnostic capabilities, and clinicians' ability to select appropriate imaging procedures. However, in China, the role and value of medical imaging, particularly in the primary healthcare system, have not been fully recognized. Challenges include the limited availability and uneven distribution of quality medical imaging resources, insufficient service capabilities of imaging professionals in primary healthcare institutions, and inadequate interaction between radiologists and clinicians. Since 2013, the Chinese government has implemented policies to promote the development of third-party medical imaging centers, especially regional collaborative imaging centers at the county level.

According to F&S, the medical imaging industry value chain in China can be divided into three parts: 1) the upstream involves medical imaging equipment providers, medical imaging operation service providers, medical imaging talent development service providers, and medical cloud imaging service providers; 2) the midstream involves medical institutions encompassing public and private hospitals, and third-party medical imaging centers; and 3) the downstream involves patients and healthcare consumers who receive medical imaging services.

Figure 2: The medical imaging industry value chain in China



Source: Company data, F&S, CMBIGM

Rimag has established a comprehensive medical imaging platform that provides end-to-end services across the entire medical imaging industry chain to hospitals and patients. In addition to directly offering medical imaging services to patients, Rimag assists medical institutions in operating and managing their imaging centers, enhancing their medical imaging service capabilities. With the comprehensive medical imaging platform and strong

operation expertise, Rimag is able to expand its business to reach lower-tiered hospital and medical institutions.

Rimag operates its own medical imaging centers nationwide and offers various imaging examinations and diagnostic services. Additionally, it provides operational management services to partner medical imaging centers. Leveraging its expertise, Rimag has provided imaging solution services to medical institutions since 2019, including equipment configuration, talent cultivation, management system and quality control, to help them acquire suitable imaging equipment and maximize its utility. Moreover, Rimag developed cloud-based solutions, Rimag Cloud platform, to further support its imaging center services business. Rimag Cloud platform internally fuels Rimag's business development, informatization management, and data-driven operations. In 2018, Rimag commercialized the Rimag Cloud services as an informatization solution for hospitals. Therefore, Rimag's business spans across the upstream and midstream markets of medical imaging.

According to F&S, Rimag is the only operator and manager that provides diversified imaging services and value to the entire medical imaging industry chain in China. Other market participants in China primarily offer medical imaging services directly to patients as convenient alternatives to hospital settings, without comparable solutions and services such as Rimag's imaging solutions and Rimag Cloud services.

Figure 3: Rimag's business sectors

Sector	Description
Imaging Center Services	• Provide imaging examination and diagnostic services to patients and other healthcare consumers via the flagship imaging centers, such as MRI, CT, PET, X-ray, ultrasound, mammography. • Provide medical institutions with services such as medical imaging services, equipment selection and configuration, infrastructure renovation services and operational management services through Rimag's regional collaborative imaging centers, specialized medical consortium imaging centers and operational management imaging centers. Rimag charges the medical institutions a service fee based on the content of the services provided.
Imaging solution services	• Help medical institutions to select and acquire appropriate imaging equipment that meets their development needs. • Provide a series of accompanying modular imaging solutions to maximize the utility value of imaging equipment. • Rimag charges customers based on the medical imaging equipment and/ or modular services and solutions, depending on the market price of imaging equipment, the content and number of service modules, costs in providing the solutions and length of service term.
Rimag Cloud Services	• Internally fuel Rimag's business development, informatization management and data-driven operations. • Authorize customers to use Rimag Cloud platform or some of its modules, and provide follow-up data storage, data analysis and other services. Rimag charges customers service fees based on storage volume and number of usage instances, or fixed annual fees. Customers can also choose one-time purchases of software according to their resources and capacity.

Source: Company data, CMBIGM

Figure 4: Key business development milestones

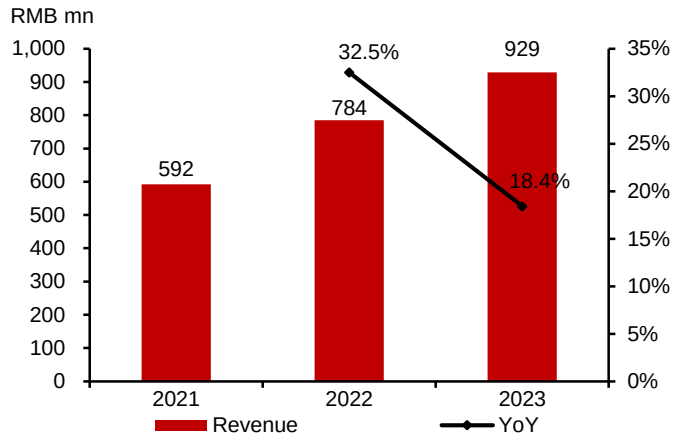
Time	Event
April 2015	With an aim to develop a chained imaging center with technological innovation, Rimag commenced the research and development of the Rimag Cloud platform.
November 2015	Rimag's first imaging center, located in Fenyi county, Jiangxi province, commenced operation.
August 2016	Rimag completed the Series A financing, and received investment from Beijing GS, a member of the Goldman Sachs Group.
February 2018	The first regional collaborative imaging center, located in Xinyu, Jiangxi province, commenced operation. This business model was subsequently introduced at 2018 Boao CN Healthcare Summit in April 2018 as a representative example for the reform of public hospital in China and selected into the "Chinese-style Modernization Practice — Typical Cases of National Governance Innovation Experience (2021−2022) (中国式现代化的生动实践—— 2021−2022 国家治理创新经验典型案例)" published by China Daily in December 2022.
July 2018	The company's first flagship imaging center, located in Shenyang, Liaoning province, commenced operation.
September 2018	The company completed the Series B financing, and received investments from Pre-Investors including Baishan Investment, an investment vehicle of Baidu, Inc..
December 2018	The company operated their business in eight provinces with 37 medical imaging centers with various operational models, forming a chain effect and consolidating their leading position in terms of geographical coverage and number of centers.
July 2019	The company was awarded as the Executive Director Unit (执行理事长单位) of China Medical Imaging Integration Alliance (中国医学影像整合联盟).
October 2019	The company commenced the provision of imaging solution services.
November 2019	Beijing Rimag Medical Imaging Center (北京一脉阳光医学影像中心), the company's largest flagship imaging center, commenced operation.
May 2020	The company completed the Series C financing, and received investments from Pre-Investors including PICC Beijing and CICC Yingrun.
July 2021	The company completed the Series D financing, and received investments from Pre-Investors including JD Yingzheng and OrbiMed.

Source: Company data, CMBIGM

Rimag is committed to build a medical imaging center network across China and extend quality medical resources to the primary healthcare system. As of 31 Dec 2023, Rimag established 97 imaging centers, including 1) nine flagship imaging centers; 2) 24 regional collaborative imaging centers; 3) 50 specialized medical consortium imaging centers; 4) 14 operational management imaging centers, across 17 provinces and 59 county-level divisions in China.

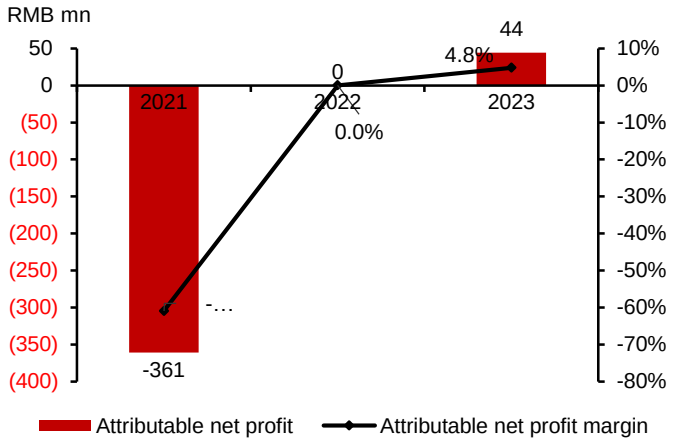
Thanks to the expansion of medical imaging center network, Rimag achieved significant growth in both revenue and gross profit. Rimag's revenue increased at a CAGR of 25.3% from RMB592.0mn in 2021 to RMB928.9mn in 2023. In terms of revenue generated from imaging center services, Rimag ranked second in China in 2023 among all third-party medical imaging center operators. The gross profit increased at a CAGR of 37.8% from RMB175.2mn in 2021 to RMB332.6mn in 2023 while Rimag's gross profit margin improved from 29.6% in 2021 to 35.8% in 2023. Rimag's bottom line turned positive and recorded attributable net profit of RMB0.4mn in 2022. The attributable net profit increased to RMB44.4mn in 2023.

Figure 5: Revenue of Rimag



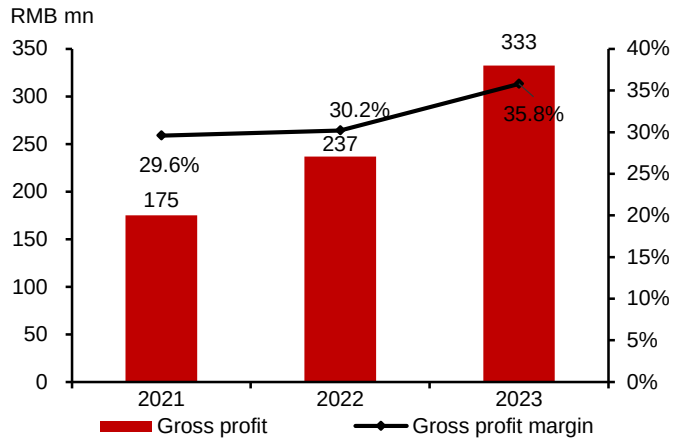
Source: Company data, CMBIGM

Figure 6: Net profit of Rimag



Source: Company data, CMBIGM

Figure 7: Gross profit of Rimag



Source: Company data, CMBIGM

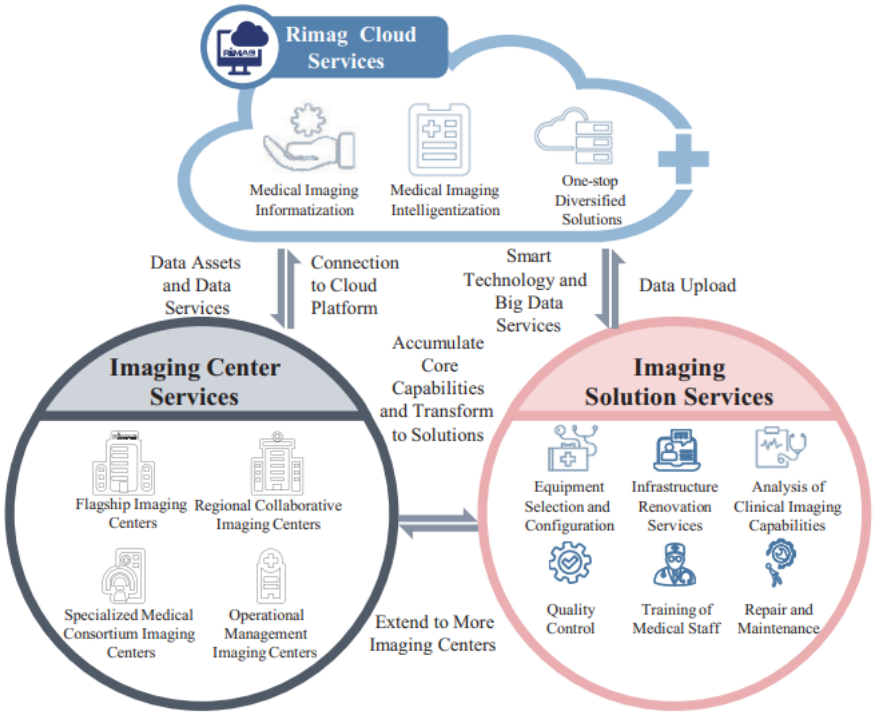
Competitive business model offering integrated services

To align with China's goals of establishing a hierarchical diagnosis and treatment system and extending quality medical resources to the primary healthcare system, Rimag has established medical imaging centers across China to address the varying demands from patients and hospitals. Rimag also integrates its capabilities and resources on operational management including equipment configuration, talent cultivation, clinical imaging analysis and quality control etc., and develops the imaging solution services. Rimag extends the imaging solution services to its imaging centers or medical institutions in need. The Rimag Cloud platform provides data services that further improve the management capabilities and working efficiency of imaging centers and medical institutions.

Such dynamic and comprehensive one-stop ecosystem enables Rimag to not only directly deliver medical imaging services to patients but also offer operation and management services through the cooperation with medical institutions. Besides, Rimag provides imaging solution services and Rimag Cloud services to improve the medical skills and capabilities of medical institutions to serve patients.

Rimag's one-stop ecosystem connects and delivers value to various participants, including medical institutions, patients and healthcare consumers, radiologists and other medical professionals, imaging equipment providers, AI service providers, and even universities. For medical institutions, Rimag alleviates their disadvantages in service capabilities and operational efficiency by providing quality medical imaging services, assisting hospitals in sourcing suitable imaging equipment and maximizing its utility value, and enhancing their information infrastructure. For patients and healthcare consumers, Rimag provides a more comfortable and convenient environment for imaging examination. For radiologists and other medical professionals, Rimag helps improve their working efficiency and capabilities by offering professional training programs, quality control assistance, and research and academic support.

Figure 8: The interaction among the participants within Rimag's ecosystem



Source: Company data, CMBIGM

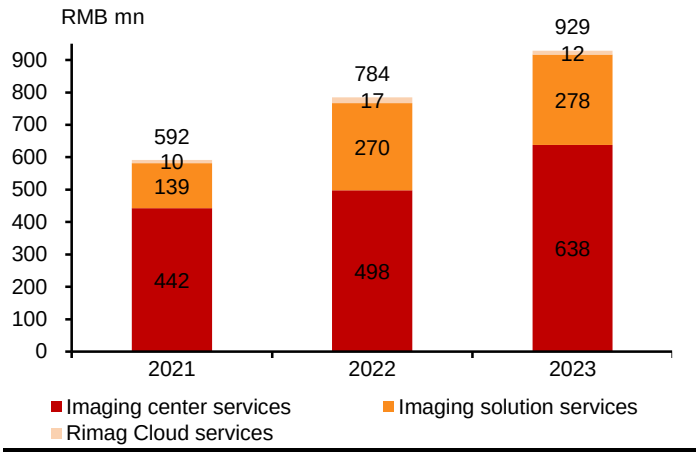
Rimag generated revenue primarily from: 1) imaging center services; 2) imaging solution services; and 3) Rimag Cloud services. The solid growth of Rimag's revenue and improved GPM is mainly driven by the rapid growth of imaging center services.

Imaging center services are the largest revenue contributor, generating the revenue of RMB638.1mn in 2023, accounting for 68.7% of total revenue and growing at a CAGR of 20.1% from 2021 to 2023. The gross profit margin of the imaging center services business continuously increased from 33.5% in 2021 to 45.1% in 2023 thanks to 1) the maturity and operational improvement of Rimag's imaging centers, (2) the emerging economies of scale for Rimag's imaging center business due to its brand awareness, competitiveness achieved and chain-oriented development, and (3) the gradual phasing-out of the COVID-19 pandemic since early 2023.

Revenue generated from imaging solution services was RMB278.4mn in 2023, growing at a CAGR of 41.4% from 2021 to 2023 and representing 30.0% of Rimag's total revenue in 2023. In 2023, the gross margin of the imaging solution services business was 15.2%.

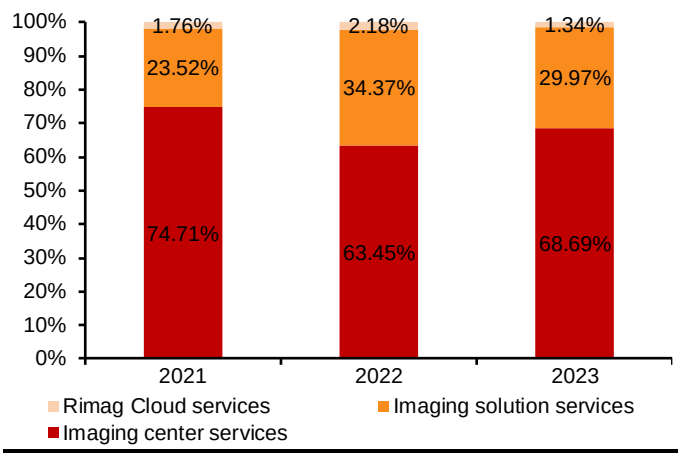
Rimag Cloud services generated a revenue of RMB12.5mn in 2023, representing only 1.3% of the total revenue. The cost of sales of Rimag Cloud services remained relatively stable as it mainly consisted of staff costs. Therefore, decreased revenue generated from Rimag Cloud services resulted in the decrease in its gross margin. In 2023, the gross margin of the Rimag Cloud services business decreased to 21.7%.

Figure 9: Breakdown of Rimag's revenue



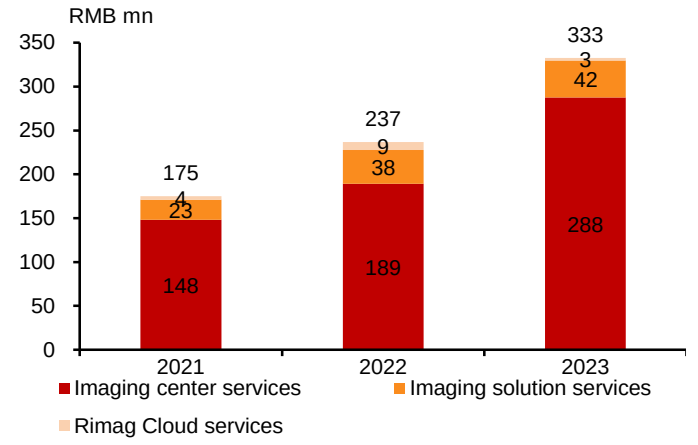
Source: Company data, CMBIGM

Figure 10: Proportion of Rimag's revenue



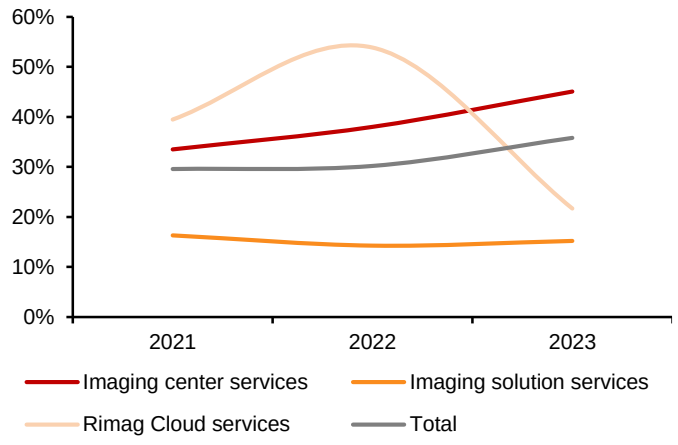
Source: Company data, CMBIGM

Figure 11: Breakdown of Rimag's Gross profit



Source: Company data, CMBIGM

Figure 12: Breakdown of Rimag's gross profit margin



Source: Company data, CMBIGM

Imaging center services

Rimag's imaging center services include: 1) imaging examination and diagnostic services offered at Rimag's imaging centers; and 2) operational management services offered to imaging centers owned by Rimag's business partners. The imaging center services aim to help medical institutions at various levels address their pain points.

Rimag provides imaging examination and diagnostic services through: 1) flagship imaging centers; 2) regional collaborative imaging centers, directly serving individual patients and other healthcare consumers, as well as hospitals, medical institutions, and corporations such as health management companies. Rimag's diversified imaging services cover the majority of clinical specialties, such as cardiology, oncology, pulmonology, orthopedics, and neurology. The imaging examination and diagnostic services typically include magnetic resonance imaging (MRI), computed tomography (CT), positron emission tomography (PET), mammography, ultrasound, diagnostic radiology (X-ray), fluoroscopy and other related procedures such as ECG. Meanwhile, Rimag capitalizes on its industry resources, professional expertise and informatization capabilities to provide operational management services to 3) specialized medical consortium imaging centers; and 4) operational management imaging centers.

The following table sets forth a comparison of the four types of imaging centers in the company's network.

Figure 13: Comparison of the four types of imaging centers in Rimag's network

	Flagship Imaging Centers	Regional Collaborative Imaging Centers	Specialized Medical Consortium Imaging Centers	Operational Management Imaging Centers
Geographical focus	Primarily first- and second-tier cities	Primarily third-tier cities or below and county-level divisions	Third-tier cities or below, county-level divisions or below	Third-tier cities or below, county-level divisions or below
Holder of the Medical Institution Practice License	Rimag	Rimag	Medical institutions	Medical institutions
Owner	Rimag	Rimag	Medical institutions	Medical institutions
Medical professionals	Medical professionals hired by Rimag	Medical professionals hired by Rimag	Employees of medical institutions	Employees of medical institutions
Major type of direct customers	Individuals	Medical institutions	Medical institutions	Medical institutions
Investment in/ deployment of equipment	Yes	Yes	Yes	No
Major type of services provided	Imaging examination and diagnosis services	Imaging examination and diagnosis services	Equipment deployment and infrastructure renovation, and operational management services	Operational management services
Nature of income	Service fees paid by patients or other consumers	Service fees paid by medical institutions with reference to fees paid by patients	Service fees paid by medical institutions for equipment deployment and operational management services	Service fees paid by medical institutions for operational management services
Cost splitting between Rimag and medical institution customers (if any)	Rimag	Mainly Rimag (primarily on center establishment, equipment furnishment and medical professionals employed)	Mainly medical institutions (primarily on center establishment and medical professionals employed) Shared by Rimag (primarily on equipment furnishment for equipment deployment)	Mainly medical institutions (primarily on center establishment, equipment furnishment and medical professionals employed)
Waiting time **(the duration a patient needs to wait between the appointment and the examination)**	Nearly all major examination modalities at each imaging center can be scheduled and performed on the same day	Examination modalities at each imaging center can be scheduled and performed on the same day; a few imaging centers require a waiting period from one day to two days for MRI after scheduling an appointment	Generally, most of major examination modalities at each imaging center can be scheduled and performed on the same day; a few imaging centers require a waiting period of one day for MRI examinations after scheduling an appointment	All major examination modalities at most of imaging centers can be scheduled and performed on the same day

Source: Company data, CMBIGM

According to the NHC website, there were only 163 third-party medical imaging licenses belonged to approximately 80 companies in effect nationally as of the same date. As of 6

May 2024, Rimag had 31 third-party medical imaging center licenses in effect in China, positioning the Company as the largest third-party medical imaging center operator in China in terms of effective licenses held, according to F&S. As of 31 December 2023, Rimag established and managed a network of 97 imaging centers covering 17 provinces and 59 county-level divisions in China. The imaging center network consisted of nine flagship imaging centers, 24 regional collaborative imaging centers, 50 specialized medical consortium imaging centers and 14 operational management imaging centers, of which 5, 24, 43 and 12 had achieved initial breakeven and nil, 11, 27 and 9 had achieved cash investment payback, respectively.

Flagship imaging centers require larger upfront investments and need to build up a patient flow. Therefore, these imaging centers typically take longer to achieve profitability and recoup the cash invested. In contrast, regional collaborative imaging centers and specialized medical consortium imaging centers have smaller investments and can leverage their partner hospitals' patient bases to achieve faster returns. Operational management imaging centers require the least fixed asset investment, resulting in the shortest payback period.

Figure 14: The number of imaging centers by type

	2021	2022	2023
Flagship imaging centers	8	7	9
Regional collaborative imaging centers	25	24	24
Specialized medical consortium imaging centers	38	42	50
Operational management imaging centers	7	13	14
Total	**78**	**86**	**97**

Source: Company data, CMBIGM

Figure 15: The number and the average initial breakeven period of imaging centers, by type, as of 31 December 2023

	Number	Average initial breakeven period (months)
Flagship imaging centers	5	16.2
Regional collaborative imaging centers	24	4.9
Specialized medical consortium imaging centers	43	2.1
Operational management imaging centers	12	2.7
Total	**84**	**-**

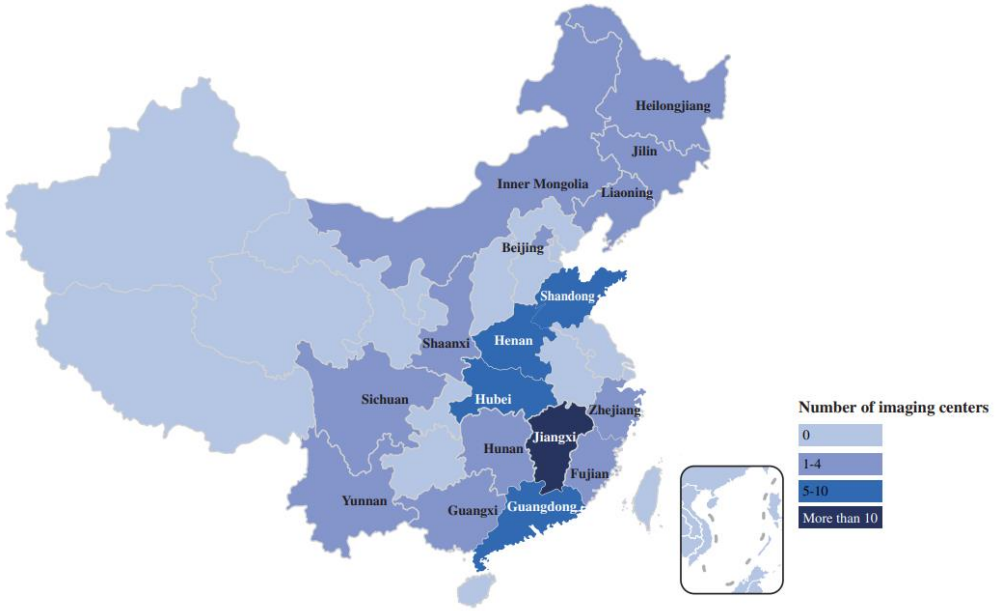
Source: Company data, CMBIGM

Figure 16: The number and the average cash investment payback period of imaging centers, by type, as of 31 December 2023

	Number	Average cash investment payback period (months)
Flagship imaging centers	0	N/A
Regional collaborative imaging centers	11	47.5
Specialized medical consortium imaging centers	27	39.1
Operational management imaging centers	9	3.8
Total	**47**	**-**

Source: Company data, CMBIGM

Figure 17: The locations of imaging centers in Rimag's network as of 31 December 2023



Source: Company data, CMBIGM

The qualifications and expertise of medical professionals are crucial in determining the quality of imaging services, and underpin the imaging centers' core competencies. Rimag's medical professionals mainly comprise radiologists, radiologic technologists and nurses. There are generally two types of registrations by medical professionals at Rimag's own imaging centers (namely, the flagship imaging centers and regional collaborative imaging centers): 1) registrations by medical professionals who are registered with Rimag as the primary workplace; and 2) registrations by medical professionals who are practicing at Rimag's own imaging centers through multi-site practice.

As of 31 December 2023, more than 120 of the medical professionals practicing at Rimag's imaging centers had five to ten years of experience, 111 had ten to 15 years of experience and 233 had more than 15 years of experience. Moreover, 95 radiologists had senior qualifications, 104 radiologists with mid-end qualifications while three radiologic technologists had senior qualifications and 22 radiologic technologists had mid-end qualifications. Rimag had one nurse with senior qualifications, and 18 nurses with mid-end

qualifications. Among them, one expert has served as chairman of the Chinese Society of Radiology (中华医学会放射学分会); one expert has served as the deputy chairman of the Chinese Society of Nuclear Medicine (中华医学会核医学分会); and one expert has served as the committee member of the Chinese Society of Radiology.

In addition, Rimag has established Rimag Imaging Academy, an internal organization focused on talent cultivation and professional training. Rimag Imaging Academy is also a platform to develop and implement technologies based on the functions of all kinds of leading imaging equipment, for purposes of enhancing Rimag's research and technical capabilities.

Figure 18: Breakdown of the medical professionals

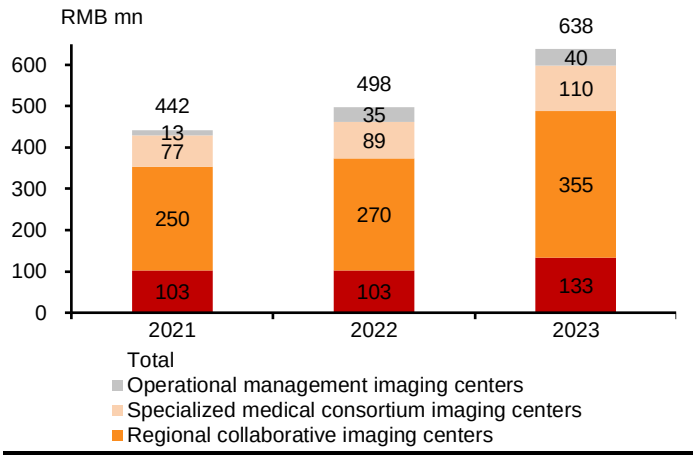
	2021		2022		2023	
	Primary registration	Multi-site registration	Primary registration	Multi-site registration	Primary registration	Multi-site registration
Radiologists	109					
Radiologic technologists	138	-	181	-	176	-
Nurses	94	-	134	-	119	-
Total	**341**	**183**	**538**	**206**	**527**	**266**

Source: Company data, CMBIGM
Note: (1) Refers to medical professionals who are registered with the company as the primary workplace. (2) Refers to medical professionals who are registered at the company's own imaging centers through multi-site practice.

Rimag's revenue generated from imaging center services reached RMB638.1mn in 2023, among which the regional collaborative imaging centers accounted for 56% of the total.

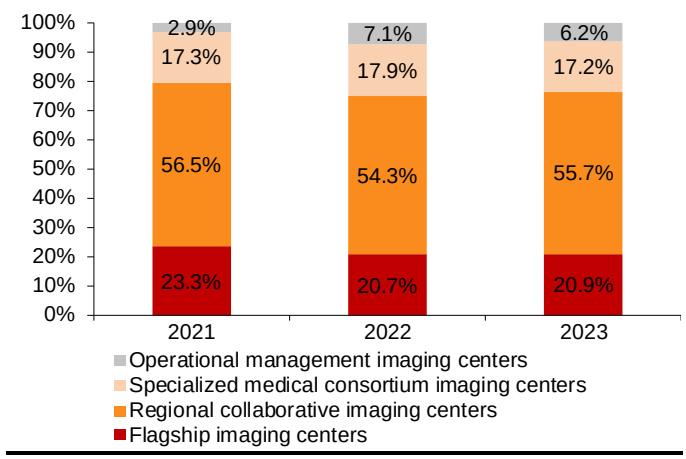
Rimag gradually achieved economies of scale for its imaging center business thanks to the enhanced brand awareness, competitiveness achieved and chain-oriented development. Therefore, Rimag's four types of imaging centers all improved their gross profit margin in 2023 compared to 2021. Specialized medical consortium imaging centers and operational management imaging centers have a higher gross profit margin than flagship imaging centers and regional collaborative imaging centers due to lower costs. The growth in revenue and the volume of examinations of regional collaborative centers and specialized medical consortium imaging centers drove up their gross margins from 41.1% and 55.7% in 2021 to 51.5% and 60.7% in 2023, respectively. The flagship imaging centers incurred gross loss in 2021 and 2022, primarily because 1) most of the flagship imaging centers opened from 2018 to 2021 are still at ramp-up stage of development, while other centers have developed mature operational models with stable profits, and 2) the flagship imaging centers were required to close or suspend operations during the COVID-19 pandemic while other centers generally had normal operations thanks to the cooperation with public medical institutions. As Rimag improved the operation of flagship imaging centers together with the gradual phasing-out of the COVID-19 pandemic, the flagship imaging centers generated gross profit of RMB15.1mn in 2023 and the GPM was 11.3%. Overall, the GPM of Rimag's imaging center services business improved from 33.5% in 2021 to 45.1% in 2023.

Figure 19: Breakdown of Rimag's revenue from imaging center services



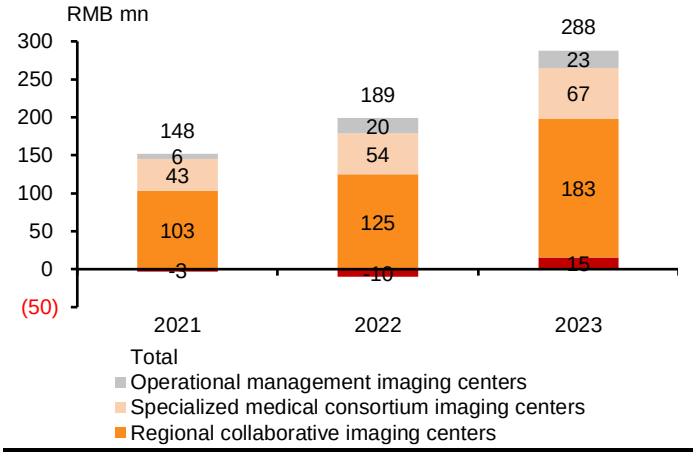
Source: Company data, CMBIGM

Figure 20: Proportion of Rimag's revenue from imaging center services



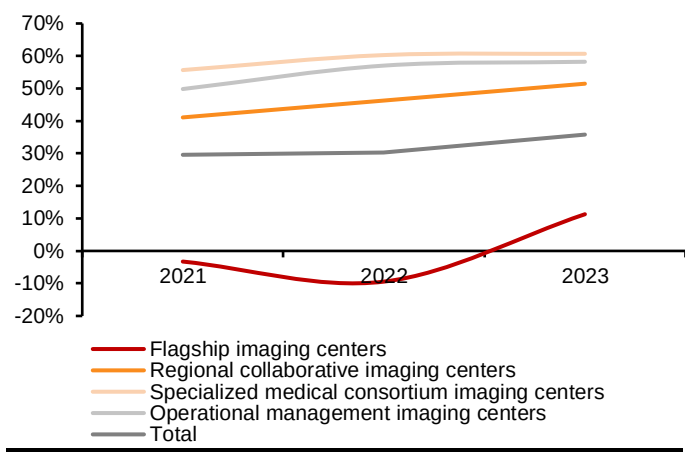
Source: Company data, CMBIGM

Figure 21: Breakdown of Rimag's gross profit from imaging center services



Source: Company data, CMBIGM

Figure 22: Breakdown of imaging center services business's gross profit margin



Source: Company data, CMBIGM

In addition, Rimag obtained medical institution practice licenses (医疗机构执业许可证) for internet hospitals in 2022. The internet hospital can cooperate with physical medical institutions and provide remote diagnosis and multi-disciplinary treatment services. Rimag plans to further expand its services to chronic disease (e.g. hypertension and diabetes mellitus) management services, including health profile management, health information feedback, online medication prescribing, healthcare knowledge management, and follow-up consultation reminders through the internet hospital. In 2023, Chengdu Wenjiang Rimag Sunshine Internet Hospital Co., Ltd. (成都温江一脉阳光互联网医院有限公司) generated revenue of RMB3.8mn, representing 0.4% of Rimag's total revenue.

Flagship Imaging Centers

Rimag primarily established flagship imaging centers as independent legal entities with Medical Institution Practice Licenses in areas where medical institutions are concentrated in first- and second-tier cities of China such as Beijing, Shenyang, Changchun, Fuzhou, Zhengzhou, Changsha, and Nanchang. As of 31 December 2023, the flagship imaging centers cover nine cities in China. Large provincial hospitals are usually overwhelmed with patients while smaller hospitals and institutions sometimes lack imaging equipment. The

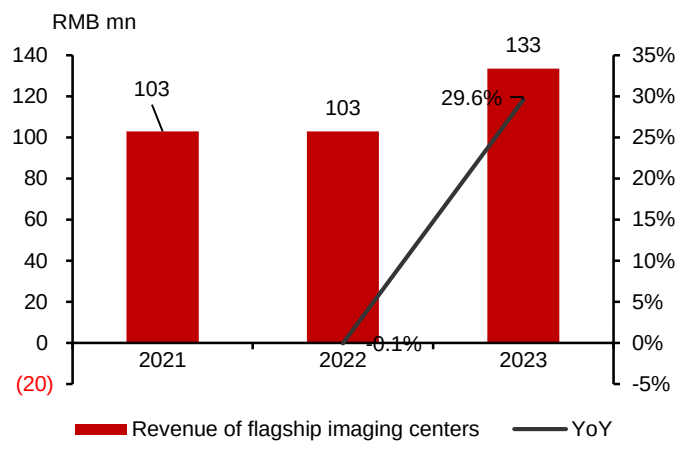
flagship imaging centers supplement the high-quality imaging and diagnostics services as they are equipped with advanced imaging equipment and experienced professional teams. As of 31 December 2023, the flagship imaging centers had 15 MRI scanners, 12 CT scanner and four PET scanners, among which nine MRI scanners were 3.0T MRI, nine were 64-slice and above multi-slice spiral CT scanners. Approximately 40% of radiologists in Rimag's flagship imaging centers were senior radiology specialists.

At the flagship imaging centers, Rimag provides imaging examination and diagnostic services directly to individual patients and receives fees from the patients. Most medical bills are settled at patients' own expense while a small number of bills are settled through public medical insurance programs. Rimag also provides imaging services to hospitals and corporations such as health management companies to serve their customers, and generate service fees from them. Moreover, the flagship imaging centers serve as a platform for showcasing Rimag's brand image and service capabilities. Through the flagship imaging centers, Rimag attracts and trains talents, fosters expertise, conducts technical research and development and facilitates academic activities. This allows Rimag to offer diverse services to meet varied needs, enhancing its brand recognition and visibility.

In addition to the standard imaging services such as MRI, CT, PET, X-ray, ultrasound, mammography etc., Rimag's flagship imaging centers design various imaging service packages to detect abnormalities by body parts and provide detailed diagnostic reports including health risk assessment from an imaging perspective and corresponding advice for maintaining or optimizing a healthy lifestyle. For example, given the critical role of imaging in the detection and risk assessment of diseases like cardiovascular disease and cancer, the flagship imaging centers offer multi-modality cardiovascular imaging service packages and tumor imaging service packages. The service packages cover main blood vessels and major organs of the human body and can effectively indicate corresponding potential risks. Rimag's flagship imaging centers also provide specialized advanced imaging examination services, such as epilepsy and Alzheimer's disease that require advanced imaging equipment and high technical capabilities.

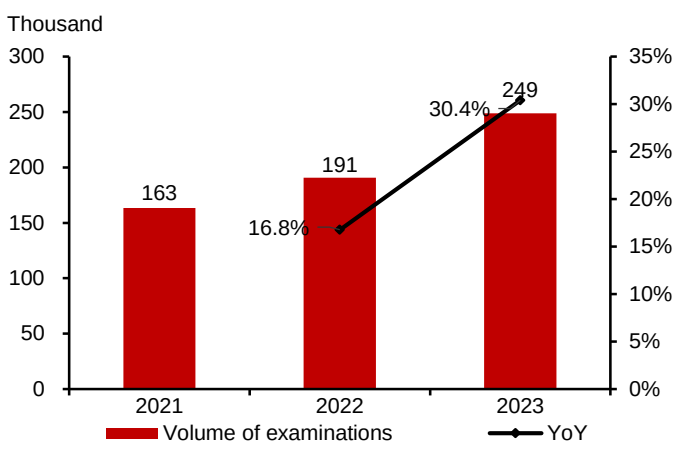
Thanks to the expanding flagship imaging centers and the ramp up of established flagship imaging centers, the examinations volume at the flagship imaging centers increased from 163.4 thousands in 2021 to 248.8 thousands in 2023, at a CAGR of 23.4%. The volume of CT, MRI and PET examinations all increased year by year. Driven by the significant growth of examinations volume, revenue generated from flagship imaging centers increased from RMB103.0mn in 2021 to RMB133.0mn in 2023, at a CAGR of 13.8%. The average revenue per examination remained relatively stable in 2022 and 2023.

Figure 23: Revenue of flagship imaging centers



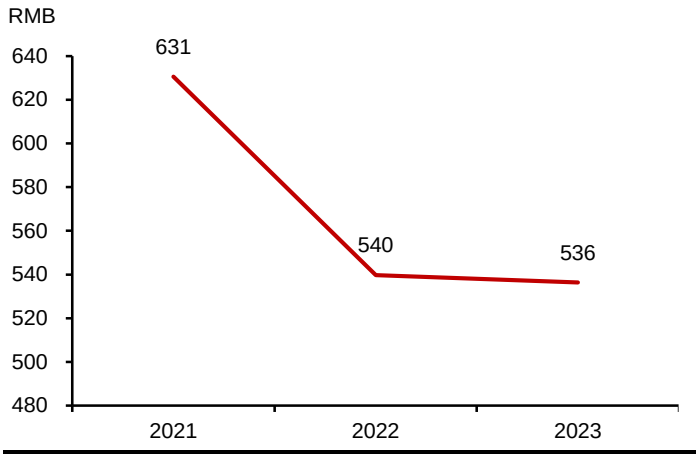
Source: Company data, CMBIGM

Figure 24: Volume of examinations at flagship imaging centers



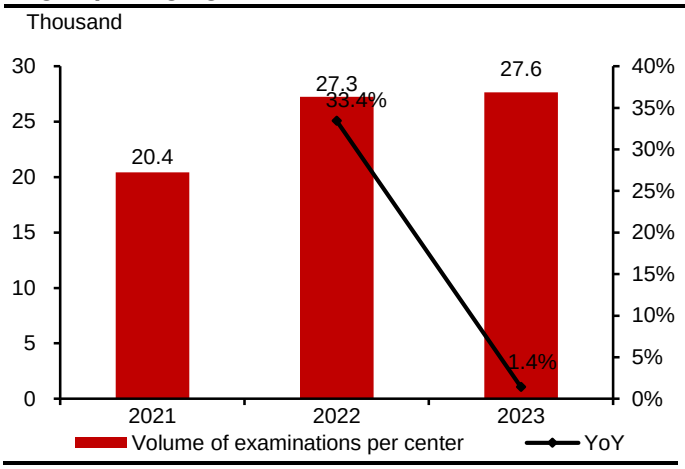
Source: Company data, CMBIGM

Figure 25: Average revenue per examination at imaging center services



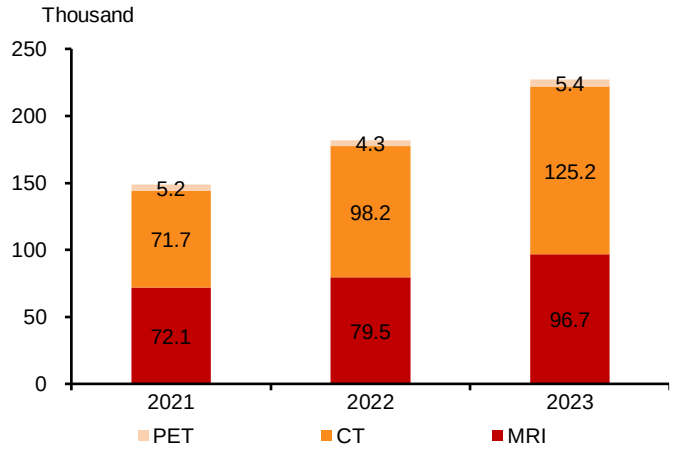
Source: Company data, CMBIGM

Figure 26: Average volume of examinations per flagship imaging centers



Source: Company data, CMBIGM

Figure 27: Volume of examinations by principal imaging equipment at flagship imaging centers



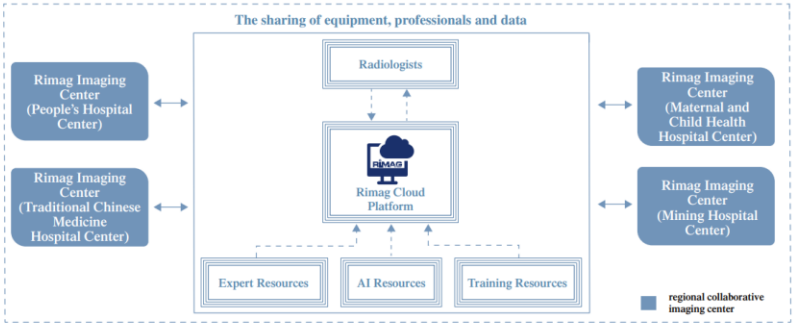
Source: Company data, CMBIGM

Regional Collaborative Imaging Centers

Rimag usually enters into long-term contracts with one or more public/private medical institutions in the relevant regions to establish regional collaborative imaging centers. These imaging centers usually locate in the partnered medical institutions but are independent legal entities operated by Rimag with Medical Institution Practice Licenses. Rimag's regional collaborative imaging centers are primarily located in third-tier cities or below in China. These centers integrate professional imaging resources in the region through distributed imaging equipment, multi-site practices, and recruitment, enabling data, equipment, and professional sharing. In particular, Rimag manages hospital partners' existing imaging equipment resources and sources new imaging equipment based on regional imaging service needs. Radiologists at these centers are either Rimag's employees, or doctors through multi-site practice who are paid for services rendered. All other medical and managerial staff at the regional collaborative imaging centers are employed by Rimag. The imaging centers may also utilize Rimag's remote imaging service platform or internet hospital for assistance for excessive workload.

Regional medical institutions can purchase imaging examinations, diagnostics, and other services from Rimag's regional collaborative imaging centers. Clinicians at hospital partners are responsible for selecting imaging examination items for patients while patients can go to the centers for imaging examination and diagnostic services either through orders by clinicians. Without the relevant clinician's prior permission or updated imaging examination orders, the centers cannot modify any examinations.

Figure 28: The collaborative relationships among Rimag's regional collaborative imaging centers



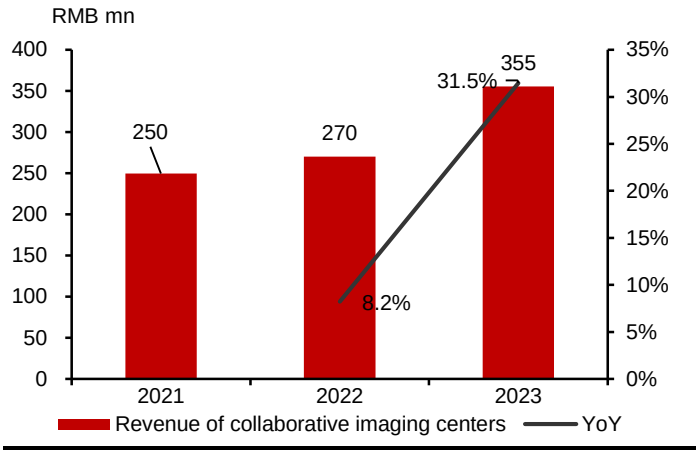
Source: Company data, CMBIGM

The regional collaborative model breaks down the barriers of personnel and equipment among medical institutions, and improves the utilization efficiency of medical resources. It allows regional medical facilities to access higher quality imaging services at lower costs, which is align with China's policy of the hierarchical diagnosis and treatment initiative. Moreover, with extensive involvement in regional medical imaging markets, Rimag acquired valuable experience in meeting customer needs, which contribute to Rimag's solid revenue growth and the strong position in the regional medical imaging markets.

The volume of examinations at regional collaborative imaging centers increased rapidly from 3.4mn in 2021 to 4.2mn in 2023, at a CAGR of 12.1% while the average volume of

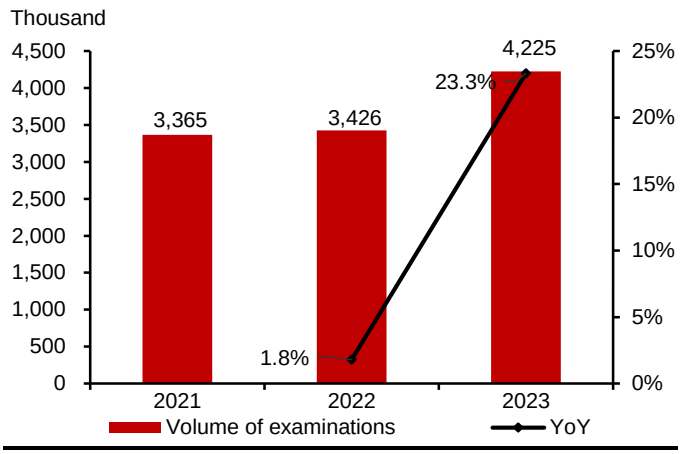
examinations per regional collaborative imaging centers ramped up from 134.6 thousand in 2021 to 176.0 thousand in 2023. Revenue generated from regional collaborative imaging centers increased at a CAGR of 19.3% from RMB249.8mn in 2021 to RMB355.4mn in 2023 thanks to the increasing patient visits at medical institutions in 2023.

Figure 29: Revenue of regional collaborative imaging centers



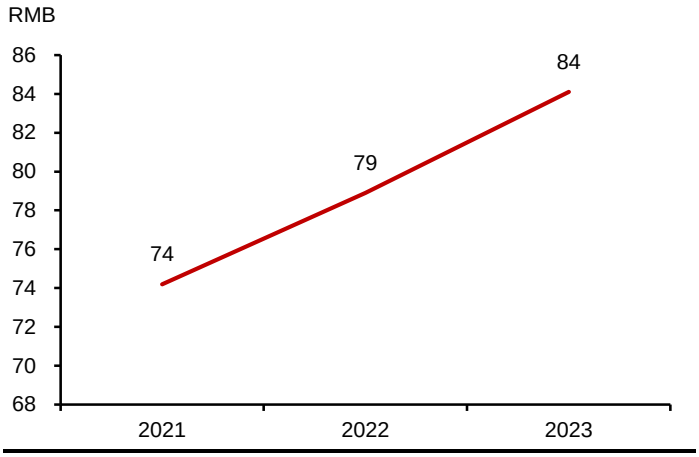
Source: Company data, CMBIGM

Figure 30: Volume of examinations at regional collaborative imaging centers



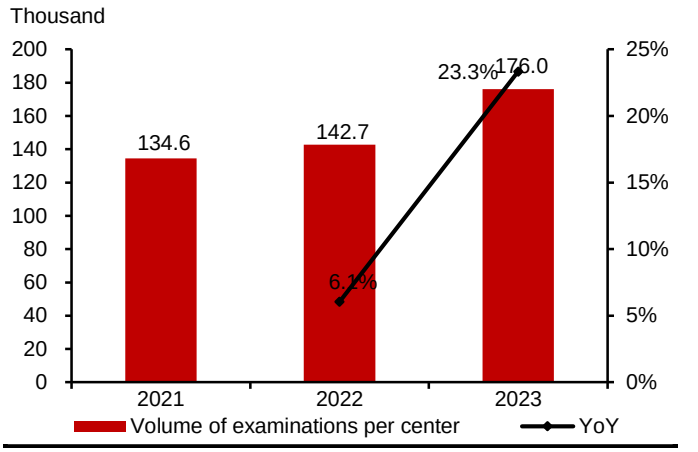
Source: Company data, CMBIGM

Figure 31: Average revenue per examination at regional collaborative imaging centers



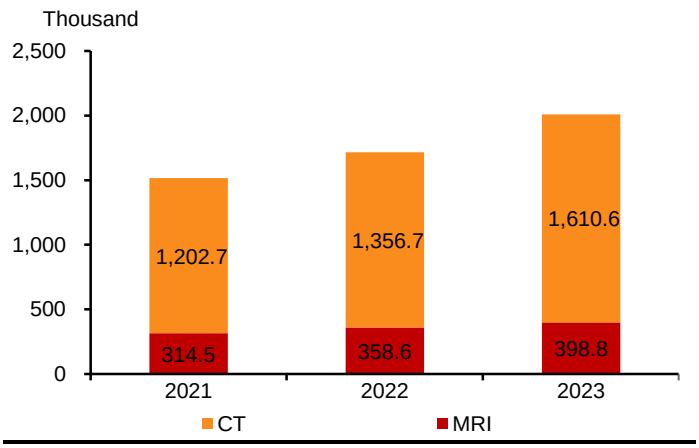
Source: Company data, CMBIGM

Figure 32: Average volume of examinations per regional collaborative imaging centers



Source: Company data, CMBIGM

Figure 33: Volume of examinations by principal imaging equipment at regional collaborative imaging centers



Source: Company data, CMBIGM

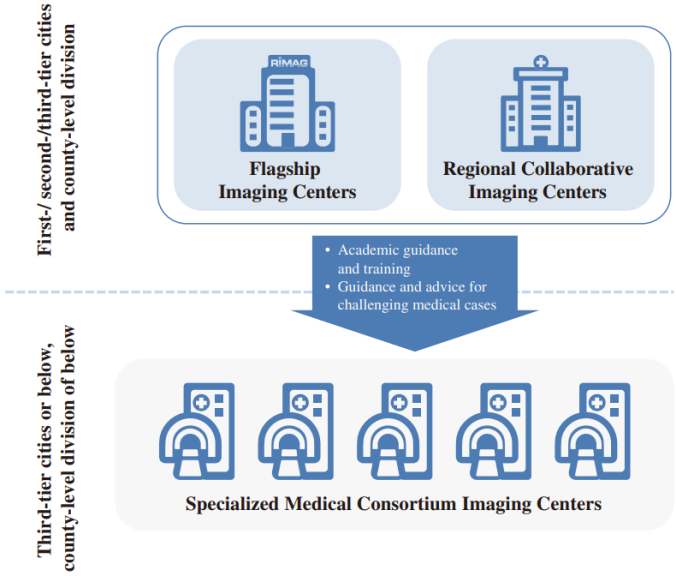
Specialized Medical Consortium Imaging Centers

Medical institutions of the primary healthcare system located in third-tier cities or below generally lack medical equipment and talents, resulting in weak technical capabilities and low operating efficiency. They have limited access to high-quality external medical resources that could enhance their professional skills, management abilities, and financial performance in medical imaging. Rimag establishes specialty imaging medical consortiums (影像专科医联体) in partnership with these medical institutions, with the approval of local governments. Rimag deploys management teams to the imaging centers within the medical consortiums, and provides a full range of services from equipment to operational management for the imaging centers. These imaging centers are regarded as specialized medical consortium imaging centers.

Rimag's operational management services primarily include 1) advising on the establishment and implementation of standardized imaging service procedures and workflows, 2) customizing management services via Rimag's information management platform, 3) recommendations for appropriate compensation schemes and key performance indicator mechanisms for medical professionals, 4) training for medical professionals on professional skills, research and academic support, and experience sharing, 5) professional, efficient, and high-quality equipment maintenance and repair services, 6) providing the latest updates on digital information system tools and related implementation, such as Radiology Information System (RIS) and Picture Archiving and Communication System (PACS), 7) recommendations for the research and development of medical imaging specialties. Rimag receives service fees from hospital customers either at an operational performance-based rate, or a combination of fixed payments and operational performance-based service fees. Since the specialized medical consortiums model can effectively enhance the imaging service capabilities of the primary healthcare system, we think it will stimulate the long-term demand of hospital customers for Rimag's services and increase the probability of contract renewals.

As of 6 May 2024, Rimag served and managed 53 specialized medical consortium imaging centers in 28 county-level divisions in eight provinces in China.

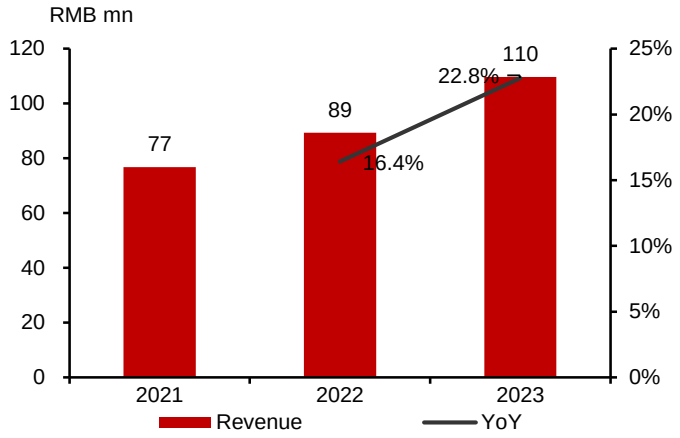
Figure 34: The collaborative relationships of Rimag's specialized medical consortium imaging centers



Source: Company data, CMBIGM

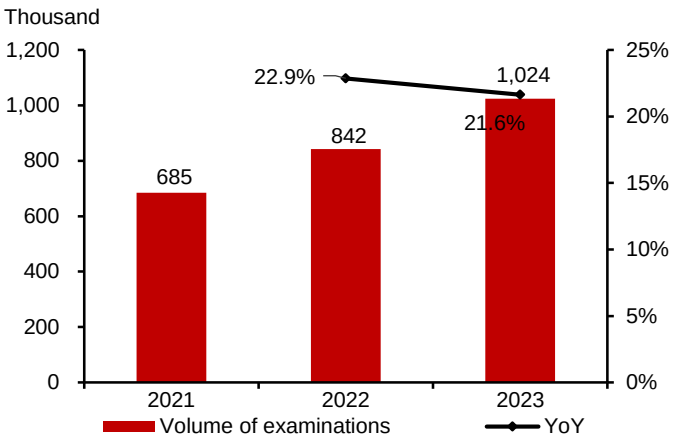
The average volume of examinations per specialized medical consortium imaging center demonstrated solid growth from 18.0 thousand in 2021 to 20.5 thousand in 2023, driving the total volume of examinations and revenue of specialized medical consortium imaging centers increased at a CAGR of 22.3% and 19.5% from 2021 to 2023, respectively. In 2023, the volume of examinations at specialized medical consortium imaging centers increased by 21.6% YoY to 1,024.2 thousand, driving the revenue from specialized medical consortium imaging centers increased by 22.8% YoY to RMB109.6mn.

Figure 35: Revenue of specialized medical consortium imaging centers



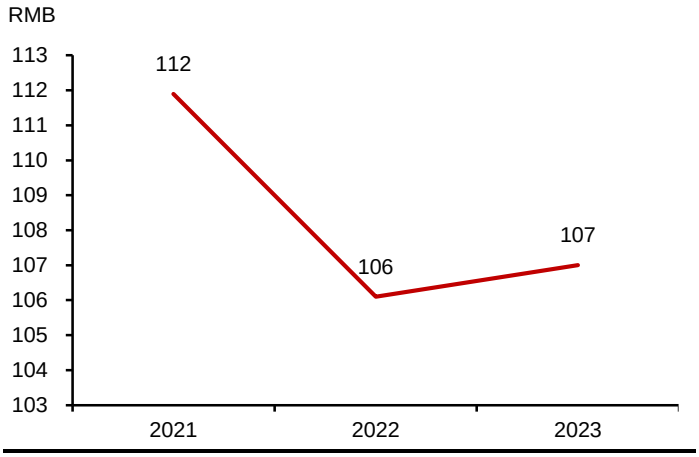
Source: Company data, CMBIGM

Figure 36: Number of examinations at specialized medical consortium imaging centers



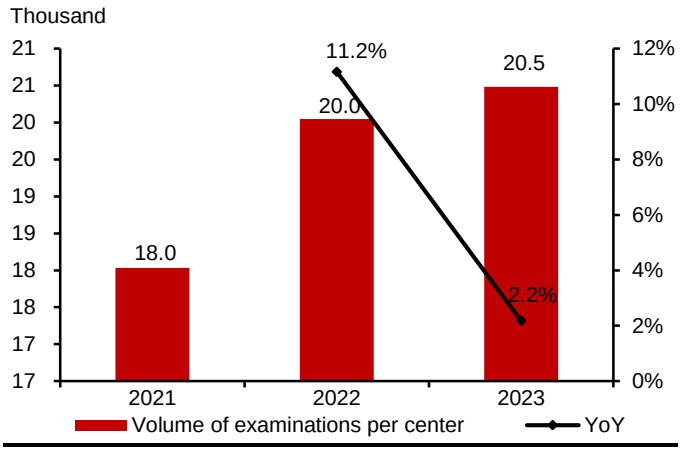
Source: Company data, CMBIGM

Figure 37: Average revenue per examination at specialized medical consortium imaging centers



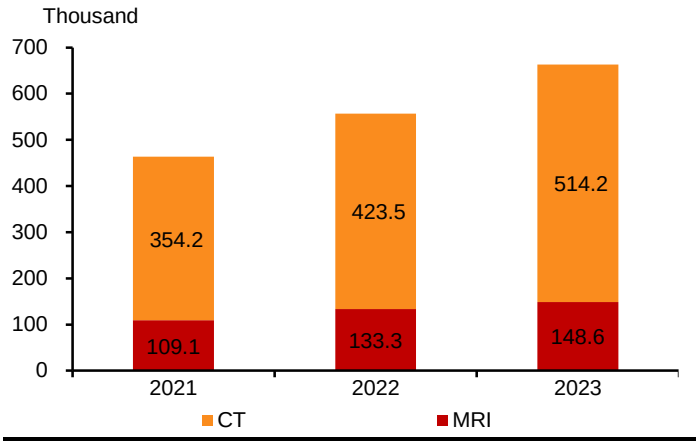
Source: Company data, CMBIGM

Figure 38: Average volume of examinations per specialized medical consortium imaging centers



Source: Company data, CMBIGM

Figure 39: Volume of examinations by principal imaging equipment at specialized medical consortium imaging centers



Source: Company data, CMBIGM

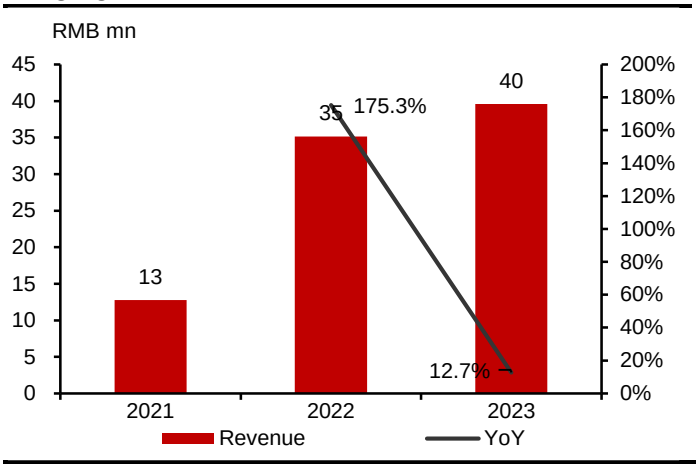
Operational management imaging centers

Rimag provides operational management services to medical institutions that already have necessary imaging equipment but lack the capability to effectively operate and manage their imaging centers. Rimag's services include 1) professional skill improvement services for radiologists, nurses and radiologic technologists, 2) operational management consulting services to help set up the radiology department's management systems, compensation systems, and performance appraisals, 3) staffing support for the radiology department, and 4) other services required for operation and management.

Since the medical institutions have their own radiology department equipped with imaging equipment and are responsible for the imaging examinations and diagnosis, Rimag focuses solely on management services and repair & maintenance services. There is no need for Rimag to deploy equipment or renovate infrastructure. Therefore, the operational management business model requires less up-front cost, allowing Rimag to promptly provide services, efficiently expand the Company's network coverage and increase profitability.

The revenue from operational management imaging centers experienced continued growth, from RMB12.8mn in 2021 to RMB39.6mn in 2023, representing a CAGR of 76.1%, which was in line with the increasing number of operational management imaging centers.

Figure 40: Revenue of Operational management imaging centers



Source: Company data, CMBIGM

Imaging solution services

Since 2019, Rimag has provided imaging solution services to customers. Leveraging years of experience and capabilities, Rimag has developed modular medical imaging solutions including 1) equipment selection and configuration, 2) infrastructure renovation services, 3) training services, 4) repair and maintenance services, and 5) Rimag Cloud platform-related services. Customers can choose one or more service modules according to their own needs. Rimag's imaging solution services are centered around imaging equipment and the Company only provides equipment and service modules customer purchased without involving in the daily operation of the customers. Therefore, the imaging solution services are different from Rimag's services provided through specialized medical consortium imaging centers and operational management imaging centers.

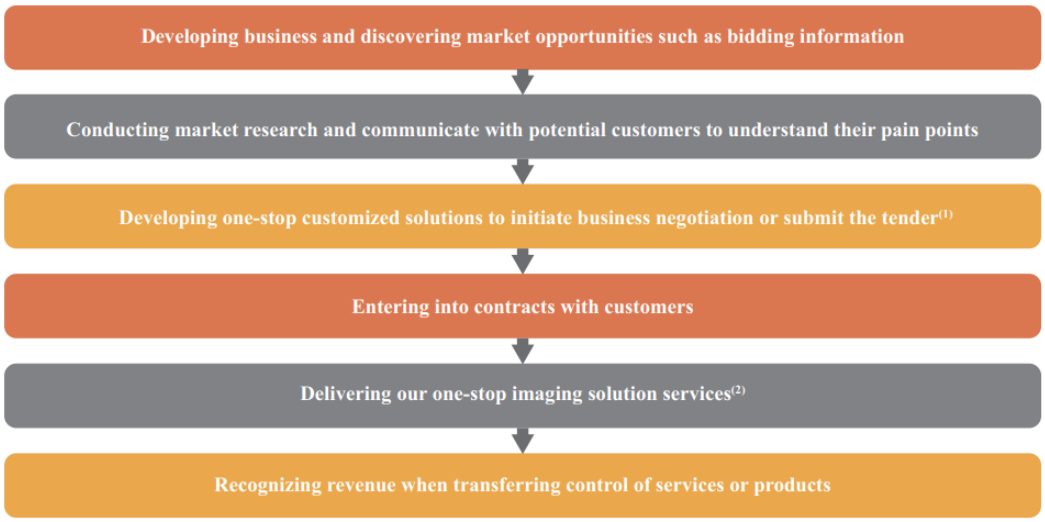
Figure 41: Modular services of Rimag's imaging solution services

Modular services	Description
Equipment selection and configuration	• Rimag provides highly compatible and suitable equipment selection solutions comprising both software and hardware to medical institutions since Rimag has comprehensive experience on selecting imaging equipment. Rimag uses over 400 units of mainstream imaging equipment of various brands in providing imaging center services. • Rimag also assists customers in better utilizing the medical imaging equipment to maximize utilization efficiency and efficacy, through other service modules of imaging solution services.
Infrastructure Renovation Services	• Rimag provides a site planning and design plan with an appropriate layout according to the needs of medical institutions for constructing their imaging departments, and on-site inspection and measurement. The plan includes layout plan, proposal plan, architectural drawing, construction drawings and detailed soft decoration design, among other things. • Rimag takes the working habits of local radiologists into account and optimizes the configuration of workstations and software deployment of medical image viewing tools to enhance the working environment for radiologists.
Training Services	• Rimag provides online training services through an in-house training platform. As of 31 December 2023, Rimag organized more than 800 professional courses via the online platform.

	• Rimag's training platform provides resources such as a virtual reading room and anatomy learning slides. The platform has a question bank of more than 17,000 questions regarding imaging diagnosis and technology, which can be used for assessing and evaluating radiologists and radiologic technologists. • Rimag offers offline training services through the Rimag Imaging Academy, and organizes expert lecturers to guide and teach at medical institutions.
Repair and Maintenance Services	• Based on customers' needs, Rimag provides periodic equipment maintenance, preservation and inspection services, including machine cleaning, performance testing and calibration, necessary mechanical or electrical inspections, non-emergency remedial repairs, and repair services.
Rimag Cloud Platform-related Services	• Integrate Rimag Cloud services, such as remote consultation and diagnostic report services, quality control services, and AI integration platform services etc.

Source: Company data, CMBIGM

Figure 42: The business process of Rimag's imaging solution services



Source: Company data, CMBIGM
Note: (1) The direct procurement of imaging solution services by public hospital customers is typically subject to an invitation to tender process, and Rimag directly participates in the tender process. (2) One-stop imaging solution services include equipment selection and configuration, infrastructure renovation services and modular solutions generally consisting of onward training services, repair and maintenance services and Rimag Cloud platform-related services.

Rimag's current business team for imaging solution services mainly focuses on the promotion of imaging solution services business in Jiangxi province and Hubei province. Ten provincial-level teams responsible for developing imaging center services business also promote the imaging solution services concurrently with developing imaging center services.

As of 31 December 2023, Rimag's imaging solution services have served over 80 medical institutions primarily with the equipment-centered one-stop solution packages including equipment selection and configuration services, infrastructure renovation services, and training services. Some customers have also purchased separate service modulars, such as repair and maintenance services, from Rimag. In 2023, Rimag entered into 21 contracts of equipment-centered one-stop solution packages.

Figure 43: Contract sum range and total amount of contract sum of Rimag's equipment-centered one-stop solution packages

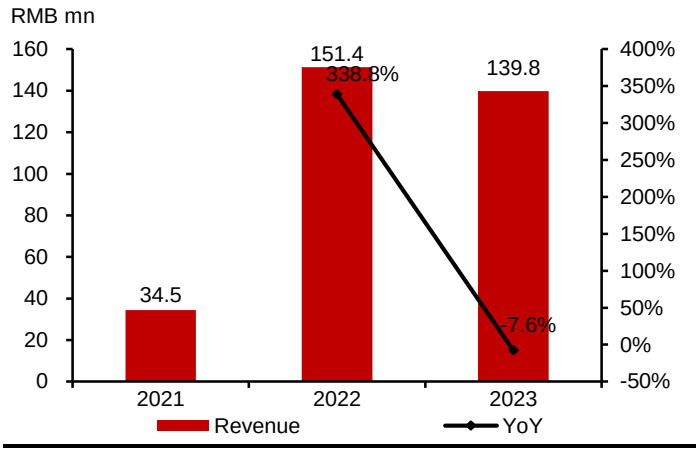
	Contract sum range (million)	Total contract sum (million)	Number of contract
2021	1.1-68.5	242.3	22

2022	0.5-46.5	361.3	40
2023	0.9-23.9	155.5	21

Source: Company data, CMBIGM
Note: The above information on contract sum (i) does not take into consideration contracts Rimag has entered into for repair and maintenance services, which are usually provided independently from sales of equipment; and (ii) was based on dates of related contracts Rimag entered into during the Track Record Period, which differs from the revenue generated by equipment-centered one-stop solution packages as Rimag recognizes revenue when transferring control of services or equipment to customers based on Rimag's accounting policies.

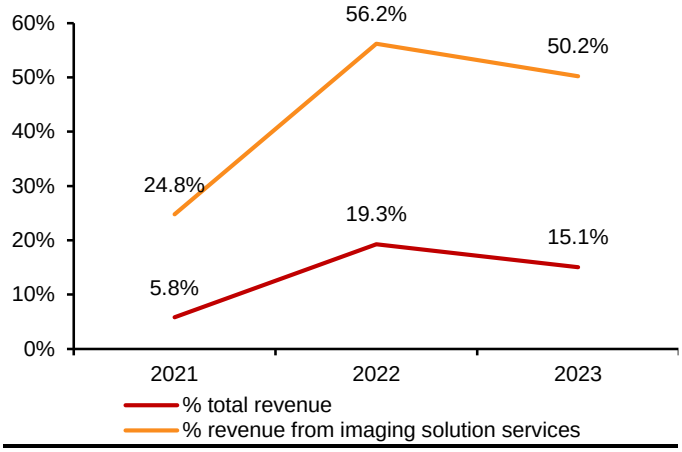
Rimag sold imaging equipment to a limited number of intermediaries who further sold them to medical institutions. This typically occurs when the medical institutions have specific requirements or preferences for suppliers. According to F&S, these intermediaries are usually responsible for assisting with various processes associated with the admission of medical imaging equipment to medical institutions, or providing financing lease services to medical institutions to alleviate the initial capital pressure of purchasing large or expensive assets. The decision of whether to engage such intermediaries is mostly driven by medical institutions customers. The number of intermediaries Rimag cooperated with increased from six in 2021 to 15 in 2023, but none of the downstream customers of Rimag's intermediaries were also Rimag's direct hospital customers. The revenue generated from sales to intermediaries increased from RMB34.5mn in 2021 to RMB139.8mn in 2023.

Figure 44: Revenue generated from sales to intermediaries



Source: Company data, CMBIGM

Figure 45: Proportion of revenue generated from sales to intermediaries



Source: Company data, CMBIGM

The revenue generated from imaging solution services increased from RMB139.3mn in 2021 to RMB278.4mn in 2023, at a CAGR of 41.4%.

Rimag Cloud services

Leveraging its understanding of the medical imaging services industry and deep insights into the pain points across the entire service process, Rimag developed the Rimag Cloud platform to promote resource and capability sharing, effectively supporting the operation of its nationwide network of imaging centers. The platform is designed with reference to the whole process in a modular manner. As of 6 May 2024, Rimag obtained 88 software copyrights, two medical device registrations certificates relating to the Rimag Cloud platform and applied for four invention patents under review.

Figure 46: Pain points solved by Rimag Cloud platform

Participants	Pain points
Patients	How to obtain imaging diagnostic reports conveniently and obtain further report interpretation from experts.
Clinicians	How to effectively select suitable medical imaging examinations for the purpose of diagnosis and treatment of diseases.
Radiologic technologists	How to make the best use of imaging equipment and promptly complete scanning with assured quality.
Radiologists	How to address heavy workload, reduce misdiagnosis and missed diagnosis, and improve usage experience for employing imaging AI tools.
Hospital manager	How to reasonably delegate and calculate workload, and more conveniently conduct performance appraisals, quality control, manage payment of medical fees and promote specialty-based development.

Source: Company data, CMBIGM

In 2018, the Company commercialized Rimag Cloud services to meet the demand for digital transformation in Chinese medical imaging. Rimag Cloud services help medical institutions reduce costs, standardize workflows, and enable data-driven management, which improves their imaging capabilities and patient experience. The Rimag Cloud platform comprises two modules including 1) medical imaging workflow modules, and 2) operational management modules. Customers, primarily medical institutions, can select full or modular Rimag Cloud platform products/services.

Figure 47: Modular services of Rimag's imaging solution services

Modular services	Description

Medical Imaging Workflow Modules	• The core products and services of Rimag Cloud, covering the full service process of medical imaging from making appointments, selecting imaging examination items, to issuing diagnosis reports.
	  • Basic modules: appointment making and imaging examination selection
	  • Cloud storage and cloud film module: provides medical institutions with a cloud film system and cloud film marketing and operation services, as well as cloud storage services for imaging data.
	  • Remote diagnosis/consultation for complex cases: Rimag hired over 100 renowned experts to provide diagnostic consultation services and multi-disciplinary team consultation services for complex cases over its remote consultation platform. Medical institutions that lack radiologists, have radiologists with insufficient capabilities, or intend to reduce costs while enhancing their imaging service capacity can use the remote medical diagnosis services. The imaging experts on the remote consultation platform will issue imaging diagnostic and consultation reports for the medical institutions.
	  • Cloud RIS module: mainly targets central hospitals within a particular region. Enabling the sharing of images and reports and interconnectivity among the central hospitals and lower-tier medical institutions.
	  • Imaging AI integration platform module: integrates the products of mainstream AI service providers in the market on a one-stop platform with the same workspace and user interface and homogenizes imaging data standards and operating procedures. The imaging AI integration platform module can be integrated with PACS. Thus, doctors only need to operate on Rimag's imaging AI integration platform instead of switching among different workspaces.

Operational management modules	• Mainly provide information support and development momentum for data-driven medical imaging operations, including refined operation management modules, and quality control modules. • Refined operation management module: collects and standardizes information related to imaging examinations in the medical institutions' business systems of medical institutions, and delivers accurate analysis of business and financial indicators based on standardized data to managers. • Quality control module: Samples the images and diagnostic reports generated in daily operations and evaluates radiologic technologists and radiologists

Source: Company data, CMBIGM

In 2023, Rimag focused on the iteration of Rimag Cloud services and reviewed its business strategies on Rimag Cloud services. As a result, the revenue generated from Rimag Cloud services decreased by 27.1% YoY to RMB12.5mn, accounting for 1.3% of the total revenue.

Overview of medical imaging industry in China

Medical imaging technology refers to techniques that create images of human body structures and organs, which plays a crucial role in clinical diagnosis and treatment, providing non-invasive and safe visual images to support healthcare professionals. Commonly used technologies include CT scans, MRI, X-ray imaging, ultrasound, and nuclear medicine. The price of major types of medical imaging service are regulated by provincial healthcare security administration. The price of major types of medical imaging services remained stable during the past years, apart from the price for PET-CT scanning in several provinces where PET-CT scanning was included to the provincial reimbursement list.

Figure 48: The common types and models of medical imaging equipment

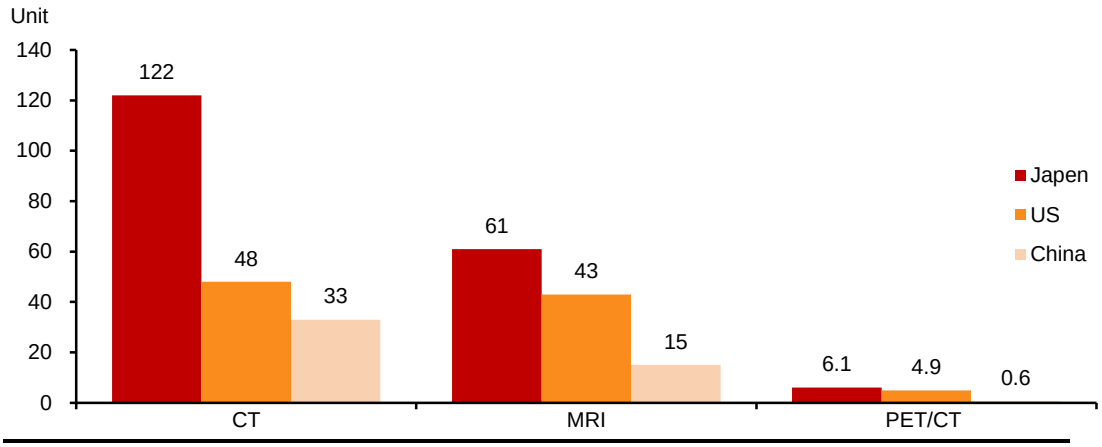
	X-ray Imaging	Ultrasound	Nuclear Medicine Diagnostic Equipment	CT	MRI
Working Principle	• X-rays use radiation to penetrate and project human body onto an x-ray film to create image	• Ultrasound beams pass through less-dense tissue and bounce off denser tissues to create image	• Radioactive material injected through IV and accumulates in tumor tissue to produce image	• CT combines x-rays and a computer to create 360-degree pictures of bones and internal organs	• MRI uses magnets to spin the hydrogen atoms and radio waves and a computer transforms the information into image
Common Clinical Application	• Commonly used for disease screening covering various organs and bones	• Performs best on soft tissues, such as abdomen, heart, and breast	• Used for cancer diagnosis and metabolic dynamic examination	• Whole body examination including inner organ, brain, and bones	• Widely used on imaging soft tissue, such as central nervous system, breast, and joints
Cost	Low	Low	Very high 1) PET/CT partial scan: RMB2,600-4,000; 2) PET/CT Whole Body Scan: RMB4,000-10,000	Moderate 1) CT<64 Slice (Single Source) partial scan: RMB45-240; 2) CT≥64 Slice (Single Source) partial scan: RMB200-350	High 1) MRI <0.5T partial scan: RMB150-450; 2) MRI 0.5-1.5T partial scan: RMB200-600; 3) MRI >1.5T partial scan: RMB450-800
Weakness	• High radiation; medium-quality image; non-3D information	• Motion artifacts are common	• Expensive; high radiation	• High radiation	• Long scanning time; motion artifacts; uncomfortable environment

Source: Frost & Sullivan, Company data
Note: (1) The service fee for one single type of imaging equipment may have a large price range depending on different purposes. Cardiovascular scan and functional scan can be much more expensive than other scan. (2) The statistics were collected from governmental healthcare service catalogues of different provinces, and the price for one single medical imaging service may vary from province to province.

Lack of medical imaging capabilities in China

China lags behind the developed countries in the installed base of CT, MRI and PET/CT units. According to F&S, Japan and the US have 3.7 and 1.5 times more CT units, 4.1 and 2.9 times more MRI units, and 8.2 and 10.2 times more PET/CT units per million population compared to China, respectively. Local fiscal expenditure constraints limit medical institutions to install advanced imaging equipment that meets clinical needs in a timely manner.

Figure 49: Imaging equipment installation per million population in 2023

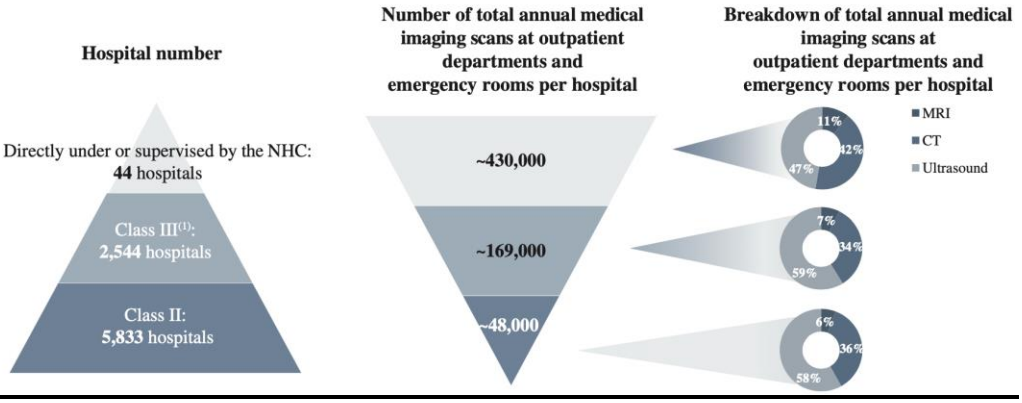


Source: OECD Statistics, Mid-to-Long Term National Planning of Medical Isotope (2021-2035), F&S, Company data, CMBIGM

There is also a shortage of medical imaging professionals in China and the training and education system for medical imaging professionals in China is undervalued. According to F&S, China had only 170 medical imaging professionals per million population in 2021, which is insufficient to meet the examination and diagnostic needs of patients. Chinese radiologists start their practice earlier after graduation and have fewer opportunities for postgraduate education compared to radiologists in countries with sound healthcare systems, such as the US and the UK. This leads to Chinese radiologists' weaker overall professional capabilities. The overall training period for radiologists in China is generally five years, which is much shorter than the countries with sound healthcare systems. The overall training time for radiologists in the US and the UK is typically 11 to 12 years.

The distribution of medical imaging equipment and professionals in China is uneven. Advanced medical imaging equipment and skilled radiologists/ radiographic technologists in China are largely concentrated at high-level medical institutions. Primary healthcare facilities typically have insufficient imaging equipment and less skilled radiologists and technologists. According to F&S, in 2020, the outpatient departments and emergency rooms of Class III Grade A hospitals directly under or supervised by the NHC and Class III hospitals conducted approximately 430,000 and 169,000 medical imaging scans (including CT, MRI, and ultrasound) per hospital, respectively. The number of total annual medical imaging scans at Class II hospitals is much lower, which is 48,000 per hospital, respectively. As a result, third-party medical imaging centers can serve as an important complement to hospital radiology departments.

Figure 50: Number of total annual medical imaging scans via CT, MRI and ultrasound at outpatient departments and emergency rooms per hospital in 2020



Source: Frost & Sullivan, the NHC and National Healthcare Service, Quality, and Safety Report (国家医疗服务与质量安全报告)
Note: Excluding hospitals directly under or supervised by the NHC.

The primary healthcare system in China faces limitations in the expertise of its imaging professionals. Radiologists typically hold only an associate or bachelor's degree, while radiographic technologists mainly have a secondary education diploma or associate degree.

Although several favorable policies in recent years have promoted the introduction of advanced imaging equipment in the primary healthcare facilities, the advanced medical equipment is often underutilized due to the lack of skills, expertise, and experience among the radiologists and technologists. As a result, the imaging service capabilities of the primary healthcare system are still weak and unable to fully meet patients' clinical diagnostic needs.

Consequently, patients tend to seek healthcare service in large public hospitals, leading to overcrowding in radiology departments and limited effective diagnosis time. The long waiting time for imaging examinations pose an obstacle for patients to receive timely diagnosis and treatment.

In addition, the other pain points of China's medical imaging industry include: 1) lack of interaction between radiologists and clinicians, 2) information barriers due to inadequate IT capabilities in medical imaging, and 3) lack of effective quality control over medical imaging.

To address these challenges, the Chinese government introduced a series of policies to promote the development of medical imaging center industry and the construction of hierarchical diagnosis and treatment system.

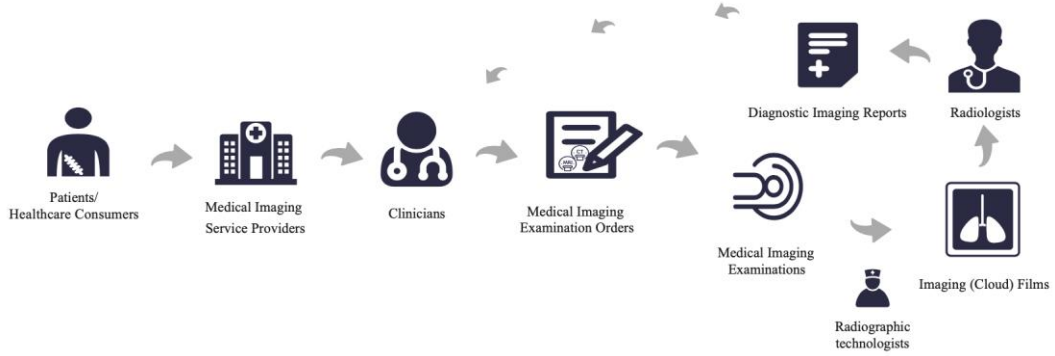
In Aug 2018, the NHC promulgated the *Notice on Key Work Concerning the Construction of Hierarchical Diagnosis and Treatment System (《关于进一步做好分级诊疗制度建设有关重点工作的通知》).* In May 2021, the *high-quality developm*ent of public hospitals (《关于推动公立医院高质量发展的意见》) promulgated by the State Council stipulates the policy to focus on the development of clinical specialties such as critical care and imaging, and use the development of specialties to drive the improvement of diagnosis and treatment capabilities and levels. In Oct 2021, *the National Clinical Specialties Capacity Building Plan for the 14th Five-Year Plan (《"十四五"国家临床专科能力建设规划》),*

promulgated by NHC, proposed to focus on supporting provinces to strengthen the construction of platform specialties such as laboratory and medical imaging, form a number of internationally leading original technologies and promote the relevant specialist capabilities to the forefront of the international arena.

Overview of the medical imaging service market in China

Medical imaging center is a facility providing imaging examinations and diagnostic services to patients and healthcare consumers. Radiographic technologists use medical imaging equipment to obtain physical human information, which is analyzed by specialized radiologists. The analysis results are shared with clinicians for diagnosis and treatment guidance. The medical imaging services are widely used and important for clinicians to diagnose and track health conditions during medical practice and health check-ups.

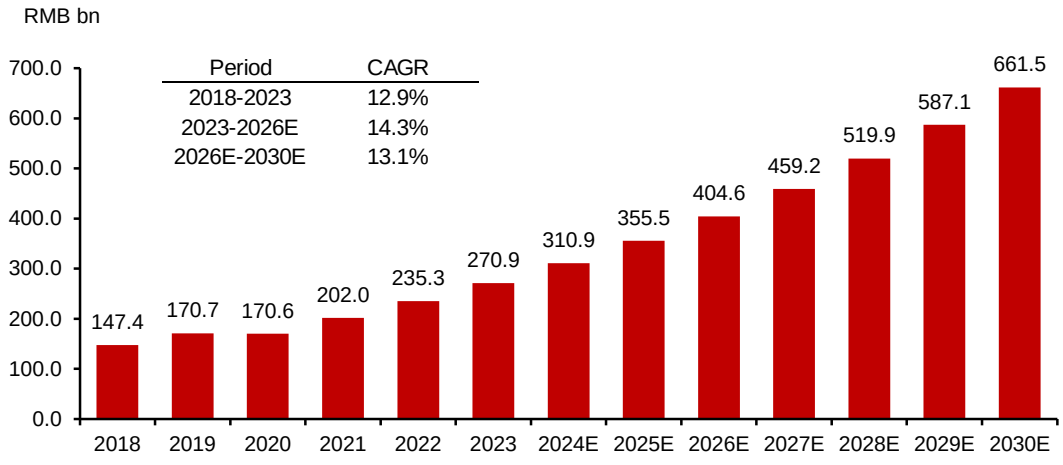
Figure 51: The general procedures of medical imaging services in a center



Source: Frost & Sullivan, Company data

China's market for medical imaging service grew from RMB147.4bn in 2018 to RMB270.9bn in 2023, at a CAGR of 12.9%, and is expected to reach RMB404.6bn in 2026E, at a CAGR of 14.3% from 2023 to 2026E, and RMB661.5bn in 2030E, at a CAGR of 13.1% from 2026E to 2030E, according to F&S.

Figure 52: China's medical imaging service market size



Source: Frost & Sullivan, Company data
Note: The size of China's medical imaging service market by revenue includes medical imaging service-related revenue contributed by hospitals, third-party medical imaging centers, and private health check-up centers.

Primary players in China's medical imaging service market include hospital radiology departments and third-party medical imaging centers, among others. Radiology departments of hospitals currently dominate the market in terms of the patient traffic coverage, primarily due to the concentration of patient traffic at public medical institutions. The fact that basic medical insurance in China mainly covers diagnosis and treatment at public institutions also leads to the concentration of patient at radiology departments of hospitals. However, China's medical imaging resources are unevenly distributed. The capabilities of the medical imaging services in China's primary healthcare system are currently insufficient while the radiology departments in large hospitals are always overloaded, resulting in a significant unmet demand. Third-party medical imaging centers can supplement the shortages of hospital radiology departments in medical resources and fulfill patients' demand for high-quality imaging services.

China's government introduced a series of policies to promote private healthcare service industry. In May 2017, the State Council promulgated *the Opinions on Supporting Social Forces in Providing Multi-level Medical Services (《关于支持社会力量提供多层次多样化医疗服务的意见》)*, which encouraged social forces to establish independent medical testing, diagnostic, and imaging institutions.

The Notice on Key Work Concerning the Construction of Hierarchical Diagnosis and Treatment System (《关于进一步做好分级诊疗制度建设有关重点工作的通知》) promulgated by the NHC in Aug 2018 proposed that private healthcare institutions should be included in the medical consortium. For those private healthcare institutions with good conditions, they can also lead the establishment of medical consortiums. In the medical consortium, medical resources can be accelerated and medical resources can be easily connected.

In Jan 2019, the *Intensify efforts to promote public services in the social field to supplement the shortcomings and improve the quality of the strengths and weaknesses, and promote the formation of a strong domestic market action plan (《加大力度推动社会领域公共服务补短板强弱项提质量，促进形成强大国内市场的行动方案》)* promulgated by NDRC supported social forces in organizing and operating high-level general practice clinics, in-depth service areas.

In Mar 2021, *the 14th five-year plan for National economic and social development of the People's Republic of China and outline of the vision for 2035 (《国民经济和社会发展第十四个五年规划和2035年远景目标纲要》)*, promulgated by NDRC advocated for non-public healthcare institutions to serve as supplements, and expand the supply of medical service resources.

Overview of the third-party medical imaging center market in China

As defined by the "Basic Standards for Medical Imaging Diagnostic Centers (Trial)" (《医学影像诊断中心基本标准（试行）》), third-party medical imaging center is an independent medical institution that utilizes modern imaging technologies such as X-ray, CT, MRI, ultrasound, etc., to examine human body and issue imaging diagnostic reports. Notably, third-party medical imaging center excludes the radiology department of hospitals and other medical institutions.

Third-party medical imaging centers in China are primarily operated based on 1) the model of providing direct medical imaging services to patients and healthcare consumers, or 2) the model of providing operational services to hospitals and other medical institutions.

Figure 53: Business models of the third-party medical imaging centers

Source: Frost & Sullivan Report, NHC

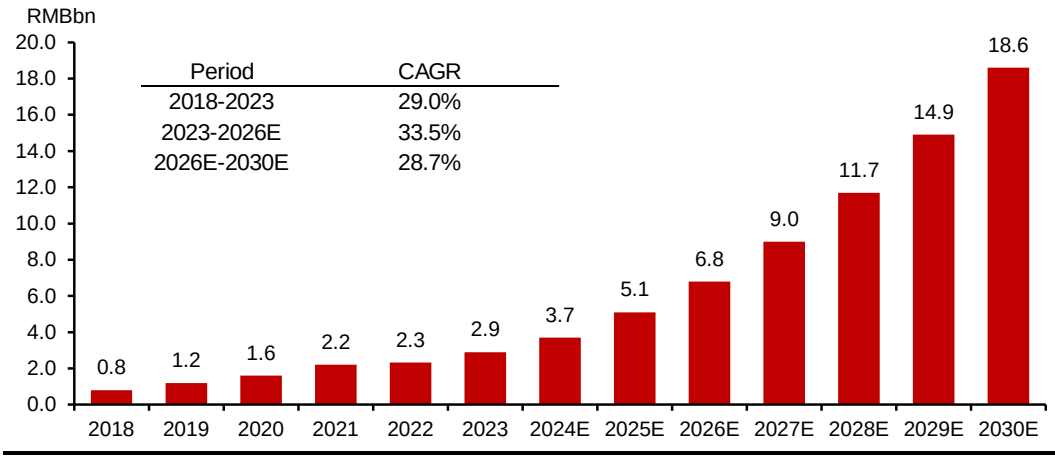
In the first business model, the medical imaging centers usually operate independently from hospitals. Patients pay directly for the medical imaging services at these centers such as physical examinations, expert consultations, and other specialized imaging procedures. In general, this model offers a convenient alternative for patients seeking high-quality imaging services outside of hospitals.

In the second business model, the medical imaging centers usually located on the premises of medical institutions and the medical institutions purchase services according to service agreements. This model allows the sharing of equipment, medical professionals and data, thereby enabling hospitals to improve efficiency and reduce costs. Therefore, the national government encourages the use of this business model among third-party medical imaging centers.

Given the dominant position of public hospitals in China in terms of patient traffic, third-party medical imaging centers operating under the second model often partner with regional public hospitals. The collaboration aims to enhance the medical imaging services provided by hospitals and obtain customers. Furthermore, there is substantial market potential for third-party medical imaging centers to serve county-level or below and primary healthcare institutions because of the relatively insufficient capabilities of medical imaging services in China's primary healthcare system.

The third-party medical imaging center market in China is still an emerging market which has significant growth potential. According to F&S, the US has over 6,000 third-party medical imaging centers. However, there were only 163 effective third-party medical imaging center licenses in China as of 6 May 2024, according to the NHC. Even accounting for instances where a single license covers multiple locations, the number of third-party medical imaging centers in China is considerably fewer than that in the US. The market for third-party medical imaging centers in China has experienced solid growth in recent years, driven by increasing patient demand and favorable government policies. According to F&S, China's market for third-party medical imaging center grew from RMB0.8bn in 2018 to RMB2.9bn in 2023, at a CAGR of 29.0%, and is expected to reach RMB18.6bn in 2030E, representing a CAGR of 30.7% from 2023 to 2030E.

Figure 54: China's third-party medical imaging center market size



Source: Frost & Sullivan, Company data

Overview of medical imaging equipment solutions market in China

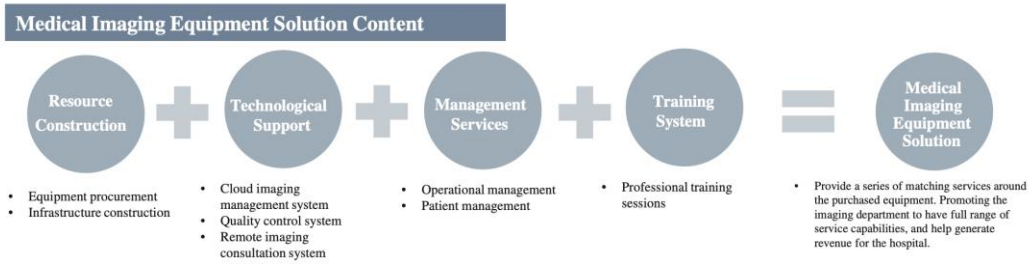
Medical imaging equipment solutions target to increase the utilization efficiency of medical imaging equipment, which usually include resource construction, technological support, management services and training system.

Figure 55: Medical imaging equipment solutions

Trends	Description
Resource construction	• Equipment selection and deployment • Optimization of instrument configuration based on frequency and duration of usage • Interior design of medical imaging centers
Technology support	• Development of cloud imaging management systems, remote consultation systems, and quality control systems
Management service	• Operational management to improve efficiency and profitability • Patient management before and after diagnosis for patient/customer retention and enhancing awareness of preventive screening
Training systems	• Professional training sessions • Communication opportunities among radiologists

Source: Frost & Sullivan, CMBIGM

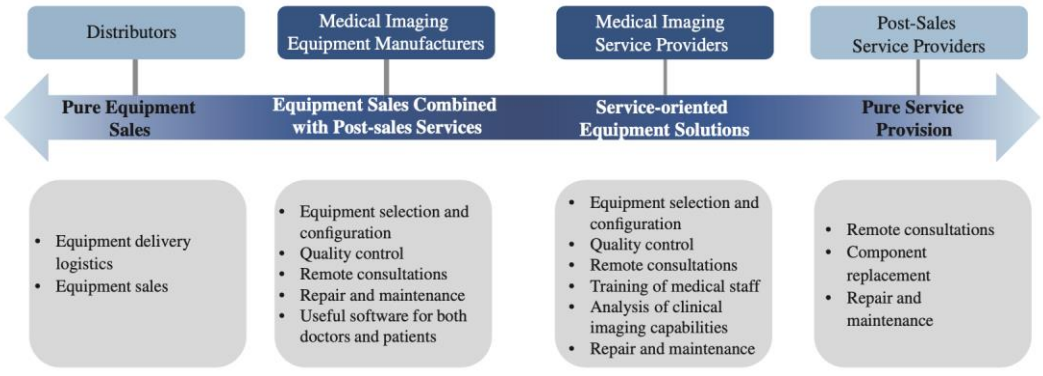
Figure 56: The details of medical imaging equipment solutions



Source: F&S, Company data
Note: The market size is based on the types of equipment required for medical imaging centers as specified in the Basic Standards for Medical Imaging Diagnostic Centers (Trial) (《医学影像诊断中心基本标准(试行)》) along with relevant medical imaging equipment management services.

China's medical imaging equipment solutions market is highly fragmented, involving several major types of players, such as medical imaging equipment distributors, manufacturers, service providers, and after-sales service providers. As hospitals place greater emphasis on services, medical imaging center service providers acquired more customers through partnerships with upstream manufacturers.

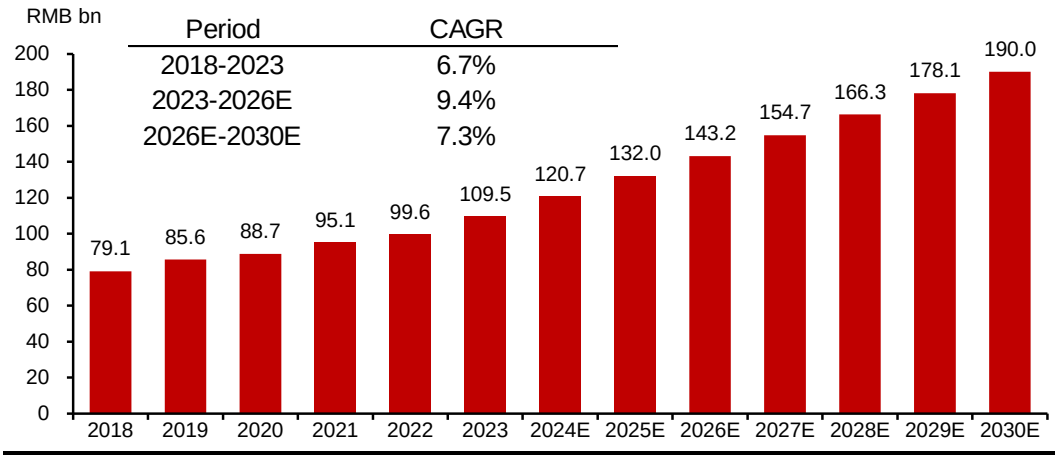
Figure 57: Details of the major types of participants in the PRC medical imaging equipment solutions market



Source: Frost & Sullivan Report

According to F&S, China's market for medical imaging equipment solutions grew from RMB79.1bn in 2018 to RMB109.5bn in 2023, at a CAGR of 6.7%, and is expected to reach RMB190.0bn in 2030E, representing a CAGR of 8.2% from 2023 to 2030E.

Figure 58: China's medical imaging equipment solutions market size



Source: Expert interview, Frost & Sullivan, Company data

Overview of medical cloud imaging service market in China

Medical cloud imaging services are cloud-based systems for storing, sharing, or processing medical images among medical institutions. Medical cloud imaging services facilitate various applications, including digital medical cloud imaging storage systems, imaging data platforms, regional imaging diagnostic platforms, and imaging archiving and communication systems.

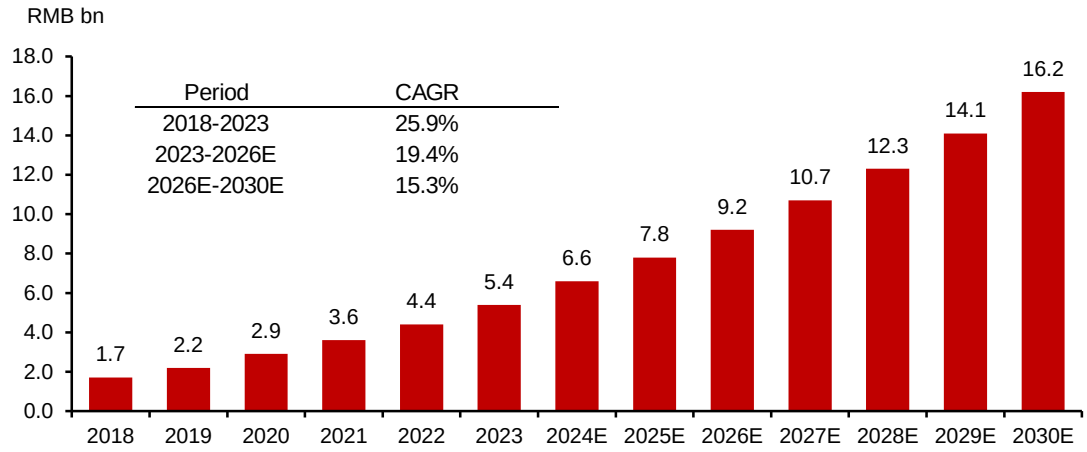
The informatization of medical imaging has rapidly evolved in recent years, progressing through three stages: 1) infrastructure establishment with hospitals: Class III hospitals currently have more comprehensive infrastructures than primary healthcare institutions, 2)

data-based interconnectivity: the expansion of medical imaging infrastructure coverage enables the sharing of medical imaging information and dissemination of professional medical imaging knowledge among different hospitals, 3) AI and related technologies: In the future, medical imaging informatization is expected to develop towards consolidation of AI and related technologies, which is expected to assist physicians in daily medical imaging diagnosis.

Medical cloud imaging services enhance the collaboration of medical resources and contribute to the reform of medical industry. The demand for informatization by medical institutions, increased health management awareness among residents, and changes in consumer behavior are expected to unleash the growth potential of China's medical cloud imaging service market. In the long term, medical imaging big data can be combined with new technologies, such as cloud computing and AI, to fully explore the application value of medical imaging big data and promote intelligent examination and diagnosis of medical imaging.

According to F&S, China's market for medical cloud imaging grew rapidly from RMB1.7bn in 2018 to RMB5.4bn in 2023, at a CAGR of 25.9%, and is expected to reach RMB16.2bn in 2030E, representing a CAGR of 17.0% from 2023 to 2030E.

Figure 59: China's medical cloud imaging service market size



Source: Expert interview, Frost & Sullivan, Company data

According to F&S, China's medical cloud imaging service market is fragmented due to several reasons: 1) medical imaging informatization in most hospitals in China is still in rapid development stage, 2) most hospitals prefer localized and personalized services based on concerns over timely response for technical assistance, which encouraged many regional cloud imaging service providers to enter the market with the advantage of geographic proximity to customers. Companies with regional influence and a national layout are likely to be more competitive in China's medical cloud imaging service market. While hospital resources are crucial, once the hardware is fully and comprehensively deployed, outstanding medical cloud imaging services can enhance customer loyalty, thereby generating sustainable revenue streams.

Financial Analysis

Expect revenue to grow at CAGR of 23.3% in 2023-26E

Rimag recorded rapid revenue growth over 2021-2023 with revenue increasing by 32.5% /18.4% in 2022/ 23, thanks to the ramp up of medical imaging centers and growing medical imaging equipment solutions business. We expect solid growth momentum to continue, with its revenue reaching RMB1,004mn/ RMB1,337mn/ 1,743mn in 2024E/25E/26E, representing 8.1%/ 33.1%/ 30.4% YoY growth for respective years.

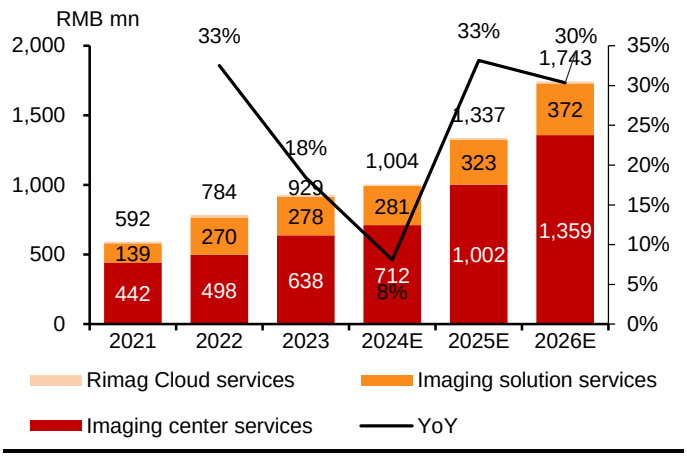
Imaging center services is the largest segment of Rimag, contributing 68.7% of the total revenue in 2023. Specifically, imaging center services business consists of four sub-segments, namely flagship imaging centers, regional collaborative imaging centers, specialized medical consortium imaging centers and operational management imaging centers, accounting for 20.9%/ 55.7%/ 17.2%/ 6.2% of the segment revenue in 2023, respectively. Regional collaborative imaging centers sub-segment was the major revenue driver for Rimag's imaging center services in 2023.

For imaging center services, we forecast revenue of RMB712mn/ RMB1,002mn/ RMB1,359mn in 2024E/25E/26E, representing YoY growth of 11.5%/ 40.8%/ 35.6% respectively. Key growth drivers include 1) the opening of new imaging centers and 2) the ramp-up of existing imaging centers. Specifically, we forecast revenue of flagship imaging centers to increase by 0%/ 33.3%/ 29.8% YoY to RMB133mn/ RMB178mn/ RMB231mn in 2024E/25E/26E, respectively. We forecast revenue of regional collaborative imaging centers to reach RMB416mn/ RMB610mn/ RMB850mn in 2024E/25E/26E, representing YoY growth of 17.0%/ 46.7%/ 39.5%, respectively. We forecast revenue of specialized medical consortium imaging centers to reach RMB116mn/ RMB144mn/ RMB180mn in 2024E/25E/26E, representing YoY growth of 6.0%/ 24.3%/ 24.4%, respectively. We forecast revenue of operational management imaging centers to grow by 16.6%/ 51.3%/ 40.0% YoY to RMB46mn/ RMB70mn/ RMB98mn in 2024E/25E/26E, respectively.

For imaging solution services, we forecast revenue of RMB281mn/ RMB323mn/ RMB372mn in 2024E/25E/26E, growing at a CAGR of 10.1% from 2023 to 2026E.

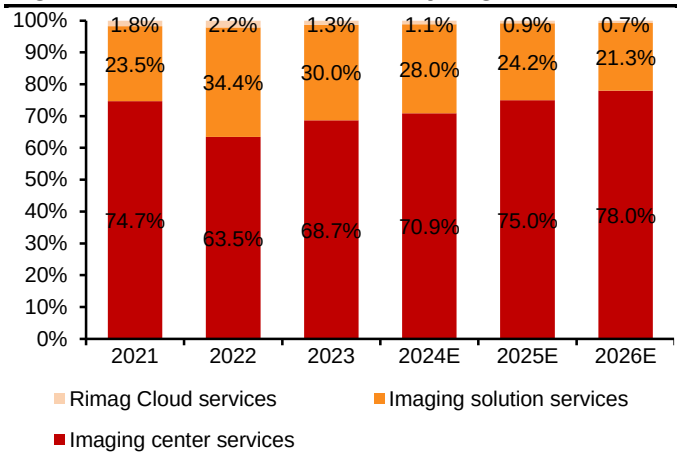
For Rimag Cloud services, we forecast revenue of RMB11mn/ RMB12mn/ RMB13mn in 2024E/25E/26E.

Figure 60: Revenue and revenue growth forecasts



Source: Company data, CMBIGM estimates

Figure 61: Revenue breakdown by segment



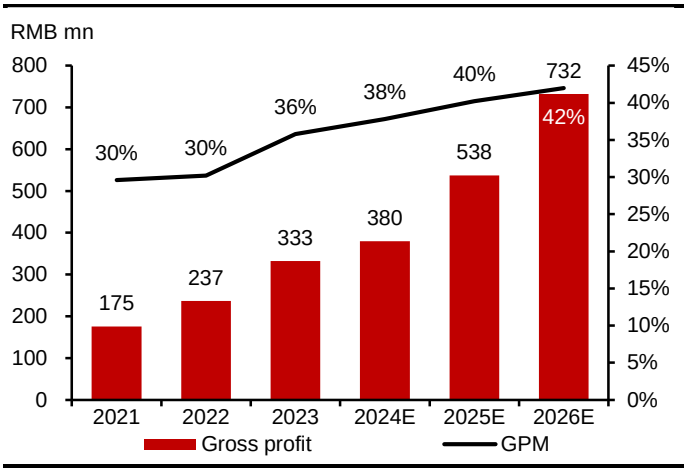
Source: Company data, CMBIGM estimates

We forecast the Company's blended gross profit margin (GPM) of 37.8%/ 40.2%/ 42.0% in 2024E/25E/26E.

GPM of imaging center services increased from 33.5% in 2021 to 45.1% in 2023, primarily driven by 1) the economies of scale as Rimag's imaging center services business continues to grow. Its fixed costs are becoming an increasingly smaller portion of the total costs for operating imaging centers, as the volume of examinations continues to grow; 2) the improvement of Rimag's cost control efficiency by replacing traditional films with digital films and adopting centralized procurement of raw materials; 3) the expansion and ramp-up of specialized medical consortium imaging centers and operational management imaging centers, which generally have a higher gross margin compared to flagship imaging centers and regional collaborative imaging centers. As the imaging centers continue to ramp up, we assume GPM of the imaging center services to gradually improve in future years, reaching 47.0%/ 48.5%/ 49.5% in 2024E/25E/26E, respectively.

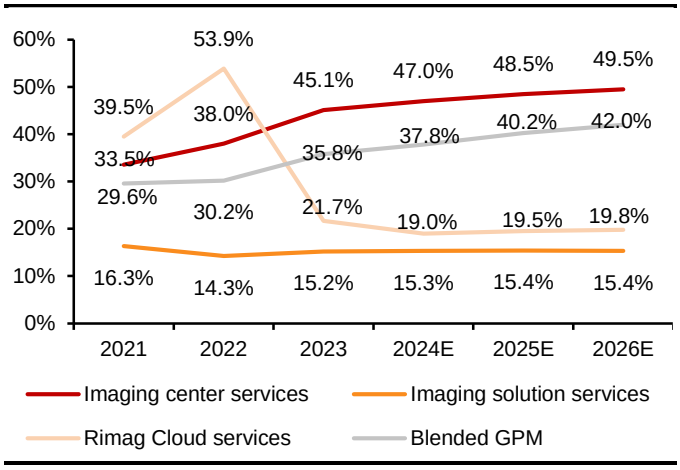
We expect the GPM of imaging solution services and Rimag Cloud services to show a stable pattern with an underlying upward trajectory as the segments continue to expand its scale. We forecast the GPM of imaging solution services to be 15.3%/ 15.4%/ 15.4% in 2024E/25E/26E, respectively while the GPM of Rimag Cloud services will be 19.0%/ 19.5%/ 19.8% for the segment in 2024E/25E/26E, respectively.

Figure 62: Gross profit and GPM



Source: Company data, CMBIGM estimates

Figure 63: GPM by business segment

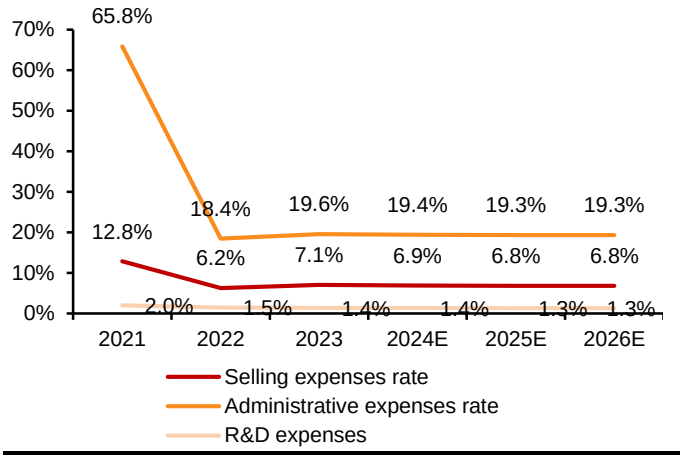


Source: Company data, CMBIGM estimates

Continously improved profitablity thanks to the economies of scale

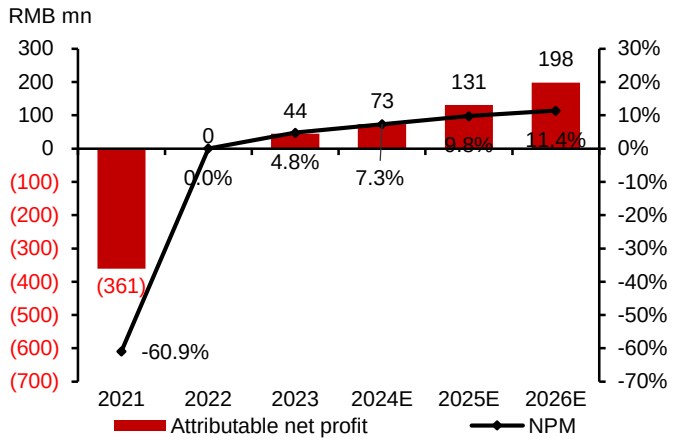
Rimag consistently improved its operating expenses (selling and marketing expense, R&D expense, and administrative expense) to sales ratios since 2021 thanks to scale effect. Operating expenses to sales ratios dropped from 80.7% in 2021 to 28.0% in 2023. As a result, Rimag turned to profit in 2022 and its attributable net profit reached RMB44.4mn in 2023, with the attributable NPM of 4.8%. We project such trend to continue, with selling and marketing expense rate of 6.9%/ 6.8%/ 6.8%, administrative expense rate of 19.4%/ 19.3%/ 19.3%, and R&D expense rate of 1.4%/ 1.3%/ 1.3% in 2024E/ 25E/ 26E, respectively. We forecast Rimag's attributable net profit to reach RMB73mn/ RMB131mn/ RMB198mn in 2024E/ 25E/ 26E.

Figure 64: Operating expenses rates



Source: Company data, CMBIGM estimates

Figure 65: Attributable net profit and attributable NPM



Source: Company data, CMBIGM estimates

Figure 66: P&L forecasts

(YE 31 Dec) RMB mn	2021	2022	2023	2024E	2025E	2026E
Revenue	**592**	**784**	**929**	**1,004**	**1,337**	**1,743**
Cost of sales	(417)	(547)	(596)	(624)	(799)	(1,011)
Gross profit	**175**	**237**	**333**	**380**	**538**	**732**
GPM	*30%*	*30%*	*36%*	*38%*	*40%*	*42%*
Selling expenses	(76)	(49)	(66)	(69)	(91)	(119)
% of revenue	*13%*	*6%*	*7%*	*7%*	*7%*	*7%*
Administrative expenses	(390)	(145)	(182)	(195)	(258)	(336)
% of revenue	*66%*	*18%*	*20%*	*19%*	*19%*	*19%*
R&D expenses	(12)	(11)	(13)	(14)	(17)	(22)
% of revenue	*2%*	*1%*	*1%*	*1%*	*1%*	*1%*
Net impairment losses on financial assets	(11)	(4)	(17)	0	0	0
% of revenue	*2%*	*0%*	*2%*	*0%*	*0%*	*0%*
Other income and gains	15	10	17	0	0	0
% of revenue	*3%*	*1%*	*2%*	*0%*	*0%*	*0%*
Finance costs - net	(61)	(33)	(22)	(16)	(17)	(22)
% of revenue	*-10%*	*-4%*	*-2%*	*-2%*	*-1%*	*-1%*
Share of profit/(loss) of investments accounted for using the equity method	(4)	(5)	(6)	0	0	0
% of revenue	*-1%*	*-1%*	*-1%*	*0%*	*0%*	*0%*
Impairment losses on investment in the joint venture accounted for using the equity method	0	0	(2)	0	0	0
% of revenue	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
(Loss)/profit before income tax	**-363**	**1**	**43**	**86**	**154**	**233**
PBT margin	*-61%*	*0%*	*5%*	*9%*	*12%*	*13%*
Income tax expense	(19)	(16)	(7)	(13)	(23)	(35)
Tax rate	*N/A*	*N/A*	*16%*	*15%*	*15%*	*15%*
Profit/(loss) for the year/period	(382)	(15)	37	73	131	198
Non-controlling interests	(21)	(15)	(8)	0	0	0
Attributable net profit	**(361)**	**0**	**44**	**73**	**131**	**198**
NPM	*-60.9%*	*0.0%*	*4.8%*	*7.3%*	*9.8%*	*11.4%*

Source: Company data, CMBIGM estimates

Valuation

We derive our target price of HK$21.41 based on a 9-year DCF valuation (WACC: 10.6%, terminal growth rate: 2.5%)

Figure 67: Base case risk-adjusted DCF valuation (terminal growth rate: 2.5%)

DCF Valuation (in RMB mn)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EBIT	79	148	227	351	517	731	1,013	1,369	1,828
Tax rate	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
EBIT*(1-tax rate)	67	126	193	298	439	621	861	1,164	1,554
+ D&A	94	111	110	118	131	144	155	165	175
- Change in working capital	5	(101)	(115)	(134)	(155)	(209)	(257)	(309)	(372)
- Capex	(120)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
FCFF	**46**	**-113**	**-61**	**33**	**165**	**306**	**509**	**770**	**1,107**
Terminal value									**14,016**

Terminal growth rate	**2.5%**
WACC	**10.6%**
Cost of Equity	13.5%
Cost of Debt	4.5%
Equity Beta	1.1
Risk Free Rate	3.0%
Market Risk Premium	10.0%
Target Debt to Asset ratio	30.0%
Effective Corporate Tax Rate	15.0%
Terminal value (RMB mn)	5,661
Total PV (RMB mn)	6,897
Net debt (RMB mn)	-13
Minority interest (RMB mn)	42
Equity value (RMB mn)	**6,867**
Equity value (HK$mn)	**7,629**
# of shares (mn)	356
Price per share (HK$ per share)	**21.41**

Source: CMBIGM estimates

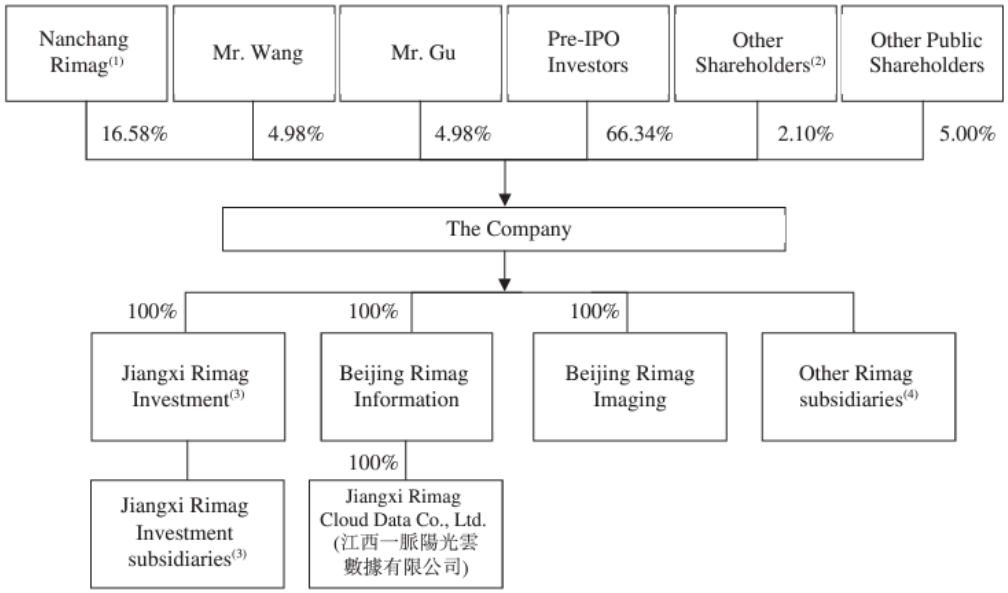
Figure 68: Sensitivity analysis of DCF model

		WACC				
		9.6%	**10.1%**	**10.6%**	**11.1%**	**11.6%**
Terminal growth rate	**3.5%**	29.74	26.69	24.10	21.87	19.93
	3.0%	27.68	24.98	22.67	20.66	18.90
	2.5%	25.90	23.50	**21.41**	19.59	17.98
	2.0%	24.37	22.20	20.30	18.64	17.16
	1.5%	23.02	21.05	19.32	17.79	16.42

Source: CMBIGM estimates

Appendix: Company Profile

Figure 69: Shareholder structure



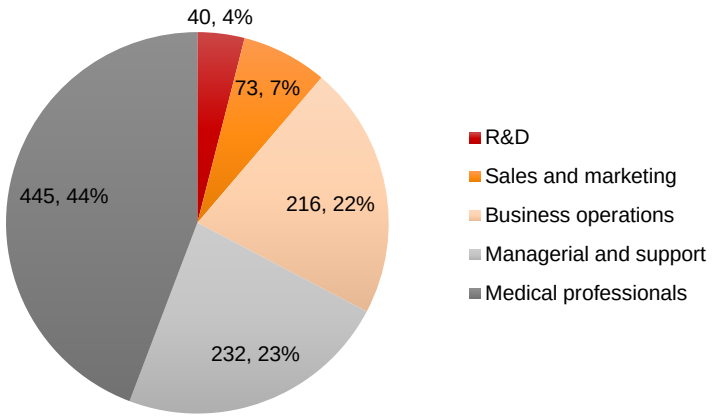
Source: Company data, CMBIGM

Figure 70: Management team of Rimag

Name	Date of joining the Group	Position	Responsibility
Dr. XU Ke (徐克)	2017.1	Chairman of the Board, Executive Director, General President of Imaging Hospital	• Ensuring the Board's effective performance of its function, formulating the business strategies, making major corporate and operational decisions, and responsible for the overall management of the Group. • Responsible for the overall management of the imaging hospital and the determination of the Group's medical imaging business strategy.
Mr. CHEN Zhaoyang (陈朝阳)	2021.11	Executive Director and Chief Executive Officer	• Assisting the Chairman in formulating business strategies and making major corporate and operational decisions of the Company and ensuring the Board's effective performance of its function • Responsible for formulating the business strategies, making major corporate and operational decisions, and responsible for the overall management of the Group.
Ms. HE Yingfei (何英飞)	2015.1	Executive Director and Vice President and Secretary to the Board	• Responsible for corporate governance, information disclosure and investor relations management, day-to-day operation of the Company and establishment of its internal control system.
Mr. FENG Xie (冯勰)	2021.4	Executive Director and Vice President and Chief Financial Officer	• Responsible for financial performance, investors relationship, fundraising and strategic investment.
Mr. LI Feiyu (李飞宇)	2019.3	Vice President and Executive President of Imaging Hospital	• Responsible for the operation, management and development of the imaging hospital services.

Source: Company data, CMBIGM

Figure 71: Employee structure as of 31 December 2023



Source: Company data, CMBIGM

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	**592**	**784**	**929**	**1,004**	**1,337**	**1,743**
Cost of goods sold	(417)	(547)	(596)	(624)	(799)	(1,011)
Gross profit	**175**	**237**	**333**	**380**	**538**	**732**
Selling expense	(76)	(49)	(66)	(69)	(91)	(119)
Admin expense	(390)	(145)	(182)	(195)	(258)	(336)
R&D expense	(12)	(11)	(13)	(14)	(17)	(22)
Others	(11)	(4)	(17)	0	0	0
Other income	7	7	11	0	0	0
Other gains/(losses)	8	3	6	0	0	0
Operating profit	**(298)**	**39**	**72**	**102**	**171**	**255**
Finance costs - net	(61)	(33)	(22)	(16)	(17)	(22)
Others	(4)	(5)	(7)	0	0	0
Pre-tax profit	**(363)**	**1**	**43**	**86**	**154**	**233**
Income tax	(19)	(16)	(7)	(13)	(23)	(35)
Minority interest	(21)	(15)	(8)	0	0	0
Attributable net profit	**(361)**	**0.4**	**44**	**73**	**131**	**198**

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	**848**	**733**	**620**	**874**	**882**	**1,063**
Cash & equivalents	490	340	189	399	279	311
Account receivables	178	264	309	320	408	508
Inventories	7	7	5	5	6	8
Prepayment	162	111	86	118	158	205
Financial assets at FVTPL	0	0	3	3	3	3
Other current assets	12	12	28	28	28	28
Non-current assets	**1,208**	**1,256**	**1,258**	**1,296**	**1,446**	**1,597**
PP&E	822	767	741	783	937	1,093
Deferred income tax	5	7	24	24	24	24
Intangibles	31	32	46	46	46	45
Financial assets at FVTPL	0	50	54	54	54	54
Other non-current assets	350	400	393	388	385	381
Total assets	**2,056**	**1,989**	**1,879**	**2,169**	**2,327**	**2,660**
Current liabilities	**368**	**397**	**316**	**364**	**392**	**526**
Short-term borrowings	174	187	125	125	125	225
Account payables	27	19	23	26	35	47
Other current liabilities	166	191	168	214	232	254
Non-current liabilities	**385**	**276**	**227**	**227**	**227**	**227**
Long-term borrowings	208	165	85	85	85	85
Other non-current liabilities	177	111	142	142	142	142
Total liabilities	**752**	**673**	**544**	**592**	**619**	**754**
Share capital	338	338	338	338	338	338
Others	931	934	954	1,196	1,327	1,526
Total shareholders equity	**1,269**	**1,273**	**1,293**	**1,535**	**1,666**	**1,864**
Minority interest	34	44	42	42	42	42
Total equity and liabilities	**2,056**	**1,989**	**1,879**	**2,169**	**2,327**	**2,660**

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(363)**	**1**	**43**	**86**	**154**	**233**
Depreciation & amortization	153	170	188	94	111	110
Tax paid	(11)	(13)	(11)	(13)	(23)	(35)
Change in working capital	(132)	(13)	(72)	(1)	(118)	(144)
Others	370	54	53	29	41	57
Net cash from operations	**18**	**198**	**201**	**196**	**164**	**222**
Investing						
Capital expenditure	(138)	(267)	(92)	(120)	(250)	(250)
Acquisition of subsidiaries/ investments	(8)	0	(2)	0	0	0
Others	(5)	16	(22)	(12)	(12)	(12)
Net cash from investing	**(151)**	**(252)**	**(117)**	**(132)**	**(262)**	**(262)**
Financing						
Net borrowings	(17)	34	(45)	0	0	100
Proceeds from share issues	629	0	0	169	0	0
Others	(159)	(130)	(191)	(23)	(23)	(28)
Net cash from financing	**453**	**(96)**	**(236)**	**146**	**(23)**	**72**
Net change in cash						
Cash at the beginning of the year	170	490	340	189	399	279
Exchange difference	0	0	0	0	0	0
Cash at the end of the year	**490**	**340**	**189**	**399**	**279**	**311**

GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	18.1%	32.5%	18.4%	8.1%	33.1%	30.4%
Gross profit	11.7%	35.3%	40.4%	14.1%	41.6%	36.2%
Operating profit	na	na	85.5%	41.2%	67.9%	49.2%
Net profit	na	na	na	100.8%	77.9%	51.9%

PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	29.6%	30.2%	35.8%	37.8%	40.2%	42.0%
Operating margin	(50.3%)	5.0%	7.8%	10.2%	12.8%	14.7%
Return on equity (ROE)	(83.1%)	(1.2%)	2.9%	5.2%	8.2%	11.2%

GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	0.1	0.1	0.2	(0.0)	0.1	0.1
Current ratio (x)	2.3	1.8	2.0	2.4	2.2	2.0
Receivable turnover days	100.3	122.8	121.3	116.3	111.3	106.3
Inventory turnover days	5.5	4.5	3.3	3.1	2.9	2.8
Payable turnover days	26.2	12.8	14.4	15.0	16.0	17.0

VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	na	na	na	77.2	43.4	28.6
P/B	na	na	na	3.6	3.3	3.0
EV/sales	9.7	7.4	6.3	5.6	4.3	3.4
EV/EBITDA	na	35.1	25.7	32.7	22.2	17.3
EV/EBIT	na	na	146.2	71.7	38.9	25.7
Dividend yield	0	0	0	0	0	0

Source: Company data, CMBIGM estimates.

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Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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