朝聚眼科
CHAOJU EYE CARE

Chaoju Eye Care Holdings Limited
朝聚眼科醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2219)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

FINANCIAL HIGHLIGHTS

Revenue of the Group increased by 25.6% to RMB997.8 million for the year ended December 31, 2021 from RMB794.3 million for the year ended December 31, 2020.

Gross profit of the Group increased by 28.4% to RMB448.7 million for the year ended December 31, 2021 from RMB349.5 million for the year ended December 31, 2020.

Net profit of the Group increased by 30.8% to RMB157.6 million for the year ended December 31, 2021 from RMB120.5 million for the year ended December 31, 2020. Non-IFRS adjusted net profit[(1)] increased by 31.8% to RMB185.9 million for the year ended December 31, 2021 from RMB141.0 million for the year ended December 31, 2020.

Basic earnings per Share of the Group increased by 13.0% to RMB0.26 for the year ended December 31, 2021 from RMB0.23 for the year ended December 31, 2020.

The Board recommended the payment of final dividend of HK$0.1043 per Share for the year ended December 31, 2021.

NON-IFRS MEASURES

To supplement the Group's condensed consolidated financial statements which are presented in accordance with IFRS, the Company has provided non-IFRS adjusted net profit and non-IFRS adjusted net profit margin as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. The Company believes that the non-IFRS adjusted financial measures provide useful information to investors and others in understanding and evaluating the Group's condensed consolidated statements of profit or loss in the same manner as they helped the Company's management, and that the Company's management and investors may benefit from referring to these non-IFRS adjusted financial measures in assessing the Group's operating performance from period to period by eliminating impacts of items that the Group does not consider indicative of the Group's operating performance. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the non-IFRS adjusted results on a stand-alone basis or as a substitute for results under IFRS.

Note:

(1) Adjusted net profit was calculated as net profit for the Reporting Period excluding: (i) listing expenses; and (ii) share-based compensation expenses. The above adjustments will only have an impact on the net profit for this fiscal year, and will no longer have a continuous impact from the next fiscal year.

SUMMARY OF CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021

	Year ended December 31,	
	2021	2020
	(RMB'000)	*(RMB'000)*
Revenue	**997,787**	794,282
Cost of sales	**(549,113)**	(444,762)
Gross profit	**448,674**	349,520
Other income and gains	**14,900**	7,351
Selling and distribution expenses	**(47,149)**	(32,892)
Administrative expenses	**(177,278)**	(133,527)
Impairment losses on financial assets	**(13,608)**	(12,165)
Other expenses	**(4,413)**	(7,919)
Finance costs	**(10,544)**	(12,747)
Profit before tax	**210,582**	157,621
Income tax expenses	**(52,941)**	(37,090)
Net profit	**157,641**	120,531
Non-IFRS adjusted net profit(1)	**185,902**	141,000
Gross profit margin	**45.0%**	44.0%
Net profit margin	**15.8%**	15.2%
Non-IFRS adjusted net profit margin(2)	**18.6%**	17.8%

Notes:

(1) Adjustments to the net profit for the year ended December 31, 2021 include: (i) listing expenses; and (ii) share-based compensation expenses. Adjustments to the net profit for the year ended December 31, 2020 include: (i) listing expenses; and (ii) share-based compensation expenses.

(2) Non-IFRS adjusted net profit margin was calculated based on adjusted net profit divided by revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a leading ophthalmic medical service group in North China with a strong reputation nationwide. According to the report of Frost & Sullivan, the Group ranked first in Inner Mongolia, second in North China and fifth in China among private ophthalmic hospitals in terms of total revenue in 2020. The Group was founded in 1988 in Baotou, Inner Mongolia, as a clinic providing ophthalmic services. Since its inception, the Group adheres to the vision of "Being a Leader of Happy Ophthalmic Healthcare" (成為全球快樂眼健康引領者) and has been providing its patients with safe, reassuring, joyful and pleasant ophthalmic medical experience with professional and effective equipment and technology as well as caring and considerate services.

As of December 31, 2021, the Group operated a network of 17 ophthalmic hospitals and 24 optical centers spanning across five provinces or autonomous region in China. The ophthalmic hospitals are specialized in providing ophthalmic services and the optical centers provide a series of optical products and services to satisfy a wide array of requests from customers.

The following table sets forth a breakdown of certain operational information by type of services provided by the periods indicated:

	Year ended December 31,	
	2021	2020
The hospitals		
Out-patient services		
Number of out-patient visits	**887,335**	651,954
Average spending per visit *(RMB)*	**647**	626
In-patient services		
Number of in-patient visits	**45,977**	44,252
Average spending per visit *(RMB)*	**7,415**	7,177
Optical centers		
Number of customer visits(1)	**119,040**	91,660
Average selling price *(RMB)*(2)	**692**	718

Notes:

(1) Represents the total number of purchases made by customers at the optical centers. If a customer makes more than one purchase at the optical centers within the same day, he/she will only be counted once. If a customer purchases at the optical centers on different days, he/she will be counted according to the number of days he/she made purchases at the optical centers.

(2) Represents the average selling price calculated by the total revenue generated from the optical centers divided by the total number of customer visits.

The Group's revenue increased by 25.6% from RMB794.3 million for the year ended December 31, 2020 to RMB997.8 million for the year ended December 31, 2021, primarily attributable to (i) an increase in the number of in-patient visits, resultant from a 36.1% increase in out-patient visits, increasing from 651,954 visits in 2020 to 887,335 visits in 2021 together with a 3.9% increase in in-patient visits, increasing from 44,252 visits in 2020 to 45,977 visits in 2021; and (ii) an increase in average spending per out-patient visit and in-patient visit, from RMB626 in 2020 to RMB647 in 2021 per out-patient visit and from RMB7,177 in 2020 to RMB7,415 in 2021 per in-patient visit.

The following table sets forth a breakdown of revenue by business segments for the periods indicated:

	Year ended December 31,			
	2021		2020	
	(RMB'000)	***% of revenue***	*(RMB'000)*	*% of revenue*
Consumer ophthalmic services	**517,233**	**51.8**	369,536	46.5
Basic ophthalmic services	**479,712**	**48.1**	422,204	53.2
Others	**842**	**0.1**	2,542	0.3
Total	**997,787**	**100.0**	794,282	100.0

Consumer ophthalmic services

The Group's consumer ophthalmic services include treatments and prevention of various types of ophthalmic disorders, including refractive correction (including presbyopia correction), myopia control and provision of optical products and services, the costs for which are currently not covered by public health insurance programs.

The Group enhanced its reputation in the provision of consumer ophthalmic services and effectively increased the revenue and profit scale of such services by using more optimized and effective marketing promotional methods and operations management initiatives, including online promotion activities, events in the community and myopia screening events at schools, optimizing its customer membership marketing model, investing in new equipment for consumer ophthalmic services and increased training to the Group's professionals on consumer ophthalmic services techniques and related skills, implementing stringent medical quality control and providing quality medical services to its patients.

In addition, consumer ophthalmic services are usually more profitable as it is not subject to the pricing guidance imposed by public health insurance authorities and the Group devoted more resources to pursue continuous and rapid growth of consumer ophthalmic services. For the year ended December 31, 2021, the Group's consumer ophthalmic services contributed to 51.8% of the Group's total revenue, representing an increase of approximately 5.3% compared to last year. In terms of revenue, consumer ophthalmic services has grown into the Group's major source of revenue.

Basic ophthalmic services

The Group's basic ophthalmic services include treatments of a wide range of common eye diseases, including cataract, glaucoma, squint, ocular fundus diseases, ocular surface diseases, orbital diseases and pediatric eye diseases, the cost of which are generally eligible to be covered by public health insurance programs.

For the year ended December 31, 2021, the Group increased its marketing initiatives, purchased advance medical equipment for treating eye diseases and enhanced quality medical services, which increased the number of patient visits and the average spending per patient visit, improved rate of patients returning to the Group's ophthalmic hospitals and receive treatment on their other eye for basic eye diseases, such as cataracts, which further increased the revenue of basic ophthalmic services.

Although the revenue of consumer ophthalmic services continued to increase, basic ophthalmic services continued to grow steady in terms of revenue, and is a key component that allows the Group to maintain its market share and influence. For the year ended December 31, 2021, the Group's basic ophthalmic services contributed to 48.1% of the Group's total revenue.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of gross profit by business segment and the corresponding gross profit margin for the periods indicated:

	Year ended December 31,			
	2021		2020	
	Gross profit *(RMB'000)*	**Gross profit margin %**	Gross profit *(RMB'000)*	Gross profit margin %
Consumer ophthalmic services	**276,548**	**53.5**	186,530	50.5
Basic ophthalmic services	**171,952**	**35.8**	161,405	38.2
Others	**174**	**20.7**	1,585	62.3
Total	**448,674**	**45.0**	349,520	44.0

The gross profit generated from consumer ophthalmic services was RMB276.5 million for the year ended December 31, 2021, representing an increase of 48.3% compared to last year. This was primarily due to an increase in revenue from consumer ophthalmic services of 40.0% compared to the same period last year, and the expansion of the consumer ophthalmic services business resulted in the dilution of related costs. The gross profit generated from basic ophthalmic services was RMB172.0 million for the year ended December 31, 2021, representing an increase of 6.5% compared to last year. This was primarily due to an increase in revenue from basic ophthalmic services of 13.6% compared to the same period last year, which leads to an increase in the gross profit of basic ophthalmic services.

Team of Medical Professionals

The Group has a deep bench of ophthalmic experts with medical expertise and rich experience to treat a wide range of eye diseases and to provide various types of consumer ophthalmic services. The Group focuses on the quality of ophthalmic services and devotes resources to allow its ophthalmologists to provide ophthalmic medical services in a professional, dedicated and responsible manner. The Group is also committed to recruiting and cultivating qualified professionals to form an ophthalmic medical team with outstanding professional and ethical standards and strong sense of responsibility. As of December 31, 2021, the Group had a total of 986 full-time medical professionals, among which, is composed of 197 physicians, 439 nurses and 350 other professionals. Among the 197 physicians, 170 of the full-time physicians were registered as specialized ophthalmologists. In addition, the Group also had 83 multi-site practice physicians who were full-time employees of other medical institutions.

Awards, Recognitions and Social Responsibility

The Group provides charitable medical aid and free medical consultations to public institutions and disadvantaged communities from time to time. These events not only benefit the disadvantaged communities, but also promote our brand awareness and reputation. For example, in 2021, the Group:

1. participated in the "Spread the Love in Inner Mongolia, Helping Patients in Pursuit of Health and Dreams" (大愛北疆　助康圓夢) charity campaign jointly organized by the Inner Mongolia Disabled Persons' Federation and Inner Mongolia Disabled Persons' Welfare Foundation to provide examination and treatment to children suffering from amblyopia;

2. continued to participate in the "Belt and Road: Bright Tour" project to conduct free cataract recovery operations in both Inner Mongolia Autonomous Region and Mongolia;

3. provided free optical screening events for primary and secondary school students in Inner Mongolia;

4. volunteered in COVID-19 prevention and control activities and dedicated its medical staff to the community fighting against COVID-19;

5. conducted various forms of online and offline expert science lectures on eye health for various groups of target audience, including (i) lectures on eye health and vision requirement lectures for primary school, secondary school, college students and their parents in preparation for students' tertiary studies and (ii) lectures on physical health and conscription medical examinations for youth wishing to join the military force.

Overcoming Challenges Posed by COVID-19 Pandemic

The novel coronavirus (COVID-19) has spread globally and has adversely affected the global economy. The Group's business is currently facing a temporary impact from the COVID-19 pandemic as patients are unable to receive their scheduled treatments from the Group's ophthalmic hospitals and optical centers in time due to pandemic prevention policies as implemented by the local governments.

In line with the PRC Government's measures and requirements to contain the pandemic, and to protect the Group's employees and customers from infection, the Group has taken various precautionary measures at its hospitals and optical centers in response to the COVID-19 outbreak, including (i) setting up strict entrance registration, temperature screening procedures and checks on travel history for the Group's patients and customers; (ii) limiting the number of patients and customers received at the same time; (iii) reducing the density of personnel in the Group's hospitals and optical centers; (iv) requiring coronavirus testing for the Group's patients before they receive surgeries or other in-patient services; (v) establishing nucleic acid PCR testing laboratories and activities and developing nucleic acid PCR testing services to ensure the safety of employees resuming work; (vi) actively participate in local COVID-19 prevention works and send medical professionals various COVID-19 testing spots to support nucleic acid testing; and (vii) to maintain continuous and effective communication with the patients and ensure that the patients visit the hospital in time after the COVID-19 pandemic.

BUSINESS PROSPECTS AND STRATEGIC HIGHLIGHTS

The demand for ophthalmic medical services has grown steadily in recent years and is expected to experience relatively high growth rates in the foreseeable future as a result of continued economic growth and an increasingly aging population, according to the report of Frost and Sullivan. The size of China's ophthalmic medical services market increased from RMB73.0 billion in 2015 to RMB127.5 billion in 2019, representing a CAGR of 15.0%, and is expected to further reach RMB223.1 billion by 2024. In particular, the size of ophthalmic medical services market in North China increased from RMB13.2 billion in 2015 to RMB21.2 billion in 2019, representing a CAGR of 12.5%, and is expected to further grow to RMB33.7 billion by 2024. However, ophthalmic medical resources in China are scarce, and the penetration rate of surgeries for eye diseases in China is low.

In late January 2022, Hohhot Chaoju Eye Hospital Co., Ltd. (呼和浩特朝聚眼科醫院有限公司) has obtained the necessary licenses and commenced business in February 2022. As at the date of this announcement, the Group operated a network of 18 ophthalmic hospitals and 24 optical centers. The Group plans to continue expanding its layout in Zhejiang Province and expects hospitals established in Hangzhou, Zhoushan and other places to commence business in 2022.

As a leading ophthalmic medical services group in North China, the Group is able to leverage on its brand awareness and market reputation, and is well-positioned to capture the significant growth potential of the underserved market of private ophthalmic services in China.

Looking into the future, the Group expects to:

1. adhere to the principle of becoming a pioneer of ophthalmic healthcare by providing effective medical services and continuously revising its improvement plans;

2. reinforce its leading position in North China and enhance its market positioning in Zhejiang Province and other key regions while developing its featured ophthalmic hospitals;

3. seize opportunities in the consumer ophthalmic market to become a national chain provider of ophthalmic services trusted by the public;

4. improve the utilization efficiency of its regional resources and strengthen its centralized management model with regional center hospitals as the core;

5. continuously improve patient satisfaction and brand awareness;

6. actively attract and recruit talents by further refining its training programs, cultivating its unique corporate culture and offering fair incentives to its key employees; and

7. standardize the management of the Group and the communication with regulatory authorities, such as the Stock Exchange, and various professional institutions, so as to improve its corporate governance.

Financial Review

Revenue

The Group generates revenue primarily from (i) consumer ophthalmic services and (ii) basic ophthalmic services. The revenue of the Group increased by 25.6% from RMB794.3 million for the year ended December 31, 2020 to RMB997.8 million for the year ended December 31, 2021.

Consumer ophthalmic services

The Group's revenue from consumer ophthalmic services increased by 40.0% from RMB369.5 million for the year ended December 31, 2020 to RMB517.2 million for the year ended December 31, 2021. The increase in revenue was primarily due to (i) implementing further optimized and effective marketing promotional methods, including online promotion activities, events in the community and myopia screening events at schools; (ii) optimizing the customers membership marketing model; and (iii) increasing investments in new equipment and increased training to the professional on consumer ophthalmic technique and related skills, implementing stringent quality control, and providing quality medical services to improve the reputation of the Group.

Basic ophthalmic services

The Group's revenue from basic ophthalmic services increased by 13.6% from RMB422.2 million for the year ended December 31, 2020 to RMB479.7 million for the year ended December 31, 2021. The increase in revenue was primarily due to increased marketing initiatives and strengthened medical quality control that improved the branding and reputation of the Group, which attracted more patients to receive treatment for basic eye diseases at the ophthalmic hospitals of the Group, and in particular, there was an increasing amount of patients who chose to return and receive treatment for their other eye.

Cost of Sales

During the Reporting Period, the Group's cost of sales was primarily composed of medical consumables and optical products, employee compensation directly related to our provision of medical services, cost of pharmaceuticals, depreciation, amortization and rental expenses.

The Group's cost of sales increased by 23.4% from RMB444.8 million for the year ended December 31, 2020 to RMB549.1 million for the year ended December 31, 2021, which is attributable to an increase in medical consumables and labor expenses, which is in line with the increase in revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 28.4% from RMB349.5 million for the year ended December 31, 2020 to RMB448.7 million for the year ended December 31, 2021.

The Group's gross profit margin increased from 44.0% for the year ended December 31, 2020 to 45.0% for the year ended December 31, 2021. The increase in gross profit margin was mainly due to (i) the increase in revenue from both the consumer ophthalmic services and basic ophthalmic services business of 25.9% compared to the same period last year, which had an economies of scale effect and resulted in dilution of related costs; (ii) consumer ophthalmic services has a higher gross profit margin compared to basic ophthalmic services and the revenue contribution of consumer ophthalmic services increased compared to the same period last year, which increased the overall gross profit margin and (iii) the effective use of a centralized procurement platform which further improved the bargaining power of the Group and reduced procurement costs.

Other Income and Gains

During the Reporting Period, the Group's other income and gains were primarily composed of interest income, exchange gain and government grants.

The Group's other income and gains increased by 101.4% from RMB7.4 million for the year ended December 31, 2020 to RMB14.9 million for the year ended December 31, 2021, primarily due to an increase of interest income and exchange gain.

Selling and Distribution Expenses

During the Reporting Period, the Group's selling and distribution expenses were primarily composed of the compensation of the Group's sales and marketing personnel and advertising expenses, depreciation, amortization, office expenses and rental expenses.

The Group's selling and distribution expenses increased by 43.2% from RMB32.9 million for the year ended December 31, 2020 to RMB47.1 million for the year ended December 31, 2021, primarily due to an increase in labor expenses and advertising expenses.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses were primarily composed of the compensation of and share-based payments to the Group's administrative and management personnel, depreciation and amortization, rental expenses and fees paid for the professional services and listing expenses incurred in connection with the Global Offering and office expenses.

The Group's administrative expenses increased by 32.8% from RMB133.5 million for the year ended December 31, 2020 to RMB177.3 million for the year ended December 31, 2021, primarily due to an increase in listing expenses with respect to the Listing and labor expenses.

Impairment Losses on Financial Assets

During the Reporting Period, the Group's impairment losses on financial assets were primarily composed of provision for impairment losses on trade receivables and other receivables.

The Group's impairment losses on financial assets increased by 11.5% from RMB12.2 million for the year ended December 31, 2020 to RMB13.6 million for the year ended December 31, 2021, primarily due to an increase in the non-recurring impairment losses on accounts receivables and other receivables due from third parties.

Finance Costs

During the Reporting Period, the Group's finance costs were primarily composed of interest expenses on lease liabilities.

The Group's finance costs decreased by 17.3% from RMB12.7 million for the year ended December 31, 2020 to RMB10.5 million for the year ended December 31, 2021, primarily due to full repayment of its interest-bearing bank borrowings in 2020.

Income Tax Expenses

During the Reporting Period, the income tax rate generally applicable to the Group's subsidiaries in China is 25% and certain of the Group's subsidiaries are eligible for a preferential income tax rate of 15%. Certain other subsidiaries are eligible for a preferential income tax rate of 2.5% or 10% with respect to part of their taxable income.

The Group's income tax expenses increased by 42.6% from RMB37.1 million for the year ended December 31, 2020 to RMB52.9 million for the year ended December 31, 2021, primarily due to an increase in the Group's profit before tax.

Net Profit and Net Profit Margin

As a result of the foregoing, the Group's net profit increased by 30.8% to RMB157.6 million for the year ended December 31, 2021 from RMB120.5 million for the same period in 2020. The Group's net profit margin increased to 15.8% for the year ended December 31, 2021 from 15.2% for the same period in 2020. The Group defined non-IFRS adjusted net profit as profit and total comprehensive income for the period adjusted for items which are nonrecurring or extraordinary, including listing expenses and share-based compensation expenses. The Group's non-IFRS adjusted net profit increased by 31.8% to RMB185.9 million for the year ended December 31, 2021 from RMB141.0 million for the same period in 2020.

Non-IFRS Measures

To supplement the Group's condensed consolidated financial statements which are presented in accordance with IFRS, the Company has provided non-IFRS adjusted net profit and non-IFRS adjusted net profit margin as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. The Company believes that the non-IFRS adjusted financial measures provide useful information to investors and others in understanding and evaluating the Group's condensed consolidated statements of profit or loss in the same manner as they helped the Company's management, and that the Company's management and investors may benefit from referring to these non-IFRS adjusted financial measures in assessing the Group's operating performance from period to period by eliminating impacts of items that the Group does not consider indicative of the Group's operating performance. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the non-IFRS adjusted results on a stand-alone basis or as a substitute for results under IFRS.

	Year ended December 31,	
	2021	2020
	(RMB'000)	*(RMB'000)*
Net Profit	**157,641**	120,531
Adjustments:		
Listing expenses	**16,901**	11,034
Share-based compensation expenses	**11,360**	9,435
Non-IFRS adjusted net profit	**185,902**	141,000
Non-IFRS adjusted net profit margin	**18.6%**	17.8%

Notes:

Non-IFRS adjusted net profit margin was calculated based on adjusted net profit divided by revenue.

Financial Position

Trade Receivables

The Group's trade receivables decreased by 12.6% from RMB62.0 million for the year ended December 31, 2020 to RMB54.2 million for the year ended December 31, 2021, primarily due to a decrease in receivables from medical insurance.

Due from Related Parties

Due from related parties increased from RMB0.3 million for the year ended December 31, 2020 to RMB19.2 million for the year ended December 31, 2021, primarily due to prepayments of rent to shareholders.

Prepayments, other receivables and other assets

The Group's prepayments, other receivables and other assets mainly include prepayments and deposits. Prepayments, other receivables and other assets increased by 20.3% from RMB39.4 million for the year ended December 31, 2020 to RMB47.4 million for the year ended December 31, 2021, primarily due to an increase in prepayments for property, plant and equipment.

Cash and Bank Balances

The Group's business operations and expansion plans require significant amount of capital, which will be used for upgrading the existing ophthalmic hospitals and optical centers, establishing and acquiring new hospitals and other working capital requirements. The Group's principal sources of liquidity are cash generated from its business operations, as well as debt and equity financing.

	For the year ended December 31,	
	2021	2020
	(RMB'000)	*(RMB'000)*
Net cash flows from operating activities	**249,394**	248,745
Net cash flows from investing activities	**(578,512)**	(35,454)
Net cash flows from financing activities	**1,186,968**	(39,613)
Effect of foreign exchange rate changes, net	**(13,960)**	(247)
Net increase in cash and cash equivalents	**843,890**	173,431

The Group's net increase in cash and cash equivalents is RMB843.9 million for the year ended December 31, 2021, primarily due to net cash inflows of RMB249.4 million from operating activities; net cash outflows of RMB578.5 million from investment activities, which was mainly due to purchases of structured deposit products of RMB520.0 million; net cash inflows from financing activities of RMB1,187.0 million, which was mainly due to the proceeds from the Global Offering of RMB1,392.5 million.

Trade Payables

The Group's trade payables decreased by 6.4% from RMB39.3 million for the year ended December 31, 2020 to RMB36.8 million for the year ended December 31, 2021, primarily due to a decrease in payables for medical consumables and pharmaceuticals.

Other Payables and Accruals

The Group's other payables and accruals include salaries and welfare payables, rent payables, payables for purchases of property, plant and equipment, tax payables and contract liabilities.

The Group's other payables and accruals increased by 14.3% from RMB106.2 million for the year ended December 31, 2020 to RMB121.4 million for the year ended December 31, 2021, primarily due to an increase in salaries and welfare payables.

Contingent Liabilities

As at December 31, 2021, the Group did not have any material contingent liabilities or guarantees.

Pledge of Assets

As at December 31, 2021, no asset has been pledged by the Group (as at December 31, 2020: nil).

Capital Commitments

As at December 31, 2021, the Group had a total capital commitment of approximately RMB21.8 million (as at December 31, 2020: nil), primarily related to commitments made for (i) the construction and renovation of its in-network hospitals, resultant from the commencement of construction of Hohhot Chaoju Eye Hospital Co., Ltd. and Baotou City Chaoju Eye Hospital Co., Ltd. in the second half of 2021 and (ii) its purchases of large medical equipment.

Financial instruments

As at December 31, 2021, the Group subscribed for structured deposit products in a principal amount of RMB520 million offered by BOC and ICBC. The aggregated outstanding principal amount of the Group's respective structured deposit products subscribed with BOC and ICBC was each RMB260 million, each of which exceeds 5% of the total assets of the Group as at December 31, 2021. The balance of the structured deposit products subscribed with BOC was RMB260 million and the balance of the structured deposit product subscribed with ICBC was RMB260 million.

Future Plan for Material investment and Capital Asset

Save as disclosed in this announcement and the Prospectus of the Company, for the year ended December 31, 2021, the Group did not have any future plan for material investments and capital assets.

Borrowings and Gearing Ratio

As at December 31, 2021, the Group is in a net cash position and thus, gearing ratio is not applicable.

Foreign Exchange Risk

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which our Group conducts business may affect our financial condition and results of operation. The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars. The conversion of foreign currencies into RMB, including Hong Kong dollars, has been based on rates set by the People's Bank of China. The Group seeks to limit our exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. During the Reporting Period, the Group did not enter into any currency hedging transactions.

Interest Rate Risk

The Group's interest rate risk arises from interest-bearing borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group currently does not use any interest rate swap contracts or other financial instruments to hedge against interest rate exposure.

Credit Risk

Credit risk is the risk regarding the loss arising from a counterparty's inability to meet its obligations. The management of the Group has put in place a credit policy and the exposure to such credit risks is monitored on an on-going basis.

Liquidity Risk

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

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by its management to finance the operation and mitigate the effects of fluctuations in cash flows.

Final Dividends

As disclosed in the Prospectus, in May 2021, the Board declared dividends of RMB43.0 million for the four months ended April 30, 2021 to the then Shareholders. The Board recommended the payment of final dividend of HK$0.1043 per Share for the year ended December 31, 2021, which is subject to the approval by the Shareholders at the forthcoming AGM.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Since the Listing Date and up to the date of this announcement, save as provisions addressed below, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Code provision A.2.1 (which has been re-arranged as code provision C.2.1 since 1 January 2022) of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The chairman and chief executive officer of the Company are held by Mr. Zhang Bozhou who has extensive experience in the industry. The Board believes that vesting the roles of the chairman and chief executive officer in Mr. Zhang Bozhou is beneficial to the management of the Group and will improve the efficiency of the Group's decision making and executive process given his knowledge in the Group's affairs. Further, the Group has put in place an appropriate check-and-balance mechanism through the Board and the independent non-executive Directors.

In view of the above, the Board considers that such structure will not impair the balance of power and authority between the Board and the management of the Group. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangement when the Board considers appropriate.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Upon specific enquiry, all Directors confirmed that they had complied with the requirements as set out in the Model Code since the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Audit Committee is composed of three independent non-executive Directors, being Mr. Li Jianbin (chairman of the Audit Committee), Ms. Guo Hongyan and Mr. Bao Shan. The primary duties of the audit committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, the internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

PROCEEDS FROM GLOBAL OFFERING AND ITS UTILISATION

The Company issued 137,500,000 Shares in the Global Offering at HK$10.60 per Share which were listed on the Main Board of the Stock Exchange on July 7, 2021 and issued 20,125,000 Shares at HK$10.60 per Share on August 3, 2021 upon full exercise of the over-allotment option.

The net proceeds from the Global Offering received by the Company, after deduction of the underwriting fees and commissions and other expenses payable by the Company in connection with the Global Offering, amounted to approximately HK$1,599 million, which will be utilized in accordance with the purposes as set out in the Prospectus. The following table sets out the planned applications of the net proceeds as well as the expected timeline for utilization:

	Percentage of the net proceeds from the Global Offering	Net proceeds from the Global Offering *HK$ million*	Amount utilized during the year ended December 31, 2021 *HK$ million*	Unutilized amount as of December 31, 2021 *HK$ million*	Expected timeline for utilization
Establishment of new hospitals and the relocation, upgrade and renovation of existing hospitals	35.8%	572.4	31.4	541.0	From July 2021 to June 2024
Acquiring hospitals, when appropriate opportunities arise, in new markets which has sizable population and relatively high level of demand for ophthalmic healthcare services	44.8%	716.4	12.0	704.4	From July 2021 to June 2024
Upgrading information technology systems	9.4%	150.3	2.2	148.1	From July 2021 to December 2023
Working capital and other general corporate purposes	10.0%	159.9	76.1	83.8	From July 2021 to June 2023
Total	**100%**	**1,599**	**121.7**	**1,477.3**	

As stated in the announcement of the Company dated November 17, 2021 in relation to the (1) discloseable transactions of subscriptions of the Structured Deposit Products and (2) utilisation of certain idle proceeds raised from the Global Offering for treasury management, with a view to enhancing the utilisation and efficiency of its idle IPO Proceeds, the Company intends to apply and has applied some of the idle IPO Proceeds to further subscribe for low-risk short-term wealth management products issued by reputable commercial banks similar to the subscriptions of the Structured Deposit Products in the PRC or Hong Kong in the future, thereby increasing the overall income of the Company while at the same time ensuring that the planned usage of IPO Proceeds will not be affected. For further information, please refer to the announcements of the Company dated December 10, 2021 and March 17, 2022.

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

Since the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2021, the Group had 1,788 full-time employees, among which, 986 were professionals at the hospitals, 87 were professionals at the optical centers and 715 were administrative, finance and other employees at the Group's headquarters, hospitals and optical centers. In addition, the Group also had 98 multi-site practice physicians who were full-time employees of other medical institutions. The following table shows a breakdown of the employees by function as of that date:

	As of December 31, 2021	
	Number of employees	% of total employees
Professionals at the hospitals		
Physicians[(1)]	**197**	11.02%
Nurses	**439**	24.55%
Other professionals	**350**	19.57%
Professionals at the optical centers	**87**	4.87%
Administrative, finance and other employees at		
The headquarters	**101**	5.65%
The hospitals	**558**	31.21%
The optical centers	**56**	3.13%
Total	**1,788**	100%

Note:

(1) As of December 31, 2021, 170 of the full-time physicians were registered as specialized ophthalmologists.

The Group enters into employment contracts with all of its full-time employee. The remuneration packages for its employees primarily comprise one or more of the following elements: basic salary, performance-based incentive bonus and discretionary year-end bonus. The Group also sets performance targets for its employees based on their position and regularly review their performance, the results of which are used in their annual salary review and promotion appraisal.

The Group provides structured training and education programs which enables its employees to consistently deliver high quality services. The Group's discipline development committees are responsible for training its medical professionals, maintaining a proper mix of different levels of professionals, as well as research and development, and have supplied numerous young ophthalmologists with solid skills and rich clinical experience. The Group also engages external consultants, experts and professors to provide trainings for the physicians with an aim to cultivate clinicians with extensive practical capabilities in a precise, standardized and high-quality manner. These programs aim to equip them with a sound foundation of the medical principles, ethics and knowledge as well as practical skills, and foster a high standard of practice. Regular internal and external mandatory online and on-site trainings are organized for the medical team to keep them abreast of the latest development in the ophthalmology industry. From time to time, the Group identifies and sponsors its employees with high development potential to undertake further study and professional trainings in prestigious medical institutions. They also support their attending physicians to train at top-tier eye hospitals in China for a period of three to six months, such as Wenzhou Medical University Eye Hospital (溫州醫科大學附屬眼視光醫院). In addition, the Group also designs and implements specialized trainings for its nurses and medical assistants to improve their respective professional skills and foster their professional career path.

As of December 31, 2021, none of the Group's employees had negotiated with them on the employment terms through the labor unions or in a way of collective bargaining and the Group had not experienced any major labor disputes or labor strikes that had interfered with its operations in any material respect.

REVIEW OF ANNUAL RESULTS

The Audit Committee has jointly reviewed with the management and the independent auditors of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the audited annual results for the year ended December 31, 2021) of the Group. The Audit Committee and the independent auditors considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended December 31, 2021 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2021. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, there was no significant event that might affect the Group after the Reporting Period.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on June 6, 2022. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from May 31, 2022 to June 6, 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on May 30, 2022.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chaojueye.com), and the 2021 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

The Board is pleased to announce the audited condensed consolidated results of the Group for the year ended December 31, 2021 together with the comparative figures for the same period in 2020:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 *RMB'000*
REVENUE	*3*	**997,787**	794,282
Cost of sales		**(549,113)**	(444,762)
Gross profit		**448,674**	349,520
Other income and gains	*4*	**14,900**	7,351
Selling and distribution expenses		**(47,149)**	(32,892)
Administrative expenses		**(177,278)**	(133,527)
Other expenses		**(4,413)**	(7,919)
Impairment losses on financial assets, net		**(13,608)**	(12,165)
Finance costs	*6*	**(10,544)**	(12,747)
PROFIT BEFORE TAX	*5*	**210,582**	157,621
Income tax expenses	*7*	**(52,941)**	(37,090)
PROFIT FOR THE YEAR		**157,641**	120,531
Attributable to:			
Owners of the parent		**161,749**	124,139
Non-controlling interests		**(4,108)**	(3,608)
		157,641	120,531
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted for the year (expressed in RMB per share)	*9*	**0.26**	0.23

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
PROFIT FOR THE YEAR		**157,641**	120,531
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations (loss)/income		**(16,155)**	197
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		**(16,155)**	197
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(16,155)**	197
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**141,486**	120,728
Attributable to:			
Owners of the parent		**145,594**	124,336
Non-controlling interests		**(4,108)**	(3,608)
		141,486	120,728

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**305,151**	294,770
Right-of-use assets		**180,753**	151,788
Goodwill		**28,228**	28,228
Intangible assets		**53,818**	56,476
Deferred tax assets		**5,729**	4,762
Prepayments, other receivables and other assets		**18,404**	11,493
Total non-current assets		**592,083**	547,517
CURRENT ASSETS			
Inventories	*10*	**34,900**	37,999
Trade receivables	*11*	**54,167**	62,037
Prepayments, other receivables and other assets		**29,021**	27,928
Due from related parties		**19,164**	295
Financial assets at fair value through profit or loss		**520,043**	–
Cash and cash equivalents		**1,257,136**	413,246
Total current assets		**1,914,431**	541,505
CURRENT LIABILITIES			
Trade payables	*12*	**36,802**	39,291
Other payables and accruals		**120,373**	105,354
Other borrowings	*13*	**5,524**	6,000
Lease liabilities		**40,707**	30,544
Tax payable		**18,423**	17,467
Total current liabilities		**221,829**	198,656
NET CURRENT ASSETS		**1,692,602**	342,849
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,284,685**	890,366

	Notes	**2021** *RMB'000*	2020 *RMB'000*
NON-CURRENT LIABILITIES			
Other borrowings	*13*	**717**	678
Lease liabilities		**131,699**	105,139
Deferred tax liabilities		**22,867**	20,204
Other payables and accruals		**996**	800
Total non-current liabilities		**156,279**	126,821
Net assets		**2,128,406**	763,545
EQUITY			
Equity attributable to owners of the parent			
Share capital		**152**	93
Reserves		**2,106,065**	737,155
		2,106,217	737,248
Non-controlling interests		**22,189**	26,297
Total equity		**2,128,406**	763,545

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2021

1 BASIS OF PRESENTATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

1.1 Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

1.2 Changes in Accounting Policies and Disclosures

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any significant impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any significant impact on the financial position and performance of the Group.

2. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of in-patient services, out-patient services and sales of optical products. For management purposes, the aforesaid businesses are integral and the Group has not organised into different operating segments. Management monitors the results of the Group's operation as a whole for the purpose of making decisions about resource allocation and performance assessment, and accordingly no further operating segment analysis thereof is presented.

Geographical information

As the Group's major operations, customers and non-current assets are located in the People's Republic of China (the "**PRC**"), no further geographical segment information is provided.

Information about major customers

No revenue from single customers individually accounted for 10% or more of the Group's revenue.

3. REVENUE

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers	**997,787**	794,282
Analysed into:		
Basic ophthalmic services	**479,712**	422,204
Consumer ophthalmic services	**517,233**	369,536
Others	**842**	2,542

(a) Disaggregated revenue information for revenue from contracts with customers

	2021	2020
	RMB'000	*RMB'000*
Types of goods or services		
In-patient services	**340,906**	317,604
Out-patient services	**573,715**	408,257
Sales of optical products	**82,324**	65,879
Others	**842**	2,542
Total revenue from contracts with customers	**997,787**	794,282

	2021	2020
	RMB'000	*RMB'000*
Timing of revenue recognition		
Services and goods transferred at a point in time	**656,881**	476,678
Services transferred over time	**340,906**	317,604
Total revenue from contracts with customers	**997,787**	794,282

The following table shows the amounts of revenue recognised in the year and prior year that were included in the contract liabilities at the beginning of the respective years:

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the respective years:		
Out-patient services	**6,561**	1,448
Others	**769**	87
	7,330	1,535

(b) Performance obligations

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

In-patient services

For in-patient services, customers normally receive in-patient treatment which contains various treatment components that are all highly interdependent and regarded as a single performance obligation. Since the patient simultaneously receives and consumes the benefits of the Group's performance in the medical treatment, the relevant revenue of in-patient services is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards the complete satisfaction of performance obligation is measured by direct measurements of the value of individual products or services transferred by the Group to the customer.

Out-patient services

Revenue from the provision of out-patient services is recognised at the point in time when the services are provided.

Sales of optical products

For the sale of optical products, the performance obligation is satisfied upon delivery of the products and the Group has already received the payment or has the right to receive the payment properly.

4. OTHER INCOME AND GAINS

	2021	2020
	RMB'000	*RMB'000*
Interest income	**8,326**	4,595
Government grants	**2,281**	1,531
Rental income	**515**	762
Foreign exchange differences, net	**2,195**	–
Others	**1,583**	463
	14,900	7,351

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2021	2020
	RMB'000	*RMB'000*
Cost of sales	**549,113**	444,762
Depreciation of property, plant and equipment	**42,412**	39,805
Depreciation of right-of-use assets	**35,968**	32,588
Amortisation of intangible assets	**5,142**	4,858
Lease payments not included in the measurement of lease liabilities	**911**	1,172
Auditor's remuneration	**2,380**	1,120
Employee benefit expense (including directors' remuneration):		
Wages, salaries and allowances, social securities and benefits	**260,363**	194,818
Share-based payments	**11,360**	9,435
Total employee benefit expense	**271,723**	204,253
Impairment of trade receivables, net	**6,575**	1,948
Impairment of other receivables, net	**6,738**	5,379
Impairment of amounts due from related parties, net	**295**	4,838
Interest income	**(8,326)**	(4,595)
Fair value gains on financial assets at fair value through profit or loss	**(43)**	–
Government grants	**(2,281)**	(1,531)
Loss on disposal of items of property, plant and equipment, net	**37**	212
Loss on disposal of a subsidiary	**–**	390
Foreign exchange differences, net	**(2,195)**	247

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest on lease liabilities	**10,079**	10,587
Interest on other borrowings	**465**	2,160
	10,544	12,747

7. INCOME TAX EXPENSES

	2021	2020
	RMB'000	*RMB'000*
Current – Mainland China Charge for the year	**51,245**	31,126
Deferred	**1,696**	5,964
Total tax charge for the year	**52,941**	37,090

8. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Interim dividend	**43,000**	34,000

	2021	2020
	HK$'000	*RMB'000*
Proposed final dividend	**73,805**	70,000

On 28 February 2021, the Board of Directors of the Company proposed a dividend of RMB70,000,000 to the then shareholders for the year ended 31 December 2020, the above dividend distribution has been approved by shareholders on the same date, and the Company has paid the dividend in full as of 31 December 2021. On 31 May 2021, the Board of Directors of the Company proposed a dividend of RMB43,000,000 to the then shareholders for the four months ended 30 April 2021, the above dividend distribution has been approved by shareholders on the same date, and the dividend has been paid as of 31 December 2021.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 624,516,781 (2020: 550,000,000) in issue during the year, as adjusted to reflect the subdivision of shares on a one-for-forty basis and the capitalisation issue of 123,913,040 shares basis on 7 July 2021.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to ordinary equity holders of the parent for the purpose of the basic and diluted earnings per share calculation	**161,749**	124,139

	Number of shares	
	2021	2020
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**624,517**	550,000

10. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Medical consumables	**18,742**	24,244
Pharmaceuticals	**12,622**	10,403
Optical products	**3,536**	3,352
	34,900	37,999

11. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**62,318**	64,537
Impairment	**(8,151)**	(2,500)
	54,167	62,037

Trade receivables represent the balances due from public health insurance programs and social organisation for the healthcare services provided by the Group, and sales of optical products.

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit periods range from 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the Group's trade receivables as at the end of the year and prior year, based on the invoice date and net of loss allowance, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**36,716**	26,891
4 to 6 months	**5,692**	12,351
7 to 12 months	**6,470**	7,549
Over 12 months	**5,289**	15,246
	54,167	62,037

The movements in provision for impairment of trade receivables are as follows:

	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**2,500**	1,108
Impairment losses, net	**6,575**	1,948
Amount written off as uncollectible	**(924)**	(556)
At the end of the year	**8,151**	2,500

12. TRADE PAYABLES

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

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**33,889**	36,267
1 to 2 years	**903**	2,203
2 to 3 years	**1,405**	584
Over 3 years	**605**	237
	36,802	39,291

The trade payables are non-interest-bearing and are normally settled on 30 to 90 days terms.

13. OTHER BORROWINGS

	2021			2020		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Other loans – unsecured	**5.22**	**2022**	**5,524**	5.22	2021	5,250
Current portion of long term other loans – unsecured	**–**	**–**	**–**	5.70	2021	750
			5,524			6,000
Non-current						
Long term other loans – unsecured	**5.70**	**2023**	**717**	5.70	2023	678
Other borrowings denominated in RMB			**6,241**			6,678

	2021	2020
	RMB'000	*RMB'000*
Other borrowings repayable:		
Within one year	**5,524**	6,000
In the second year	**717**	–
In the third to fifth years, inclusive	**–**	678
	6,241	6,678

GLOSSARY AND DEFINITIONS

"AGM"	annual general meeting of the Company to be held on June 6, 2022
"Audit Committee"	the audit committee of the Board
"Baotou Hospital"	Baotou City Chaoju Eye Hospital Co., Ltd.* (包頭市朝聚眼科醫院有限公司), a limited liability company incorporated in the PRC on May 12, 2016, a subsidiary of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"BOC"	Bank of China Limited
"CAGR"	compound annual growth rate
"cataract"	a condition involving the clouding or opacification of the natural lens. Cataract is most commonly caused by aging, but may also be caused by other reasons such as malnutrition, diabetes, trauma or radiation. The more opaque the lens the more the quality of vision is reduced. As a common treatment, clear artificial lenses may be implanted as a substitute for the natural lens to restore clear vision
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chifeng Hospital"	Chaoju (Chifeng) Eye Hospital Co., Ltd.* (朝聚(赤峰)眼科醫院有限公司), a limited liability company incorporated in the PRC on December 19, 2016, a subsidiary of the Company
"China" or "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only, references herein to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on March 3, 2014, as amended, supplemented or otherwise modified from time to time

"Company" or "the Company"	Chaoju Eye Care Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands on May 19, 2020
"COVID-19"	Novel coronavirus pneumonia
"Directors"	director(s) of the Company
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, an Independent Third Party
"glaucoma"	an eye condition usually caused by overly high intraocular pressure, which usually causes optic nerve atrophies and visual field defect
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group" or "the Group"	the Company together with its subsidiaries
"HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"hyperopia"	a type of refractive error also known as farsightedness, which is usually caused by a shorter-than-normal eyeball or insufficient refractive ability of the crystalline lens, which results in parallel lights to focus at a position behind the retina, thus forming a blurred spot on the retina
"ICBC"	Industrial and Commercial Bank of China Limited
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
"Inner Mongolia"	the Inner Mongolia Autonomous Region of the PRC, unless the context indicates otherwise
"in-patient service"	treatments of patients who are checked in at hospitals and are hospitalized overnight or for an extended period of time

"IPO Proceeds"	The proceeds obtained by the Company from the Global Offering
"Listing Date"	the date, namely July 7, 2021, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"macula"	the center of the retina where the retina is most sensitive to lights, and is therefore the core area for the sense of vision
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market (GEM) of the Stock Exchange
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"myopia"	a type of refractive error also known as nearsightedness, where the patient is unable to see distant objects clearly. Myopia is usually caused by a longer-than-normal eyeball or excessive refractive ability of the crystalline lens, which results in parallel lights focusing at a position before reaching the retina, thus forming a blurred spot when it reaches the retina
"North China"	a northern region of China consisting of Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia
"ocular fundus"	the interior surface of the eye opposite the crystalline lens, including the retina, optic disc, macula and posterior pole
"ocular surface"	the interface between the functioning eye and the environment, including the outer layer of the cornea, the conjunctiva, and the margin of the eye lids
"ophthalmologist"	a medical doctor who specializes in eye and vision care
"optician"	A technical practitioner specialized in the assembling, examination and maintenance of eyeglasses
"optometrist"	A health care professional specialized in refractive error examination, vision screening and management, and the prescribing of optical products such as eyeglasses and contact lenses

"out-patient service"	treatments of patients who are not checked-in at hospitals and stay at the hospital only for a short period of time (usually completed within the day)
"presbyopia"	an eye condition where the patient has difficulty seeing near items clearly due to declines in refractive abilities of the lens. Presbyopia is a result of the aging of the eye, as the lens loses its natural elasticity and therefore its ability to focus on near objects
"Prospectus"	the prospectus of the Company published on June 24, 2021
"Reporting Period"	the year ended December 31, 2021
"RMB" or "Renminbi"	the lawful currency of the PRC
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of HK$0.00025 each
"Shareholder(s)"	holder(s) of the Shares
"squint"	deviation of the eyes where there is an eye misalignment
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Structured Deposit Products"	the structured deposit products subscribed by the Group on November 17, 2021, the details of which are set out in the announcement of the Company dated November 17, 2021

By order of the Board of Directors
Chaoju Eye Care Holdings Limited
ZHANG Bozhou
Chairman

Hong Kong, March 28, 2022

As of the date of this announcement, the Board of Directors of the Company comprises Mr. ZHANG Bozhou as the chairman and executive Director; Ms. ZHANG Xiaoli, Mr. ZHANG Junfeng and Mr. ZHANG Guangdi as executive Directors; Mr. KE Xian, Mr. Richard Chen MAO, Mr. LI Zhen and Ms. ZHANG Wenwen as non-executive Directors; and Mr. HE Mingguang, Ms. GUO Hongyan, Mr. LI Jianbin and Mr. BAO Shan as independent non-executive Directors.

* *The English translation of the Chinese names denoted in this announcement is for illustration purposes only. Should there be any inconsistencies, the Chinese name shall prevail.*