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 REPORT 2021

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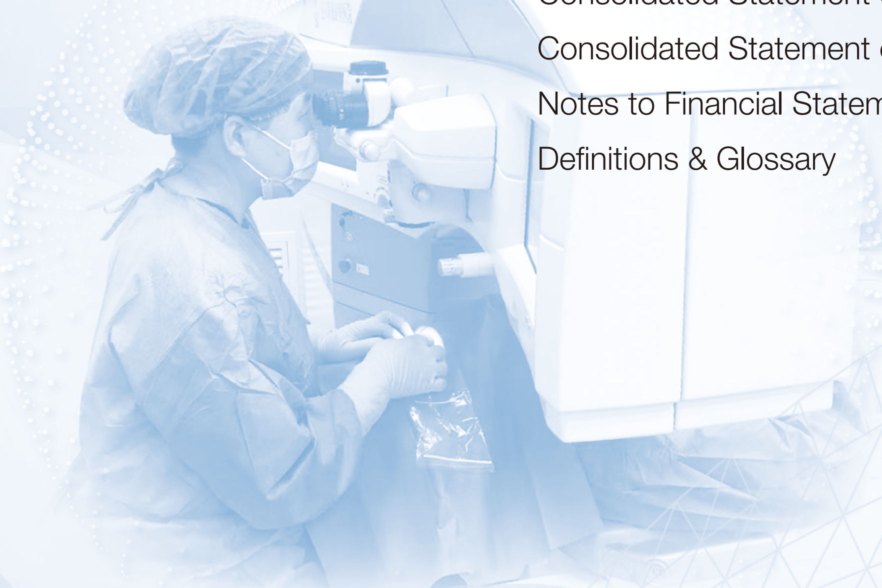

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Bozhou *(Chairman and Chief Executive Officer)*
Ms. Zhang Xiaoli
Mr. Zhang Junfeng
Mr. Zhang Guangdi

Non-executive Directors

Mr. Ke Xian
Mr. Richard Chen Mao
Mr. Li Zhen
Ms. Zhang Wenwen

Independent non-executive Directors

Mr. He Mingguang
Ms. Guo Hongyan
Mr. Li Jianbin
Mr. Bao Shan

AUDIT COMMITTEE

Mr. Li Jianbin *(Chairman)*
Ms. Guo Hongyan
Mr. Bao Shan

REMUNERATION COMMITTEE

Mr. Bao Shan *(Chairman)*
Mr. Li Jianbin
Mr. Zhang Bozhou

NOMINATION COMMITTEE

Mr. Zhang Bozhou *(Chairman)*
Mr. Bao Shan
Mr. He Mingguang

COMPANY SECRETARY

Mr. Wang Weichao *(Resigned on August 27, 2021)*
Mr. Cheng Ching Kit

AUTHORISED REPRESENTATIVES

Mr. Zhang Bozhou
Mr. Cheng Ching Kit

REGISTERED OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

24/F, East Zone
Block A, Shouke Building
No. 14 Yard, West 3rd Ring South Road
Fengtai District
Beijing
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor
Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Harneys Fiduciary (Cayman) Limited
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103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

HONG KONG LEGAL ADVISOR

Fangda Partners
26/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

AUDITOR

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

COMPLIANCE ADVISOR

Haitong International Capital Limited
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One International Finance Centre
1 Harbour View Street
Central
Hong Kong

STOCK CODE

2219

COMPANY WEBSITE

www.chaojueye.com

FINANCIAL HIGHLIGHTS

	Year ended December 31,			
	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(audited)
Operating Results				
Revenue	**997,787**	794,282	714,671	632,659
Gross profit	**448,674**	349,520	278,041	244,952
Profit before tax	**210,582**	157,621	92,064	47,402
Net profit	**157,641**	120,531	70,824	29,206
Non-IFRS adjusted net profit(1)	**185,902**	141,000	74,802	32,356
Profitability				
Gross profit margin	**45.0%**	44.0%	38.9%	38.7%
Net profit margin	**15.8%**	15.2%	9.9%	4.6%
Non-IFRS adjusted net profit margin(2)	**18.6%**	17.8%	10.5%	5.1%

	As at December 31,			
	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)	(audited)
Financial Position				
Total assets	**2,506,514**	1,089,022	1,002,715	1,073,396
Total equity	**2,128,406**	763,545	554,287	449,336
Total liabilities	**378,108**	325,477	448,428	624,060
Cash and cash equivalents	**1,257,136**	413,246	239,815	157,234

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.

CORPORATE PROFILE

The Group is a leading ophthalmic medical service group in North China with a strong reputation nationwide. The Group was founded in 1988 in Baotou, Inner Mongolia, as a clinic providing ophthalmic services. 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.

The Group generates revenue primarily from (i) consumer ophthalmic services and (ii) basic ophthalmic services. 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. 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. In light of upgraded social consumption in China over the recent years, the Group plans to increase its strategic focus on its consumer ophthalmic services business and devote more efforts to continue its rapid growth, while maintaining its fundamental strength in basic ophthalmic business.

The Group's patients are treated by ophthalmologists equipped with advanced technology and equipment. The Group has a deep bench of ophthalmic experts with medical expertise and rich experience. Advanced technology and equipment is another key factor underpinning its market leadership. Baotou Hospital is the one-and-only ophthalmic hospital in Inner Mongolia with a preparation room to produce hospital-made traditional Chinese medicine capsules and eye drops. It is also one of the few medical service providers in China that are qualified to produce 0.01% atropine sulfate eye drops to be prescribed within the respective hospitals to control myopia among adolescents. The Group believes that its capabilities in hospital-made pharmaceuticals have helped improve its brand awareness and customer loyalty, which has brought the Group competitive advantage in the area of myopia control and increased its overall revenue.

The Group believes that the following competitive strengths have differentiated itself from its competitors:

- As a leading ophthalmic medical service group in North China, the Group is well-positioned to capture significant demands from a vast market for ophthalmic services.

- The Group's clustered operation model helps to improve its market penetration, operational efficiency and profitability.

- The Group's centralized and standardized management system makes its business model scalable and replicable.

- The Group has a team of high-caliber medical professionals and a sound training system underpinning the foundation of its growth.

- The Group's full-service clinical ophthalmic treatments bring high customer satisfaction.

- The Group has garnered significant support from its experienced management team as well as its Shareholders.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Group's annual report for the year ended December 31, 2021.

The Group originated from Chaoju Eye Care Clinic, which was founded in 1988 by Mr. Zhang Chaoju, a renowned ophthalmologist. Over the steady development and cultural cultivation for more than 30 years, the Group gradually developed into becoming a large-scale, standardized and branded ophthalmic medical group.

OPERATING RESULTS AND DIVIDEND DISTRIBUTION

For the year ended December 31, 2021, the Group's operating revenue reached RMB998 million, representing a year-on-year increase of 25.6%. With the expansion of the revenue, together with the resultant benefits of economies of scale and the optimization of its business structure, the Group's gross profit for the year ended December 31, 2021 amounted to RMB449 million, representing a year-on-year increase of 28.4%. During the Reporting Period, the Group's profitability further improved, with its adjusted net profit for the year ended 2021 amounting to RMB186 million, representing a year-on-year increase of 31.8%, and its adjusted net profit margin reached 18.6%.

We provide a complete array of ophthalmic services comprising cataract, glaucoma, ocular fundus diseases, ocular muscle diseases, refraction errors, pediatric ophthalmology, ocular surface diseases, lacrimal diseases, orbital diseases, oculoplastic and ocular trauma. Our services cover all stages and procedures for eye care, including early screening of ophthalmic diseases, disease prevention and early diagnosis, treatment, and rehabilitation. We classify our ophthalmic services based on the type of disorders and diseases treated, type of treatments provided, eligibility for public health insurance program coverage and the generally accepted practice in the ophthalmic services industry, namely into (i) consumer ophthalmic services and (ii) basic ophthalmic services. During the Reporting Period, under a series of effective business initiatives implemented by the Group, the revenue from consumer ophthalmic services increased 40.0% on a year-on-year basis, accounting for 51.8% of the Group's operating revenue in 2021, while the revenue from basic ophthalmic services increased 13.6% on a year-on-year basis, accounting for 48.1% of the Group's operating revenue in 2021.

The Group has solid cash flows, stable net cash inflow from operations and abundant cash reserves. As of December 31, 2021, the Group's cash and structured deposits (including proceeds from the Global Offering and the exercise of the over-allotment option) amounted to RMB1,777.2 million (equivalent to HKD2,173.7 million). I am hereby pleased to announce that the Board of Directors has proposed to distribute a final dividend of HKD0.1043 per Share for the year ended December 31, 2021 (HKD73.8 million in total). It is our responsibility to reward our Shareholders. In view of the rapid growth in demand for ophthalmic medical services driven by the aging population and advancing ophthalmic medical technology, we will devote more efforts to pursue the continuous rapid growth of the Group, while better meeting the needs of the patients and creating value for our Shareholders.

BUSINESS EXPANSION AND DEVELOPMENT PLANNING

During the year, we actively and orderly developed our business network in accordance with the Group's business development strategy together with the support of the proceeds from the Global Offering. Adhering to the clustered operation model, we continued to promote the encryption and expansion of our business network in strategic core regions. The construction of the premises at Hohhot No.2 Hospital and the ophthalmic hospitals in Hangzhou and Zhoushan has progressed steadily. Among them, Hohhot No.2 Hospital has obtained a medical institution practicing certificate and officially commenced business in February 2022. Through reinforcing our leading market position in Inner Mongolia and the surrounding regions and enhancing our business layout in Jiangsu and Zhejiang region as our main objective, the Group has sufficient reserves to acquire ophthalmic hospitals in strategic regions and will seize opportunities to actively promote mergers and acquisitions activities beneficial to the Group.

MEDICAL QUALITY MANAGEMENT SYSTEM

"Doctors are Benevolent to Save the People and the Society" (醫者仁心，濟世救人). As an ophthalmic medical group founded by doctors, we have always adhered to the notion of being patient-oriented. We attach great importance to the quality of medical operation of each hospital and optical center, and have established a sound three-tier medical quality control system consisting of the Group, hospitals and departments to ensure that the top-down management approach can be implemented effectively and comprehensively. We have formulated medical quality control procedures and standardized clinical practice guidelines covering all disease treatment schemes, which have been successfully implemented at our hospitals and clinics. We set clear management responsibilities and established a reasonable assessment and evaluation system and relevant training systems to ensure medical quality is always kept at a high standard. In addition, we have established a well-organized internal control system and supervision mechanism to ensure the effective operation of our medical quality system. During the Reporting Period, the incidence of postoperative infectious endophthalmitis after cataract surgery of the Group was only 0.008%, while the incidence of that in large ophthalmic institutions in China was 0.033%.

HUMAN RESOURCES DEVELOPMENT

We greatly value the cultivation of talents and our discipline development committee led the establishment of an effective physician training system based on years of experience in clinical ophthalmology services, the features of the ophthalmic services industry and our own development plans. Through our physician training programs, we have cultivated a large number of young ophthalmologists with solid basic skills and clinical experience.

We carried out in-depth collaboration with Inner Mongolia Medical University, Baotou Medical College and other universities in talent training, faculty construction, teaching and scientific research to cultivate more excellent ophthalmic medical talents for the society and contribute to the development of ophthalmology and vision science in China. In 2021, the Group received approval for the establishment of Baotou Medical College Chaoju Optometry Clinical Medical College (包頭醫學院朝聚眼視光醫學臨床醫學院), in cooperation with Baotou Medical College, and the Ministry of Education has also examined and approved of its undergraduate degree in optometry.

Benefiting from our comprehensive education and training system, our internally-trained surgeons accounted for 89.9% of our total surgeons as of December 31, 2021, and the turnover rate of our high-ranking physicians (i.e. chief physicians and associate chief physicians) was as low as 4.4% in 2021.

SOCIAL WELFARE ACTIVITIES

The Group attaches great importance in its social responsibility, caring about philanthropy and supporting public welfare activities. During the Reporting Period, the Group continued to participated in social welfare projects such as "Bright Tour", "Love Eye Tour", "Spread the Love in Inner Mongolia, Helping Patients in Pursuit of Health and Dreams" (大愛北疆 助康圓夢), and the "Children's Eye Health Model Pilot Project in Anhui, Inner Mongolia and Yunnan" in cooperation with the Fred Hollows Foundation. The Group provided free vision restoration surgery for cataract patients from relatively impoverished families, conducted vision screening and established files for children and adolescents, and carried out myopia prevention publicity and education activities. Meanwhile, the Group provided free myopia glasses and strabismus correction surgeries for children and adolescents with true myopia and strabismus from relatively impoverished families. During the year ended December 31, 2021, we performed cataract recovery operations for over 6,300 disadvantaged patients in the "Bright Tour" social welfare campaign in Inner Mongolia.

In 2021, the COVID-19 pandemic continued to spread and entered a new phase of normalization. The Group continued to contribute to the prevention and control of the pandemic in China by maintaining its emergency response status, utilizing its own advantages and resources, actively participating in the local prevention of COVID-19, and dispatching medical professionals to support the nucleic acid testing work at the frontline.

CLUSTERED OPERATION MODEL AND CENTRALIZED, STANDARDIZED MANAGEMENT SYSTEM

"A Time Will Come for One to Ride the Wind and Cleave the Waves, and He Shall Set the Cloud-White Sail and Cross the Sea Which Raves" (長風破浪會有時，直掛雲帆濟滄海). With over 30 years of rich operational experience accumulated in the ophthalmic services industry, we have established a clustered operation model and a set of standardized and centralized hospital management model, thus ensuring the operation and rapid development of the Group's ophthalmic hospitals and optical centers.

CONCLUSION

The Company went public on the Main Board of the Stock Exchange on July 7, 2021, which is an important milestone in our development. At this new stage of development, the Group will continue to uphold the vision of "Being a Leader of Happy Ophthalmic Healthcare" (成為全球快樂眼健康引領者), adhere to the core values of "Contributing to Patient Satisfaction, Staff Development and Hospital Efficiency" (有利於患者滿意，有利於員工發展，有利於醫院效率提高), and promote the comprehensive upgrading of our products, services and business networks to facilitate the enjoyment of eye health by the human beings. We are always looking to the future with an entrepreneurial mindset, embracing changes with an open and inclusive attitude, and cooperating with our stakeholders for win-win results. We will strive to live up to the expectations, continuously bring better returns for Shareholders and create more value for all stakeholders and the society.

Zhang Bozhou
Chairman of the Board of Directors
March 28, 2022

BUSINESS UPDATES

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 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.

We increased our strategic focus on our consumer ophthalmic services business and devoted more efforts to pursue a continued rapid growth, given consumer ophthalmic services has higher profitability and is not subject to price and quota control imposed by public health insurance programs. 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 the previous 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.

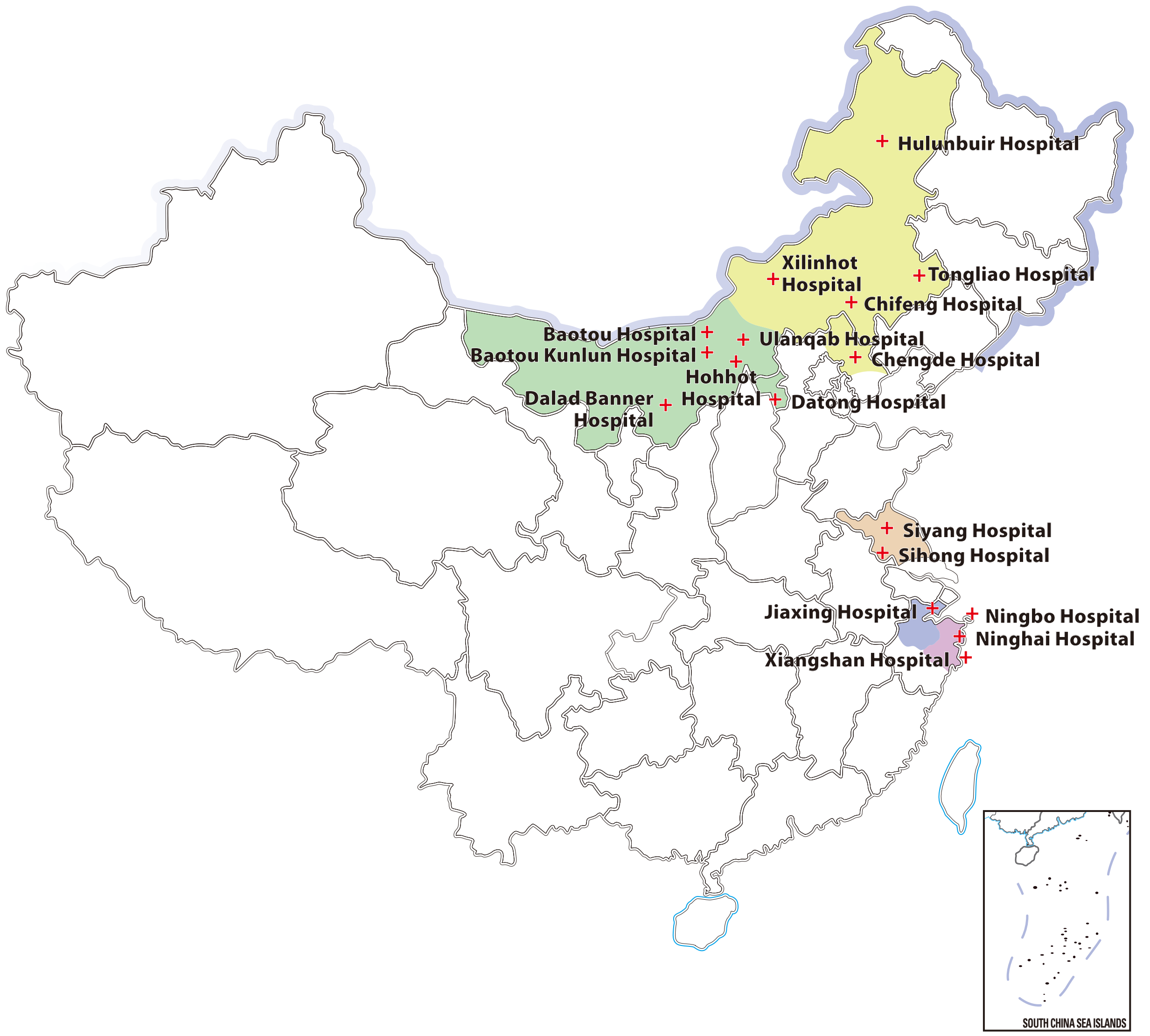
For the year ended December 31, 2021, the Group increased its marketing initiatives, purchased advance medical equipment for treating eye diseases and enhanced quality medical services, which increased the number of patient visits and the average spending per patient visit, improved rate of patients 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.

Revenue generated from the basic ophthalmic services continued to grow steadily, 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.

The Group's Hospital Network

As of December 31, 2021, the Group operated a network of 17 ophthalmic hospitals spanning across five provinces or autonomous region in China, all of which were specialized in providing ophthalmic services. In addition, the Group also provides out-patient services through two clinics, namely the Tumb Right Banner branch of Baotou Hospital and the Pingzhuang Clinic of Chifeng Hospital, which are branches of Baotou Hospital and Chifeng Hospital, respectively. The Group's hospitals offer a wide range of ophthalmic services, including out-patient and in-patient treatments and surgeries. The Group's clinics only offer out-patient diagnosis and treatments for relatively simple ophthalmic diseases and disorders and do not perform any surgeries.

The Group's hospitals are strategically located in five major regions, namely western Inner Mongolia and its adjacent region, eastern Inner Mongolia and its adjacent region, eastern Zhejiang, northern Zhejiang and northern Jiangsu. The Group has established a leading position in western Inner Mongolia and its adjacent region through its dense network layout of six hospitals as of December 31, 2021. Leveraging the Group's market presence and experience in such region as well as its highly standardized management and services models, the Group has successfully established and acquired 11 hospitals in other regions as of December 31, 2021, consisting of five hospitals in eastern Inner Mongolia and its adjacent region, three hospitals in eastern Zhejiang, one hospital in northern Zhejiang and two hospitals in northern Jiangsu. Set out below is an illustration of the locations of the Group's hospitals as of December 31, 2021.



- Western Inner Mongolia and the adjacent region
- Eastern Inner Mongolia and the adjacent region
- Eastern Zhejiang
- Northern Zhejiang
- Northern Jiangsu

The following table sets forth certain key information of the Group's hospitals as of December 31, 2021.

	Hospital	Location	Class[1]	Date of Incorporation	GFA (sq.m.)	Facilities Number of registered beds[2]
1	Baotou Hospital	Western Inner Mongolia	Class III	May 12, 2016	15,710	120
2	Hohhot Hospital	Western Inner Mongolia	Class III	September 21, 2016	7,697	100
3	Datong Hospital	Adjacent to western Inner Mongolia	Class II	March 24, 2015	4,319	50
4	Ulanqab Hospital	Western Inner Mongolia	N/A	March 27, 2017	3,100	60
5	Baotou Kunlun Hospital	Western Inner Mongolia	Class II	March 7, 2016	2,968	30
6	Dalad Banner Hospital	Western Inner Mongolia	Class II	May 23, 2016	2,292	30
7	Hulunbuir Hospital	Eastern Inner Mongolia	Class II	February 14, 2018	3,772	30
8	Chifeng Hospital	Eastern Inner Mongolia	Class III	December 19, 2016	7,662	100
9	Tongliao Hospital	Eastern Inner Mongolia	Class II	September 20, 2017	4,568	60
10	Chengde Hospital	Adjacent to eastern Inner Mongolia	Class II	December 2, 2016	7,579	80
11	Xilinhot Hospital	Eastern Inner Mongolia	Class II	December 16, 2014	1,070	30
12	Ningbo Hospital	Eastern Zhejiang	Class II	Acquired[3]	4,510	30
13	Ninghai Hospital	Eastern Zhejiang	Class II	Acquired[4]	2,798	20
14	Xiangshan Hospital	Eastern Zhejiang	Class III	Acquired[5]	2,763	35
15	Jiaxing Hospital	Northern Zhejiang	N/A	February 7, 2018	6,937	60
16	Siyang Hospital	Northern Jiangsu	N/A	July 21, 2016	4,200	30
17	Sihong Hospital	Northern Jiangsu	N/A	June 28, 2017	5,201	60
Total					**87,146**	**925**

Notes:

(1) Represents the classification of hospitals assigned by NHC or its local counterparts, with Class III being the highest classification and Class I being the lowest classification. "N/A" indicates that the relevant hospital was not assigned any classification by NHC or any of its local counterparts as of December 31, 2021, as the application for such classification of hospitals is not mandatory under applicable laws and regulations.

(2) Represents the number of beds registered in the practicing license of the respective hospital as of December 31, 2021.

(3) The Group acquired Ningbo Hospital in December 2017.

(4) The Group acquired Ninghai Hospital in June 2018.

(5) The Group acquired Xiangshan Hospital in December 2017.

The Group's Optical Center Network

The Group locates its optical centers in areas with highly-desirable retail developments and surrounded by dense concentration of target customers, and usually at locations inside or adjacent to its hospitals to facilitate the medical screening procedures for customers. The Group maintains a disciplined approach to open new optical centers and conduct market research before selecting a new site based on customer demographics and information from its existing customer database. As of December 31, 2021, the Group operated a network of 24 optical centers under the brand "Chaoju (朝聚)", strategically located in five major regions, namely the western Inner Mongolia and its adjacent region, eastern Inner Mongolia and its adjacent region, eastern Zhejiang, northern Zhejiang and northern Jiangsu, such as 11 optical centers in western Inner Mongolia and its adjacent region, eight optical centers in eastern Inner Mongolia and its adjacent region, one optical center in eastern Zhejiang, two optical centers in northern Zhejiang and two optical centers in northern Jiangsu.

The table below sets forth a list of the Group's optical centers as of December 31, 2021 and its locations.

	Optical center	Location
1	Baotou City Chaoju Optometry Correction Eyeglasses Co., Ltd. (包頭市朝聚眼視光矯治配鏡有限公司)	Western Inner Mongolia
2	Baotou City Kunlun Chaoju Optometry Correction Eyeglasses Co., Ltd. (包頭市昆侖朝聚眼視光矯治配鏡有限責任公司)	Western Inner Mongolia
3	Hohhot City Chaoju Optometry Correction Eyeglasses Co., Ltd. (呼和浩特市朝聚眼視光矯治配鏡有限公司)	Western Inner Mongolia
4	Ulanqab City Chaoju Optometry Correction Eyeglasses Co., Ltd. (烏蘭察布市朝聚眼視光矯治配鏡有限公司)	Western Inner Mongolia
5	Datong City Chaoju Eyeglasses Co., Ltd. (大同市朝聚眼鏡有限公司)	Adjacent to western Inner Mongolia
6	Dalad Banner Chaoju Optometry Eyeglasses Co., Ltd. (達拉特旗朝聚驗光配鏡有限公司)	Western Inner Mongolia
7	Jungar Banner Chaoju Optometry Eyeglasses Co., Ltd. (准格爾旗朝聚驗光配鏡有限公司)	Western Inner Mongolia
8	Baotou City Donghe District Chaoju Optometry Eyeglasses Co., Ltd. (包頭市東河區朝聚驗光配鏡有限公司)	Western Inner Mongolia
9	Tumb Right Banner Chaoju Optometry Eyeglasses Co., Ltd. (土默特右旗朝聚驗光配鏡有限公司)	Western Inner Mongolia
10	Baotou Low Vision Rehabilitation Center (包頭市低視力康復中心)	Western Inner Mongolia
11	Hohhot Chaoju Optical Glasses Co., Ltd. 呼和浩特朝聚光學眼鏡有限公司	Western Inner Mongolia
12	Chengde Chaoju Trading Co., Ltd. (承德朝聚商貿有限公司)	Adjacent to eastern Inner Mongolia

	Optical center	Location
13	Hexigten Banner Chaoju Ophthalmic Optometry Clinic Co., Ltd. (克什克騰旗朝聚眼科視光門診有限公司)	Eastern Inner Mongolia
14	Xilinhot City Chaoju Optometry Correction Eyeglasses Co., Ltd. (錫林浩特市朝聚眼視光矯治配鏡有限公司)	Eastern Inner Mongolia
15	Hulunbuir City Chaoju Optometry Co., Ltd. (呼倫貝爾市朝聚眼視光有限公司)	Eastern Inner Mongolia
16	Tongliao City Chaoju Eyeglasses Co., Ltd. (通遼市朝聚眼鏡有限責任公司)	Eastern Inner Mongolia
17	Ongniud Banner Chaoju Optometry Eyeglasses Co., Ltd. (翁牛特旗朝聚驗光配鏡有限責任公司)	Eastern Inner Mongolia
18	Chifeng City Yuanbaoshan District Chaoju Optometry Eyeglasses Co., Ltd. (赤峰市元寶山區朝聚驗光配鏡有限責任公司)	Eastern Inner Mongolia
19	Chifeng Chaoju Eyeglasses Co., Ltd. (赤峰朝聚眼鏡有限責任公司)	Eastern Inner Mongolia
20	Zhoushan Chaoju Optical Glasses Co., Ltd. (舟山朝聚光學眼鏡有限公司)	Eastern Zhejiang
21	Hangzhou Chaoju Optical Eyeglasses Co., Ltd. (杭州朝聚光學眼鏡有限公司)	Northern Zhejiang
22	Jiaxing City Chaoju Optical Glasses Co., Ltd. (嘉興市朝聚光學眼鏡有限公司)	Northern Zhejiang
23	Siyang Chaoju Eyeglasses Co., Ltd. (泗陽朝聚眼鏡有限公司)	Northern Jiangsu
24	Sihong County Chaoju Optical Optometry Eyeglasses Co., Ltd. (泗洪縣朝聚視光配鏡有限公司)	Northern Jiangsu

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:

	Audited			
	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 the previous year. This was primarily due to an increase in revenue from consumer ophthalmic services of 40.0% compared to the same period of the previous 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 the previous year. This was primarily due to an increase in revenue from basic ophthalmic services of 13.6% compared to the same period of the previous 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 the Group's 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; and

(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 of the PRC.

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 service; (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.

OUTLOOK AND FUTURE

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 No.2 Hospital has obtained the necessary licenses and commenced business in February 2022. Further in April 2022, Ningbo Shipu Chaoju Renming Eye Clinic Co., Ltd.has obtained the necessary licenses and commenced business. As of the date of this report, 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 vision of "Being a Leader of Happy Ophthalmic Healthcare" to provide 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 its 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 of the previous 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 of the previous 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 Expense

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 expense 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 (RMB'000)	2020 (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.

Liquidity and Capital Resources

The business operations and expansion plans of the Group require a significant amount of capital, including the relocation, upgrading and renovation of the existing in-network hospitals, the establishment and acquisition of new hospitals and other working capital requirement. The Group financed its capital expenditures and other working capital requirements mainly through cash generated from its operations and cash generated from its financing activities including the proceeds that the Group received from the Global Offering in July 2021. As of December 31, 2021, the Group had cash and cash equivalents of RMB1,257.1 million.

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 product of RMB520.0 million; and 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 the premises at the Hohhot No.2 Hospital and Baotou Hospital 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 report 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 of 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 the Group conducts business may affect its 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 its 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 its 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. The Group is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividend.

EVENTS AFTER THE REPORTING PERIOD

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

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 83 multi-site practice physicians who were full-time employees of other medical institutions. The following table shows a breakdown of the full-time 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 the medical team 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. The Group also support their attending physicians to train at top-tier eye hospitals in China, 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.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhang Bozhou (張波洲), aged 60, is the chairman of the Board, an executive Director and the chief executive officer of the Company and his main responsibilities include formulating development strategies and investment plans, setting annual business objectives and making decisions on the operations and management of the Group. Currently, he also serves as a director of Chaoju Medical Technology, Baotou Hospital, Hohhot Hospital, Chifeng Hospital, Beijing Chaoju and Tianjin Chaoju among the Company's principal subsidiaries along with a number of its other subsidiaries. Mr. Zhang Bozhou is a licensed ophthalmologist certified by the Personnel Department of Inner Mongolia. Mr. Zhang Bozhou is father of Mr. Zhang Guangdi and, brother of Ms. Zhang Xiaoli and Mr. Zhang Junfeng.

Mr. Zhang Bozhou has over 31 years of experience in the medical industry, focusing on ophthalmology. Mr. Zhang Bozhou has been the chairman of Beijing Chaoju since October 2014. Prior to that, he worked at various hospitals, including Baotou Hospital and Hohhot Hospital, between September 1990 and November 2015, during which he held various positions including physician and medical superintendent.

Mr. Zhang Bozhou is also a well-regarded figure and has held positions at a number of public offices and charitable associations throughout his career. The following table summarizes his key involvement thereof:

Period	Position
November 2018 – present	Vice president of the executive committee of the Inner Mongolia Federation of Industry and Commerce (內蒙古自治區工商聯)
May 2018 – present	Council member and vice president (part-time) of the Red Cross Society of Inner Mongolia (內蒙古自治區紅十字會)
January 2018 – present	Committee member of the 12th CPPCC in Inner Mongolia (內蒙古自治區政協)
January 2018 – present	Representative of the 15th People's Congress of Hohhot
March 2016 – present	Member of the Ophthalmology committee at the Chinese Non-Government Medical Institutions Association (中國非公立醫療機構協會眼科專業委員會)
November 2015 – present	Vice president, committee member and then standing committee Member of Chinese Hospital Association Private Hospitals Management Branch (中國醫院協會民營醫院管理分會)
June 2013 – present	Vice president, committee member of the Ophthalmology Committee at the Inner Mongolia Autonomous Region Medical Association (內蒙古自治區醫學會眼科學分會)

Mr. Zhang Bozhou graduated from Baotou Medical College (包頭醫學院) in Inner Mongolia, China with a bachelor's degree in clinical medicine in July 1990 and graduated from the Market Economy Academy (民營經濟研究院) of Peking University in Beijing, China under the elite leaders' business administration programme in June 2015.

Ms. Zhang Xiaoli (張小利), aged 61, is an executive Director and her main responsibilities include providing guidance on consultation of complicated diseases, overseeing medical quality assurance and optimization of medical procedures of the Group. Currently, she also serves as a director of Chaoju Medical Technology among the Company's principal subsidiaries along with a number of its other subsidiaries. Ms. Zhang Xiaoli is a licensed ophthalmologist certified by the Personnel Department of Inner Mongolia. Ms. Zhang Xiaoli is sister of Mr. Zhang Bozhou and Mr. Zhang Junfeng, and aunt of Mr. Zhang Guangdi.

Ms. Zhang Xiaoli has over 33 years of experience in the medical industry, focusing on ophthalmology. Prior to that from November 1988 to November 2015, Ms. Zhang Xiaoli held various positions at Baotou Hospital, including superintendent between January 2006 and November 2015, deputy superintendent between June 2001 and December 2005 and an attending physician between November 1998 and May 2001.

In addition to her work experiences, Ms. Zhang Xiaoli has held a number of positions at various public offices and medical associations. The following table summarizes her roles at such public offices and associations:

Period	Position
August 2019 – present	Committee member at the ophthalmology medical equipment management branch of China Medicine Education Association (中國醫藥教育協會)
June 2018 – present	Microsurgery professional committee member at the Microsurgery branch of Chinese Medical Doctor Association (中國醫師協會顯微外科分會)
October 2016 – October 2020	Committee member of the Ophthalmology Committee of China Association of China Medicine (中華中醫藥學會眼科分會)
January 2018 – present	Representative of the 13th People's Congress of Inner Mongolia (內蒙古自治區第十三屆人大代表)
June 2013 – present	Standing committee member at the ophthalmology branch of Inner Mongolia Medical Doctor Association (內蒙古自治區醫師協會眼科醫師分會)

Ms. Zhang Xiaoli obtained a certificate from continuing education course provided by Baotou Medical College in Inner Mongolia, China specializing in clinical medicine in July 2000.

Mr. Zhang Junfeng (張俊峰), aged 56, is an executive Director and his primary responsibilities include supervising and reviewing the Group's business development and supply chain management. Currently, he also serves as a director of Chaoju Medical Technology among the Company's principal subsidiaries along with a number of its other subsidiaries. Mr. Zhang Junfeng is a licensed ophthalmologist certified by the Personnel Department of Inner Mongolia. Mr. Zhang Junfeng is brother of Mr. Zhang Bozhou and Ms. Zhang Xiaoli, and uncle of Mr. Zhang Guangdi.

Mr. Zhang Junfeng has approximately 32 years of experience in the medical industry, focusing on ophthalmology. He has been a director of Chaoju Medical Technology since November 2015. He served as the medical superintendent of Jiaxing Hospital from October 2012 to October 2018, the medical superintendent of Ulanqab Hospital from November 2009 to September 2012 and the deputy medical superintendent of Hohhot Hospital from April 2004 to August 2009. Prior to that, from February 1990 to March 2004, he worked as an ophthalmologist at Inner Mongolia Autonomous Region Bayannur Wuyuan Eye Hospital (內蒙古自治區巴彥淖爾五原眼科醫院).

Mr. Zhang Junfeng graduated from Shanghai Jiaotong University in Shanghai, China under the CMBA programme in March 2014.

Mr. Zhang Guangdi (張光弟), aged 29, is an executive Director and his main responsibilities include assisting the facilitation of operation and related management plans of the Group. Currently, he also serves as a director of Chaoju Medical Technology among the Company's principal subsidiaries along with a number of its other subsidiaries. Mr. Zhang Guangdi is son of Mr. Zhang Bozhou, and nephew of Ms. Zhang Xiaoli and Mr. Zhang Junfeng.

Mr. Zhang Guangdi has been the investment manager at Beijing Chaoju since August 2021 preceded by his role as the director of operations at the refractive correction department at Hohhot Hospital. He was also employed as the general manager of Sihong Hospital from April 2018 to September 2019 and the assistant to general manager at Jiangsu Chaoju from July 2015 to April 2018.

Mr. Zhang Guangdi graduated from Inner Mongolia University (內蒙古大學) in Inner Mongolia, China with a bachelor's degree in financial management in June 2014.

Non-executive Directors

Mr. Ke Xian (柯鋈), aged 32, has been a non-executive Director since the Listing Date and his main responsibilities include providing professional advice and judgement to the Board. Currently, he also serves as a director of Chaoju Medical Technology among the Company's principal subsidiaries along with a number of its other subsidiaries.

Outside of the Group, since January 2016, Mr. Ke Xian has been serving as the vice president of Shanghai Hehong Jinghui Investment Co., Ltd. (上海合弘景暉股權投資管理有限公司), which similar to Jiangsu Honghui Equity Investment Management Limited (江蘇弘暉股權投資管理有限公司), are both fund managers of HighLight Capital Management. Jiangsu Honghui Equity Investment Management Limited is the general partner of Xiamen Chaoxi, one of the Company's Pre-IPO Investors. Prior to that, from November 2011 to December 2015, he successively worked at KPMG Huazhen (Shanghai Office) (畢馬威華振會計師事務所上海分所), KPMG Huazhen (LLP) (畢馬威華振會計師事務所(特殊普通合夥)) and KPMG Advisory (China) Limited (畢馬威企業諮詢(中國)有限公司), where his last position was an assistant manager at KPMG Advisory (China) Limited.

Mr. Ke Xian graduated from Shanghai University of International Business and Economics (上海對外經貿大學) in Shanghai, China with a bachelor's degree in finance in July 2011.

Mr. Richard Chen Mao, aged 53, has been a non-executive Director since the Listing Date and his main responsibilities include providing professional advice and judgement to the Board. Currently, he also serves as a director of Chaoju Medical Technology among the Company's principal subsidiaries along with a number of its other subsidiaries.

Mr. Richard Chen Mao has over 15 years of experience in finance and investment matters, with a focus in the medical industry. Outside of the Group, Mr. Richard Chen Mao has been the managing director of Orchid Asia Investment Consulting Shanghai Co., Ltd. (蘭馨亞洲投資諮詢(上海)有限公司) since March 2015. Prior to that, he worked in Johnson & Johnson Medical (Shanghai) Ltd. (強生(上海)醫療器械有限公司) from February 2006 to October 2014, where his last position was a senior director and he supervised the development of new business. From 1995 to 2006, Mr. Richard Chen Mao successively worked in various managing positions in finance, commerce and investment at General Electric Company (通用電氣公司).

Mr. Richard Chen Mao graduated from the University of Wisconsin-Madison in Wisconsin, United States with a bachelor's degree in business administration in December 1994.

Mr. Li Zhen (李甄), aged 43, has been a non-executive Director since the Listing Date and his main responsibilities include providing professional advice and judgement to the Board. Currently, he also serves as a director of Chaoju Medical Technology among the Company's principal subsidiaries along with a number of its other subsidiaries.

Mr. Li Zhen has over 13 years of experience in investment management matters. Since January 2008, he has been working at FountainVest Partners and currently serves as its Managing Director. Prior to that, from July 2005 to December 2007, he was a senior manager at the Shanghai branch of Temasek Holdings Private Limited. He was a marketing associate at AIA Group Limited from April 2001 to July 2002. He has been a director of Antengene Corporation Limited (a company listed in the Stock Exchange with stock code 6996.HK) from February 2019 to June 2021. Prior to that, he served as a director of Ningbo Peacebird Fashion Co., Ltd. (寧波太平鳥時尚服飾股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 603877.SH) from November 2015 to November 2018 and FangDD Network Group Ltd. (a company listed on NASDAQ with stock code DUO.NASDAQ) from June 2015 to September 2019.

Mr. Li Zhen obtained his Bachelor's degree in laws and Master's degree in economics from Fudan University (復旦大學) in Shanghai, China in July 2000 and June 2005, respectively. He graduated with an Executive Master's degree in business administration from China Europe International Business School in Shanghai, China (中歐國際工商學院) in September 2012.

Ms. Zhang Wenwen (張文雯), aged 39, has been a non-executive Director since the Listing Date and her main responsibilities include providing professional advice and judgement to the Board. Currently, she also serves as a director of Chaoju Medical Technology among the Company's principal subsidiaries along with a number of its other subsidiaries.

Ms. Zhang Wenwen has over 16 years of experience in financial management matters. Outside of the Group, Ms. Zhang Wenwen has served various positions at Riverhead Capital Investment Management Co., Ltd. (陽光融匯資本投資管理有限公司), where she was the managing director from October 2017 to January 2022 and she has been serving as the committee member of investment decision committee and the partner respectively since October 2017 and January 2022 and is responsible for the overall operation . Prior to that, from July 2008 to September 2017, she held various positions in Sunshine Insurance Group Inc., Ltd. (陽光保險集團股份有限公司) including assistant to the general manager of the board. During her tenure with Sunshine Insurance Group Inc., Ltd., she was also a supervisor of Sunlight Asset Management Co., Ltd. (陽光資產管理股份有限公司) from January 2013 to March 2015 and a director of Hongde Fund Management Co., Ltd. (泓德基金管理有限公司) from December 2015 until February 2018. From August 2005 to June 2008, Ms. Zhang Wenwen was employed as an assistant manager at KPMG Advisory (China) Limited.

Ms. Zhang Wenwen graduated from Tsinghua University (清華大學) in Beijing, China with a bachelor's degree in accounting in July 2005. She has been a member of the Chinese Institute of Certified Public Accountants since January 2014.

Independent non-executive Directors

Mr. He Mingguang (何明光), aged 52, has been an independent non-executive Director since the Listing Date and his main responsibilities include supervising and providing independent judgement to the Board.

Mr. He Mingguang has over 28 years of experience in the medical and academic industry, focusing on ophthalmology. He is currently a professor of ophthalmic epidemiology at the University of Melbourne (墨爾本大學), positions which he has held since October 2014. He has also been working at the Zhongshan Ophthalmic Centre of Sun Yat-Sen University (中山大學) since July 1993 and currently serves as a professor of ophthalmology.

Mr. He Mingguang is also a recipient of several research funding throughout the course of his career for his research including "Artificial intelligence in ophthalmology: from data to algorithm and real-world application" funded by the National Health and Medical Research Council in Australia in 2020, "Integration of retinal photography and artificial intelligence to build opportunistic screening services in primary care settings" funded by the Medical Research Future Fund in Australia in 2017 and "Development of an automated web-based screening system for eye diseases" funded by Bupa in Australia in 2016.

Mr. He Mingguang graduated from Sun Yat-Sen Medicine University (中山醫科大學), which was subsequently merged to Sun Yat-Sen University (中山大學), in Guangzhou, China with a bachelor's degree in medicine in July 1993 and a doctoral degree in ophthalmology in June 2005. After that, he graduated from The John Hopkins University in the United States with a master's degree in public health in May 2001 and University College of London in the United Kingdom with a doctoral degree in philosophy in November 2006.

Ms. Guo Hongyan (郭紅岩), aged 58, has been an independent non-executive Director since the Listing Date and her main responsibilities include supervising and providing independent judgment to the Board.

Ms. Guo Hongyan has over 29 years of experience in the legal and academic industry. She has been employed by the China University of Political Science and Law (中國政法大學) since April 1992, and is currently a professor and doctoral advisor director at the international public law research center. She has also been a part-time lawyer at the Beijing office of Yingke Law Firm (盈科律師事務所) since July 2021, preceded by her role as a part-time lawyer at Beijing Tiantai Law Firm (北京天馳君泰律師事務所) from May 2017 to June 2021.

Prior to that, from March 2011 to February 2016, Ms. Guo Hongyan was the visiting professor and deputy director at the international environmental law research center at the China University of Political Science and Law, and from December 2013 to October 2014, she served as the Asia regional organizational officer at the space law moot court of the International Institute of Space Law (國際空間法學會空間法模擬法庭). Since September 2012, Ms. Guo Hongyan worked as the deputy director at the China University of Political Science and Law branch of Collaborative Innovation Center for Territorial Sovereignty and Maritime Rights (國家領土主權與海洋權益協同創新中心).

Ms. Guo Hongyan graduated from the China University of Political Science and Law (中國政法大學) in Beijing, China with a bachelor's degree in law in July 1987 and a master's degree in private international law in January 1992. She later obtained a master's degree of laws in international and comparative law from Chicago-Kent College of Law at Illinois Institute of Technology in Chicago, United States in December 2009. She obtained her doctoral degree in international law from China University of Political Science and Law in June 2011.

Mr. Li Jianbin (李建濱), aged 43, has been an independent non-executive Director since the Listing Date and his main responsibilities include supervising and providing independent judgment to the Board.

Mr. Li Jianbin has over 20 years of experience in tax advisory and investment matters. He is currently serving as the managing partner at the strategic investment department of Beijing Xiaomi Mobile Software Co., Ltd. (北京小米移動軟件有限公司), a position he has held since April 2020, and prior to that, between December 2017 and April 2020, he was the vice president of the finance department where he was responsible for optimizing the capabilities of the group's finance department, managing its tax matters and overseeing its merger and acquisition projects. From July 2001 to November 2017, he held various positions at PricewaterhouseCoopers Consultants (Shenzhen) Limited Beijing Branch (普華永道諮詢(深圳)有限公司北京分公司), where his last position was tax and commercial advisory partner.

Mr. Li Jianbin graduated with bachelor's degrees in laws and economics from Peking University (北京大學) in Beijing, China in July 2001. He has been a member of The Chinese Institute of Certified Public Accountants since September 2010 and a member of the China Certified Tax Agents Association since March 2013 and received his PRC lawyer's practicing licence issued by the Ministry of Justice of the People's Republic of China in February 2007.

Mr. Bao Shan (寶山), aged 50, has been an independent non-executive Director since the Listing Date and his main responsibilities include supervising and providing independent judgment to the Board.

Mr. Bao Shan has over 21 years of experience in management advisory matters. He joined Alliance PKU Management Consultants Ltd. (北京北大縱橫管理諮詢有限責任公司) in May 2005, and is currently serving as the senior vice president. Prior to that, from October 2002 to May 2005, he was a partner at Beijing Fengshou Management Consultancy Co., Ltd. (北京豐收管理諮詢有限公司). From July 2000 to October 2002, he was employed as a manager at the marketing department of Tsinghua Tongfang Artificial Environment Co., Ltd. (同方人工環境有限公司).

Mr. Bao Shan graduated from Renmin University of China (中國人民大學) in Beijing, China with a master's degree in business administration in July 1998. He subsequently received a doctor's degree in national economics from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, China in June 2016.

SENIOR MANAGEMENT

Mr. Zhang Bozhou (張波洲) is the chairman of the Board, an executive Director and the chief executive officer of the Company. Please see "– Directors – Executive Directors" for details of his background.

Mr. Wang Weichao (王維超), aged 41, is the chief financial officer of the Company, and his main responsibilities include financial and legal management, investment and financing activities and investor relations management of the Group. Mr. Wang Weichao joined the Group in March 2018 as the chief financial officer and was later also appointed as the secretary to the board in April 2019. He was also a joint company secretary of the Company from the Listing Date to August 2021.

Mr. Wang Weichao has over 15 years of experience in the field of financial accounting, financing and investment. Prior to joining the Group, Mr. Wang Weichao served as the chief financial officer of Tibet Huayou Venture Capital Co., Ltd. (西藏華佑創業投資有限公司) from June 2016 to March 2018 where he was responsible for the financial and investment financing matters. Prior to that, he successively served as a vice director of the planning department, a vice director of the securities and legal department, a director of the securities and legal department and director of planning and development department at HuaDian Heavy Industries Co., Ltd. (華電重工股份有限公司) from August 2010 to May 2016 where he was responsible for the investment and financing, securities and legal matters, IPO and strategic planing matters.

Mr. Wang Weichao graduated from the University of International Business and Economics (對外經濟貿易大學) in Beijing, China with a bachelor's degree in management in July 2003.

Ms. Yang Yajun (楊亞軍), aged 51, is the chief medical officer of the Company, and her main responsibilities include medical quality control, supply chain management, human resource management and information management of the Group. Ms. Yang was appointed as the chief medical officer of the Group in December 2017. Prior to that, she served as the director of medical quality department of Beijing Chaoju from July 2015 to December 2017 where she was responsible for medical quality control, infection management control and services management of the hospitals. Ms. Yang Yajun is a licensed ophthalmologist as certified by the Personnel Department of Hebei.

Ms. Yang Yajun has over 29 years of experience in the medical industry, focusing on ophthalmology. Previously, from June 2005 to December 2014, Ms. Yang Yajun successively served as the attending physician, associate-chief physician,chief physician, business director and the medical superintendent of Chifeng Hospital. Outside of the Group, she was employed as an ophthalmologist at the Huailai Eyecare Hospital in Hubei (河北懷來縣眼科醫院) between June 2000 and May 2005. Prior to that, she worked as a physician in Zhangjiakou No. 4 Hospital (張家口第四醫院) from July 1992 to June 2000, where she was responsible for providing ophthalmic clinic care.

Ms. Yang Yajun obtained her associate diploma in clinical medicine and bachelor's degree in clinical medicine from Hebei North University (河北北方學院) (formerly known as Zhangjiakou Medical College (張家口醫學院)) in Hebei, China in July 1992 and June 2003, respectively. She has been a standing member of the ophthalmologist branch of the Inner Mongolia Medical Association since November 2016 and a standing committee member of the ophthalmology committee of China Association of Non-public Medical Institutions since July 2018. From 2016, for four consecutive years, Ms. Yang Yajun was awarded as the outstanding person of the year by the Asian Foundation for the Prevention of Blindness.

Mr. Liu Hongyan (劉洪雁), aged 52, is the chief operating officer of the Company, and his main responsibilities include marketing and overall business development of the Group, establishing sales strategies and policies, organizing operational management, assisting the chief executive officer in setting business development plans and evaluating the Group's business performance. Mr. Liu was appointed as the chief operating officer of the Group in November 2017. Prior to that, Mr. Liu served as the director of operation department of Beijing Chaoju from January 2017 to November 2017 where he was responsible for the preparation and implementation of operational targets of the Group's operating entities.

Mr. Liu Hongyan has approximately 20 years of experience in sales and marketing matters, particularly in the medical and pharmaceutical industry. Prior to joining the Group, between June 2006 and June 2014, Mr. Liu Hongyan served as the national sales manager for Alcon (China) Ophthalmic Product Co., Ltd. (愛爾康(中國)眼科產品有限公司). Before that, from June 1999 to May 2006, he worked at Yanlijian (Hangzhou) Pharmacy Co., Ltd. (眼力健(杭州)製藥有限公司) during which he successively served as the salesperson at the instrument department and the regional sales manager at the medical equipment department.

Mr. Liu Hongyan graduated from Yanshan University (燕山大學) in Hebei, China with a bachelor's degree and a master's degree in engineering in July 1992 and March 1995, respectively.

DIRECTORS' REPORT

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the (i) provision of in-patient and out-patient ophthalmic medical services in the PRC; and (ii) sales of optical products in the PRC.

Analysis of the principal activities of the Group during the year ended December 31, 2021 is set out in note 5 to the consolidated financial statements in this report.

A list of the Company's principal subsidiaries as of December 31, 2021, together with, among others, their dates and places of incorporation and particulars of their issued share capital, are set out in note 1 to the consolidated financial statements in this report.

BUSINESS REVIEW

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the Group's business, an analysis of the Group's financial performance, events affecting the Group that have occurred subsequent to the end of the financial year, and an indication of likely future development in the Group's business, are set out in the section headed "Management Discussion and Analysis" of this report. A description of the principal risks and uncertainties faced by the Group, key relationship between the Group and its employees, customers and suppliers, the environmental policies of the Group and compliance with the relevant laws and regulations which have significant impact are set out below.

PRINCIPLE RISKS AND UNCERTAINTIES

The Group's results of operations are subject to various factors with the key risks summarized below:

- Pricing controls and coverage limits under public health insurance programs may affect the pricing of the Group's services and products;
- The Group is exposed to inherent risks of patient complaints, medical disputes and legal proceedings arising from its operations. Any complaints from the Group's patients or any claims or accusations on malpractice, medical negligence or misconduct could result in significant costs, and may adversely affect the Group's reputation, business, financial condition, results of operations and prospects;
- Failure to implement the infection control policies and procedures may adversely affect the Group's operation and reputation;
- Opening new hospitals or optical centers could result in fluctuations in the Group's short-term financial performance;
- The development and uncertainties in the regulatory regimes for the ophthalmic services industry and the optical industry in the PRC could have a material adverse effect on the Group's business;
- The Group may be unable to fully recover its trade receivables; and
- The Group may incur impairment on its goodwill, and its results of operations and financial position may be adversely affected.

Since the above is not an exhaustive list, investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

For more details of other risks and uncertainties faced by the Group, please refer to the section headed "Risk Factors" of the Prospectus.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is subject to various PRC laws and regulations in relation to environmental protection matters and disposal of clinical waste. This includes medical sanitation, reduction of occupational hazards in hospitals, prevention of medical accidents, disease control, disposal of medical waste and discharge of waste water, pollutants and radioactive substances. The Group has formulated policies on medical waste disposal to ensure the proper classification, sterilization and storage, and the proper and timely disposal of medical waste. The Group has also put in place policies and procedures to protect the health and safety of the Group's staff handling medical waste. During the Reporting Period, the businesses of the Group were in compliance in all material respects with applicable laws and regulations with regard to environmental protection.

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment, giving back to the community and achieving sustainable growth.

For more details, please refer to the Environmental, Social and Governance Report, which will be published and made available on the websites of the Stock Exchange and the Company together with this report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2021, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

RESULTS AND FINAL DIVIDEND

The results of the Group for the year ended December 31, 2021 are set out in the consolidated financial statements of this report.

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

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.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group actively communicates with stakeholders such as patients/customers, employees, investors and shareholders, governments and regulatory agencies, suppliers and partners, and attaches great importance to the suggestions and feedback of stakeholders, and regards them as an important basis for the Group to improve operations management and sustainable development standards. To fully listen to the voices of stakeholders, the Group has established a variety of communication channels to ensure open and transparent information and efficient communication processes.

The Group is fully aware that communication with stakeholders is an important and continuous process. In the future, the Group will continue to improve the communication mechanism, actively respond to the demands of stakeholders, optimize the management and operation standards of the Company, and enhance the sustainable development performance of the Group.

Shareholders

The Group recognizes the importance of protecting the interests of the Shareholders and of having effective communication with them. The Group believes communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been and will be done through general meetings, corporate communications, interim and annual reports and results announcements.

Staff

The Group understands that employees are its valuable assets, and the realization and enhancement of employees' values will facilitate the achievement of the Group's overall goals. The Group has been working hard to provide employees with competitive remuneration packages and attractive promotion opportunities. The Group provides structured training and education programs which enables its employees to consistently deliver high quality services. The Group will continue to actively attract and recruit more talents, and enhance the overall level of the Group's talent team through performance-related remuneration packages, on-the-job training programs and promotion opportunities. As of December 31, 2021, the share of female employees at the Group is 75.8% and the share of male employees is 24.2%, details of which are set out in the Environmental, Social and Governance Report, which will be published and made available on the websites of the Stock Exchange and the Company together with this report. The Group will continue to strive for gender diversity and maintain the female-to-male ratio in its workforce.

Patients and Customers

The Group considers patient satisfaction as its priority. As an ophthalmic medical service provider, the Group is committed to serving its patients to the best of its ability and continually enhancing the level of service excellence. The Group has embraced new media platforms as an effective communication channel with its patients to collect feedbacks and help us identify areas for further improvement.

Suppliers

The Group believes that its suppliers are equally important in providing high-quality medical services. The Group has a centralized procurement management department to achieve economies of scale and better control the quality of the medical equipment, pharmaceuticals, medical consumables and optical products it procures. The Group selects its suppliers based on stringent criteria and applicable laws and regulations to ensure the quality of its supplies. When selecting suppliers, the Group performs assessment based on various criteria, including quality and source of products, reputations in the industry, price and delivery time. The suppliers are required to possess all accreditation, qualifications, licenses and permits necessary to conduct their operations.

For the year ended December 31, 2021, there was no significant and material dispute between the Group and its stakeholders.

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last three financial years are set out on page 4 of this report. This summary does not form part of the audited consolidated financial statements.

PROCEEDS FROM GLOBAL OFFERING AND ITS UTILIZATION

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**	**Amount utilized during the year ended December 31, 2021**	**Unutilized amount as of December 31, 2021**	**Expected timeline for utilization**
		HK$ million	HK$ million	HK$ million	
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 intended 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.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

The Group's customer base substantially consists of individual customers. For the year ended December 31, 2021, the Group's largest customer or the five largest customers in aggregate contributed less than 1% of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2021, the Group's purchases from its five largest suppliers accounted for 43.8% (2020: 38.9%) of the Group's total purchases, and the Group's purchases from its single largest supplier accounted for 19.5% (2020: 17.7%) of the Group's total purchases.

As of the date of this report, all of the Group's five largest customers and suppliers during the Reporting Period were Independent Third Parties, and to the best of the knowledge of the Directors, none of the Directors, their respective associates or any Shareholder who owned more than 5% of the Company's issued share capital had any interest in any of the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2021 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year December 31, 2021 are set out in note 28 to the consolidated financial statements.

CAPITAL STRUCTURE

The Shares of the Company were listed on the Main Board of the Stock Exchange on December 31, 2021, and 137,500,000 Shares of the Company were issued at the offer price of HK$10.60 per Share by way of Global Offering. Subsequently, the Company announced that the over-allotment option described in the Prospectus was partially exercised on July 29, 2021, in respect of an aggregate of 20,125,000 Shares. There was no changes in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares. As of the date of this report, the total issued share capital of the Company was HKD380,000 divided into 1,520,000,000 shares.

The capital structure of the Group was 15.1% debt and 84.9% equity as of December 31, 2021, compared with 29.9% debt and 70.1% equity as of December 31, 2020.

RESERVES

Details of the changes in the Group's reserves during the year ended December 31, 2021 are set out in note 30 to the consolidated financial statements.

TAXATION

Tax position of the Company from the Listing Date to December 31, 2021 is set out in note 11 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

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

If the Shareholders are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult an expert.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as of December 31, 2021 are set out in note 26 to the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as otherwise disclosed in this report, the Group did not have any material acquisitions or disposal of subsidiaries or associated companies as of December 31, 2021 and the Company has no other future plans for material investments or capital assets.

DIRECTORS

The Directors during the Reporting Period and up to the date of this report are:

Executive Directors

Mr. Zhang Bozhou (張波洲) *(Chairman and Chief Executive Officer)*
Ms. Zhang Xiaoli (張小利)
Mr. Zhang Junfeng (張俊峰)
Mr. Zhang Guangdi (張光弟)

Non-executive Directors

Mr. Ke Xian (柯鍌)
Mr. Richard Chen Mao
Mr. Li Zhen (李甄)
Ms. Zhang Wenwen (張文雯)

Independent non-executive Directors

Mr. He Mingguang (何明光)
Ms. Guo Hongyan (郭紅岩)
Mr. Li Jianbin (李建濱)
Mr. Bao Shan (寶山)

In accordance with article 113 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with article 109 of the Articles of Association, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Richard Chen Mao and Mr. Li Zhen shall retire by rotation, and being eligible, have offered themselves for re-election at the forthcoming AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders dated April 26, 2022.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 27 to 34 of this report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

REMUNERATION POLICY

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 83 multi-site practice physicians who were full-time employees of other medical institutions. Total staff remuneration expenses including Directors' remuneration in 2021 amounted to RMB271.7 million (fiscal year of 2020: RMB204.3 million). Remuneration is determined with reference to professional seniority and experience, education background, quality of services rendered, revenue contribution and research and training contributions of the staff concerned and in accordance with the prevailing industry practice. On top of basic salary, other employee benefits primarily include social insurance and housing provident contributions made by the Group, performance-based incentive bonus and discretionary year-end bonus.

The Group enters into employment contracts with all of its full-time employee. The Group provides in-house and external training and education programs to enable its employees to consistently deliver high quality services and keep abreast of the latest development in the ophthalmology industry. 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 remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board. The relevant Director's experience, duties and responsibilities, time commitment, the Company's performance and the prevailing market conditions are taken into consideration in determining the emolument of the Directors.

The Group believes it has maintained good relationships with its employees. As of the date of this report, 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.

PENSION AND EMPLOYEE BENEFITS SCHEME

The employees' remuneration consists of salaries, bonuses, employees' provident fund, and social security contributions, other welfare payments and share-based compensation expenses. In accordance with applicable PRC laws, the Group made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for its employees. Details of the retirement and employee benefits scheme of the Company are set out in note 7 to the consolidated financial statements.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent from the Listing Date to December 31, 2021.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, none of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this report, as of December 31, 2021, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

(i) Interests and short positions of the Directors and the chief executive of the Company in the Shares, and underlying Shares and debentures of the Company and its associated corporations

As of December 31, 2021, the interests or short positions of the Directors or chief executives in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code, once the Shares are listed will be as follows:

Interest in Shares or Underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest in the Company
Mr. Zhang Bozhou	Interests held jointly with another person; interests of controlled corporation	286,457,000	40.48%
Ms. Zhang Xiaoli	Interests held jointly with another person; interests of controlled corporation	286,457,000	40.48%
Mr. Zhang Junfeng	Interests held jointly with another person; interests of controlled corporation	286,457,000	40.48%
Ms. Zhang Wenwen	Interests of controlled corporation	36,465,000	5.15%

(ii) Interests in the Company's associated corporations

So far as the Directors are aware, as of the date of this report, the following persons were interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than the Company):

Name of Director	Name of member of the Group	Approximate percentage of shareholding
Mr. Zhang Bozhou	Xiamen Xinkangnuo	26.64%
Ms. Zhang Xiaoli	Xiamen Xinkangnuo	29.03%
Mr. Zhang Junfeng	Xiamen Xinkangnuo	20.67%

Save as disclosed above, as of December 31, 2021, so far as it was known to the Directors or chief executive of the Company, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Save as otherwise disclosed in this report, at no time during the period from the Listing Date to the date of this report was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as of the date of this report, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Nature of interest	Number of Shares/ underlying Shares	Approximate percentage of shareholding interest in the Company	Long position/ Short position/ Lending pool
Mr. Zhang Bozhou[(1)(2)]	Interests held jointly with another person; interests of controlled corporation	286,457,000	40.48%	Long position
Ms. Zhang Xiaoli[(1)(3)]	Interests held jointly with another person; interests of controlled corporation	286,457,000	40.48%	Long position
Mr. Zhang Junfeng[(1)(4)]	Interests held jointly with another person; interests of controlled corporation	286,457,000	40.48%	Long position
Mr. Zhang Fengsheng[(1)(5)]	Interests held jointly with another person; interests of controlled corporation	286,457,000	40.48%	Long position
Ms. Zhang Yumei[(1)(6)]	Interests held jointly with another person; interests of controlled corporation	286,457,000	40.48%	Long position
Ms. Zhang Hongbo[(7)]	Interests of spouse	286,457,000	40.48%	Long position
Mr. He Yong[(8)]	Interests of spouse	286,457,000	40.48%	Long position
Ms. Su Yuqin[(9)]	Interests of spouse	286,457,000	40.48%	Long position
Ms. Li Furong[(10)]	Interests of spouse	286,457,000	40.48%	Long position
Mr. Jin Longqi[(11)]	Interests of spouse	286,457,000	40.48%	Long position
Jutong Medical Management Co. Ltd	Beneficial owner	77,684,000	10.98%	Long position
Sihai Medical Management Co. Ltd	Beneficial owner	84,266,000	11.91%	Long position
Guangming Medical Management Co. Ltd	Beneficial owner	59,966,000	8.47%	Long position
Xiamen Chaoxi Enterprise Management Consulting Partnership (Limited Partnership)* (廈門朝翕企業管理諮詢合夥企業（有限合夥）)	Beneficial owner	45,485,000	6.43%	Long position
Mr. Wang Hui[(12)]	Interests of controlled corporation	78,540,000	11.10%	Long position
Ms. Liu Linan[(13)]	Interests of spouse	78,540,000	11.10%	Long position
Orchid Asia VII Global Investment Limited	Beneficial owner	67,320,000	9.51%	Long position
Ms. Lam Lai Ming[(14)]	Interests of controlled corporation	67,320,000	9.51%	Long position
Mr. Gabriel Li[(14)]	Interests of controlled corporation	67,320,000	9.51%	Long position
Ms. Zhang Wenwen[(15)]	Interests of controlled corporation	36,465,000	5.15%	Long position
Mr. Xiao Feng[(16)]	Interests of spouse	36,465,000	5.15%	Long position

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

Notes:

(1) Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Zhang Fengsheng and Ms. Zhang Yumei have entered into Acting-in-concert Agreement to acknowledge and confirm their acting-in-concert relationship in relation to the Company and irrevocably entrust Mr. Zhang Bozhou to exercise, at his discretion, their voting rights at the shareholders meetings of the Group. Under the SFO, Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Zhang Fengsheng and Ms. Zhang Yumei are deemed to be interested in the Company's Shares which each other has interest in.

(2) Mr. Zhang Bozhou wholly-owns Jutong Medical Management Co. Ltd and controls Xiamen Juludazhou Equity Investment Partnership (Limited Partnership) (廈門聚鷺達洲股權投資合夥企業(有限合夥)) as its general partner, which held 77,684,000 and 21,945,000 Shares, respectively as of December 31, 2021.

(3) Ms. Zhang Xiaoli wholly-owns Sihai Medical Management Co. Ltd, which held 84,266,000 Shares as of December 31, 2021.

(4) Mr. Zhang Junfeng wholly-owns Guangming Medical Management Co. Ltd., which held 59,966,000 Shares as of December 31, 2021.

(5) Mr. Zhang Fengsheng wholly-owns Xiwang Medical Management Co. Ltd., which held 33,686,000 Shares as of December 31, 2021.

(6) Ms. Zhang Yumei wholly-owns Sitong Medical Management Co. Ltd., which held 8,910,000 Shares as of December 31, 2021.

(7) Ms. Zhang Hongbo is the spouse of Mr. Zhang Bozhou and is deemed to be interested in Mr. Zhang Bozhou's interests in the Company.

(8) Mr. He Yong is the spouse of Ms. Zhang Xiaoli and is deemed to be interested in Ms. Zhang Xiaoli's interests in the Company.

(9) Ms. Su Yuqin is the spouse of Mr. Zhang Junfeng and is deemed to be interested in Mr. Zhang Junfeng's interests in the Company.

(10) Ms. Li Furong is the spouse of Mr. Zhang Fengsheng and is deemed to be interested in Mr. Zhang Fengsheng's interests in the Company.

(11) Mr. Jin Longqi is the spouse of Ms. Zhang Yumei and is deemed to be interested in Ms. Zhang Yumei's interests in the Company.

(12) Mr. Wang Hui controls Xiamen Chaoxi and Light Medical Limited, which held 45,485,000 and 33,055,000 Shares, respectively as of December 31, 2021.

(13) Ms. Liu Linan is the spouse of Mr. Wang Hui and is deemed to be interested in Mr. Wang Hui's interests in the Company.

(14) Orchid Asia VII, L.P. is controlled by Orchid Asia V Group Management, Limited which is wholly-owned by Orchid Asia V Group Limited, which is in turn wholly-owned by Areo Holdings Limited. Areo Holdings Limited is wholly-owned by Ms. Lam Lai Ming, and is controlled by Mr. Gabriel Li by virtue of his directorship there.

(15) Ms. Zhang Wenwen controls Riverhead Capital I and Riverhead Runfeng, which held 22,440,000 and 14,025,000 Shares, respectively as of December 31, 2021.

(16) Mr. Xiao Feng is the spouse of Ms. Zhang Wenwen and is deemed to be interested in Ms. Zhang Wenwen's interests in the Company.

Save as disclosed above, the Directors are not aware of any person who had, as of December 31, 2021, an interest or a short position in the Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

CHANGES TO DIRECTORS' INFORMATION

As of December 31, 2021, there were no changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CHANGES TO DIRECTORS' REMUNERATION

Save as disclosed in this report, there was no change to information which is required to be disclosed and has been disclosed by Directors or chief executive of the Company pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules for the Reporting Period.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, there was no other equity-linked agreement entered into by the Company or any of its subsidiaries during the Reporting Period.

OTHER INFORMATION

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 report.

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

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

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.

REVIEW OF ANNUAL REPORT

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.

CONTINUING CONNECTED TRANSACTIONS AND ONE-OFF CONNECTED TRANSACTIONS

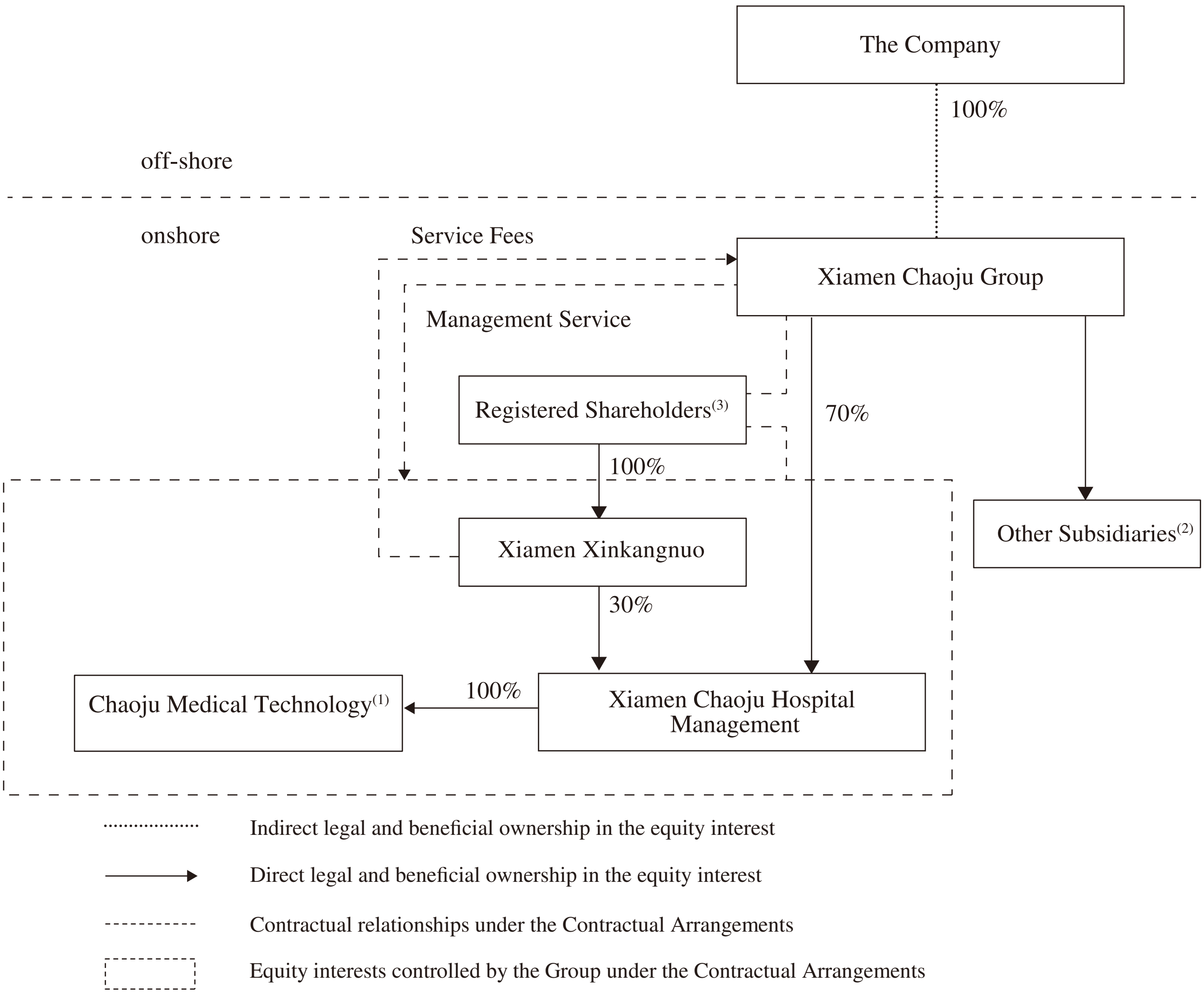
For the year ended December 31, 2021, the Group had entered into certain non-exempt continuing connected transactions and one-off connected transactions as set out below. For detailed terms of such non-exempt continuing connected transactions and one-off connected transactions, please refer to the sections headed "Connected Transactions" and "Contractual Arrangements" in the Prospectus and the announcements of the Company dated December 7, 2021 and December 9, 2021, respectively.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

The Group primarily engages in the provision of ophthalmic services and eye care services through its hospitals and optical clinics in the PRC, which falls within the "restricted" investment category under the applicable Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020) (外商投資准入特別管理措施(負面清單)(2020年版)), and therefore may not be held 100% by foreign investors and foreign investments in medical institutions are restricted to no more than 70% equity interest in the medical institutions in the PRC (the "**Foreign Ownership Restriction**"). In light of the Foreign Ownership Restriction, and in order to comply with PRC laws and regulations and maintain full control over all of the Group's operations, the Group, through its indirect wholly-owned subsidiary, Xiamen Chaoju Group, entered into the Contractual Arrangements with, among others, Xiamen Chaoju Hospital Management, the holding company of most of the Group's hospitals and clinics (the "**VIE Hospitals**"). The Contractual Arrangements apply to the 30% equity interest in the VIE Hospitals, and pursuant to it, Xiamen Chaoju Group acquired full control over the financial and operational policies of Xiamen Chaoju Hospital Management and has become entitled to all the economic benefits derived from its operations.

The following simplified diagram illustrates the flow of economic benefits from Xiamen Chaoju Hospital Management and the VIE Hospitals to the Group as stipulated under the Contractual Arrangements:



Notes:

(1) Chaoju Medical Technology is the holding entity of the Group's VIE Hospitals being Baotou Hospital, Hohhot Hospital, Chifeng Hospital, Baotou Kunlun Hospital, Dalat Banner Hospital, Ulanqab Hospital, Tongliao Hospital, Datong Hospital, Hulunbuir Hospital, Xilinhot Hospital, Chengde Hospital, Jiaxing Hospital, Sihong Hospital, Siyang Hospital, Tumb Right Banner Clinic of Baotou Hospital (包頭醫院土右門診部) and Pingzhuang Clinic of Chifeng Hospital (赤峰醫院平庄門診部). Except for Tongliao Hospital, Datong Hospital and Hulunbuir Hospital, all the VIE Hospitals were wholly-controlled by the Group as of December 31, 2021. The minority shareholders of Tongliao Hospital, Datong Hospital and Hulunbuir Hospital were Independent Third Parties as of December 31, 2021. For the shareholding details and connected relationship of the minority shareholders of these entities with the Group, see note (3) in the section headed "History, Reorganization and Corporate Structure — Corporate Reorganization" under the simplified beneficial ownership structure of the Group's business immediately prior to the Reorganization in the Prospectus.

(2) In late January 2022, Hohhot No.2 Hospital had obtained the necessary licenses and commenced business in February 2022.The entire equity interest of this hospital has been transferred to Xiamen Chaoju Hospital Management in February 2022 and therefore, it is now under the remit of the Contractual Arrangements. As of the date of this report, Hangzhou Chaoju Eye Optometry Hospital Co., Ltd. had not yet obtained the necessary licenses or commenced business and thus had not been included under the Contractual Arrangements. However, once the Group has obtained the necessary licenses and commenced business, the entire equity interests of this hospital will be transferred to Xiamen Chaoju Hospital Management and therefore, they will come under the remit of the Contractual Arrangements. For further information, please also see the paragraph headed "Licenses, Permits and Approvals" in the section headed "Business" in the Prospectus.

(3) Xiamen Chaoju Group controls, inter alia, hospitals and clinic other than the VIE Hospitals, including Ninghai Hospital, Ningbo Hospital, Xiangshan Hospital and Hexigten Banner Clinic. As advised by the then PRC Legal Advisors of the Company, although these hospitals and clinic are medical institutions and therefore their shareholding is subject to foreign investment restrictions, they are not required to be subject to the Contractual Arrangements since the Group's control therein does not exceed 70%. The minority shareholders of these hospitals were Independent Third Parties as of December 31, 2021. For the shareholding details and connected relationship of the minority shareholders of these entities with the Group, see section headed "History, Reorganization and Corporate Structure — Corporate Reorganization" under the simplified beneficial ownership structure of the Group's business immediately prior to the Reorganization in the Prospectus.

(4) For details of the Registered Shareholders, see the section headed "History, Reorganization and Corporate Structure" in the Prospectus.

Summary of the Material Terms of the Contractual Arrangements

A brief description of the specific agreements that comprise the Contractual Arrangements is set out below. For details of the specific agreements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

(1) Exclusive Operation Services Agreement

The Registered Shareholders, Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management have entered into Exclusive Operation Services Agreement with Xiamen Chaoju Group on September 30, 2020 (the "**Exclusive Operation Services Agreement**"), pursuant to which Xiamen Xinkangnuo, Xiamen Chaoju Hospital Management and the Registered Shareholders agreed to engage Xiamen Chaoju Group as their exclusive provider of medical institution operation services and other services in exchange for a service fee payable to Xiamen Chaoju Group.

Under the Exclusive Operation Services Agreement, the services to be provided include but are not limited to (i) strategic investment and project investment; (ii) management of human resources and operational technology competency; (iii) collection of business information and market survey; (iv) publicity and customer relations; (v) monitoring of technology operation and research on market strategy; (vi) solutions regarding technology in the medical industry; (vii) medicine, medical equipment and consumables monitoring; and (viii) technical services, operation maintenance, provision of equipment and facilities, management consultancy and advisory services. Xiamen Chaoju Group has proprietary rights to all the intellectual properties developed or created by itself from the performance of these services. During the term of the Exclusive Operation Services Agreement, Xiamen Chaoju Group may use the intellectual property rights owned by Xiamen Xinkangnuo, Xiamen Chaoju Hospital Management and its subordinate medical institutions free of charge and without any conditions. Xiamen Xinkangnuo may also use the work achievements created by Xiamen Chaoju Group and its subordinate medical institutions from the services performed by Xiamen Chaoju Group and its subordinate medical institutions in accordance with the Exclusive Operation Services Agreement.

Under the Exclusive Operation Services Agreement, the service fee that shall be payable to Xiamen Chaoju Group by Xiamen Xinkangnuo shall be an amount equal to 30% of the distributable profit of Xiamen Chaoju Hospital Management of a given audited financial year, after deducting losses from the previous financial years (if any) and any statutory provident fund (if applicable). Apart from the service fees, Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management shall reimburse all reasonable costs, reimbursed payments, compensation and out-of-pocket expenses incurred by Xiamen Chaoju Group in connection with the performance of the Exclusive Operation Services Agreement and provision of services. In addition, absent of a prior written consent of Xiamen Chaoju Group, during the term of the Exclusive Operation Services Agreement, the Registered Shareholders, Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar corporation relationships with any third party. Xiamen Chaoju Group has the right to, subject to the then PRC laws and upon issuing a written notice to the Registered Shareholders, Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management, appoint any third party to provide any or all of the services, or to fulfill its obligations under the Exclusive Operation Services Agreement. The Exclusive Operation Services Agreement shall become effective from September 30, 2020 and shall remain valid for three years and shall, subject to compliance with the Listing Rules, be automatically renewed for three years each time when its term ends, unless being terminated in accordance with the terms therein. According to the Exclusive Operation Services Agreement, unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreements (except Xiamen Chaoju Group) is entitled to unilaterally terminate the agreement. Furthermore, pursuant to the Exclusive Operation Services Agreement, it may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) Xiamen Chaoju Group or its designated person directly holds all the equity interests in Xiamen Xinkangnuo, and all of the Registered Shareholders' equity interests in Xiamen Xinkangnuo or all of the assets of Xiamen Xinkangnuo attributable to the Registered Shareholders are transferred to Xiamen Chaoju Group pursuant to applicable PRC laws and regulations, (iii) Xiamen Chaoju Group or its designated person directly holds all the equity interests in Xiamen Chaoju Hospital Management, and all of Xiamen Xinkangnuo's equity interests in Xiamen Chaoju Hospital Management or all of the assets of Xiamen Chaoju Hospital Management attributable to Xiamen Xinkangnuo are transferred to Xiamen Chaoju Group pursuant to applicable PRC laws and regulations or (iv) Xiamen Chaoju Group unilaterally terminates the agreement.

(2) Exclusive Option Agreements

On September 30, 2020, Xiamen Chaoju Group, the Registered Shareholders, Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management entered into exclusive option agreements (the "**Exclusive Option Agreements**").

Pursuant to the Exclusive Option Agreements, (i) each of the Registered Shareholders irrevocably and unconditionally grants an exclusive option to Xiamen Chaoju Group which entitles Xiamen Chaoju Group to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the equity interest in Xiamen Xinkangnuo itself or through its designated person(s), (ii) Xiamen Xinkangnuo irrevocably and unconditionally grants an exclusive option to Xiamen Chaoju Group which entitles Xiamen Chaoju Group to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of its 30% equity interest in Xiamen Chaoju Hospital Management itself or through its designated person(s), (iii) Xiamen Chaoju Hospital Management irrevocably and unconditionally grants an exclusive option to Xiamen Chaoju Medical Technology Group which entitles Xiamen Chaoju Group to elect to purchase at any time, when permitted by the then applicable PRC laws, 30% of all or part of the assets of Xiamen Chaoju Hospital Management attributable to Xiamen Xinkangnuo from Xiamen Chaoju Hospital Management itself or through its designated person(s), Xiamen Chaoju Group may appoint designated person(s) in its sole discretion when exercising its option. The transfer price of the relevant equity interests and assets shall be the minimum purchase price permitted under PRC law, and each of the Registered Shareholders, Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management undertakes that he/she/it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer of equity interests or assets to Xiamen Chaoju Group. The Registered Shareholders and Xiamen Xinkangnuo undertake to develop the business of Xiamen Chaoju Hospital Management and not to take any action which may affect its asset value, goodwill and effectiveness of business licenses. Furthermore, in the absence of prior written consent of Xiamen Chaoju Group, the Registered Shareholders and Xiamen Xinkangnuo shall not (i) transfer or otherwise dispose of any option under the Exclusive Option Agreements, or create any encumbrances thereon; and Xiamen Chaoju Hospital Management shall not assist in transferring or otherwise disposing of any option under the Exclusive Option Agreements, or creating any encumbrances thereon; and (ii) directly or indirectly (by itself or through the entrustment of any other natural person or legal person entity) carry out, own or acquire any business compete with or likely compete with the business of Xiamen Chaoju Group or the Group. In addition, the Registered Shareholders, Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management undertake that, upon Xiamen Chaoju Group issuing the notice to exercise the option in accordance with the Exclusive Option Agreements, they will implement necessary actions to affect the transfer and relinquish any pre-emptive right, if any. Each of the parties to the Exclusive Option Agreements confirms and agrees that (i) in the event of a dissolution or liquidation of Xiamen Chaoju Hospital Management under the PRC laws, all the residual assets which are attributable to Xiamen Xinkangnuo shall be transferred to Xiamen Chaoju Group or its designated person(s) at the minimum purchase price permitted under PRC laws, and each of Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management undertakes that it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer to Xiamen Chaoju Group or its designated person(s), (ii) in the event of bankruptcy, reorganization or merger of Xiamen Xinkangnuo, death or incapacity of the Registered Shareholders or any other event which causes changes to the Registered Shareholders' shareholding in Xiamen Xinkangnuo or Xiamen Xinkangnuo's shareholding in Xiamen Chaoju Hospital Management, (a) the successor of the Registered Shareholders' equity interest in Xiamen Xinkangnuo and the successor of Xiamen Xinkangnuo's equity interest in Xiamen Chaoju Hospital Management shall be bound by the Contractual Arrangements, and (b) any disposal of shareholding in Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management shall be governed by the Contractual Arrangements unless Xiamen Chaoju Group consents otherwise in writing.

The Exclusive Option Agreements shall become effective from September 30, 2020. The Exclusive Option Agreement has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Xiamen Chaoju Group) is entitled to unilaterally terminate the agreements.

Each of the Exclusive Option Agreements may only be terminated in the event that (i) continued performance of the obligations of the agreements will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) Xiamen Chaoju Group or its designated person directly holds all the equity interests in Xiamen Xinkangnuo, and all of the Registered Shareholders' equity interests in Xiamen Xinkangnuo or all of the assets of Xiamen Xinkangnuo attributable to the Registered Shareholders are transferred to Xiamen Chaoju Group pursuant to applicable PRC laws and regulations, (iii) Xiamen Chaoju Group or its designated person directly holds all the equity interests in Xiamen Chaoju Hospital Management, and all of Xiamen Xinkangnuo's equity interests in Xiamen Chaoju Hospital Management or all of the assets of Xiamen Chaoju Hospital Management attributable to Xiamen Xinkangnuo are transferred to Xiamen Chaoju Group pursuant to applicable PRC laws and regulations or (iv) Xiamen Chaoju Group unilaterally terminates the agreements.

The then PRC Legal Advisors of the Company advised the Company that the Exclusive Option Agreements are legal, valid and binding on the parties, except for the provisions that (i) an arbitral body may grant injunctive relief or directly issue liquidation order against Xiamen Chaoju Group, and (ii) interim remedies or enforcement order may be granted by overseas courts such as the courts of Hong Kong and the Cayman Islands, which may not be enforceable under PRC laws.

(3) Shareholders' Rights Entrustment Agreements and Powers of Attorney

On September 30, 2020, Xiamen Chaoju Group, Xiamen Xinkangnuo, the Registered Shareholders and Xiamen Chaoju Hospital Management entered into the shareholders' rights entrustment agreement (the "**Shareholders' Rights Entrustment Agreement**") and the powers of attorney executed by the Registered Shareholders and Xiamen Xinkangnuo (the "**Powers of Attorney**") in favor of Xiamen Chaoju Group (and its successors or liquidators) (the "**Attorney**").

Pursuant to the Shareholders' Rights Entrustment Agreements and the Powers of Attorney, (i) the Registered Shareholders irrevocably agree to authorize the Attorney to exercise all the shareholders' rights as a shareholder of Xiamen Xinkangnuo (as applicable), and (ii) Xiamen Xinkangnuo irrevocably agrees to authorize the Attorney to exercise all of its rights and powers of a shareholder of Xiamen Chaoju Hospital Management with 30% equity interest, including the rights to vote in a shareholders' meeting, sign minutes, and file documents with the relevant companies registry. As Xiamen Chaoju Group is a subsidiary of the Company, the terms of the Shareholders' Rights Entrustment Agreements and the Powers of Attorney will give the Company control over all corporate decisions of Xiamen Chaoju Hospital Management, and 100% equity interests of Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management.

Shareholders' Rights Entrustment Agreements shall become effective from September 30, 2020. Each of the Powers of Attorney has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Xiamen Chaoju Group) is entitled to unilaterally terminate it.

Each of the Shareholders' Rights Entrustment Agreements may only be terminated in the event that (i) continued performance of the obligations of the agreements will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) Xiamen Chaoju Group or its designated person directly holds all the equity interests in Xiamen Xinkangnuo, and all of the Registered Shareholders' equity interests in Xiamen Xinkangnuo or all of the assets of Xiamen Xinkangnuo attributable to the Registered Shareholders are transferred to Xiamen Chaoju Group pursuant to applicable PRC laws and regulations, (iii) Xiamen Chaoju Group or its designated person directly holds all the equity interests in Xiamen Chaoju Hospital Management, and all of Xiamen Xinkangnuo's equity interests in Xiamen Chaoju Hospital Management or all of the assets of Xiamen Chaoju Hospital Management attributable to Xiamen Xinkangnuo are transferred to Xiamen Chaoju Group pursuant to applicable PRC laws and regulations or (iv) Xiamen Chaoju Group unilaterally terminates the agreements.

(4) Equity Pledge Agreements

On September 30, 2020, Xiamen Xinkangnuo, Xiamen Chaoju Group, the Registered Shareholders and Xiamen Chaoju Hospital Management entered into equity pledge agreements (the "**Equity Pledge Agreements**"). Pursuant to the Equity Pledge Agreements, (i) the Registered Shareholders agree to pledge all of their respective equity interests in Xiamen Xinkangnuo, and (ii) Xiamen Xinkangnuo agrees to pledge all of its equity interests in Xiamen Chaoju Hospital Management to Xiamen Chaoju Group to secure performance of all their obligations and the obligations of Xiamen Chaoju Hospital Management under the Exclusive Option Agreements, the Shareholders' Rights Entrustment Agreements, the Powers of Attorney and the Equity Pledge Agreements underlying the Contractual Arrangements.

If Xiamen Chaoju Hospital Management and Xiamen Xinkangnuo declare any dividend during the term of the pledge, Xiamen Chaoju Group is entitled to receive all dividends or other income arising from the pledged equity interests, if any. In case of any breach of obligations by any of Xiamen Xinkangnuo, the Registered Shareholders and Xiamen Chaoju Hospital Management, Xiamen Chaoju Group, upon issuing a written notice to the Registered Shareholders or Xiamen Xinkangnuo, will be entitled to all remedies available in the Contractual Arrangements including but not limited to disposing of the pledged equity interests.

In addition, pursuant to the Equity Pledge Agreements, the Registered Shareholders and Xiamen Xinkangnuo undertake to Xiamen Chaoju Group, among other things, not to transfer their pledged equity interests and not to create or allow any pledge or encumbrance thereon that may affect the rights and interest of Xiamen Chaoju Group without its prior written consent. Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management undertake to Xiamen Chaoju Group, among other things, not to consent to any transfer the pledged equity interests or to create or allow any pledge or encumbrance thereon without Xiamen Chaoju Group's prior written consent.

The pledges in respect of Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management take effect upon the completion of registration with the relevant administration for industry and commerce and the Company has registered the equity pledges contemplated under the Equity Pledge Agreements with the relevant PRC legal authority pursuant to PRC laws and regulations.

The Equity Pledge Agreements became effective from September 30, 2020. Each of the Equity Pledge Agreements has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Xiamen Chaoju Group) is entitled to unilaterally terminate it.

Each of the Equity Pledge Agreements may only be terminated in the event that (i) continued performance of the obligations of the agreements will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) Xiamen Chaoju Group or its designated person directly holds all the equity interests in Xiamen Xinkangnuo, and all of the Registered Shareholders' equity interests in Xiamen Xinkangnuo or all of the assets of Xiamen Xinkangnuo attributable to the Registered Shareholders are transferred to Xiamen Chaoju Group pursuant to applicable PRC laws and regulations, (iii) Xiamen Chaoju Group or its designated person directly holds all the equity interests in Xiamen Chaoju Hospital Management, and all of Xiamen Xinkangnuo's equity interests in Xiamen Chaoju Hospital Management or all of the assets of Xiamen Chaoju Hospital Management attributable to Xiamen Xinkangnuo are transferred to Xiamen Chaoju Group pursuant to applicable PRC laws and regulations or (iv) Xiamen Chaoju Group unilaterally terminates the agreements.

(5) Spouse Undertakings

The spouses of each of the Registered Shareholders has signed an undertaking (the "**Spouse Undertakings**") to the effect that (i) the respective interests of the Registered Shareholders in Xiamen Xinkangnuo (together with any other interests therein) do not fall within the scope of joint possession, and (ii) each of the spouses has no right to or control over such interests of the respective persons and will not have any claim on such interests.

The then PRC Legal Advisors are of the view that (i) the above arrangements provide protection to the Group even in the event of death or divorce of the Registered Shareholders and (ii) the death or divorce of such shareholder would not affect the validity of the Contractual Arrangements, and Xiamen Chaoju Group or the Company can still enforce their right under the Contractual Arrangements against the Registered Shareholders and their successors.

Business Activities and Financial Contribution of the VIE Hospitals

The VIE Hospitals are principally engaged in providing ophthalmic medical services. The Group owns 70% equity interest in each of the VIE Hospitals and as a result of the Contractual Arrangements, the Group has obtained control of the remaining equity interest of the VIE Hospitals through Xiamen Xinkangnuo. As such, the Company is entitled to receive substantially all of the economic interest returns generated by the VIE Hospitals. The following table sets forth the revenue and assets of the VIE Hospitals subject to the Contractual Arrangements during the Reporting Period:

	For the year ended December 31, 2021		**As of December 31, 2021**	
	Revenue	**% of total revenue**	**Total assets**	**% of the total assets**
	(RMB in thousands, except percentages)			
VIE Hospitals	**866,349**	**86.8**	**711,628**	**28.4**

Governing Framework

On March 15, 2019, the National People's Congress (the "**NPC**") adopted the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**FIL**") at the closing meeting of the second session of the 13th SCNPC. The FIL took effect on January 1, 2020 and replaced the Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the law on Sino-Foreign Contractual Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Owned Enterprises of the PRC (《中華人民共和國外資企業法》), became the legal foundation for foreign investment in the PRC. On December 26, 2019, the General Office of the State Council promulgated the Regulations on the Implementation of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》) (the "**FIL Implementing Regulation**"), which came into effect on January 1, 2020.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by the Company in the form of the Contractual Arrangements, to establish control of Xiamen Chaoju Hospital Management and its subsidiaries operating in the PRC, through which the Group operates its business in the PRC. The FIL stipulates four forms of foreign investment, but does not mention concepts "actual control", nor does it explicitly stipulate the contractual arrangements as a form of foreign investment. Besides, it does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. Provided that no additional laws, administrative regulations, departmental rules or other regulatory documents on contractual arrangements has been issued and enacted, the coming into effect of the FIL does not, by itself, have any material adverse operational and financial impact on the legality and validity of the Company's Contractual Arrangements.

Furthermore, the FIL stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council". Although its implementing rules do not expressly stipulate the contractual arrangements as a form of foreign investment, there are possibilities that future laws, administrative regulations or provisions may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the VIE Hospitals will not be materially and adversely affected in the future due to changes in PRC laws and Regulations. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against the Group which may have a material adverse effect on the trading of the Shares.

Risks in relation to the Contractual Arrangements and Actions Taken to Reduce Risks

There are the certain risks that are associated with the Contractual Arrangements, including:

(1) If the PRC government finds that the Contractual Arrangements do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Group could be subject to penalties or be forced to relinquish the economic interests in those operations;

(2) Certain provisions in the Contractual Arrangements through which the Group is entitled to corresponding economic interests in its operations in China may not be enforceable under PRC laws;

(3) Substantial uncertainties exist with respect to the interpretation and implementation of the FIL, its implementation regulations and how they may impact the viability of the Group's current corporate structure, business, financial condition and results of operations;

(4) The Contractual Arrangements may not be as effective in securing full economic benefits from the Group's ophthalmic medical services business as direct ownership, and relevant parties may fail to perform their obligations under the Contractual Arrangements;

(5) The Registered Shareholders may potentially have a conflict of interest with the Group, which may materially and adversely affect the Group's business and operations;

(6) If the Group exercises the option to acquire the equity interest in Xiamen Xinkangnuo or Xiamen Chaoju Hospital Management, the equity transfer may subject the Group to certain limitations and substantial costs; and

(7) The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and any finding that the Group owes additional taxes could substantially reduce the Group's consolidated net income and the value of the Shares.

For details, please refer to the section headed "Risk Factors – Risks Relating to Our Corporate Structure and Contractual Arrangements" of the Prospectus.

The Group has adopted the following measures to ensure the effective operation with the implementation and compliance of the Contractual Arrangements:

(i) Major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(ii) The Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year; and

(iii) The Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports and interim reports to update the Shareholders and potential investors.

In addition, the Company believes that its Directors are able to perform their roles in the Group independently and the Group is capable of managing its business independently under the following measures:

(i) The decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, among others, that in the event of conflict of interest in any contract or transaction calling for vote, the Director who is so interested shall declare the nature of his or her interest at the earliest time before or at meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(ii) Each of the Directors is aware of his or her fiduciary duties as a Director which requires, among others, that he or she acts for the benefits and in the best interests of the Group;

(iii) The Company will appoint four independent non-executive Directors, comprising one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of the Company and the Shareholders as a whole; and

(iv) The Group will disclose in its announcements, circulars and annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

Listing Rules Implications and Waivers from the Stock Exchange

Mr. Zhang Bozhou, an executive Director, the chief executive officer and one of the Controlling Shareholders, Ms. Zhang Xiaoli, an executive Director and one of the Controlling Shareholders, Mr. Zhang Junfeng, an executive Director and one of the Controlling Shareholders, Mr. Zhang Fengsheng, one of the Controlling Shareholders, and Ms. Zhang Yumei, one of the Controlling Shareholders, are connected persons of the Company pursuant to the Rule 14A.07(1) of the Listing Rules. Therefore, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the legal structure and business of the Group, that such transactions have been and will be entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements related thereto or renewal of existing transactions, contracts and agreements to be entered into, among others, by the Registered Shareholders, Xiamen Xinkangnuo and any member of the Group (the "**New Intergroup Agreements**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that, given that the Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to the Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, announcement, circular and independent Shareholders' approval requirements.

In respect of the Contractual Arrangements, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange, subject however to the following conditions:

(i) No change to the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(ii) No change to the agreements governing the Contractual Arrangements will be made without the independent Shareholders' approval.

(iii) The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by Xiamen Xinkangnuo through (i) the Group's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the entire equity interests and assets of Xiamen Xinkangnuo and Xiamen Chaoju Hospital at a consideration which shall be the lowest price as permitted under applicable PRC laws, (ii) the business structure under which the profit generated by Xiamen Xikangnuo is substantially retained by the Group, such that no annual cap shall be set on the amount of service fees payable to Xiamen Chaoju Group by Xiamen Xinkangnuo under the Exclusive Operation Services Agreement, and (iii) the Group's right to control the management and operation of, as well as the substance of, all of the voting rights of Xiamen Chaoju Hospital Management and Xiamen Xinkangnuo.

(iv) On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between the Company and the subsidiaries in which the Company has direct shareholding, on one hand, Xiamen Xinkangnuo, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements.

(v) The Group will disclose details relating to the Contractual Arrangements on an on-going basis.

Annual Review by the Independent Non-executive Directors and the Auditors

The independent non-executive Directors, upon review of the overall performance of and compliance with the Contractual Arrangements, confirmed that:

(i) The transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(ii) No dividends or other distributions have been made by Xiamen Xinkangnuo to the holder of its equity interest which are not otherwise subsequently assigned or transferred to the Group;

(iii) No dividends or other distributions have been made by the Xiamen Chaoju Hospital Management to Xiamen Xinkangnuo which are not otherwise subsequently assigned or transferred to the Group; and

(iv) Any new contracts entered into, renewed or reproduced between the Group and Xiamen Xinkangnuo during the relevant financial period are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.

The independent auditors of the Group has carried out review procedures on the transactions carried out pursuant to the Contractual Arrangements from the Listing Date to December 31, 2021 and has provided a letter to the Board with a copy to the Stock Exchange confirming that:

(i) The transactions have received the approval of the Directors, have been entered into in accordance with the relevant Contractual Arrangements;

(ii) No dividends or other distributions have been made by Xiamen Xinkangnuo to the holder of its equity interest which are not otherwise subsequently assigned to the Group; and

(iii) No dividends or other distributions have been made by the Xiamen Chaoju Hospital Management to Xiamen Xinkangnuo which are not otherwise subsequently assigned or transferred to the Group.

Xiamen Xinkangnuo has undertaken that, for so long as the Shares are listed on the Stock Exchange, Xiamen Xinkangnuo will provide the Group's management and the Company's reporting accountants' full access to its relevant records for the purpose of their review of the continuing connected transactions.

Material Changes

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between the Group and the VIE Hospitals during the Reporting Period. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the Reporting Period.

During the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2021, the Company had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through its VIE Hospitals under the Contractual Arrangements.

Non-exempt One-off Connected Transactions

1. Chifeng Hospital Tenancy Agreement and Chifeng Chaoju Tenancy Agreement

On May 6, 2021, Chifeng Hospital (as lessee), a subsidiary of the Company, entered into the tenancy agreement with Baotou Chaoju (as sublessor), a company controlled by the Controlling Shareholders (the "**Chifeng Hospital Tenancy Agreement**"), pursuant to which Baotou Chaoju agreed to sub-lease No.96, North Road, Middle Section of Hada Street, Hongshan District, Chifeng City with a total gross floor area of 7,662.12 square meters (the "**Chifeng Hospital Premises**") to Chifeng Hospital.

On even date, Chifeng Chaoju Eyeglasses Co., Ltd. (as lessee), a subsidiary of the Company, entered into the tenancy agreement with Baotou Chaoju (as sublessor), a company controlled by the Controlling Shareholders (the "**Chifeng Chaoju Tenancy Agreement**"), pursuant to which Baotou Chaoju agreed to sub-lease No.96, North Road, Middle Section of Hada Street, Hongshan District, Chifeng City with a total gross floor area of 223.2 square meters (the "**Chifeng Chaoju Premises**") to Chifeng Chaoju Eyeglasses Co., Ltd.

The term of both Chifeng Hospital Tenancy Agreement and Chifeng Chaoju Tenancy Agreement is 5 years commencing from May 6, 2021 to May 6, 2026.

The annual rent payable by Chifeng Hospital is RMB2,880,000 and the annual rental payable by Chifeng Chaoju Eyeglasses Co., Ltd. is RMB223,200, which is determinable after arm's length negotiations based on the prevailing market rates no less favourable to those offered by Independent Third Parties for similar properties at comparable locations premises in the vicinity of the Chifeng Hospital Premises and the Chifeng Chaoju Premises, respectively. The rental shall be paid every 6 months respectively from the date of the Chifeng Hospital Tenancy Agreement and the Chifeng Chaoju Tenancy Agreement.

The value of the right-of-use assets to be recognized by the Group in respect of the lease of the Chifeng Hospital Premises under the Chifeng Hospital Tenancy Agreement and the lease of the Chifeng Chaoju Premises under the Chifeng Chaoju Tenancy Agreement amounted to approximately RMB10,538,430 and RMB803,929 respectively in accordance with IFRS 16.

The Group has historically been using the Chifeng Hospital Premises and the Chifeng Chaoju Premises for the operations of Chifeng Hospital and Chifeng Chaoju Eyeglasses Co., Ltd. Having considered that the rental of the Chifeng Hospital Premises under the Chifeng Hospital Tenancy Agreement and the Chifeng Chaoju Premises under the Chifeng Chaoju Tenancy Agreement being comparable to the prevailing market rates of comparable properties in the locality, and the additional renovation and associated costs which the Group may incur if the Group is to move out of the Chifeng Hospital Premises under the Chifeng Hospital Tenancy Agreement and the Chifeng Chaoju Premises under the Chifeng Chaoju Tenancy Agreement and relocate to other premises.

2. Baotou Hospital Tenancy Agreement

On December 7, 2021, Baotou Hospital (as lessee), a subsidiary of the Company, entered into the tenancy agreement with Baotou Chaoju (as lessor), a company controlled by the Controlling Shareholders (the "**Baotou Hospital Tenancy Agreement**"), pursuant to which Baotou Chaoju agreed to lease partial area on 1st Floor and 2nd Floor to 12th Floor, Shop 6, Wenming Road, Shahe Town, Jiuyuan District, Baotou City, Inner Mongolia with a total gross floor area of 15,710.15 square meters (the "**Baotou Hospital Premises**") to Baotou Hospital. The term of the Baotou Hospital Tenancy Agreement is 5 years commencing from January 1, 2022 to December 31, 2026.

The annual rent payable by Baotou Hospital is RMB6,388,000, which is determinable after arm's length negotiations between parties after taking into consideration the prevailing market rental for comparable premises in the vicinity of the Baotou Hospital Premises. The rental shall be paid in two instalments: (i) the first instalment being the rental for the period commencing from January 1, 2022 to December 31, 2024, in the amount of RMB19,164,000, shall be paid within ten days of the date of the Baotou Hospital Tenancy Agreement; and (ii) the second instalment being the rental for the period commencing from January 1, 2025 to December 31, 2026, in the amount of RMB12,776,000, shall be paid on or before December 31, 2024.

The value of the right-of-use assets to be recognized by the Group in respect of the lease of the Baotou Hospital Premises under the Baotou Hospital Tenancy Agreement amounted to approximately RMB29,762,712 in accordance with IFRS 16.

Baotou Hospital has been leasing the Baotou Hospital Premises from Baotou Chaoju for the provision of ophthalmic services since January 1, 2017. In order to continue the operations of Baotou Hospital, the Board considers the entering into of the Baotou Hospital Tenancy Agreement, which is the renewal of the existing tenancy agreement with Baotou Chaoju, to be commercially feasible and beneficial after taking into account (i) the expiration of the existing tenancy agreement on December 31, 2021; (ii) the rent under the Baotou Hospital Tenancy Agreement being comparable to the prevailing market rates of comparable properties in its vicinity; and (iii) the additional renovation and associated costs which the Group may incur if Baotou Hospital is to move out of the Premises and be relocated to another premises. Furthermore, the Board also considered that the relocation of Baotou Hospital to another premise may negatively impact the financial performance of the Group as a substantial portion of the Group's revenue is contributed by the Baotou Hospital.

Listing Rules Implications under the Chifeng Hospital Tenancy Agreement, Chifeng Chaoju Tenancy Agreement and Baotou Hospital Tenancy Agreement

Baotou Chaoju is controlled by the Controlling Shareholders and owned as to 30% by Mr. Zhang Bozhou (being one of the Controlling Shareholders and an executive Director), 30% by Ms. Zhang Xiaoli (being one of the Controlling Shareholders and an executive Director), 20% by Mr. Zhang Fengsheng (being one of the Controlling Shareholders) and 20% by Mr. Zhang Junfeng (being one of the Controlling Shareholders and an executive Director). Pursuant to Rule 14A.07 of the Listing Rules, Baotou Chaoju is an associate of the Controlling Shareholders and therefore a connected person of the Company. In accordance with IFRS 16 applicable to the Company, the transactions contemplated under the Chifeng Hospital Tenancy Agreement, Chifeng Chaoju Tenancy Agreement and Baotou Hospital Tenancy Agreement will be each recognized as an acquisition of right-of-use assets which will each constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Save as disclosed above, for the year ended December 31, 2021, there is no other related party transaction or continuing related party transaction set out in note 36 to the consolidated financial statements which constitutes connected transaction or continuing connected transaction under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules (as amended from time to time).

NON-COMPETITION UNDERTAKINGS

As disclosed in the Prospectus, the Group's Controlling Shareholders have executed the deed of non-competition (the "**Deed of Non-competition**") in favor of the Company on January 4, 2021. Pursuant to the Deed of Non-competition, the Controlling Shareholders and/or their respective close associates (other than members of the Group) have confirmed that as of the date of the Deed of Non-competition, neither of the Controlling Shareholders or their respective close associates (other than members of the Group) had, in any form, engaged in, assisted or supported any third party in the operation of, participated, or had any interest in, any business that, directly or indirectly, competes or will compete or may compete with the business carried on or contemplated to be carried on by any member of the Group from time to time, including ophthalmic services, and hospital management business.

Each of them has confirmed in writing to the Company of their compliance with the Deed of Non-competition for disclosure in this report during the year ended December 31, 2021. No new business opportunity was informed by them as of December 31, 2021.

The independent non-executive Directors have reviewed the implementation of the Deed of Non-competition and are of the view that the non-competition undertakings have been complied with for the year ended December 31, 2021.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed, no contract of significance, including for the provision of services, has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DONATIONS

During the Reporting Period, the Group made charitable and other donations totaling approximately RMB5.9 million for the year ended December 31, 2021.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2021, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

PERMITTED INDEMNITY PROVISIONS

In accordance with Article 192 of the Articles of Associations, the Directors and other officers shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has maintained directors' liability insurance to protect the Directors against any potential losses arising from his/her actual or alleged misconduct.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" in this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times during the period from the Listing Date to December 31, 2021 and as of the date of this report.

AUDIT COMMITTEE

The Audit Committee has, together with the management and auditor of the Company, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended December 31, 2021.

AUDITOR

The Company has appointed Ernst & Young as the auditor of the Company for the year ended December 31, 2021. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint Ernst & Young as the auditor of the Company.

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

By order of the Board
Zhang Bozhou
Chairman
PRC, March 28, 2022

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2021.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code as set out in Appendix 14 "Corporate Governance Code and Corporate Governance Report" to the Listing Rules as its own code of corporate governance. Effective from January 1, 2022, Appendix 14 has been renamed to "Corporate Governance Code" and the structure of Appendix 14 has been re-arranged (the "**Amended CG Code**"). Since the Listing Date and up to the date of this report, save for such provisions addressed below, the Company has complied with all applicable code provisions as set out in the CG Code.

On May 19, 2020, Mr. Zhang Bozhou was appointed as an executive Director, chairman of the Board and chief executive officer of the Company. Since then, Mr. Zhang Bozhou assumes the dual role as the chairman of the Board and the chief executive officer of the Company. Code provision A.2.1 of the CG Code (code provision C.2.1 under the Amended 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 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 Mr. Zhang Bozhou's 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 light of the above, the Board considers such structure will not impair the balance of power and authority between the Board and the management of the Group and the deviation from code provision A.2.1 of the CG Code (code provision C.2.1 under the Amended CG Code) is appropriate in the circumstances of the Group.

The Board will continue to review its corporate governance structure and practices from time to time and shall make necessary arrangement when the Board considers appropriate.

CORPORATE GOVERNANCE AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Corporate governance and ESG are intrinsically linked, both help us to retain a healthy business and also aid the Company's efforts to develop control mechanisms, promote satisfaction, appease stakeholders and shareholders and ultimately increase shareholder value.

The Group recognizes that implementing good corporate governance and maintaining sustainable growth is the key to success in the current competitive business environment. The Group is keen to monitor and respond to changes in its business and the external environment, the Group is also committed to maintain high standards of corporate governance for safeguarding the interests of the Shareholders and adopted various measures and procedures regarding the strengthening its management, cultivating organic growth and promoting environmental protection, occupational health and safety. The Company will issue separately an Environmental, Social and Governance Report which in line with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules. For further details, please refer to the Environmental, Social and Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors, senior management members, and employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code since the Listing Date and up to the date of this report. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management members or relevant employees of the Group since the Listing Date and up to the date of this report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Since May 19, 2020 and up to the date of this report, the chairman of the Board and the chief executive officer of the Company is Mr. Zhang Bozhou.

For further details on the compliance with code provision A.2.1 of the CG Code (code provision C.2.1 under the Amended CG Code), please refer to the section headed "Corporate Governance Practices" of this report.

THE BOARD

Board Composition

As of the date of this report, the Board comprises four executive Directors, four non-executive Directors and four independent non-executive Directors as follows:

Executive Directors

Mr. Zhang Bozhou *(Chairman and Chief Executive Officer)*
Ms. Zhang Xiaoli
Mr. Zhang Junfeng
Mr. Zhang Guangdi

Non-executive Directors

Mr. Ke Xian
Mr. Richard Chen Mao
Mr. Li Zhen
Ms. Zhang Wenwen

Independent Non-executive Directors

Mr. He Mingguang
Ms. Guo Hongyan
Mr. Li Jianbin
Mr. Bao Shan

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this report.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management" in this report, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive officer.

Independent Non-executive Directors

Since the Listing Date and up to the date of this report, the Board has at all times met the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Since the Listing Date and up to the date of this report, the Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

As each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules, the Company considers all of them to be independent.

Appointment, Resignation and Re-election of Directors

Details of the Directors' service contracts and letters of appointment are set out in the section headed "Directors' Report – Directors' Service Contracts and Letters of Appointment" in this report.

In accordance with Article 109(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

In accordance with Article 109(b) of the Articles of Association, the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Accordingly, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Richard Chen Mao and Mr. Li Zhen shall retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election at the AGM.

The Nomination Committee has reviewed and assessed the background, expertise, experience and time commitment of the retiring Directors according to the nomination policy of the Company, taking into account various aspects set out in the board diversity policy of the Company including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Nomination Committee has considered Ms. Zhang Xiaoli and Mr. Zhang Junfeng's rich experience in the daily management and operation of the Group, their working profiles and knowledge in business and general management. The Nomination Committee is satisfied that Ms. Zhang Xiaoli and Mr. Zhang Junfeng has performed their duties as executive Directors effectively. The Board is of the opinion that Ms. Zhang Xiaoli and Mr. Zhang Junfeng with their knowledge and experience will continue to bring valuable contribution to the Board.

The Nomination Committee has also considered Mr. Richard Chen Mao and Mr. Li Zhen's expertise in finance and investment and is of the view that such expertise will enhance the diversity of the skills and perspectives of the Board. The Board considers that Mr. Richard Chen Mao and Mr. Li Zhen have devoted sufficient time to perform their duties as a non-executive Director.

The Nomination Committee has nominated and the Board has recommended Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Richard Chen Mao and Mr. Li Zhen to stand for re-election at the AGM.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by managing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance cover to protect Directors from possible legal action against them.

Remuneration of Directors and Senior Management

The Company is not aware of any arrangement under which a director has waived or agreed to waive any emoluments.

Details of the remuneration of the members of the Board for the year ended December 31, 2021 are set out in note 9 to the consolidated financial statements in this report.

The remuneration of the senior management members of the Company by bands during the year ended December 31, 2021 are set out below:

Remuneration Bands	Number of individuals
HK$1,500,001 to HK$2,000,000	1
HK$2,500,001 to HK$3,000,000	2
HK$8,500,001 to HK$9,000,000	1

Continuous Professional Development of Directors

Directors shall keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

All Directors are provided with monthly regular giving a balanced and understandable assessment of the Group's performance, financial position and prospects to keep the Directors' abreast of the Group's affairs in order to discharge their duties. All Directors are also updated from time to time on major changes/material developments in the laws, rules and regulations applicable to the Company.

Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

For the year ended December 31, 2021, all Directors have been provided with the relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interests.

Name of Directors	Nature of Continuous Professional Development Programmes
Executive Directors	
Mr. Zhang Bozhou *(Chairman and Chief Executive Officer)*	A & B
Ms. Zhang Xiaoli	A & B
Mr. Zhang Junfeng	A & B
Mr. Zhang Guangdi	A & B
Non-executive Directors	
Mr. Ke Xian	A & B
Mr. Richard Chen Mao	A & B
Mr. Li Zhen	A & B
Ms. Zhang Wenwen	A & B
Independent Non-executive Directors	
Mr. He Mingguang	A & B
Ms. Guo Hongyan	A & B
Mr. Li Jianbin	A & B
Mr. Bao Shan	A & B

Notes:

A: Attending training relevant to the Company's business conducted by lawyers

B: Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve diversity of the Board through the consideration of a number of factors when selecting candidates to the Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service.

The Directors have a balanced mix of gender, knowledge and skills, including in management, strategic development, business development, sales, research and development, investment management, finance and risk management. The Directors also obtained degrees in various majors including clinical medicine, public health, business administration, financial management, finance, economics, accounting and laws. The Board Diversity Policy is well implemented as evidenced by the fact that there are three female and nine male Directors ranging from 29 years old to 61 years old with experiences from different industries and sectors.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy from time to time to ensure its continued effectiveness.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Stock Exchange and the Company and are available to Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" in this report.

Audit Committee

The Audit Committee was established by the Board with specific written terms of reference. The Audit Committee currently consists of Mr. Li Jianbin, Ms. Guo Hongyan and Mr. Bao Shan, being all the independent non-executive Directors and is chaired by Mr. Li Jianbin who possesses appropriate professional accounting qualification as required under the Listing Rules.

The principal duties of the Audit Committee include the following: to assist the Board in reviewing the financial statements, reports and accounts and considering any significant or unusual items raised by the external auditors, reviewing the compliance, accounting policies and financial reporting procedures, supervising the implementation of the internal audit system, advising on the appointment or replacement of external auditors, liaising between the internal audit department and external auditors and reviewing the adequacy and effectiveness of the Company's financial controls, risk management and internal control systems.

Since the Listing Date and up to December 31, 2021, the Audit Committee held two meetings and met the Company's external auditors to discuss and consider the following matters:

- reviewed the interim results and interim reports of the Company and its subsidiaries for the six months ended June 30, 2021 and the annual results and annual reports of the Company and its subsidiaries for the year ended December 31, 2021;
- reviewed the Company's annual audit plan and discussed with the external auditors the nature and scope of the audit and reporting obligations; and
- reviewed the financial control system, compliance procedures, risk management and internal control systems of the Company.

Remuneration Committee

The Remuneration Committee was established by the Board with specific written terms of reference. The Remuneration Committee currently consists of Mr. Bao Shan, Mr. Li Jianbin and Mr. Zhang Bozhou with Mr. Bao Shan acts as the chairman of the Remuneration Committee.

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of each Director and senior management, and the remuneration policy and structure for all Directors and senior management; reviewing and approving compensations payable to the Directors and senior management; reviewing the performance of the Directors and senior management; supervising the implementation of the remuneration policies of the Company; and approving the terms of executive Directors' service contracts.

Since the Listing Date and up to December 31, 2021, the Remuneration Committee held one meeting to discuss and consider the following matters:

- reviewed the remuneration policy and structure for all Directors and senior management; and
- reviewed the remuneration packages of individual executive directors and senior management.

Nomination Committee

The Nomination Committee was established by the Board with specific written terms of reference. The Nomination Committee currently consists of Mr. Zhang Bozhou, Mr. Bao Shan and Mr. He Mingguang with Mr. Zhang Bozhou acts as the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying qualified candidates to become Directors and senior management, making recommendations to the Board on the appointment and succession planning of Directors, monitoring the implementation of the Board Diversity Policy and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

The Board has adopted a nomination policy, pursuant to which the Nomination Committee shall assess the suitability and the potential contribution to the Board of a proposed candidate before making a recommendation to the Board. The nomination policy sets out the factors for assessment, including reputation for integrity, skills, qualification and experiences, commitment in respect of availability time and relevant interest; independence of proposed independent non-executive Directors (where applicable); and diversity in all aspects (such as professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service).

The Nomination Committee shall identify, consider and recommend to the Board appropriate candidates to serve as Directors and to make recommendations to the Shareholders. The ultimate responsibility for selection and appointment of Directors rests with the entire Board. The Nomination Committee may also actively communicate with the Company and understand the Company's true demand for management for the selection of candidates.

Since the Listing Date and up to December 31, 2021, the Nomination Committee held one meeting to review and assess the implementation of the Board Diversity Policy.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors.

The Board reviewed and monitored the Company's corporate governance policies and practices, the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and compliance manual applicable to employees and Directors, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORD OF THE BOARD AND BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

Code provision A.1.1 of the CG Code (code provision C.5.1 of the Amended CG Code) provides that board meetings should be held at least four times a year at approximately quarterly intervals. Since the Listing Date and up to December 31, 2021, two Board meetings were held.

The attendance records of each Director at the Board and Board Committee meetings of the Company held between the Listing Date and December 31, 2021 are set out in the table below:

Name of Directors	Attendance/Number of Meetings Board	 Audit Committee	 Remuneration Committee	 Nomination Committee
Executive Directors				
Mr. Zhang Bozhou *(Chairman and Chief Executive Officer)*	2	N/A	1	1
Ms. Zhang Xiaoli	2	N/A	N/A	N/A
Mr. Zhang Junfeng	2	N/A	N/A	N/A
Mr. Zhang Guangdi	2	N/A	N/A	N/A
Non-executive Directors				
Mr. Ke Xian	2	N/A	N/A	N/A
Mr. Richard Chen Mao	2	N/A	N/A	N/A
Mr. Li Zhen	2	N/A	N/A	N/A
Ms. Zhang Wenwen	2	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. He Mingguang	2	N/A	N/A	1
Ms. Guo Hongyan	2	2	N/A	N/A
Mr. Li Jianbin	2	2	1	N/A
Mr. Bao Shan	2	2	1	1

Since the Listing Date and up to December 31, 2021, the Chairman held a meeting with the independent non-executive Directors without the presence of other Directors.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended December 31, 2021.

The management has provided to the Board such explanations and information as are necessary to enable the Board to carry out an informed assessment of the Group's consolidated financial statements, which are put to the Board for approval. The Company provides all members of the Board with updates on the Group's performance, positions and prospects from time to time.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 79 to 80 of this report.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid to the external auditor of the Company, Ernst & Young, for the year ended December 31, 2021, is set out below:

Type of Services	**Amount** (RMB'000)
Audit services	1,780
Non-audit services	600
Total	**2,380**

The non-audit services for the year ended December 31, 2021 primarily consists of the service of reviewing the interim results for the six months ended June 30, 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

Responsibilities

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management and internal control systems to safeguard shareholder investments and the Company's assets, and the review of the effectiveness of such systems is conducted on an annual basis. The risk management and internal control system and procedures are designed to meet the specific business needs of the Group and minimize the Group's risk exposure, aiming to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatements or loss.

The key elements of the Group's risk management and internal control structure are as follows:

- Well-defined organizational structure with appropriate segregation of duties, limit of authority, reporting lines and responsibilities to minimize risk of errors and abuse;

- Clear and written policies and procedures have been established and regularly reviewed for major functions and operations;

- a sound risk management procedure, requiring all relevant departments to accurately identify, carefully assess, dynamically monitor and timely respond to risks within the scope of their duties, and perform their responsibility of risk control;

- Continuous monitoring of the key operating data and performance indicators, timely and up-to-date business and financial reporting, and taking immediate corrective actions where necessary; and

- Internal audit function to perform independent appraisal of major operations on a regular basis.

The Group's internal audit department plays a major role in monitoring the internal governance of the Company. The major tasks of the internal audit department are reviewing the financial condition and internal control of the Company and conducting comprehensive audits of all branches and subsidiaries of the Company on a regular basis. The review covers all material controls including financial, operational, compliance controls and risk management. Apart from regular reporting, any urgent matters in relation to the relevant areas of internal control will be reported in a timely manner. Review results and recommendations in the form of written reports are submitted to the Audit Committee for discussion and review. Follow up actions will be taken up by the internal audit department to ensure that material weaknesses previously identified have been properly resolved.

The Group has established rules regulating information disclosures which stipulates the handling and disclosure procedures of inside information. The Group uses annual reports, interim reports, and results announcements and other announcement as required by the Listing Rules to disclose information to investors and the public to ensure timely disclosure of information in accordance with the Listing Rules and SFO. The Group strictly prohibits unauthorized use or dissemination of confidential or inside information.

During the Reporting Period, the Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group and considered the risk management and internal control systems to be effective and adequate. The Group continuously reviews the effectiveness of the risk management and internal control systems, and adopted measures and procedures in various aspects, such as fund management, budget management, and market activities, to strengthen the effectiveness of the risk management and internal control systems.

COMPANY SECRETARY

Mr. Cheng Ching Kit, the company secretary of the Company, is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited, and is responsible for advising the Board on corporate governance matters and ensuring that the Board's policies and procedures, as well as the applicable laws, rules and regulations are followed. Mr. Cheng's primary corporate contact person at the Company is Mr. Zhang Bozhou, the chairman of the Board and the chief executive officer of the Company.

On August 27, 2021, Mr. Wang Weichao resigned as a joint company secretary. Upon Mr. Wang's resignation as a joint company secretary of the Company, the other joint company secretary of the Company, Mr. Cheng Ching Kit, who possesses the requisite qualification as required under Rule 3.28 of the Listing Rules, remains in office and acts as the company secretary of the Company.

During the year ended December 31, 2021, Mr. Cheng Ching Kit has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has established a shareholders' communication policy which will be reviewed on a regular basis to ensure its effectiveness.

DIVIDEND POLICY

Subject to the requirements of the Articles of Association, Cayman Islands Companies Act and other applicable laws and regulations, the Board has absolute discretion to recommend any dividend. The determination to pay dividends will be made at the discretion of the Board and will depend upon the Group's earnings and financial condition, operating requirements, capital requirements and any other conditions that the Directors may deem relevant. Future dividend payments will also depend upon the availability of dividends received from the operating subsidiaries of the Group in the PRC. It will continue to be reviewed by the Board from time to time and there can be no assurance that dividends will be paid in any particular amount, if at all, for any given period.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

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

Convening of extraordinary general meeting and putting forward proposals

In accordance with Article 64 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may put forward proposals for consideration at a general meeting of the Company according to Article 64 of the Articles of Association requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 64 are set out above.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Enquiries to the Board

Shareholders and investors who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at 24/F, East Zone, Block A, Shouke Building, No. 14 Yard, West 3rd Ring South Road, Fengtai District, Beijing, the PRC (email address: CJ@chaojueye.com).

Changes to the contact details above will be communicated through the Company's website at www.chaojueye.com, which also contains information and updates on the Group's business developments and operations, as well as press releases and financial information.

CONSTITUTIONAL DOCUMENTS

In preparation for the Listing, the Company has adopted the amended and restated Memorandum and Articles of Association pursuant to a special resolution passed at an extraordinary general meeting on June 12, 2021 which became effective on the Listing Date. Since then, the Company has not made any changes to its Memorandum and Articles of Association. An up-to-date version of the Company's Memorandum and Articles of Association is also available on the websites of the Company and of the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

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979 King's Road
Quarry Bay, Hong Kong

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To the shareholders of Chaoju Eye Care Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Chaoju Eye Care Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 81 to 167, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (CONTINUED)

Impairment assessment of goodwill	
Goodwill as at 31 December 2021 was RMB28,228,000. The impairment testing performed by management regarding various cash-generating units ("**CGUs**") involved significant judgement for the determination of the value in use of the CGUs. This is a key audit matter due to the magnitude, the complexity and the management's estimates involved in the impairment assessment. The accounting policies and the relevant disclosures are included in notes 2.4, 3 and 16 to the consolidated financial statements.	Our procedures in relation to the impairment assessment of goodwill included, but were not limited to: • Evaluated the models used in determining the value in use of the CGUs by comparison with market practice; • Evaluated the reasonableness of the key assumptions used in the impairment testing models by comparison with the historical performance and industry data; • Obtained management's sensitivity analysis over the key assumptions of the cash flow forecast to analyse the potential impact of a range of possible outcomes; and • Reviewed the disclosures of impairment assessment in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tsang Pang Sum, Joe.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**997,787**	794,282
Cost of sales		**(549,113)**	(444,762)
Gross profit		**448,674**	349,520
Other income and gains	6	**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	8	**(10,544)**	(12,747)
PROFIT BEFORE TAX	7	**210,582**	157,621
Income tax expenses	11	**(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)	13	**0.26**	0.23

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	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	**(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

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**305,151**	294,770
Right-of-use assets	15(a)	**180,753**	151,788
Goodwill	16	**28,228**	28,228
Intangible assets	17	**53,818**	56,476
Deferred tax assets	27	**5,729**	4,762
Prepayments, other receivables and other assets	21	**18,404**	11,493
Total non-current assets		**592,083**	547,517
CURRENT ASSETS			
Inventories	19	**34,900**	37,999
Trade receivables	20	**54,167**	62,037
Prepayments, other receivables and other assets	21	**29,021**	27,928
Due from related parties	36(b)	**19,164**	295
Financial assets at fair value through profit or loss	22	**520,043**	–
Cash and cash equivalents	23	**1,257,136**	413,246
Total current assets		**1,914,431**	541,505
CURRENT LIABILITIES			
Trade payables	24	**36,802**	39,291
Other payables and accruals	25	**120,373**	105,354
Other borrowings	26	**5,524**	6,000
Lease liabilities	15(b)	**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	26	**717**	678
Lease liabilities	15(b)	**131,699**	105,139
Deferred tax liabilities	27	**22,867**	20,204
Other payables and accruals	25	**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	28	**152**	93
Reserves	30	**2,106,065**	737,155
		2,106,217	737,248
Non-controlling interests		**22,189**	26,297
Total equity		**2,128,406**	763,545

Zhang Bozhou
Director

Zhang Guangdi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent							
	Share capital RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2020 and 1 January 2021	93	559,722	21,547	197	155,689	737,248	26,297	763,545
Profit for the year	–	–	–	–	161,749	161,749	(4,108)	157,641
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	–	–	–	(16,155)	–	(16,155)	–	(16,155)
Total comprehensive income for the year	–	–	–	(16,155)	161,749	145,594	(4,108)	141,486
Issuance of shares upon listing on the Stock Exchange of Hong Kong Limited (note 28)	33	1,324,982	–	–	–	1,325,015	–	1,325,015
Share-based payments (note 29)	–	–	11,360	–	–	11,360	–	11,360
Capital reserve converted into share capital (note 28)	26	(26)	–	–	–	–	–	–
Dividend (note 12)	–	–	–	–	(113,000)	(113,000)	–	(113,000)
At 31 December 2021	152	1,884,678*	32,907*	(15,958)*	204,438*	2,106,217	22,189	2,128,406

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent							
	Share capital RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 31 December 2019 and 1 January 2020	–	443,964	12,112	–	65,550	521,626	32,661	554,287
Profit for the year	–	–	–	–	124,139	124,139	(3,608)	120,531
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	–	–	–	197	–	197	–	197
Total comprehensive income for the year	–	–	–	197	124,139	124,336	(3,608)	120,728
Issue of share capital	93	115,958	–	–	–	116,051	–	116,051
Contributions by non-controlling shareholders	–	–	–	–	–	–	200	200
Share-based payments (note 29)	–	–	9,435	–	–	9,435	–	9,435
Disposal of a subsidiary (note 31)	–	–	–	–	–	–	(98)	(98)
Liquidation of a subsidiary	–	–	–	–	–	–	(3,028)	(3,028)
Acquisition of non-controlling interests (i)	–	(200)	–	–	–	(200)	170	(30)
Dividend (note 12)	–	–	–	–	(34,000)	(34,000)	–	(34,000)
At 31 December 2020	93	559,722*	21,547*	197*	155,689*	737,248	26,297	763,545

Notes:

(i) During the year ended 31 December 2020, the Group acquired the following non-controlling interests:

(a) On 30 June 2020, the Group further acquired a 1.82% interest in Hulunbuir Hospital and a 2.70% interest in Hulunbuir Optometry at nil cash consideration. The differences between the carrying amount of the interest and the consideration amounting to RMB258,000 and RMB7,000 were recognised in capital reserve, respectively.

(b) On 10 August 2020, the Group acquired a 9.68% interest in Baotou Amblyopia Recovery Center at a consideration of RMB30,000. The difference between the carrying amount of the 9.68% interest and the consideration amounting to negative RMB65,000 was recognised in capital reserve.

* These reserve accounts comprise the consolidated reserves of RMB2,106,065,000 (2020: RMB737,155,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**210,582**	157,621
Adjustments for:			
Finance costs	8	**10,544**	12,747
Fair value gains on financial assets at fair value through profit or loss	7	**(43)**	–
Foreign exchange differences, net	7	**(2,195)**	247
Interest income	6	**(8,326)**	(4,595)
Loss on disposal of items of property, plant and equipment, net	7	**37**	212
Loss on disposal of a subsidiary	7	**–**	390
Covid-19-related rent concessions from lessors	15(c)	**–**	(702)
Depreciation of property, plant and equipment	7, 14	**42,412**	39,805
Depreciation of right-of-use assets	7, 15(a)	**35,968**	32,588
Amortisation of intangible assets	7, 17	**5,142**	4,858
Impairment of trade receivables	7, 20	**6,575**	1,948
Impairment of other receivables	7, 21	**6,738**	5,379
Impairment of amounts due from related parties	7, 36(b)	**295**	4,838
Share-based payments	7, 29	**11,360**	9,435
		319,089	264,771
Decrease/(increase) in inventories		**3,099**	(1,958)
Decrease in trade receivables		**1,295**	7,804
(Increase)/decrease in prepayments, other receivables and other assets		**(13,596)**	2,426
Decrease in trade payables		**(2,489)**	(11,221)
Increase in other payables and accruals		**13,202**	13,898
(Increase)/decrease in amounts due from related parties		**(19,164)**	216
Decrease in amounts due to related parties		**–**	(5,192)
Decrease in restricted deposits		**–**	7,215
Cash generated from operations		**301,436**	277,959
Interest received		**8,326**	3,842
Interest paid		**(10,079)**	(10,587)
Income tax paid		**(50,289)**	(22,469)
Net cash flows from operating activities		**249,394**	248,745

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**–**	4,660
Increase of financial assets at fair value through profit or loss		**(520,000)**	–
Payments for acquisition of items of property, plant and equipment		**(57,728)**	(50,382)
Payments for acquisition of intangible assets		**(2,484)**	(2,202)
Proceeds from disposal of items of property, plant and equipment		**–**	589
Acquisition of subsidiaries		**–**	(4,043)
Disposal of a subsidiary	31	**–**	(25)
Decrease in prepayments, other receivables and other assets		**1,700**	500
Decrease in amounts due from related parties		**–**	15,449
Net cash flows used in investing activities		**(578,512)**	(35,454)
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of non-controlling interests		**–**	(44)
Proceeds from issue of share capital		**1,392,485**	116,051
Repayment of non-controlling interests		**–**	(3,028)
Contributions by non-controlling shareholders		**–**	200
Increase in interest-bearing bank and other borrowings		**–**	21,929
Repayment of interest-bearing bank and other borrowings		**(902)**	(87,469)
Repayment of amounts due to related parties		**–**	(14,123)
Principal portion of lease payments	15	**(28,210)**	(35,742)
Payments of listing expenses		**(63,405)**	(3,387)
Dividends paid		**(113,000)**	(34,000)
Net cash flows from/(used in) financing activities		**1,186,968**	(39,613)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**857,850**	173,678
Cash and cash equivalents at beginning of year		**413,246**	239,815
Effect of foreign exchange rate changes, net		**(13,960)**	(247)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,257,136**	413,246
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,257,136**	413,246
Cash and cash equivalents as stated in the consolidated statement of financial position and statement of cash flows		**1,257,136**	413,246

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 19 May 2020. The registered office address of the Company is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries are involved in the provision of in-patient services, out-patient services, and sales of optical products in the mainland of the People's Republic of China (the "**PRC**").

In the opinion of the directors, the controlling shareholders of the Group are Mr. Zhang Bozhou (together with Jutong Medical Management Co. Ltd), Ms. Zhang Xiaoli (together with Sihai Medical Management Co. Ltd), Mr. Zhang Junfeng (together with Guangming Medical Management Co. Ltd), Mr. Zhang Fengsheng (together with Xiwang Medical Management Co. Ltd), Ms. Zhang Yumei (together with Sitong Medical Management Co. Ltd) and Xiamen Juludazhou Equity Investment Partnership(Limited Partnership) (廈門聚鷺達洲股權投資合夥企業(有限合夥)) (being controlled by Mr. Zhang Bozhou as the sole general partner), who are the parties-acting-in-concert (collectively referred to as the "**Controlling Shareholders**").

Information About Subsidiaries

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

English name	Chinese name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Chaoju Medical Investment Limited	朝聚醫療投資有限公司	The BVI	USD1.00	100%	–	Investment holding company
Chaoju Eye Care (HK) Company Limited	朝聚眼科醫療(香港)有限公司	Hong Kong	HK$10,000	–	100%	Investment holding company
Xiamen Chaoju Medical Technology Group Co., Ltd. *^	廈門朝聚醫療科技集團有限公司	The PRC/ Mainland China	RMB1,388,000,000	–	100%	Investment holding company
Xiamen Xinkangnuo Management Consulting Co., Ltd. *	廈門信康諾管理諮詢有限公司	The PRC/ Mainland China	RMB85,000,000	–	100%	Investment holding company
Xiamen Chaoju Hospital Management Development Co., Ltd. *	廈門朝聚醫院管理發展有限公司	The PRC/ Mainland China	RMB193,277,310	–	70%	Investment management
Xiamen Chaoju Eye Optics Technology Development Co., Ltd. *	廈門朝聚眼視光科技發展有限公司	The PRC/ Mainland China	RMB100,000,000	–	100%	Investment management

1. CORPORATE INFORMATION (CONTINUED)

Information About Subsidiaries (Continued)

English name	Chinese name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xiamen Zhicheng Zhiyuan Medical Equipment Trading Co., Ltd. *	廈門至誠致遠醫療器械貿易有限公司	The PRC/ Mainland China	USD10,000,000	–	100%	Sale of equipment and optical products
Inner Mongolia Chuangjie Enterprise Operation Management Co., Ltd. *	內蒙古創杰企業運營管理有限公司	The PRC/ Mainland China	RMB50,000,000	–	100%	Ophthalmic hospital management
Tianjin Chaoju Yangguang Medical Instrument Trade Co., Ltd. *	天津朝聚陽光醫療器械貿易有限公司	The PRC/ Mainland China	RMB5,000,000	–	100%	Sale of equipment and optical products
Chaoju Medical Technology Co., Ltd. *	朝聚醫療科技有限公司	The PRC/ Mainland China	RMB135,294,117	–	100%	Investment management
Beijing Chaoju Investment Management Co., Ltd. *	北京朝聚投資管理有限公司	The PRC/ Mainland China	RMB30,000,000	–	100%	Investment management
Chaoju (Inner Mongolia) Eye Hospital Co., Ltd. *	朝聚(內蒙古)眼科醫院有限公司	The PRC/ Mainland China	RMB15,000,000	–	100%	Provision of ophthalmic service
Hohhot Chaoju Eye Hospital Co., Ltd. *	呼和浩特朝聚眼科醫院有限公司	The PRC/ Mainland China	RMB20,000,000	–	100%	Provision of ophthalmic service
Hohhot Chaoju Eyeglasses Co., Ltd. *	呼和浩特市朝聚眼視光矯治配鏡有限公司	The PRC/ Mainland China	RMB1,000,000	–	100%	Sale of eyewear and optical products
Baotou City Chaoju Eye Hospital Co., Ltd. *	包頭市朝聚眼科醫院有限公司	The PRC/ Mainland China	RMB16,880,000	–	100%	Provision of ophthalmic service
Baotou City Chaoju Optometry Correction Eyeglasses Co., Ltd. *	包頭市朝聚眼視光矯治配鏡有限公司	The PRC/ Mainland China	RMB1,000,000	–	100%	Sale of eyewear and optical products
Baotou City Kunlun Chaoju Eye Hospital Co., Ltd. *	包頭市昆侖朝聚眼科醫院有限責任公司	The PRC/ Mainland China	RMB4,000,000	–	100%	Provision of ophthalmic service
Baotou City Kunlun Chaoju Optometry Correction Eyeglasses Co., Ltd. *	包頭市昆侖朝聚眼視光矯治配鏡有限責任公司	The PRC/ Mainland China	RMB1,000,000	–	100%	Sale of eyewear and optical products
Baotou Amblyopia Recovery Center *	包頭市低視力康復中心	The PRC/ Mainland China	RMB310,000	–	100%	Amblyopia recovery
Baotou Donghe District Chaoju Optometry Co., Ltd. *	包頭市東河區朝聚驗光配鏡有限公司	The PRC/ Mainland China	RMB100,000	–	100%	Sale of eyewear and optical products

1. CORPORATE INFORMATION (CONTINUED)

Information About Subsidiaries (Continued)

English name	Chinese name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Wulanchabu City Chaoju Optometry Correction Eyeglasses Co., Ltd. *	烏蘭察布市朝聚眼視光矯治配鏡有限公司	The PRC/ Mainland China	RMB1,000,000	–	100%	Sale of eyewear and optical products
Chaoju (Wulanchabu) Eye Hospital Co., Ltd. *	朝聚(烏蘭察布)眼科醫院有限公司	The PRC/ Mainland China	RMB5,000,000	–	100%	Provision of ophthalmic service
Zhungeer Qi Chaoju Optometry Co., Ltd. *	准格爾旗朝聚驗光配鏡有限公司	The PRC/ Mainland China	RMB100,000	–	100%	Sale of eyewear and optical products
Tumote Youqi Chaoju Optometry Co., Ltd. *	土默特右旗朝聚驗光配鏡有限公司	The PRC/ Mainland China	RMB100,000	–	100%	Sale of eyewear and optical products
Chaoju (Chifeng) Eye Hospital Co., Ltd. *	朝聚(赤峰)眼科醫院有限公司	The PRC/ Mainland China	RMB15,500,000	–	100%	Provision of ophthalmic service
Chifeng Chaoju Eyeglasses Co., Ltd. *	赤峰朝聚眼鏡有限責任公司	The PRC/ Mainland China	RMB100,000	–	100%	Sale of eyewear and optical products
Chifeng City Yuanbaoshan District Chaoju Optometry Co., Ltd. *	赤峰市元寶山區朝聚驗光配鏡有限責任公司	The PRC/ Mainland China	RMB200,000	–	100%	Sale of eyewear and optical products
Chengde Chaoju Eye Hospital Co., Ltd. *	承德朝聚眼科醫院有限公司	The PRC/ Mainland China	RMB10,000,000	–	100%	Provision of ophthalmic service
Chengde Chaoju Trading Co., Ltd. *	承德朝聚商貿有限公司	The PRC/ Mainland China	RMB3,000,000	–	100%	Sale of eyewear and optical product
Tongliao Chaoju Eyeglasses Co., Ltd. *	通遼市朝聚眼鏡有限責任公司	The PRC/ Mainland China	RMB500,000	–	100%	Sale of eyewear and optical products
Tongliao Chaoju Eye Hospital Co., Ltd. *	通遼朝聚眼科醫院有限公司	The PRC/ Mainland China	RMB10,000,000	–	95%	Provision of ophthalmic service
Datong Chaoju Ankang Eye Hospital Co., Ltd. *	大同朝聚安康眼科醫院有限公司	The PRC/ Mainland China	RMB15,000,000	–	86.67%	Provision of ophthalmic service
Datong City Chaoju Eyeglasses Co., Ltd. *	大同市朝聚眼鏡有限公司	The PRC/ Mainland China	RMB1,000,000	–	100%	Sale of eyewear and optical products
Hulunbuir Chaoju Eye Hospital Co. Ltd. *	呼倫貝爾朝聚眼科醫院有限公司	The PRC/ Mainland China	RMB22,000,000	–	86.05%	Provision of ophthalmic service
Hulunbuir City Chaoju Optometry Co. Ltd. *	呼倫貝爾市朝聚眼視光有限公司	The PRC/ Mainland China	RMB500,000	–	97.30%	Sale of eyewear and optical products

1. CORPORATE INFORMATION (CONTINUED)

Information About Subsidiaries (Continued)

English name	Chinese name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Dalate Qi Chaoju Optometry Co., Ltd. *	達拉特旗朝聚驗光配鏡有限公司	The PRC/ Mainland China	RMB100,000	–	100%	Sale of eyewear and optical products
Dalate Qi Chaoju Eye Hospital Co., Ltd. *	達拉特旗朝聚眼科醫院有限責任公司	The PRC/ Mainland China	RMB4,000,000	–	100%	Provision of ophthalmic service
Wengniuteqi Chaoju Optometry Optician Co., Ltd. *	翁牛特旗朝聚驗光配鏡有限責任公司	The PRC/ Mainland China	RMB200,000	–	100%	Sale of eyewear and optical products
Xilinhaote City Chaoju Optometry Correction Eyeglasses Co., Ltd. *	錫林浩特市朝聚眼視光矯治配鏡有限公司	The PRC/ Mainland China	RMB1,000,000	–	100%	Sale of eyewear and optical products
Xilinhaote City Chaoju Eye Hospital Co., Ltd. *	錫林浩特市朝聚眼科醫院有限責任公司	The PRC/ Mainland China	RMB6,130,000	–	100%	Provision of ophthalmic service
Keshiketeng Qi Chaoju Eye Optical Clinic Co., Ltd. *	克什克騰旗朝聚眼科視光門診有限公司	The PRC/ Mainland China	RMB1,600,000	–	70%	Sale of eyewear and optical products
Hangzhou Chaoju Optical Eyeglasses Co., Ltd. *	杭州朝聚光學眼鏡有限公司	The PRC/ Mainland China	RMB500,000	–	100%	Sale of eyewear and optical products
Hangzhou Chaoju Optometry Hospital Co., Ltd. *	杭州朝聚眼視光醫院有限公司	The PRC/ Mainland China	RMB10,000,000	–	100%	Provision of ophthalmic service
Zhoushan Chaoju Eye Hospital Co., Ltd. *	舟山朝聚眼科醫院有限公司	The PRC/ Mainland China	RMB5,000,000	–	80%	Sale of eyewear and optical products
Zhejiang Chaoju Hezhong Investment Management Co., Ltd. *	浙江朝聚和眾投資管理有限公司	The PRC/ Mainland China	RMB100,000,000	–	100%	Investment management
Ningbo Boshi Eye Hospital Co., Ltd. *	寧波博視眼科醫院有限公司	The PRC/ Mainland China	RMB26,000,000	–	63%	Provision of ophthalmic service
Ninghai Eye Hospital Co., Ltd. *	寧海眼科醫院有限公司	The PRC/ Mainland China	RMB23,000,000	–	65%	Provision of ophthalmic service
Xiangshan Ren Ming Eye Hospital Co., Ltd. *	象山仁明眼病醫院有限公司	The PRC/ Mainland China	RMB12,000,000	–	55%	Provision of ophthalmic service
Jiaxing Chaoju Eye Hospital Co., Ltd. *	嘉興朝聚眼科醫院有限公司	The PRC/ Mainland China	RMB10,000,000	–	100%	Provision of ophthalmic service
Jiaxing City Chaoju Hospital Management Consulting Co., Ltd. *	嘉興市朝聚醫院管理諮詢有限責任公司	The PRC/ Mainland China	RMB500,000	–	100%	Hospital management consulting

1. CORPORATE INFORMATION (CONTINUED)

Information About Subsidiaries (Continued)

English name	Chinese name	Place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jiangsu Chaoju Investment Management Co., Ltd. *	江蘇朝聚投資管理有限公司	The PRC/ Mainland China	RMB50,000,000	–	100%	Investment management
Sihong Chaoju Optical Eyeglasses Co., Ltd. *	泗洪縣朝聚視光配鏡有限公司	The PRC/ Mainland China	RMB300,000	–	100%	Sale of eyewear and optical products
Sihong Chaoju Eye Hospital Co., Ltd. *	泗洪朝聚眼科醫院有限公司	The PRC/ Mainland China	RMB10,000,000	–	100%	Provision of ophthalmic service
Siyang Chaoju Eyeglasses Co., Ltd. *	泗陽朝聚眼鏡有限公司	The PRC/ Mainland China	RMB500,000	–	100%	Sale of eyewear and optical products
Siyang Chaoju Eye Hospital Co., Ltd. *	泗陽朝聚眼科醫院有限公司	The PRC/ Mainland China	RMB10,000,000	–	100%	Provision of ophthalmic service
Ningbo Shipu Chaoju Renming Eye Clinic Co., Ltd. *#	寧波石浦朝聚仁明眼科診所有限公司	The PRC/ Mainland China	RMB1,000,000	–	100%	Provision of ophthalmic service
Zhoushan Chaoju Eye Hospital Co., Ltd. *#	舟山朝聚眼科醫院有限公司	The PRC/ Mainland China	RMB14,000,000	–	100%	Provision of ophthalmic service
Tumote Youqi Chaoju Eye Hospital Co., Ltd. *#	土默特右旗朝聚眼科醫院有限公司	The PRC/ Mainland China	RMB7,000,000	–	100%	Provision of ophthalmic service
Hohhot Chaoju Optical Eyeglasses Co., Ltd. *#	呼和浩特朝聚光學眼鏡有限公司	The PRC/ Mainland China	RMB1,000,000	–	100%	Sale of eyewear and optical products

* The names of these companies referred to in this report represent management's best effort in translating the Chinese names of the companies registered in Mainland China, as no English names have been registered. Except for Baotou Amblyopia Recovery Center, which is a not-for-profit optical center, other companies incorporated in Mainland China are registered as limited liability companies under PRC laws.

^ Xiamen Chaoju Medical Technology Group Co., Ltd. is registered as a foreign-owned enterprise under PRC laws.

\# These subsidiaries were newly established during the year.

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

2.1 BASIS OF 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.

2.2 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.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-Current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

Amendments to IFRS 3: *Reference to the Conceptual Framework*

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1: *Classification of Liabilities as Current or Non-Current*

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies*

Amendments to IAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to IAS 8: *Definition of Accounting Estimates*

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

Amendments to IAS 16: *Property, Plant and Equipment: Proceeds before Intended Use*

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37: *Onerous Contracts – Cost of Fulfilling a Contract*

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018-2020: Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

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

Categories	Estimated useful life	Annual rates
Buildings	30 years	3%
Leasehold improvements	3-10 years	10%-33%
Medical equipment	5-10 years	10%-19%
Motor vehicles	8 years	12%
Office equipment	3-5 years	19%-32%

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

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

Software

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

Medical licences

Medical licences acquired in a business combination are recognised at fair value at the acquisition date. These medical licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of 15 years. In considering the estimated useful lives, renewal periods are considered only if there is evidence to support renewal by the Group without significant cost.

Leases

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

Group as a lessee

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

(a) Right-of-use assets

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

Buildings	2 to 20 years

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

(b) Lease liabilities

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

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

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Investments and other financial assets

Initial recognition and measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Initial recognition and measurement (continued)

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

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

Derecognition of financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Derecognition of financial assets (continued)

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

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

Impairment of financial assets

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

General approach

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Impairment of financial assets (continued)

General approach (continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

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

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings, amounts due to related parties and lease liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of certain medical consumables is determined using the individual valuation method, and the cost of other inventories is determined using the weighted average method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

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

The Group's revenue is primarily derived from providing in-patient services, out-patient services and sales of optical products.

- *In-patient services*
  Revenue from the provision of in-patient services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group.

- *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*
  The Group sells optical products to third parties, and revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract liabilities

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

Share-based payments

The Company operates share-based payments for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a discounted cash flow method to determine the equity fair value of the Company and adopted the equity allocation model to determine the fair value of the underlying ordinary shares, taking into account the terms and conditions upon which the shares were granted, further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss and other comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

The functional currency of an overseas subsidiary is a currency other than RMB. As at the end of the reporting period, the assets and liabilities of the entity are translated into RMB at the exchange rates prevailing at the end of the reporting period and the statement of profit or loss is translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Assessment of control over a not-for-profit hospital founded by the Group

On 31 December 2019, the Group made a capital contribution to Baotou Amblyopia Recovery Center, a not-for-profit hospital founded by one of the ultimate shareholders, Mr. Zhang Bozhou, and has become the controlling shareholder. The Group has entered into agreements with the hospital, pursuant to which the Group obtains contractual rights to provide management services by the hospital for 15 years and is entitled to receive income-based management fees for the period. All the three directors of the council and other main staff are appointed by the Group.

The Group has exercised significant judgements in determining whether the Group has control over the hospital. In exercising such judgement, the Group considers whether the rights of the Group give the current ability to direct the relevant activities, whether rights exercisable by other parties as internal governance body members are substantive, whether the Group is exposed, or has rights, to variable returns from its involvement with the hospital, and whether the Group has the ability to use its power over the hospital to affect the amount of returns. After assessment, management has concluded that the Group has the decision-making power over the internal governance body of the hospital to direct the relevant activities of the hospital, so the Group has control over and thus has consolidated the hospital.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was RMB28,228,000. Further details are given in note 16.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade receivables and other receivables

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2021 was RMB317,000. The amount of unrecognised tax losses at 31 December 2021 was RMB115,366,000. Further details are contained in note 27 to the financial statements.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimation of fair value requires the determination of the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires the determination of the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. Details of share-based payments are contained in note 29 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

Estimated useful lives and impairment of medical licenses

Determination of the fair value of medical licenses requires the use of significant judgements and assumptions on estimating the compound growth rate, the long-term revenue growth rate, the discount rate, financial forecast and useful lives of medical licenses.

The Group's management determines the estimated useful lives, residual values and the amortisation method in determining the related amortisation charges for its medical licenses. This estimate is based on management's best estimate of the useful lives of medical licenses of similar nature and functions. Management will increase the amortisation charge where the economic useful lives are estimated to be shorter than originally expected or will write off or write down the carrying value of the items. Actual economic useful lives may differ from estimated economic useful lives. Periodic review could result in a change in the amortisation period and therefore amortisation charge in the future periods.

In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of medical licenses may not be recoverable. When the recoverable amounts of medical licenses differ from the original estimates, adjustment will be made and recognised in the period in which such event takes place.

4. 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.

5. REVENUE

An analysis of revenue is as follows:

	2021 **RMB'000**	2020 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

5. REVENUE (CONTINUED)

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

	2021 RMB'000	2020 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 RMB'000	2020 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 RMB'000	2020 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

5. REVENUE (CONTINUED)

(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.

6. OTHER INCOME AND GAINS

	2021 **RMB'000**	2020 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

7. PROFIT BEFORE TAX

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

	Notes	**2021 RMB'000**	2020 RMB'000
Cost of sales		**549,113**	444,762
Depreciation of property, plant and equipment	14	**42,412**	39,805
Depreciation of right-of-use assets	15(a)	**35,968**	32,588
Amortisation of intangible assets	17	**5,142**	4,858
Lease payments not included in the measurement of lease liabilities	15(c)	**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	29	**11,360**	9,435
Total employee benefit expense		**271,723**	204,253
Impairment of trade receivables, net	20	**6,575**	1,948
Impairment of other receivables, net	21	**6,738**	5,379
Impairment of amounts due from related parties, net	36(b)	**295**	4,838
Interest income	6	**(8,326)**	(4,595)
Fair value gains on financial assets at fair value through profit or loss		**(43)**	–
Government grants	6	**(2,281)**	(1,531)
Loss on disposal of items of property, plant and equipment, net		**37**	212
Loss on disposal of a subsidiary	31	**–**	390
Foreign exchange differences, net	6	**(2,195)**	247

8. FINANCE COSTS

An analysis of finance costs is as follows:

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

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2021 RMB'000	2020 RMB'000
Fees	**1,216**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**2,885**	2,617
Performance related bonuses	**950**	617
Pension scheme contributions	**110**	8
	5,161	3,242

(a) Independent non-executive directors

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

	2021 RMB'000	2020 RMB'000
Mr. He Mingguang	**304**	–
Ms. Guo Hongyan	**304**	–
Mr. Li Jianbin	**304**	–
Mr. Bao Shan	**304**	–
	1,216	–

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

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

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2021				
Executive directors				
Mr. Zhang Bozhou	512	830	37	1,379
Ms. Zhang Xiaoli	1,440	25	–	1,465
Mr. Zhang Junfeng	334	–	37	371
Mr. Zhang Guangdi	599	95	36	730
	2,885	950	110	3,945
Non-executive directors				
Mr. Li Zhen	–	–	–	–
Mr. Richard Chen Mao	–	–	–	–
Mr. Ke Xian	–	–	–	–
Ms. Zhang Wenwen	–	–	–	–
	2,885	950	110	3,945

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

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

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2020				
Executive directors				
Mr. Zhang Bozhou	495	590	–	1,085
Ms. Zhang Xiaoli	1,241	–	–	1,241
Mr. Zhang Junfeng	325	–	3	328
Mr. Zhang Guangdi	170	27	1	198
Mr. Zhang Fengsheng	386	–	4	390
	2,617	617	8	3,242
Non-executive directors				
Mr. Li Zhen	–	–	–	–
Mr. Richard Chen Mao	–	–	–	–
Mr. Ke Xian	–	–	–	–
Ms. Zhang Wenwen	–	–	–	–
	2,617	617	8	3,242

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2020:nil), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining five (2020: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**6,430**	3,928
Performance related bonuses	**2,391**	1,412
Share-based payments	**7,005**	5,633
Pension scheme contributions	**158**	11
	15,984	10,984

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

	Number of employees	
	2021	2020
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**–**	2
HK$2,500,001 to HK$3,000,000	**4**	–
HK$6,000,001 to HK$6,500,000	**–**	1
HK$8,500,001 to HK$9,000,000	**1**	–
	5	4

During the year and in prior years, share-based payments were granted to five (2020: four) non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of share-based payments, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

11. INCOME TAX EXPENSES

Pursuant to Caishui [2020] No.23 "Announcement Regarding Continuation of Corporate Tax Policies for the Development of the Western Region" (關於延續西部大開發企業所得稅政策的公告), certain subsidiaries operated in the western region of Mainland China are entitled to a preferential corporate income tax rate of 15%, provided that the main business of the subsidiaries belongs to the encouraged projects stipulated in the Catalogue of Encouraged Industries in the Western Region, and such main business income accounts for more than 60% of the total income of the subsidiaries.

Pursuant to Caishui [2021] No.12 "Announcement on the Implementation of Preferential Income Tax Policies for Small Meagre-profit Enterprises" (關於實施小微企業和個體工商戶所得稅優惠政策的公告), certain subsidiaries whose annual taxable income does not exceed RMB1,000,000, taxable income is reduced to 12.5%, subject to income tax at a rate of 20%; for the portion of taxable income exceeding RMB1,000,000 but not exceeding RMB3,000,000, 50% of taxable income is deducted, and the income tax is paid at the rate of 20%.

Under the relevant PRC Corporate Income Tax Law and the respective regulations, except for the preferential treatments available to certain subsidiaries as mentioned above, other subsidiaries within the Group were subject to corporate income tax at the statutory rate of 25%.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the year and prior year.

	2021 **RMB'000**	2020 RMB'000
Current – Mainland China		
Charge for the year	**51,245**	31,126
Deferred (note 27)	**1,696**	5,964
Total tax charge for the year	**52,941**	37,090

11. INCOME TAX EXPENSES (CONTINUED)

A reconciliation of the tax expenses applicable to profit before tax at the applicable tax rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expenses at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2021 **RMB'000**	2020 RMB'000
Profit before tax	**210,582**	157,621
Tax at the statutory tax rate	**52,646**	39,405
Lower tax rates for specific provinces or enacted by local authority	**(21,578)**	(18,373)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	**3,949**	7,000
Expenses not deductible for tax	**9,629**	5,975
Tax losses utilised from previous periods	**(1,736)**	(5,047)
Tax losses not recognised	**8,074**	5,606
Deductible temporary differences not recognised	**1,957**	2,524
Tax charge at the Group's effective rate	**52,941**	37,090

12. DIVIDENDS

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

	2021 **HK$'000**	2020 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 2021 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. 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

14. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2021

	Buildings RMB'000	Leasehold improvements RMB'000	Medical equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2021:							
Cost	39,259	124,985	220,600	12,796	15,534	47,787	460,961
Accumulated depreciation	(2,131)	(76,403)	(72,305)	(5,264)	(10,088)	–	(166,191)
Net carrying amount	37,128	48,582	148,295	7,532	5,446	47,787	294,770
At 1 January 2021, net of accumulated depreciation	37,128	48,582	148,295	7,532	5,446	47,787	294,770
Additions	–	8,355	41,602	1,635	1,238	–	52,830
Disposals	–	–	(35)	–	(2)	–	(37)
Depreciation provided during the year	(1,243)	(11,130)	(25,901)	(1,749)	(2,389)	–	(42,412)
At 31 December 2021, net of accumulated depreciation	35,885	45,807	163,961	7,418	4,293	47,787	305,151
At 31 December 2021:							
Cost	39,259	133,340	262,137	14,431	16,763	47,787	513,717
Accumulated depreciation	(3,374)	(87,533)	(98,176)	(7,013)	(12,470)	–	(208,566)
Net carrying amount	35,885	45,807	163,961	7,418	4,293	47,787	305,151

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2020

	Buildings RMB'000	Leasehold improvements RMB'000	Medical equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2020:							
Cost	39,259	122,318	201,347	12,616	15,206	47,787	438,533
Accumulated depreciation	(888)	(65,210)	(51,945)	(3,811)	(7,573)	–	(129,427)
Net carrying amount	38,371	57,108	149,402	8,805	7,633	47,787	309,106
At 1 January 2020, net of accumulated depreciation	38,371	57,108	149,402	8,805	7,633	47,787	309,106
Additions	–	2,667	23,251	449	375	–	26,742
Disposals	–	–	(696)	(101)	(4)	–	(801)
Disposal of a subsidiary (note 31)	–	–	(470)	–	(2)	–	(472)
Depreciation provided during the year	(1,243)	(11,193)	(23,192)	(1,621)	(2,556)	–	(39,805)
At 31 December 2020, net of accumulated depreciation	37,128	48,582	148,295	7,532	5,446	47,787	294,770
At 31 December 2020:							
Cost	39,259	124,985	220,600	12,796	15,534	47,787	460,961
Accumulated depreciation	(2,131)	(76,403)	(72,305)	(5,264)	(10,088)	–	(166,191)
Net carrying amount	37,128	48,582	148,295	7,532	5,446	47,787	294,770

15. LEASES

The Group as a lessee

The Group leases certain buildings under operating lease arrangements with leases negotiated for terms ranging from 2 to 20 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) ***Right-of-use assets***

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

	2021 **RMB'000**	2020 RMB'000
Carrying amount as at the beginning of the year	**151,788**	187,511
Additions	**55,242**	1,362
Depreciation charge	**(35,968)**	(32,588)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**9,691**	(4,497)
Carrying amount as at the end of the year	**180,753**	151,788

(b) ***Lease liabilities***

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

	2021 **RMB'000**	2020 RMB'000
Carrying amount as at the beginning of the year	**135,683**	175,262
New leases	**55,242**	1,362
Accretion of interest recognised during the year	**10,079**	10,587
Payments	**(38,289)**	(46,329)
Covid-19-related rent concessions from lessors	**–**	(702)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**9,691**	(4,497)
Carrying amount as at the end of the year	**172,406**	135,683
Analysed into:		
Current portion	**40,707**	30,544
Non-current portion	**131,699**	105,139

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

15. LEASES (CONTINUED)

The Group as a lessee (Continued)

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

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**10,079**	10,587
Depreciation charge of right-of-use assets	**35,968**	32,588
Expense relating to short-term leases	**911**	1,172
Covid-19-related rent concessions from lessors	**–**	(702)
Amount recognised in profit or loss	**46,958**	43,645

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in note 32(c) to the financial statements.

16. GOODWILL

	RMB'000
Cost and net carrying amount at 1 January 2021 and 31 December 2021	28,228

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units ("**CGUs**") for impairment testing:

- Ningbo Boshi Eye Hospital Co., Ltd. cash-generating unit;
- Ninghai Eye Hospital Co., Ltd. cash-generating unit; and
- Xiangshan Ren Ming Eye Hospital Co., Ltd. cash-generating unit.

Ningbo Boshi Eye Hospital Co., Ltd. cash-generating unit

The recoverable amount of the Ningbo Boshi Eye Hospital Co., Ltd. cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. As at the end of the year, the pre-tax discount rate applied to the cash flow projections is 17.32% (2020: 17.28%). The growth rate used to extrapolate the cash flows of the Ningbo Boshi Eye Hospital Co., Ltd. cash-generating unit beyond the five-year period is 3% (2020: 3%).

Ninghai Eye Hospital Co., Ltd. cash-generating unit

The recoverable amount of the Ninghai Eye Hospital Co., Ltd. cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. As at the end of the year, The pre-tax discount rate applied to the cash flow projections is 16.77% (2020: 16.76%). The growth rate used to extrapolate the cash flows of the Ninghai Eye Hospital Co., Ltd. cash-generating unit beyond the five-year period is 3% (2020: 3%).

16. GOODWILL (CONTINUED)

Impairment testing of goodwill (Continued)

Xiangshan Ren Ming Eye Hospital Co., Ltd. cash-generating unit

The recoverable amount of the Xiangshan Ren Ming Eye Hospital Co., Ltd. cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. As at the end of the year, The pre-tax discount rate applied to the cash flow projections is 17.43% (2020: 17.32%). The growth rate used to extrapolate the cash flows of the Xiangshan Ren Ming Eye Hospital Co., Ltd. cash-generating unit beyond the five-year period is 3% (2020: 3%).

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2021 **RMB'000**	2020 RMB'000
Ningbo Boshi Eye Hospital Co., Ltd.	**8,718**	8,718
Ninghai Eye Hospital Co., Ltd.	**6,360**	6,360
Xiangshan Ren Ming Eye Hospital Co., Ltd.	**13,150**	13,150
	28,228	28,228

Assumptions were used in the value in use calculation of the Ningbo Boshi Eye Hospital Co., Ltd., Ninghai Eye Hospital Co., Ltd. and Xiangshan Ren Ming Eye Hospital Co., Ltd. cash-generating units for 31 December 2021 and 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development of ophthalmic services, discount rates and raw materials price inflation are consistent with external information sources.

17. INTANGIBLE ASSETS

As at 31 December 2021

	Software RMB'000	Medical licenses RMB'000	Total RMB'000
At 1 January 2021:			
Cost	7,238	63,300	70,538
Accumulated amortisation	(1,633)	(12,429)	(14,062)
Net carrying amount	5,605	50,871	56,476
At 1 January 2021, net of accumulated amortisation	5,605	50,871	56,476
Additions	2,484	–	2,484
Amortisation provided during the year	(922)	(4,220)	(5,142)
At 31 December 2021, net of accumulated amortisation	7,167	46,651	53,818
At 31 December 2021:			
Cost	9,722	63,300	73,022
Accumulated amortisation	(2,555)	(16,649)	(19,204)
Net carrying amount	7,167	46,651	53,818

17. INTANGIBLE ASSETS (CONTINUED)

As at 31 December 2020

	Software RMB'000	Medical licenses RMB'000	Total RMB'000
At 1 January 2020:			
Cost	5,036	63,300	68,336
Accumulated amortisation	(995)	(8,209)	(9,204)
Net carrying amount	4,041	55,091	59,132
At 1 January 2020, net of accumulated amortisation	4,041	55,091	59,132
Additions	2,202	–	2,202
Amortisation provided during the year	(638)	(4,220)	(4,858)
At 31 December 2020, net of accumulated amortisation	5,605	50,871	56,476
At 31 December 2020:			
Cost	7,238	63,300	70,538
Accumulated amortisation	(1,633)	(12,429)	(14,062)
Net carrying amount	5,605	50,871	56,476

18. INVESTMENT IN AN ASSOCIATE

	2021 **RMB'000**	2020 RMB'000
Share of net assets at 1 January and 31 December	**–**	–

The Group's transactions and balances with the associate are disclosed in note 36 to the financial statements.

Particulars of the Group's associate are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation/ registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Ningxia Kaiming Eye Hospital Co., Ltd. ("**Ningxia Kaiming**") ("寧夏開明眼科醫院有限公司")	Registered capital of RMB20,000,000	PRC	30%	Provision of ophthalmic service

The Group has discontinued the further recognition of its share of losses of Ningxia Kaiming when the accumulative share of losses of such associate exceeded the Group's interests in the associate because the Group has no obligation to take up further losses of such associate. The following table illustrates the amounts of the Group's unrecognised share of losses of such associate for the year and prior year:

	2021 **RMB'000**	2020 RMB'000
Unrecognised share of losses for the year	**(1,307)**	(2,234)
Unrecognised share of losses cumulatively	**(4,715)**	(3,408)

19. INVENTORIES

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

20. TRADE RECEIVABLES

	2021 RMB'000	2020 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 RMB'000	2020 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 RMB'000	2020 RMB'000
At the beginning of the year	**2,500**	1,108
Impairment losses, net (note 7)	**6,575**	1,948
Amount written off as uncollectible	**(924)**	(556)
At the end of the year	**8,151**	2,500

20. TRADE RECEIVABLES (CONTINUED)

An impairment analysis is performed at the end of the year and prior year using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of the year and prior year about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings.

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

As at 31 December 2021

	Within 3 months	**4 to 6 months**	**7 to 12 months**	**Over 12 months**	**Total**
Trade receivables from public health insurance programs and social organisation					
Expected credit loss rate	**0.87%**	**0.87%**	**0.87%**	**25.28%**	**3.93%**
Gross carrying amount (RMB'000)	**37,027**	**5,742**	**6,527**	**7,078**	**56,374**
Expected credit losses (RMB'000)	**321**	**50**	**57**	**1,789**	**2,217**
Trade receivables from sales of optical products					
Expected credit loss rate	**4.90%**	**4.90%**	**100.00%**	**100.00%**	**99.83%**
Gross carrying amount (RMB'000)	**10**	**–**	**379**	**5,555**	**5,944**
Expected credit losses (RMB'000)	**–**	**–**	**379**	**5,555**	**5,934**

As at 31 December 2020

	Within 3 months	4 to 6 months	7 to 12 months	Over 12 months	Total
Trade receivables from public health insurance programs and social organisation					
Expected credit loss rate	0.62%	0.62%	0.63%	7.04%	2.06%
Gross carrying amount (RMB'000)	26,512	12,053	6,954	13,190	58,709
Expected credit losses (RMB'000)	165	75	44	928	1,212
Trade receivables from sales of optical products					
Expected credit loss rate	4.90%	5.33%	13.18%	27.68%	22.10%
Gross carrying amount (RMB'000)	572	394	736	4,126	5,828
Expected credit losses (RMB'000)	28	21	97	1,142	1,288

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Prepayments	**12,626**	9,925
Loans to third parties	**15,167**	16,867
Deposits	**13,049**	909
Listing expenses	**–**	4,065
Other receivables	**4,476**	5,734
	45,318	37,500
Impairment allowance	**(16,297)**	(9,572)
	29,021	27,928
Included in non-current assets		
Prepayments for property, plant and equipment	**18,404**	11,493
	47,425	39,421

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

	2021 RMB'000	2020 RMB'000
At the beginning of the year	**9,572**	4,193
Impairment losses, net (note 7)	**6,738**	5,379
Amount written off as uncollectible	**(13)**	–
At the end of the year	**16,297**	9,572

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Structured deposits	**520,043**	–

The above structured deposits were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**1,257,136**	413,246
Cash and cash equivalents	**1,257,136**	413,246

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("**RMB**") amounted to RMB611,337,000 (2020: RMB413,194,000).The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

24. 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 RMB'000	2020 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.

25. OTHER PAYABLES AND ACCRUALS

	2021	2020
	RMB'000	RMB'000
Salary and welfare payable	**60,964**	39,417
Payables for purchases of property, plant and equipment	**9,487**	7,474
Accrual taxes payables	**4,103**	6,134
Service fee payables	**12,149**	13,969
Rent payables	**17,146**	24,511
Contract liabilities (note (a))	**5,691**	7,330
Other payables	**11,829**	7,319
	121,369	106,154
Less: Portion classified as non-current liabilities	**(996)**	(800)
	120,373	105,354

Note (a): Details of contract liabilities are as follows:

	2021	2020
	RMB'000	RMB'000
Out-patient services	**5,275**	6,561
Others	**416**	769
	5,691	7,330

26. 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 RMB'000	2020 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

27. DEFERRED TAX

The deferred tax assets and liabilities recognised by the Group, and the movements thereon, during the year and prior year are as follows:

31 December 2021

Deferred tax liabilities

	Right-of-use assets RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Withholding taxes RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Total RMB'000
At 1 January 2021	17,088	12,767	7,000	–	36,855
Deferred tax charged/(credited) to the statement of profit or loss during the year	2,478	(1,076)	3,949	1,217	6,568
At 31 December 2021	19,566	11,691	10,949	1,217	43,423

Deferred tax assets

	Impairment of financial assets RMB'000	Losses available for offsetting against future taxable profits RMB'000	Lease liabilities RMB'000	Unrealised gains and losses from intra-group transactions RMB'000	Total RMB'000
At 1 January 2021	617	502	19,916	378	21,413
Deferred tax credited/(charged) to the statement of profit or loss during the year	1,208	(185)	3,229	620	4,872
At 31 December 2021	1,825	317	23,145	998	26,285

27. DEFERRED TAX (CONTINUED)

31 December 2020

Deferred tax liabilities

	Right-of-use assets RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Withholding taxes RMB'000	Total RMB'000
At 1 January 2020	21,365	13,843	–	35,208
Deferred tax charged/(credited) to the statement of profit or loss during the year	(4,277)	(1,076)	7,000	1,647
At 31 December 2020	17,088	12,767	7,000	36,855

Deferred tax assets

	Impairment of financial assets RMB'000	Losses available for offsetting against future taxable profits RMB'000	Lease liabilities RMB'000	Unrealised gains and losses from intra-group transactions RMB'000	Total RMB'000
At 1 January 2020	290	506	23,710	1,224	25,730
Deferred tax credited/(charged) to the statement of profit or loss during the year	327	(4)	(3,794)	(846)	(4,317)
At 31 December 2020	617	502	19,916	378	21,413

27. DEFERRED TAX (CONTINUED)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**5,729**	4,762
Net deferred tax liabilities recognised in the consolidated statement of financial position	**22,867**	20,204
Net deferred tax liabilities in respect of continuing operations	**(17,138)**	(15,442)

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	2021 RMB'000	2020 RMB'000
Tax losses	**115,366**	88,970
Deductible temporary differences	**31,788**	23,958
	147,154	112,928

The above tax losses are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

28. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 19 May 2020 with authorised share capital of HK$380,000 divided into 1,520,000,000 shares with a par value of HK$0.00025 each.

	2021	2020
	HK$	HK$
Authorised		
1,520,000,000 shares of par value of HK$0.00025 each	380,000	–
38,000,000 shares of par value of HK$0.01 each	–	380,000
	RMB	RMB
Issued and fully paid		
707,625,000 shares of par value of HK$0.00025 each	151,752	–
10,652,174 shares of par value of HK$0.01 each	–	93,082

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

	Number of share in issue	Share capital RMB
At 1 January 2021	10,652,174	93,082
Split share by 1:40 and capital reserve converted into share capital (note a)	539,347,826	25,828
Issuance of shares upon listing on the Hong Kong Stock exchange (note b)	157,625,000	32,842
At December 2021	707,625,000	151,752

Notes:

(a) On 7 July 2021, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited. Upon the listing of the Company's shares on the Stock Exchange of Hong Kong Limited, 539,347,826 shares were issued by the Company to existing shareholders by ways of subdividing the issued 10,652,174 shares of HK$0.01 par value into 40 Shares of HK$0.00025 par value (the "**Share Subdivision**") and the sum of HK$30,978 standing to the credit of the share premium account of the Company was capitalised and applied towards paying up in full at par the 123,913,040 shares of the Company (the "**Capitalisation Issue**").

(b) On 7 July 2021, the Company issued 137,500,000 new shares at HK$10.60 per share under its global offering, which were listed and traded on the Main Board of the Stock Exchange of Hong Kong Limited. The gross proceeds before expenses from the new share issuance amounted to approximately HK$1,458 million (equivalents to RMB1,216 million). On 3 August 2021, the Company issued 20,125,000 new shares at HK$10.60 per share upon the partial exercise of the over-allotment option, which were listed and traded on the Main Board of the Stock Exchange of Hong Kong Limited. The gross proceeds before expenses from the new share issuance amounted to approximately HK$213 million (equivalents to RMB177 million).

29. SHARE-BASED PAYMENTS

Xiamen Juludazhou Equity Investment Partnership (Limited Partnership) ("**Juludazhou**") 廈門聚鷺達洲股權投資合夥企業(有限合夥) was incorporated on 10 April 2020 in the PRC as the domestic shareholding platform for employee incentive. The main purpose of establishing the domestic shareholding platform is to allow key domestic employees to enjoy the economic interest of the equity of the Group through the shareholding platform indirectly to achieve employee incentive. The vesting conditions and schedule for each of the eligible participants were agreed after taking into consideration his/her roles and responsibilities, historical contributions to the Group as well as his/her performance judged against a set of key performance indicators.

On 22 October 2017, as approved by the board of directors of Chaoju Medical Technology, it was resolved to grant 1,996,976 shares which the controlling shareholders of the Group originally held for employee incentive purposes, and the economic interests of such shares were further allocated to eligible participants of the Group. The grant price for each share under the share-based incentive scheme is RMB2.00. Subject to the terms and conditions as set out in the share-based incentive scheme, these granted shares will be vested in the proportion of 40%, 30% and 30% on the first working day after 6 months, 18 months and 30 months after the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Listing**"), respectively.

On 26 December 2019, as approved by the board of directors of Chaoju Medical Technology, it was resolved to grant 3,200,702 shares which the controlling shareholders of the Group originally held for employee incentive purposes, the economic interests of which were further allocated to eligible participants of the Group. The grant price for each share under the share-based incentive scheme is in the range between RMB5.21 and RMB11.00. Subject to the terms and conditions as set out in the share-based incentive scheme, these granted shares will be vested either on the first working day after 6 months after the Listing or in the proportion of 40%, 30% and 30% on the first working day after 6 months, 18 months and 30 months after the Listing (for the other eligible participants), respectively.

The following table discloses the movements of the Group's granted shares in the year and prior year:

			Number of shares		
Date of grant	Share price as at the date of grant RMB per share	Grant price RMB per share	As at 1 January 2018	As at 31 December 2018 and 2019 and 2020 and 2021	Vesting period
22 October 2017	9.20	2.00	1,996,976	1,996,976	6–30 months after the Listing

29. SHARE-BASED PAYMENTS (CONTINUED)

			Number of shares			
Date of grant	Share price as at the date of grant	Grant price	As at 1 January 2018 and 31 December 2018	Granted during the year ended 31 December 2019	As at 31 December 2019 and 2020 and 2021	Vesting period
	RMB per share	RMB per share				
26 December 2019	11.82	5.21-11.00	–	3,200,702	3,200,702	6–30 months after the Listing

For the year and prior year, the Group recognised share-based payments of RMB11,360,000 and RMB9,435,000, respectively.

The outstanding share-based payments were permitted to be granted issued shares which originally held by the controlling shareholders of the Group, and there is no dilution effect in the computation of earnings per share.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the year and prior year are presented in the consolidated statement of changes in equity on pages 85 to 86 of the financial statements.

Capital reserve

The capital reserve of the Group represents (i) any difference between the net assets value attributed to non-controlling interests acquired and the fair value of the consideration paid for acquisition of non-controlling interests, (ii) capital contributions from then shareholders to entities now comprising the Group prior to the reorganisation, and (iii) excess of the capital contribution proceeds received over the Company's issued share capital after incorporation of the Company. Details of the movements in the capital reserve are set out in the consolidated statement of changes in equity.

Share-based payment reserve

The share-based payment reserve is used to recognise the value of share-based incentive schemes provided to employees, including key management personnel, as part of their remuneration. Refer to note 29 to the financial statements for further details of these plans.

31. DISPOSAL OF A SUBSIDIARY

On 31 May 2020, the Group entered into an agreement to dispose of a subsidiary, namely Inner Mongolia Zhanmu Medical Information Consulting Co., Ltd., to the non-controlling shareholder of the subsidiary at nil consideration.

	Note	2020 RMB'000
Net assets disposed of:		
Property, plant and equipment	14	472
Cash and cash equivalents		25
Inventories		17
Trade payables		(26)
Non-controlling interests		(98)
		390
Loss on disposal of a subsidiary		(390)
Satisfied by cash		–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2020 RMB'000
Cash consideration	–
Less: Cash and cash equivalents disposed of	(25)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	25

There was no disposal of a subsidiary during the year.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year and prior year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB55,242,000 and RMB1,362,000, respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

	Other borrowings RMB'000	Lease liabilities RMB'000	Due to related parties RMB'000
At 1 January 2021	**6,678**	**135,683**	**–**
Changes from financing cash flows	**(902)**	**(28,210)**	**–**
New lease	**–**	**55,242**	**–**
Interest expenses	**465**	**10,079**	**–**
Revision of lease terms	**–**	**9,691**	**–**
Changes from non-financing cash flows	**–**	**(10,079)**	**–**
At 31 December 2021	**6,241**	**172,406**	**–**
At 1 January 2020	70,058	175,262	33,584
Changes from financing cash flows	(65,540)	(35,742)	(14,123)
New lease	–	1,362	–
Interest expenses	2,160	10,587	–
Covid-19-related rent concessions from lessors	–	(702)	–
Revision of lease terms	–	(4,497)	–
Changes from non-financing cash flows	–	(10,587)	(19,461)
At 31 December 2020	6,678	135,683	–

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within operating activities	**10,990**	11,759
Within financing activities	**28,210**	35,742
	39,200	47,501

33. CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any contingent liabilities or guarantees that would have a material impact on the financial position or operations of the Group.

34. PLEDGE OF ASSETS

As at 31 December 2021, the Group did not have any pledge of assets that would have a material impact on the financial position or operations of the Group.

35. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**21,831**	–

36. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year and prior year:

	Notes	**2021 RMB'000**	2020 RMB'000
Sales of property, plant and equipment to:	(i)		
Associate		**–**	137
Purchase of equity interests of subsidiaries from:	(ii)		
Controlling shareholders		**–**	30
Interest income from:	(iii)		
Associate		**–**	542
Lease payments:	(i)		
Entities controlled by controlling shareholders		**10,381**	10,381
Controlling shareholders		**1,866**	1,926
		12,247	12,307

36. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions (Continued)

Notes:

(i) The pricing for the Sales of property, plant and equipment and the rental paid to related parties were determined according to the published price. The transactions were conducted in accordance with the terms mutually agreed between the parties.

(ii) During the year ended 31 December 2020, the Group acquired an additional 9.68% interest in the voting shares of Baotou Amblyopia Recovery Center from Mr. Zhang Bozhou who is one of the shareholders of the Group at a consideration of RMB30,000. The former acquisition is based on the valuation performed by external experts.

(iii) The borrowing interest rate is based on the benchmark interest rate of loans announced by the People's Bank of China. The borrowing rate within one year is 4.35% per year, and the borrowing rate for more than one year is 4.75% per year. If the nature of capital transactions is capital pooling, the interest rate is 0.35% per year. The loan interest shall be calculated separately according to the actual borrowing days from the start time of each loan of the borrowing unit to the end of each year.

(b) Outstanding balances with related parties

Due from related parties, net & impairment

	2021 RMB'000	2020 RMB'000
Trade in nature:		
Entities controlled by controlling shareholders	**19,164**	–
Associates	**–**	295
	19,164	295

The movements in provision for impairment of amounts due from related parties are as follows:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	**15,141**	10,303
Impairment loss, net	**295**	4,838
At the end of the year	**15,436**	15,141

As at 31 December 2020 and 2021, the amounts due from related parties are unsecured, interest-free and collectable on demand.

36. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Compensation of key management personnel of the Group

	2021	2020
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,987**	2,418
Performance related bonuses	**3,199**	939
Pension scheme contributions	**194**	60
Share-based payments	**6,708**	5,542
	13,088	8,959

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2021	2020
	RMB'000	RMB'000
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	**520,043**	–
Financial assets at amortised cost:		
Trade receivables	**54,167**	62,037
Financial assets included in prepayments, other receivables and other assets	**14,678**	9,459
Due from related parties	**–**	295
Cash and cash equivalents	**1,257,136**	413,246
	1,325,981	485,037

37. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	2021 **RMB'000**	2020 RMB'000
Financial liabilities at amortised cost:		
Trade payables	**36,802**	39,291
Financial liabilities included in other payables and accruals	**49,557**	52,734
Other borrowings	**6,241**	6,678
Lease liabilities	**172,406**	135,683
	265,006	234,386

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		**Fair values**	
	2021 **RMB'000**	2020 RMB'000	**2021** **RMB'000**	2020 RMB'000
Financial assets				
Financial assets at fair value through profit or loss	**520,043**	–	**520,043**	–
Financial liabilities				
Other borrowings				
Non-current portion	**717**	678	**737**	704

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

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

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

The fair values of the non-current portion of financial liabilities included in other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss	**–**	**520,043**	**–**	**520,043**

As at 31 December 2020, the Group did not have assets measured at fair value.

Liabilities measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Other borrowings				
Non-current portion	**–**	**737**	**–**	**737**

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Other borrowings				
Non-current portion	–	704	–	704

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, financial assets at fair value through profit or loss, lease liabilities and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. At 31 December 2021, approximately 100% (2020: 100%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The Directors consider that the overall interest rate risk is not significant and no sensitivity analysis is presented for the Group.

(b) Foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the Hong Kong dollar exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity during the year.

	Increase/ (decrease) in HK$ rate %	Increase/ (decreased) in equity * RMB'000
2021		
if Hong Kong dollar strengthens against RMB	5	32,256
if Hong Kong dollar weakens against RMB	(5)	(32,256)

* Excluding retained profits

As at 31 December 2020, the Group did not have assets and liabilities in HK$.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each year.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables *	–	–	–	62,318	62,318
Financial assets included in prepayments, other receivables and other assets					
– Normal **	14,671	–	–	–	14,671
– Doubtful **	–	17	16,287	–	16,304
Due from related parties					
– Doubtful **	–	–	15,436	–	15,436
Cash and cash equivalents					
– Not yet past due	1,257,136	–	–	–	1,257,136
	1,271,807	17	31,723	62,318	1,365,865

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables *	–	–	–	64,537	64,537
Financial assets included in prepayments, other receivables and other assets					
– Normal **	959	–	–	–	959
– Doubtful **	–	11,500	6,572	–	18,072
Due from related parties					
– Doubtful **	–	448	14,988	–	15,436
Cash and cash equivalents					
– Not yet past due	413,246	–	–	–	413,246
	414,205	11,948	21,560	64,537	512,250

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk

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

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

2021

	Within 1 year RMB'000	**1 to 2 years RMB'000**	**2 to 5 years RMB'000**	**More than 5 years RMB'000**	**Total RMB'000**
Trade payables	**36,802**	**–**	**–**	**–**	**36,802**
Financial liabilities included in other payables and accruals	**49,557**	**–**	**–**	**–**	**49,557**
Other borrowings	**6,126**	**794**	**–**	**–**	**6,920**
Lease liabilities	**42,063**	**33,556**	**86,460**	**52,307**	**214,386**
	134,548	**34,350**	**86,460**	**52,307**	**307,665**

2020

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
Trade payables	39,291	–	–	–	39,291
Financial liabilities included in other payables and accruals	52,734	–	–	–	52,734
Other borrowings	6,418	31	794	–	7,243
Lease liabilities	33,980	30,402	63,236	49,217	176,835
	132,423	30,433	64,030	49,217	276,103

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(e) Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year and prior year.

The Group monitors capital using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as lease liabilities, other borrowings, financial liabilities included in other payables and accruals, trade payables, amounts due to related parties, less cash and cash equivalents. Total capital includes the capital (including "equity" as shown in the consolidated statement of financial position and redeemable shares on an as-if-not-redeemable basis) plus net debt. The gearing ratios of the Group were as follows:

	2021 **RMB'000**	2020 RMB'000
Lease liabilities	**172,406**	135,683
Other borrowings (note 26)	**6,241**	6,678
Financial liabilities included in other payables and accruals	**49,557**	52,734
Trade payables	**36,802**	39,291
Less: Cash and cash equivalents (note 23)	**1,257,136**	413,246
Net debt	**(992,130)**	(178,860)
Equity attributable to owners of the parent	**2,106,217**	737,248
Capital and net debt	**1,114,087**	558,388
Gearing ratio	**N/A**	N/A

40. EVENTS AFTER THE REPORTING PERIOD

No significant events took place subsequent to 31 December 2021.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	177,442	170,388
Due from subsidiaries	615,393	–
Total non-current assets	792,835	170,388
CURRENT ASSETS		
Cash and cash equivalents	645,791	51
Due from subsidiaries	44,857	–
Total current assets	690,648	51
CURRENT LIABILITIES		
Other payables and accruals	223	–
Due to subsidiaries	10,712	6,733
Total current liabilities	10,935	6,733
NET CURRENT ASSETS/(LIABILITIES)	679,713	(6,682)
Net assets	1,472,548	163,706
EQUITY		
Share capital	152	93
Reserves	1,472,396	163,613
Total equity	1,472,548	163,706

Zhang Bozhou
Director

Zhang Guangdi
Director

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Attributable to owners of the parent					
	Share capital RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2020 and 1 January 2021	**93**	**169,557**	**5,504**	**(8,079)**	**(3,369)**	**163,706**
Profit for the year	**–**	**–**	**–**	**–**	**114,070**	**114,070**
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(28,603)**	**–**	**(28,603)**
Total comprehensive income for the year	**–**	**–**	**–**	**(28,603)**	**114,070**	**85,467**
Issue of share capital	**33**	**1,324,982**	**–**	**–**	**–**	**1,325,015**
Share-based payments (note 29)	**–**	**–**	**11,360**	**–**	**–**	**11,360**
Capital reserve converted into share capital	**26**	**(26)**	**–**	**–**	**–**	
Dividend (note 12)	**–**	**–**	**–**	**–**	**(113,000)**	**(113,000)**
At 31 December 2021	**152**	**1,494,513**	**16,864**	**(36,682)**	**(2,299)**	**1,472,548**

	Attributable to owners of the parent					
	Share capital RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 31 December 2019 and 1 January 2020	–	–	–	–	–	–
Loss for the year	–	–	–	–	(3,369)	(3,369)
Other comprehensive loss for the year:						
Exchange differences on translation of foreign operations	–	–	–	(8,079)	–	(8,079)
Total comprehensive loss for the year	–	–	–	(8,079)	(3,369)	(11,448)
Issue of share capital	93	169,557	–	–	–	169,650
Share-based payments (note 29)	–	–	5,504	–	–	5,504
At 31 December 2020	93	169,557	5,504	(8,079)	(3,369)	163,706

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2022.

DEFINITIONS & GLOSSARY

In this report, the following expressions have the meanings set out below unless the context otherwise requires:

"AGM"	annual general meeting of the Company to be held on June 6, 2022
"Articles of Association"	the articles of association of the Company (as amended from time to time)
"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, or where the context refers to any time prior to the effective date of the incorporation of this entity, its predecessor(s), a subsidiary of the Company
"Baotou Kunlun Hospital"	Baotou City Kunlun Chaoju Eye Hospital Co., Ltd.* (包頭市昆侖朝聚眼科醫院有限責任公司), a limited liability company incorporated in the PRC on March 7, 2016, or where the context refers to any time prior to the effective date of the incorporation of this entity, its predecessor(s), a subsidiary of the Company
"Beijing Chaoju"	Beijing Chaoju Investment Management Co., Ltd.* (北京朝聚投資管理有限公司), a limited liability company incorporated in the PRC on October 28, 2014, an indirect wholly-owned 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
"Cayman Islands Companies Act"	the Companies Act (2021 Revision) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
"CG Code" or "Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chaoju Medical Technology"	Chaoju Medical Technology Co., Ltd.* (朝聚醫療科技有限公司), a limited liability company established under the laws of the PRC on November 16, 2015, an indirect wholly-owned subsidiary of the Company, formerly known as Chaoju Medical Technology Equity Co., Ltd.* (朝聚醫療科技股份有限公司)

"Chengde Hospital"	Chengde Chaoju Eye Hospital Co., Ltd.* (承德朝聚眼科醫院有限公司), a limited liability company incorporated in the PRC on December 2, 2016, a subsidiary of the Company
"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, or where the context refers to any time prior to the effective date of the incorporation of this entity, its predecessor(s), a subsidiary of the Company
"China" or "PRC"	the People's Republic of China, but for the purpose of this report 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", "we" or "us"	Chaoju Eye Care Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands on May 19, 2020 and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company thereof, the Company's present subsidiaries
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to the Individual Shareholders, Sihai Medical Management Co. Ltd., Jutong Medical Management Co. Ltd, Xiwang Medical Management Co. Ltd, Guangming Medical Management Co. Ltd, Sitong Medical Management Co. Ltd and Xiamen Juludazhou Equity Investment Partnership (Limited Partnership) (廈門聚鷺達洲股權投資合夥企業(有限合夥))
"COVID-19"	Novel coronavirus pneumonia
"Dalat Banner Hospital"	Dalad Banner Chaoju Eye Hospital Co., Ltd.* (達拉特旗朝聚眼科醫院有限責任公司), a limited liability company incorporated in the PRC on May 23, 2016, a subsidiary of the Company
"Datong Hospital"	Datong Chaoju Ankang Eye Hospital Co., Ltd.* (大同朝聚安康眼科醫院有限公司), a limited liability company incorporated in the PRC on March 24, 2015, a subsidiary of the Company
"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 (both as defined in the Prospectus)
"Group" or "the Group"	the Company together with its subsidiaries
"HK$" or "HKD"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hohhot Hospital"	Chaoju (Inner Mongolia) Eye Hospital Co., Ltd.* (朝聚(內蒙古)眼科醫院有限公司), a limited liability company incorporated in the PRC on September 21, 2016, or where the context refers to any time prior to the effective date of the incorporation of this entity, its predecessor(s), a subsidiary of the Company
"Hohhot No.2 Hospital"	Hohhot Chaoju Eye Hospital Co., Ltd.* (呼和浩特朝聚眼科醫院有限公司), a limited liability company incorporated in the PRC on November 3, 2016, or where the context refers to any time prior to the effective date of the incorporation of this entity, its predecessor(s), a subsidiary of the Company
"Hulunbuir Hospital"	Hulunbuir Chaoju Eye Hospital Co., Ltd.* (呼倫貝爾朝聚眼科醫院有限公司), a limited liability company incorporated in the PRC on February 14, 2018, a subsidiary of the Company
"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
"in-patient service"	treatments of patients who are checked in at hospitals and are hospitalized overnight or for an extended period of time
"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
"IPO Proceeds"	the proceeds obtained by the Company from the Global Offering
"Jiangsu Chaoju"	Jiangsu Chaoju Medical Management Co., Ltd.* (江蘇朝聚醫療管理有限公司) a limited liability company incorporated in the PRC on July 8, 2015, an indirect wholly-owned subsidiary of the Company, formerly known as Jiangsu Chaoju Investment Management Co., Ltd.* (江蘇朝聚投資管理有限公司)

"Jiaxing Hospital"	Jiaxing Chaoju Eye Hospital Co., Ltd.* (嘉興朝聚眼科醫院有限公司), a limited liability company incorporated in the PRC on February 7, 2018, or where the context refers to any time prior to the effective date of the incorporation of this entity, its predecessor(s), a subsidiary of the Company
"Listing"	the listing of the Shares on the Main Board
"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 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
"NHC"	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"Ningbo Hospital"	Ningbo Boshi Eye Hospital Co., Ltd.* (寧波博視眼科醫院有限公司), a limited liability company incorporated in the PRC on August 26, 2016, a subsidiary of the Company
"Ninghai Hospital"	Ninghai Eye Hospital Co., Ltd.* (寧海眼科醫院有限公司), a limited liability company incorporated in the PRC on November 2, 2016, a subsidiary of the Company
"Nomination Committee"	the nomination committee of the Board
"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
"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)
"PRC Legal Advisors"	Jingtian & Gongcheng, the legal advisors to the Company as to the laws of the PRC
"Pre-IPO Investment(s)"	the pre-IPO investment(s) in the Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed "History, Development and Corporate Structure" in the Prospectus
"Pre-IPO Investor(s)"	investor(s) being introduced to become shareholders of the Group, details of which are set out in the section headed "History, Development and Corporate Structure" in the Prospectus
"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
"registered beds"	the number of beds that are registered in the practicing license of a medical institution
"Registered Shareholders" or "Individual Shareholders"	the five individual shareholders of the Company, namely, Mr. Zhang Bozhou (張波洲), Ms. Zhang Xiaoli (張小利), Mr. Zhang Junfeng (張俊峰), Mr. Zhang Fengsheng (張豐生) and Ms. Zhang Yumei (張玉梅)
"Remuneration Committee"	the remuneration committee of the Board
"Reorganization"	the reorganization of the group of companies now comprising the Group conducted in preparation for the Listing, details of which are set out in the section headed "History, Reorganization and Corporate Structure" of the Prospectus
"Reporting Period"	from January 1, 2021 to December 31, 2021
"Riverhead Capital I"	Riverhead Capital I, L.P. (北京陽光融匯醫療健康產業成長投資管理中心) (有限合夥), a limited liability partnership established under the laws of the PRC on February 9, 2015, a shareholder of the Company, which is controlled by Ms. Zhang Wenwen, one of the non-executive Directors

"Riverhead Runfeng"	Ronghui Yangguang Runfeng, L.P. (北京融匯陽光潤豐投資管理中心(有限合夥)), a limited liability partnership established under the laws of the PRC on March 10, 2016, a shareholder of the Company, which is controlled by Ms. Zhang Wenwen, one of the non-executive Directors
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"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
"Shanghai Chaoxi"	Shanghai Chaoxi Investment Development Center (Limited Partnership)* (上海朝翕投資發展中心(有限合夥)), a limited liability partnership established under the laws of the PRC on December 25, 2015, our shareholder prior to the Reorganization, which is controlled by Mr. Wang Hui
"Sihong Hospital"	Sihong Chaoju Eye Hospital Co., Ltd.* (泗洪朝聚眼科醫院有限公司), a limited liability company incorporated in the PRC on June 28, 2017, or where the context refers to any time prior to the effective date of the incorporation of this entity, its predecessor(s), a subsidiary of the Company
"Siyang Hospital"	Siyang Chaoju Eye Hospital Co., Ltd.* (泗陽朝聚眼科醫院有限公司), a limited liability company incorporated in the PRC on July 21, 2016, a subsidiary of the Company
"squint"	deviation of the eyes where there is an eye misalignment
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Tianjin Chaoju"	Tianjin Chaoju Yangguang Medical Instrument Trade Co., Ltd.* (天津朝聚陽光醫療器械貿易有限公司), a limited liability company incorporated in the PRC on January 20, 2017, an indirect wholly-owned subsidiary of the Company
"Tongliao Hospital"	Tongliao Chaoju Eye Hospital Co., Ltd.* (通遼朝聚眼科醫院有限公司), a limited liability company incorporated in the PRC on September 20, 2017, a subsidiary of the Company
"Ulanqab Hospital"	Chaoju (Ulanqab) Eye Hospital Co., Ltd.* (朝聚(烏蘭察布)眼科醫院有限公司), a limited liability company incorporated in the PRC on March 27, 2017, or where the context refers to any time prior to the effective date of the incorporation of this entity, its predecessor(s), a subsidiary of the Company

"Xiamen Chaoju Group"	Xiamen Chaoju Medical Technology Group Co. Ltd.* (廈門朝聚醫療科技集團有限公司), a limited liability company established under the laws of the PRC on July 15, 2020, an indirect wholly-owned subsidiary of the Company
"Xiamen Chaoju Hospital Management"	Xiamen Chaoju Hospital Management Development Co. Ltd.* (廈門朝聚醫院管理發展有限公司) a limited liability company established under the laws of the PRC on June 5, 2020, a subsidiary of the Company
"Xiamen Chaoxi"	Xiamen Chaoxi Enterprise Management Consulting Partnership (Limited Partnership)* (廈門朝翕企業管理諮詢合夥企業(有限合夥)), a limited liability partnership established in the PRC on April 3, 2020, a shareholder of the Company, which is owned by Shanghai Chaoxi as to 99.92%
"Xiamen Xinkangnuo"	Xiamen Xinkangnuo Management Consulting Co., Ltd.* (廈門信康諾管理諮詢有限公司), a limited liability company established under the laws of the PRC on August 6, 2020, a subsidiary of the Company by way of consolidation of financial statements, which is owned by Mr. Zhang Bozhou as to 26.64%, Ms. Zhang Xiaoli as to 29.03%, Mr. Zhang Junfeng as to 20.67%, Mr. Zhang Fengsheng as to 20.67% and Ms. Zhang Yumei as to 2.99%, respectively
"Xiangshan Hospital"	Xiangshan Renming Eye Diseases Hospital Co., Ltd.* (象山仁明眼病醫院有限公司), a limited liability company incorporated in the PRC on April 7, 2015, a subsidiary of the Company
"Xilinhot Hospital"	Xilinhot City Chaoju Eye Hospital Co., Ltd.* (錫林浩特市朝聚眼科醫院有限責任公司), a limited liability company incorporated in the PRC on December 16, 2014, a subsidiary of the Company

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