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 under the laws of the Cayman Islands with limited liability)

Stock code: 2219

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

海通國際 HAITONG

华泰国际 HUATAI INTERNATIONAL

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should seek independent professional advice.

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**170,930,000 Shares (comprising 137,500,000 New Shares and 33,430,000 Sale Shares, and subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**17,093,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**153,837,000 Shares (comprising 120,407,000 New Shares and 33,430,000 Sale Shares, and subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$10.60 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund on final pricing)**
Nominal value	**:**	**HK$0.00025 per Share**
Stock code	**:**	**2219**

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

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A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement among us, the Selling Shareholders and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or about Tuesday, June 29, 2021 and, in any event, not later than Tuesday, July 6, 2021. The Offer Price will be not more than HK$10.60 per Offer Share and is currently expected to be not less than HK$9.48 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$10.60 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$10.60 per Offer Share. If, for any reason, the Offer Price is not agreed among us, the Selling Shareholders and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Tuesday, July 6, 2021 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters), with consent from us and the Selling Shareholders, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (1) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

June 24, 2021

Hong Kong Public Offering commences	9:00 a.m. on Thursday, June 24, 2021
Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Tuesday, June 29, 2021
Application lists of the Hong Kong Public Offering open[3]	11:45 a.m. on Tuesday, June 29, 2021
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Tuesday, June 29, 2021
Latest time for giving **electronic application instructions** to HKSCC[4]	12:00 noon on Tuesday, June 29, 2021
Latest time for completing payment for **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, June 29, 2021
Application lists of the Hong Kong Public Offering close[3]	12:00 noon on Tuesday, June 29, 2021
Expected Price Determination Date[5]	Tuesday, June 29, 2021
Announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allotment of the Hong Kong Offer Shares to be published on the websites of the Stock Exchange at **www.hkexnews.hk**[6] and our Company at **www.chaojueye.com**[6] on or before	Tuesday, July 6, 2021
Results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) will be available through a variety of channels (see the section headed "How to Apply for the Hong Kong Offer Shares") from	Tuesday, July 6, 2021
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zhhk/Allotment**) with a "search by ID" function from	Tuesday, July 6, 2021
Despatch/collection of Share certificates or deposit the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7]	Tuesday, July 6, 2021
Despatch/collection of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[8&9]	Tuesday, July 6, 2021
Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on	Wednesday, July 7, 2021

(1) All dates and times refer to Hong Kong local time, except as otherwise stated. For details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, please refer to the section headed "Structure of the Global Offering."

(2) You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, an announcement of "extreme conditions" by the government of Hong Kong in accordance with the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, June 29, 2021, the application lists will not open on that day. An announcement will be made in such event. Please refer to the section headed "How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" for further details.

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS."

(5) The Price Determination Date is expected to be on or about Tuesday, June 29, 2021, and, in any event, not later than Tuesday, July 6, 2021 unless otherwise determined among the Joint Global Coordinators (for themselves and on behalf of the Underwriters), our Company and the Selling Shareholders. If, for any reason, the Offer Price is not agreed by Tuesday, July 6, 2021 among us, the Selling Shareholders and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not become unconditional and will lapse.

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) No temporary documents of title will be issued in respect of the Offer Shares. Share certificates for the Hong Kong Offer Shares are expected to be issued on Tuesday, July 6, 2021 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Wednesday, July 7, 2021. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.

(8) Applicants who apply on **WHITE** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have provided all required information in their Application Forms may collect refund checks (where applicable) and (where applicable) share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, July 6, 2021. Identification and (where applicable) authorization documents acceptable to Computershare Hong Kong Investor Services Limited must be produced at the time of collection.

Applicants who apply via the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website at **www.eipo.com.hk** for 1,000,000 Shares or more under the Hong Kong Public Offering, may collect share certificates (where applicable) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, July 6, 2021. Identification and (where applicable) authorization documents acceptable to Computershare Hong Kong Investor Services Limited must be produced at the time of collection. Applicants who apply via the **White Form eIPO** service by paying the application monies through a single bank account, e-Refund payment instructions (if any) will be despatched to their application payment bank account on Tuesday, July 6, 2021. Applicants who apply via the **White Form eIPO** service by paying the application monies through multiple bank accounts, refund check(s) will be despatched to the address specified in their **White Form eIPO** application on or before Tuesday, July 6, 2021, by ordinary post and at their own risk.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Shares or more under the Hong Kong Public Offering and have provided all required information in their Application Forms may collect refund cheques in person (if any) but may not elect to collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedure for collection of refund checks for applicants who apply on **YELLOW** Application Forms for Shares is the same as that for **WHITE** Application Form applicants. Uncollected checks will be despatched by ordinary post (at the applicants' own risk) to the addresses specified in the relevant Application Forms. Further information is set out under the section headed "How to Apply for the Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus. For details of the structure and conditions of the Global Offering, see "Structure of the Global Offering."

(9) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s), may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund cheque.

Share certificates for the Hong Kong Offer Shares are expected to be issued on Tuesday, July 6, 2021, but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (1) the Global Offering has become unconditional in all respects and (2) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates and before they become valid do so entirely at their own risk.

For details of the structure of the Global Offering, including the conditions thereof, please refer to the section headed "Structure of the Global Offering."

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Chaoju Eye Care Holdings Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Information contained in our website, located at www.chaojueye.com, does not form part of this prospectus.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" of this prospectus. You should read this section carefully before you invest in the Offer Shares.

OVERVIEW

We are a leading ophthalmic medical service group in North China with a strong reputation nationwide. According to the Frost & Sullivan Report, we ranked first in Inner Mongolia, second in North China and fifth in China among private ophthalmic hospitals in terms of total revenue in 2020. China is a large and fast growing market for ophthalmic medical services. According to the Frost & Sullivan Report, the size of the ophthalmic medical services market in China increased from RMB73.0 billion in 2015 to RMB127.5 billion in 2019, representing a CAGR of 15.0%, and is expected to further grow to RMB223.1 billion in 2024; the size of the 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 in 2024; the size of the ophthalmic medical services market in Inner Mongolia increased from RMB1.1 billion in 2015 to RMB2.0 billion in 2019, representing a CAGR of 15.6%, and is expected to further grow to RMB3.3 billion in 2024. With an increasing population with high demands for ophthalmic medical services, it is expected that the ophthalmic medical services market in China has great potential for further growth. Leveraging our experience in ophthalmic services and market leading position, we believe we are well-positioned to capture the growing opportunities and benefit from the rapid expansion of the ophthalmic services market in the PRC.

We were founded in 1988 in Baotou, Inner Mongolia, where Mr. Zhang Chaoju, a pioneer of modern ophthalmology in Inner Mongolia and an entrepreneur in the field of ophthalmic services in China, founded the predecessor of our Company, a clinic providing ophthalmic services. The Zhang's family is a medical family with a century's heritage. Since our inception, we have adhered to the vision of "taking our century's heritage to bring light to the world and inspire hope" (百年朝聚，朝向光明，聚集希望) and provided patients with safe, reassuring and affordable ophthalmic medical experience with professional and effective equipment and technology as well as caring and considerate services. With a deep root in North China, we have built a broad network of ophthalmic hospitals and optical centers spanning across five provinces or autonomous region in China, namely, Inner Mongolia, Zhejiang Province, Jiangsu Province, Shanxi Province and Hebei Province. As of the Latest Practicable Date, we operated a network of 17 ophthalmic hospitals and 23 optical centers. In addition, as of the Latest Practicable Date, we also operated two clinics as branches of our hospitals, and one of our optical centers also held a medical institution practicing certificate and was licensed to operate as a clinic providing certain out-patient services.

We generate revenue primarily from (i) consumer ophthalmic services and (ii) basic ophthalmic services. We classify our ophthalmic services primarily 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. Our 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. Our 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. There is no overlap in the scope of the services provided and the diseases and corresponding treatments covered by our basic ophthalmic services and consumer ophthalmic services. In light of upgraded social consumption in China over the recent years, we plan to increase our strategic focus on our consumer ophthalmic services business and devote more efforts to pursue a continued rapid growth, while maintaining the fundamental strength of our basic ophthalmic business.

We have 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. We focus on the quality of our ophthalmic services and devote resources to allow our ophthalmologists to provide ophthalmic medical services in a professional, dedicated and responsible manner. We are 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 the Latest Practicable Date, our medical professional team consisted of 261 registered physicians (including 67 multi-site practice physicians who were not our full-time employees).

Advanced technology and equipment is another key factor underpinning our market leadership. Our patients are treated by ophthalmologists with latest technology and advanced equipment. According to the Frost & Sullivan Report, we are the first-mover in Inner Mongolia to use micropulse laser technology to treat macular edema, to use minimally invasive vitreoretinal surgeries to treat vitreous and ocular fundus diseases, and to use artificial vitreous body implantations to protect the eye from atrophy. We are a leader in Inner Mongolia to first introduce advanced medical equipment, such as OPTOS ultra-widefield fundus imaging system, vitreous cutter, optical coherence tomography for blood flow quantification, microfield detector and corneal confocal microscopy. We believe that our 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. In particular, we are 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. We believe that our capabilities in hospital-made pharmaceuticals have helped improve our brand awareness and customer loyalty, brought us competitive advantage in the area of myopia control and increased our overall revenue.

We experienced a rapid growth during the Track Record Period. Our revenue increased by 13.0% from RMB632.7 million in 2018 to RMB714.7 million in 2019, and further increased by 11.1% to RMB794.3 million in 2020. Our net profit also increased significantly from RMB29.2 million in 2018 to RMB70.8 million in 2019, and further increased by 70.2% to RMB120.5 million in 2020. In 2018, 2019 and 2020, our hospitals received 638,650 visits, 702,143 visits and 696,206 visits from our patients, and our optical centers received 73,935 visits, 79,903 visits and 91,660 visits from our customers, respectively.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have differentiated us from our competitors:

- As a leading ophthalmic medical service group in North China, we are well-positioned to capture significant demands from a vast market for ophthalmic services.
- Our clustered operation model helps to improve our market penetration, operational efficiency and profitability.
- Our centralized and standardized management system makes our business model scalable and replicable.
- High-caliber medical professionals and sound training system underpins the foundation of our growth.
- Our full-service clinical ophthalmic treatments bring high customer satisfaction.

- We have garnered significant support from our experienced management team as well as our Shareholders.

OUR STRATEGIES

We plan to implement the following strategies:

- Continuing to reinforce our leading position in Inner Mongolia and the surrounding regions, enhancing our market position in Zhejiang Province, Jiangsu Province and other key regions, in the meantime developing our featured ophthalmic hospitals.
- Seizing opportunities in the consumer ophthalmic market to build a leading consumer ophthalmic brand in China.
- Improving the utilization efficiency of our regional resources and strengthening our centralized management model with regional center hospitals as the core.
- Continuously improving patient satisfaction and brand awareness.
- Actively attracting and recruiting talents by further refining our training programs, cultivating our unique corporate culture and offering fair incentives to our key employees.

OUR SERVICES

During the Track Record Period, our revenue was primarily generated from (i) consumer ophthalmic services, and (ii) basic ophthalmic services.

Our 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. Our 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. Please see “Business — Our Services.”

Our basic ophthalmic services are generally eligible to be covered by public health insurance programs. However, the percentage of the medical fees to be covered by public health insurance programs differs, depending on the type of medical procedures and treatments involved, the type of medical equipment, pharmaceuticals and medical consumables used, and the policies of the local public health insurance authorities where the basic ophthalmic services are rendered. The types of covered procedures, treatments, pharmaceuticals and consumables are listed in the public health insurance coverage catalogues maintained by local public health insurance authorities, with the detailed percentage of coverage determined by the local public health insurance authorities. As such, procedures, treatments, pharmaceuticals and consumables not listed in the public health insurance coverage catalogues are not covered by public health insurance programs. In addition, certain patients do not participate in any public health insurance program and therefore receive no coverage by public health insurance programs.

Historically, a majority of our revenue was generated from basic ophthalmic services. In light of upgraded social consumption in China over the recent years, we plan to increase our strategic focus on our consumer ophthalmic services business and devote more efforts to pursue a continued rapid growth, while maintaining the fundamental strength of our basic ophthalmic business.

PRICING

As all of our hospitals are for-profit private hospitals, we are generally permitted to set our own pricing standards for our consumer ophthalmic services. For details of the differences between the for-profit hospitals and not-for-profit hospitals, please see “Regulation Overview — Regulations on the Classification of Medical Institutions — Opinions on Implementing Classification Administration of Urban Medical Institutions” and “Regulation Overview — Regulations on the Management of Medical Institutions — The Administrative Measures on Medical Institutions and its Implementation Measures.” However, some of our basic ophthalmic services and certain pharmaceuticals and medical consumables are covered by public health insurance programs and are therefore subject to pricing guidelines promulgated by the relevant government authorities. For more details, please see “Business — Pricing and Settlement.”

OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, substantially all of our customer base consisted of individual customers, and none of these individual customers accounted for more than 5% of our total revenue. Please see “Business — Our Customers.”

Our suppliers primarily include manufacturers of medical equipment, pharmaceuticals, medical consumables and optical products and their distributors, as well as third-party medical testing and examination service providers. In 2018, 2019 and 2020, purchases from our five largest suppliers in aggregate represented 33.6%, 36.1% and 38.9%, respectively, of our total purchases for the same years, and purchases from our single largest supplier represented 16.0%, 14.3% and 17.7%, respectively, of our total purchases for the same years. To the best knowledge and belief of our Directors, all of our five largest suppliers during the Track Record Period were Independent Third Parties and none of our Directors or their close associates or any Shareholder (which to the best knowledge of our Directors beneficially own more than 5% of our Shares) had any interests in any of our five largest suppliers during the Track Record Period. None of our five largest suppliers during the Track Record Period was also our customer. We have not experienced any material disruption in our relations with, or involved in any material disputes with, or experienced any material delay in the delivery of our supplies by our major suppliers during the Track Record Period and up to the Latest Practicable Date. Please see “Business — Our Suppliers.”

SUMMARY OF FINANCIAL INFORMATION AND OPERATING DATA

Consolidated Statements of Profit or Loss

The following tables set forth our consolidated statements of profit or loss in 2018, 2019 and 2020, which are derived from, and should be read in conjunction with the section headed "Financial Information" and our consolidated financial statements, including the notes thereto, included in the Accountants' Report set forth in Appendix I to this prospectus.

	For the year ended December 31,		
	2018	**2019**	**2020**
		(RMB millions)	
Revenue	632.7	714.7	794.3
Cost of sales	(387.7)	(436.6)	(444.8)
Gross profit	245.0	278.1	349.5
Other income and gains	8.0	12.9	7.4
Selling and distribution expenses	(35.9)	(34.5)	(32.9)
Administrative expenses	(129.3)	(118.1)	(133.5)
Other expenses	(10.0)	(4.6)	(8.0)
Impairment losses on financial assets, net	(5.4)	(17.3)	(12.2)
Finance costs	(24.3)	(22.9)	(12.7)
Share of losses of associates	(0.7)	(1.5)	–
Profit before tax	47.4	92.1	157.6
Income tax expenses	(18.2)	(21.3)	(37.1)
Profit for the year	**29.2**	**70.8**	**120.5**
Attributable to:			
Owners of the parent	38.7	75.7	124.1
Non-controlling interests	(9.5)	(4.9)	(3.6)

Revenue

We generate revenue primarily from our consumer ophthalmic services and basic ophthalmic services. The following table sets forth a breakdown of our revenue by business segment for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB millions, except for percentages)					
Consumer ophthalmic services	198.7	31.4	259.1	36.3	369.5	46.5
Basic ophthalmic services	408.0	64.5	445.9	62.4	422.2	53.2
Others[(1)]	26.0	4.1	9.7	1.3	2.6	0.3
Total	**632.7**	**100.0**	**714.7**	**100.0**	**794.3**	**100.0**

Note:

(1) Primarily represents revenue of Tianjin Chaoju from sale of medical consumables to third parties. We have focused the operations of Tianjin Chaoju as our centralized procurement platform and gradually reduced Tianjin Chaoju's sale of medical consumables to third parties.

Historically, a majority of our revenue has been generated from the provision of basic ophthalmic services. The increase in our revenue from consumer ophthalmic services and the decrease in our revenue from basic ophthalmic services as percentages of our total revenue primarily reflected (i) the continued strengthening of our brand in local markets benefiting from our continuous operations and well established local presence, our renowned physicians, and our continued efforts to improve patient experience through our customer management system, (ii) our increased allocation of resources to the development of our consumer ophthalmic services business through investments in new equipment for consumer ophthalmic services, increased training to our professionals on consumer ophthalmic techniques and related skills, as well as our adoption of more productive and cost-effective marketing initiatives, such as online campaigns targeting younger generations, including promotion via our WeChat public account and live-broadcasting of refractive correction surgeries performed for frontline medical personnel, (iii) the increased efficiency of our allocation of human resources based on the fluctuations in the market demand for our services, where we devoted more resources to marketing, customer development and internal training during off seasons, and (iv) the rapid growth of the consumer ophthalmic medical services market in China driven by the increased acceptance of refractive correction surgeries by the younger generation and the continued upgrade and advancement of the relevant ophthalmology technologies.

We provide both out-patient and in-patient treatments to our patients and customers. The following table sets forth a breakdown of our revenue by type of services provided for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB millions, except for percentages)					
Out-patient services	257.8	40.7	319.8	44.8	408.3	51.4
In-patient services	299.6	47.4	329.1	46.0	317.6	40.0
Sale of optical products	49.3	7.8	56.1	7.8	65.8	8.3
Others(1)	26.0	4.1	9.7	1.4	2.6	0.3
Total	**632.7**	**100.0**	**714.7**	**100.0**	**794.3**	**100.0**

Note:

(1) Primarily represents revenue of Tianjin Chaoju from sale of medical consumables to third parties. We have focused the operations of Tianjin Chaoju as our centralized procurement platform and gradually reduced Tianjin Chaoju's sale of medical consumables to third parties.

2020 Compared to 2019

Revenue generated from our out-patient services increased by 27.7% from RMB319.8 million in 2019 to RMB408.3 million in 2020, primarily due to an increase in the average spending of our out-patient customers. The increase in the average spending of our out-patient customers primarily reflected an increased portion of our out-patient customers seeking consumer ophthalmic services (refractive correction medical services in particular), which are generally priced higher than our basic ophthalmic services.

Revenue generated from our in-patient services decreased by 3.5% from RMB329.1 million in 2019 to RMB317.6 million in 2020, primarily due to a decrease in the number of in-patient visits, which was partially offset by an increase in the average spending of our in-patient customers. The decrease in the number of in-patient visits primarily reflected the impact of the pandemic containment measures taken by the PRC Government in the first half of 2020 in response to the COVID-19 outbreak. The increase in the average spending of our in-patient customers was primarily due to the relaxation of pricing limits imposed by certain local public health insurance authorities on our basic ophthalmic services covered by public health insurance programs.

Revenue generated from sale of optical products increased by 17.3% from RMB56.1 million in 2019 to RMB65.8 million in 2020, primarily due to an increase in the number of customer visits. The increase in the number of customer visits primarily reflected the effect of our increased on-campus myopia screening activities in 2020 to acquire customers.

2019 Compared to 2018

Revenue generated from our out-patient services increased by 24.0% from RMB257.8 million in 2018 to RMB319.8 million in 2019, primarily due to an increase in the average spending of our out-patient customers and, to a lesser extent, an increase in the number of out-patient visits. The increase in the average spending of our out-patient customers primarily reflected an increased portion of our out-patient customers seeking consumer ophthalmic services (refractive correction medical services in particular), which are generally priced higher than our basic ophthalmic services. The increase in the number of out-patient visits was primarily due to our increased promotion of refractive correction surgeries and myopia control services.

Revenue generated from our in-patient services increased by 9.8% from RMB299.6 million in 2018 to RMB329.1 million in 2019, primarily due to an increase in the number of in-patient visits and, to a lesser extent, an increase in the average spending of our in-patient customers. The increase in the number of in-patient visits primarily reflected our overall business growth. The increase in the average spending of our in-patient customers primarily reflected our increased efforts to improve patient experience by diversifying our product offerings and providing more advanced products tailored to patients' needs.

Revenue generated from sale of optical products increased by 13.8% from RMB49.3 million in 2018 to RMB56.1 million in 2019, primarily due to an increase in the number of customer visits to our optical centers and, to a lesser extent, an increase in the average spending of our customers seeking optical products. The increase in the number of customer visits to our optical centers primarily reflected our overall business growth. The increase in the average selling price of our optical products was primarily due to an increased portion of our sale of specialized lenses, which are generally priced higher than the regular optical correction lenses.

For details on our operating data in 2018, 2019 and 2020, please see "— Operating Data."

The following table sets forth a breakdown of our revenue by geographic location for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB millions, except for percentages)					
Western Inner Mongolia and the adjacent region	401.2	63.4	454.1	63.6	494.1	62.1
Eastern Inner Mongolia and the adjacent region	125.7	19.9	158.6	22.2	189.5	23.9
Eastern Zhejiang	46.3	7.3	45.2	6.3	43.5	5.5
Northern Zhejiang	6.4	1.0	23.0	3.2	40.9	5.1
Northern Jiangsu	27.1	4.3	24.1	3.4	23.7	3.0
Others[(1)]	26.0	4.1	9.7	1.3	2.6	0.4
Total	**632.7**	**100.0**	**714.7**	**100.0**	**794.3**	**100.0**

Note:

(1) Primarily represents revenue of Tianjin Chaoju from sale of medical consumables to third parties. We have focused the operations of Tianjin Chaoju as our centralized procurement platform and gradually reduced Tianjin Chaoju's sale of medical consumables to third parties.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit by business segment and the corresponding gross profit margin for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(RMB millions, except for percentages)					
Consumer ophthalmic services	94.5	47.6	123.0	47.5	186.5	50.5
Basic ophthalmic services	140.6	34.5	149.7	33.6	161.4	38.2
Others[(1)]	9.9	37.7	5.4	54.5	1.6	62.3
Total	**245.0**	**38.7**	**278.1**	**38.9**	**349.5**	**44.0**

Note:

(1) Consists primarily of gross profit from sale of medical consumables to third parties by Tianjin Chaoju.

Our consumer ophthalmic services have historically borne, and are expected to continue to bear, a higher gross profit margin than our basic ophthalmic services, as our consumer ophthalmic services are not subject to the pricing guidance imposed by public health insurance authorities and we are able to price our services at a satisfying level in accordance with the market demand and our market position.

The following table sets forth a breakdown of our gross profit by type of services provided and the corresponding gross profit margin for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(RMB millions, except for percentages)					
Out-patient services	113.4	44.0	142.9	44.7	191.1	46.8
In-patient services	102.7	34.3	109.2	33.2	123.0	38.7
Sale of optical products	19.0	38.7	20.6	36.9	33.8	51.4
Others[(1)]	9.9	37.7	5.4	54.5	1.6	62.3
Total	**245.0**	**38.7**	**278.1**	**38.9**	**349.5**	**44.0**

Note:

(1) Consists primarily of gross profit from sale of medical consumables to third parties by Tianjin Chaoju.

Our gross profit increased by 13.5% from RMB245.0 million in 2018 to RMB278.1 million in 2019, in line with our overall business growth. Our gross profit margin remained relatively stable at 38.7% in 2018 and 38.9% in 2019.

Our gross profit increased by 25.7% from RMB278.1 million in 2019 to RMB349.5 million in 2020, representing an increase in our gross profit margin from 38.9% in 2019 to 44.0% in 2020. The increases in our gross profit and gross profit margin primarily reflected a larger portion of our revenue from our consumer ophthalmic services, which bore a higher gross profit margin of 47.5% and 50.5% in 2019 and 2020, respectively, compared to the gross profit margin of 33.6% and 38.2% for our basic ophthalmic services in 2019 and 2020, respectively, as well as our better operational efficiency resulting from (i) our centralized procurement practice, where we reduced the number of our suppliers and streamlined our procurement procedures, whereby strengthening our procurement efficiency and bargaining power and reducing the average procurement costs for certain medical consumables and pharmaceuticals, and (ii) our enhanced efficiency in deploying our human resources through sharing of physicians among different hospitals within the same region, which enabled us to serve more patients with employee compensation cost reasonably under control. The adoption of our centralized procurement practice resulted in reduction in the average procurement cost of certain types of our IOLs used in cataract surgeries ranging from 5% to 20% in 2020 as compared to 2019, and the reduction in average procurement cost of certain Ortho-K by approximately 10% in 2020 as compared to 2019. While our revenue grew by 11.1% from RMB714.7 million in 2019 to RMB794.3 million in 2020, our costs of medical consumables, optical products and pharmaceuticals grew moderately by only 2.9% from RMB234.4 million in 2019 to RMB241.2 million in 2020, and the cost of medical consumables, optical products and pharmaceuticals decreased as a percentage to our total revenue from 32.8% in 2019 to 30.4% in 2020, representing a 2.4% increase in our gross profit margin. As a result of our enhanced efficiency in deploying our human resources, our employee compensation cost (excluding the impact of the social security contribution waiver in 2020) as a percentage of our total revenue dropped from 17.3% in 2019 to 16.6% in 2020. The increase in our gross profit and gross profit margin also reflected our saving in employee compensation cost as a result of the waiver of our contribution to employees' social security payment of RMB12.6 million during the COVID-19 pandemic. Had there not been such waiver of our social security contribution, our gross profit margin would be 42.4% in 2020.

For a detailed discussion on our results of operations in 2018, 2019 and 2020, please see "Financial Information."

Operating Data

The following table sets forth a breakdown of our revenue by type of services provided, together with certain other key operational information of our hospitals and optical centers as of the dates or for the years indicated.

	As of and for the year ended December 31,		
	2018	2019	2020
Our Hospitals			
Out-patient services			
Number of out-patient visits	594,296	655,325	651,954
Average spending per visit (RMB)(1)	434	488	626
Number of out-patient surgeries performed	32,443	41,973	47,453
Revenue generated from out-patient services (RMB millions)	257.8	319.8	408.3
In-patient services			
Number of in-patient visits	44,354	46,818	44,252
Average spending per visit (RMB)(1)	6,755	7,029	7,177
Number of registered beds(2)	892	932	932
Effective service capacity(3)	338,190	351,010	341,112
In-patient bed-days(4)	175,262	178,521	157,827
Average length of stay (days)	4.0	3.8	3.6
Utilization rate (%)(5)	51.8	50.9	46.3
Number of in-patient surgeries performed	42,971	46,716	43,414
Revenue generated from in-patient services (RMB millions)	299.6	329.1	317.6
Our Optical Centers			
Number of customer visits(6)	73,935	79,903	91,660
Average selling price (RMB)(7)	667	702	718
Revenue generated from our optical centers (RMB millions)	49.3	56.1	65.8

Notes:

(1) Calculated by dividing the revenue generated from the particular category of services by the total number of patient visits under the same category.

(2) Represents the total number of beds registered in the practicing licenses of our hospitals as of the end of the relevant year. Changes in the number of our registered beds during the Track Record Period were the result of the opening of our Jiaxing Hospital in August 2019 and the closure of Hangzhou Yuhang Chaoju Eye Hospital Co., Ltd. (杭州餘杭朝聚眼科醫院有限公司) in November 2019.

(3) Calculated as the total number of registered beds on each day aggregated over the course of such year.

(4) Represents the actual number of beds occupied by our in-patients on each day aggregated over the course of the relevant year. The decrease in the number of in-patient bed-days in 2020 compared to 2019 was primarily due to a decrease in the average length of stays in 2020 as a result of our improved operational efficiency, and, to a lesser extent, a decrease in the number of in-patient visits in 2020 as a result of the negative impact of the pandemic containment measures taken by the PRC Government in response to the COVID-19 pandemic.

(5) Calculated by dividing the in-patient bed-days during such period by the effective service capacity during such year. The decrease in the utilization rate of our registered beds in 2020 compared to 2019 was due to a decrease in the number of in-patient bed-days resulting from our improved operational efficiency and the negative impact of the pandemic containment measures taken by the PRC Government in response to the COVID-19 pandemic.

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

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

Average Spending and Average Selling Price

During the Track Record Period, we experienced an increase in the average spending of our out-patient customers, primarily reflected an increased portion of our out-patient customers seeking consumer ophthalmic services (refractive correction medical services in particular), which are generally priced higher than our basic ophthalmic services.

In 2020, we experienced a slight increase in the average spending of our in-patient customers as compared to 2019, primarily due to the relaxation of pricing limits imposed by certain local public health insurance authorities on our basic ophthalmic services covered by public health insurance programs. In 2019, we experienced an increase in the average spending of our in-patient customers as compared to 2018, primarily reflecting our increased efforts to improve patient experience by diversifying our product offerings and providing more advanced products tailored to patients' needs.

In 2019, we experienced an increase in the average selling price of our optical products, primarily due to an increased portion of our sale of specialized lenses, which are generally priced higher than the regular optical correction lenses.

Number of Patient and Customer Visits

In 2020, we experienced a decrease in the number of both our out-patient and in-patient visits as compared to 2019, primarily due to the impact of the pandemic containment measures taken by the PRC Government in response to the COVID-19 pandemic. The decrease in out-patient visits was primarily attributable to a decrease in out-patient visits for basic ophthalmic services, which consisted a majority of our out-patient visits. Such decrease was partially offset by an increase in out-patient visits for consumer ophthalmic services, including refractive correction and myopia control services. In the same year, we recorded an increase in the total number of out-patient surgeries performed in 2020, as the negative impact of the COVID-19 pandemic was offset by the significant increase in the number of out-patient surgeries performed under our consumer ophthalmic services, refractive correction surgeries in particular, resulting from the increased demand and our new marketing initiatives for refractive correction services after the gradual containment of the pandemic.

In 2019, we experienced an increase in the number of out-patient visits as compared to 2018, primarily due to our increased promotion of refractive correction surgeries and myopia control services. In 2019, we experienced an increase in the number of in-patient visits as compared to 2018, primarily reflected our overall business growth.

In 2020, we experienced an increase in the number of customer visits to our optical centers as compared to 2019, primarily reflected the effect of our increased on-campus myopia screening activities in 2020 to acquire customers. In 2019, we experienced an increase in the number of customer visits to our optical centers as compared to 2018, primarily reflected our overall business growth.

For details on the fluctuations in our number of patient visits, the average spending of our patients, our number of customer visits to optical centers and the average selling price to our customers seeking optical products, please see "— Consolidated Statements of Profit or Loss — Revenue" and "Financial Information — Results of Operation."

The following table sets forth the utilization rate of registered beds of certain of our key hospitals for the years indicated.

	For the year ended December 31,		
	2018	2019	2020
		(%)	
Baotou Hospital	109.9[(1)]	99.4	86.3
Hohhot Hospital	84.2	91.8	82.1
Chifeng Hospital	54.1	58.2	52.9
Ulanqab Hospital	37.0	35.8	31.8
Chengde Hospital	30.1	33.4	26.2
Jiaxing Hospital	N/A[(2)]	12.8	22.4
Datong Hospital	42.4	32.1	28.6

Notes:

(1) Utilization rate of the registered beds of Baotou Hospital exceeded 100% in 2018 due to the addition of temporary beds to satisfy demands from patients. We have been advised by our PRC Legal Advisors that the relevant PRC laws and regulations do not explicitly state that beds in operation exceeding registered beds constitutes a violation of the PRC law. The healthcare administrative authorities in Baotou has also confirmed with us that (i) we had not been imposed any administrative penalty for the overutilization of registered beds, nor will they impose any administrative penalty on us for such overutilization of our registered beds; and (ii) we are allowed to continue to operate in such manner.

(2) As the business operations of our Jiaxing Hospital were only transferred from its predecessor in August 2019, the business and financial records of our Jiaxing Hospital only started in August 2019.

For details on the changes in the utilization rate of registered beds and other operating data of our key hospitals, please see "Business — Our Operation Network — Our Hospitals — Our Hospital Network."

Summary Consolidated Statements of Financial Position

The following table sets forth selected data from our consolidated statements of financial position at the dates indicated:

	At December 31,		
	2018	2019	2020
		(RMB millions)	
Total current assets	478.8	412.4	541.4
Cash and cash equivalents	157.2	239.8	413.2
Inventories	46.6	36.1	38.0
Trade receivables	65.8	71.8	62.0
Total non-current assets	594.6	590.3	547.5
Property, plant and equipment	287.8	309.1	294.8
Right-of-use assets	208.1	187.5	151.8
Intangible assets	62.1	59.1	56.5
Total current liabilities	408.5	270.4	198.7
Trade payables	62.7	50.5	39.3
Other payables and accruals	96.2	95.2	105.4
Total non-current liabilities	215.6	178.0	126.8
Lease liabilities	155.3	138.8	105.1
Interest-bearing bank and other borrowings	45.0	24.3	0.7
Total assets	1,073.4	1,002.7	1,088.9
Net current assets	70.3	142.0	342.7
Total equity	449.3	554.3	763.4
Non-controlling interests	38.6	32.7	26.3

Please see "Financial Information — Certain Items of Statements of Financial Position."

Summary Consolidated Statements of Cash Flows

The following table sets forth our consolidated statements of cash flows for the years indicated.

	For the year ended December 31,		
	2018	2019	2020
		(RMB millions)	
Net cash flows generated from operating activities	90.5	155.9	248.7
Net cash flows (used in)/generated from investing activities	(146.8)	94.7	(35.5)
Net cash flows generated from/(used in) financing activities	131.1	(165.9)	(39.6)
Net increase in cash and cash equivalents	74.8	84.7	173.6
Cash and cash equivalents at the beginning of the year	82.8	157.2	239.8
Effect of foreign exchange rate changes, net	(0.4)	(2.1)	(0.2)
Cash and cash equivalents at the end of the year	**157.2**	**239.8**	**413.2**

Please see "Financial Information — Liquidity and Capital Resources."

Taking into account the financial resources available to us, including cash flow from our business operations, available banking facilities and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the years or at the dates indicated.

	At or for the year ended December 31,		
	2018	2019	2020
Net profit margin(1)	4.6%	9.9%	15.2%
Return on equity(2)	7.9%	14.1%	18.3%
Return on assets(3)	3.0%	6.8%	11.5%
Current ratio(4)	1.2	1.5	2.7
Quick ratio(5)	1.1	1.4	2.5
Debt to asset ratio(6)	0.6	0.4	0.3

Notes:

(1) Represents profit for the year divided by revenue for the same year.

(2) Represents profit for the year divided by the average of the beginning and ending balances of total equity for the year.

(3) Represents profit for the year divided by the average of the beginning and ending balances of total assets for the year.

(4) Represents total current assets divided by total current liabilities at the dates indicated.

(5) Represents total current assets, less inventories, divided by total current liabilities at the dates indicated.

(6) Represents total liabilities divided by total assets at dates indicated.

We achieved significant improvement in our profitability during the Track Record Period. Our net profit margin increased from 4.6% in 2018 to 9.9% in 2019, and further increased to 15.2% in 2020. Our return on equity increased from 7.9% in 2018 to 14.1% in 2019, and further increased to 18.3% in 2020. Our return on assets increased from 3.0% in 2018 to 6.8% in 2019, and further increased to 11.5% in 2020. The continued increase in our profitability primarily reflected our increased strategic focus on consumer ophthalmic services business, which generated higher returns than basic ophthalmic services business, and our continued cost control efforts.

Our current ratio increased from 1.2 at December 31, 2018 to 1.5 at December 31, 2019, and further increased to 2.7 at December 31, 2020. Our quick ratio increased from 1.1 at December 31, 2018 to 1.4 at December 31, 2019, and further increased to 2.5 at December 31, 2020. Our debt to asset ratio decreased from 0.6 at December 31, 2018 to 0.4 at December 31, 2019, and further decreased to 0.3 at December 31, 2020. The continued increases in our current ratio and quick ratio and the continued decrease in our debt to asset ratio were primarily due to our continued repayment of our debt.

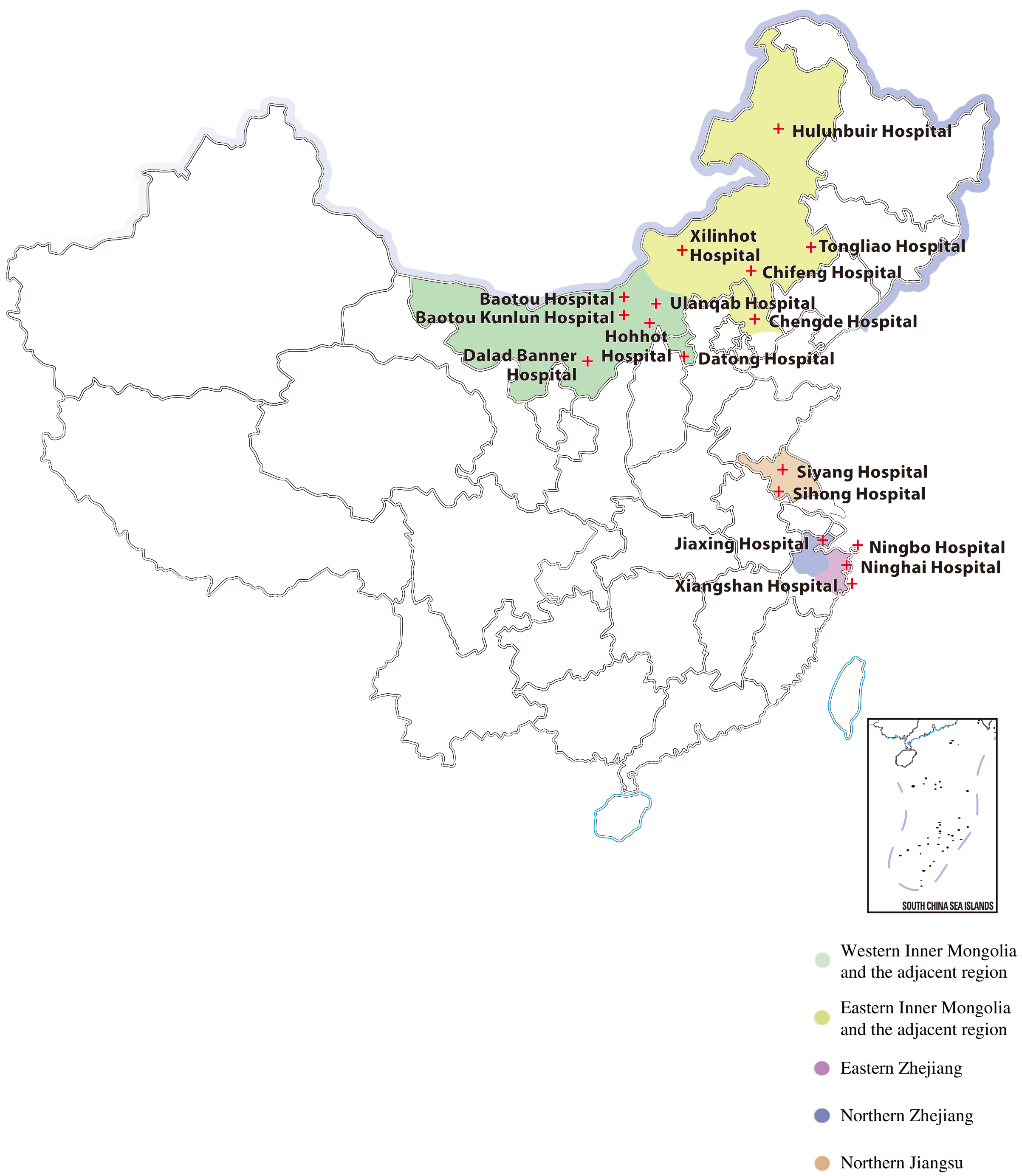
Please see "Financial Information — Summary of Key Financial Ratios."

OPERATION NETWORK

As of the Latest Practicable Date, we operated a network of 17 hospitals specialized in providing ophthalmic services (including four Class III hospitals and nine Class II hospitals) and 23 optical centers spanning across five provinces or autonomous region in China, namely, Inner Mongolia, Zhejiang Province, Jiangsu Province, Shanxi Province and Hebei Province. In addition, as of the Latest Practicable Date, we also operated two clinics as branches of our Chifeng Hospital and Baotou Hospital, respectively, and one of our optical centers, Hexigten Banner Clinic, also held a medical institution practicing certificate and was licensed to operate as a clinic providing certain out-patient services, in order to satisfy the demand from local market for the diagnosis and treatment for relatively simple ophthalmic diseases and disorders. Our hospitals offer a wide range of ophthalmic services, including out-patient and in-patient treatments and surgeries. Our clinics only offer out-patient diagnosis and treatments for relatively simple ophthalmic diseases and disorders and do not perform any surgeries, and therefore contribute only an insignificant portion to our total revenue.

Except for three ophthalmic hospitals we acquired from third parties, all of our ophthalmic hospitals and optical centers operate under our brand "Chaoju (朝聚)." For detailed information on our ophthalmic hospitals and optical centers, please see "Business — Our Operation Network."

Set out below is an illustration of the locations of our hospitals as of the Latest Practicable Date.



Our financial performance has historically been dependent on the operations of our Baotou Hospital, Hohhot Hospital and Chifeng Hospital. In 2018, 2019 and 2020, revenue generated by these hospitals was RMB383.9 million, RMB426.8 million and RMB476.2 million, respectively, representing 60.7%, 59.7% and 60.0% of our total revenue for the respective years. Please see "Risk Factors — Risks Relating to Our Business and Industry — Our financial performance has historically been dependent on the operations of a limited number of hospitals, and is likely to remain largely dependent on operations in such hospitals in the near future."

We will continue to expand our network of hospitals and optical centers through both organic growth and strategic acquisitions of hospitals. We currently do not have any plan to acquire any ophthalmic clinics, as clinics are only permitted to offer limited scope of services and treatments.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisors and the Reporting Accountant for their services rendered in relation to the Listing and the Global Offering. Assuming that the Over-allotment Option is not exercised, the listing expenses are estimated to be RMB80.7 million, representing approximately 7.0% of the gross proceeds to be received by our Company from the Global Offering (based on the mid-point of the indicative price range for the Global Offering), of which an amount of approximately RMB16.4 million has been charged to our consolidated statements of profit or loss up to December 31, 2020. We expect that an additional amount of approximately RMB11.8 million will be charged to the consolidated statements of profit or loss for the year ending December 31, 2021 and RMB52.5 million will be accounted for as a deduction from equity upon Listing.

The Selling Shareholders are responsible for the underwriting commission of 3%, and a discretionary incentive fee of up to 1%, of the aggregate Offer Price of the Sale Shares, translating to an aggregate amount of approximately RMB11.1 million (based on the mid-point of the indicative price range for the Global Offering). Such underwriting commission and incentive fee are not included in the listing expenses of the Group.

OFFER STATISTICS

Offer size	:	Initially 24.86% of our enlarged issued share capital (assuming the Over-allotment Option is not exercised)
Over-allotment Option	:	Up to 15% of the New Shares and approximately 12% of the initial Offer Shares
Offer Price per Share	:	HK$9.48 to HK$10.60 per Share
Board lot	:	500 Shares
Offering structure	:	90% International Offering and 10% Hong Kong Public Offering (subject to reallocation and the Over-allotment Option)

	Based on an Offer Price of HK$9.48 per Offer Share	Based on an Offer Price of HK$10.60 per Offer Share
Market capitalization of Offer Shares	HK$1,620.4 million	HK$1,811.9 million
Market capitalization of our Shares upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	HK$6,517.5 million	HK$7,287.5 million
Unaudited pro forma adjusted net tangible assets per Share [(1)]	HK$2.93	HK$3.15

Note:

(1) We declared a dividend of RMB70.0 million in February 2021 and a dividend of RMB43.0 million in May 2021. If such dividends were taken into account, our unaudited pro forma adjusted consolidated net tangible assets per share would decrease to HK$2.74 (based on the Offer Price of HK$9.48 per Offer Share) or HK$2.94 (based on the Offer Price of HK$10.60 per Offer Share). Please see "Appendix II — Unaudited Pro Forma Financial Information" for further details regarding the assumptions used and the calculations method.

DIVIDEND POLICY

We do not currently have a formal dividend policy or a fixed dividend distribution ratio.

Future dividend payments will depend upon the availability of dividends received from our operating subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated in accordance with PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require our subsidiaries in China to set aside part of its net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants under bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

We declared a dividend of RMB34.0 million in June 2020 and a dividend of RMB70.0 million with respect to the year of 2020 in February 2021. As of the Latest Practicable Date, such dividends were paid in full. In May 2021, we declared a dividend of RMB43.0 million with respect to the four months ended April 30, 2021, and have made provisions for withholding tax accordingly. We expect to pay such dividend by October 2021. Please see "Financial Information — Dividends" for further details.

OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders are Mr. Zhang Bozhou (together with Jutong Medical Management), Ms. Zhang Xiaoli (together with Sihai Medical Management), Mr. Zhang Junfeng (together with Guangming Medical Management), Mr. Zhang Fengsheng (together with Xiwang Medical Management), Ms. Zhang Yumei (together with Sitong Medical Management) and Xiamen Juludazhou Equity Investment (being controlled by Mr. Zhang Bozhou as the sole general partner). As of the Latest Practicable Date, our Controlling Shareholders controlled 58.09% of our total issued share capital. Immediately following the completion of the Global Offering (without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option), the Controlling Shareholders will continue to control approximately 41.61% of our total issued share capital, and thus they will remain as our controlling shareholders upon the Listing. Our Directors are satisfied that our Group is capable of carrying out our business independently from our Controlling Shareholders and their close associates. See "Relationship with our Controlling Shareholders" in this prospectus for details.

Mr. Zhang Fengsheng, as one of the witnesses, gave testimony in the trial of the then administrator of an ophthalmic hospital in China which is not related to our Group, and the administrator was finally convicted of bribery charges in 2008. According to the trial court judgment, Mr. Zhang Fengsheng, the then technical manager of a trading company (which is not related to our Group), paid an aggregate of RMB100,000 to the administrator at his request for the purchase of certain medical equipment by the ophthalmic hospital around the end of 2003. For details, please see the section headed "Relationship with our Controlling Shareholders — Corporate Governance Measures — Our controlling shareholder testified as a witness in a trial" in this prospectus. As Mr. Zhang Fengsheng is one of our Controlling Shareholders, we have further adopted and implemented, at different levels of management, a series of enhanced anti-bribery and anti-corruption policies to provide further assurance on effective and efficient operations, reliable financial reporting and compliance with the applicable laws and regulations. For details of the enhanced internal control policies, please see the section headed "Business — Risk Management and Internal Control" in this prospectus.

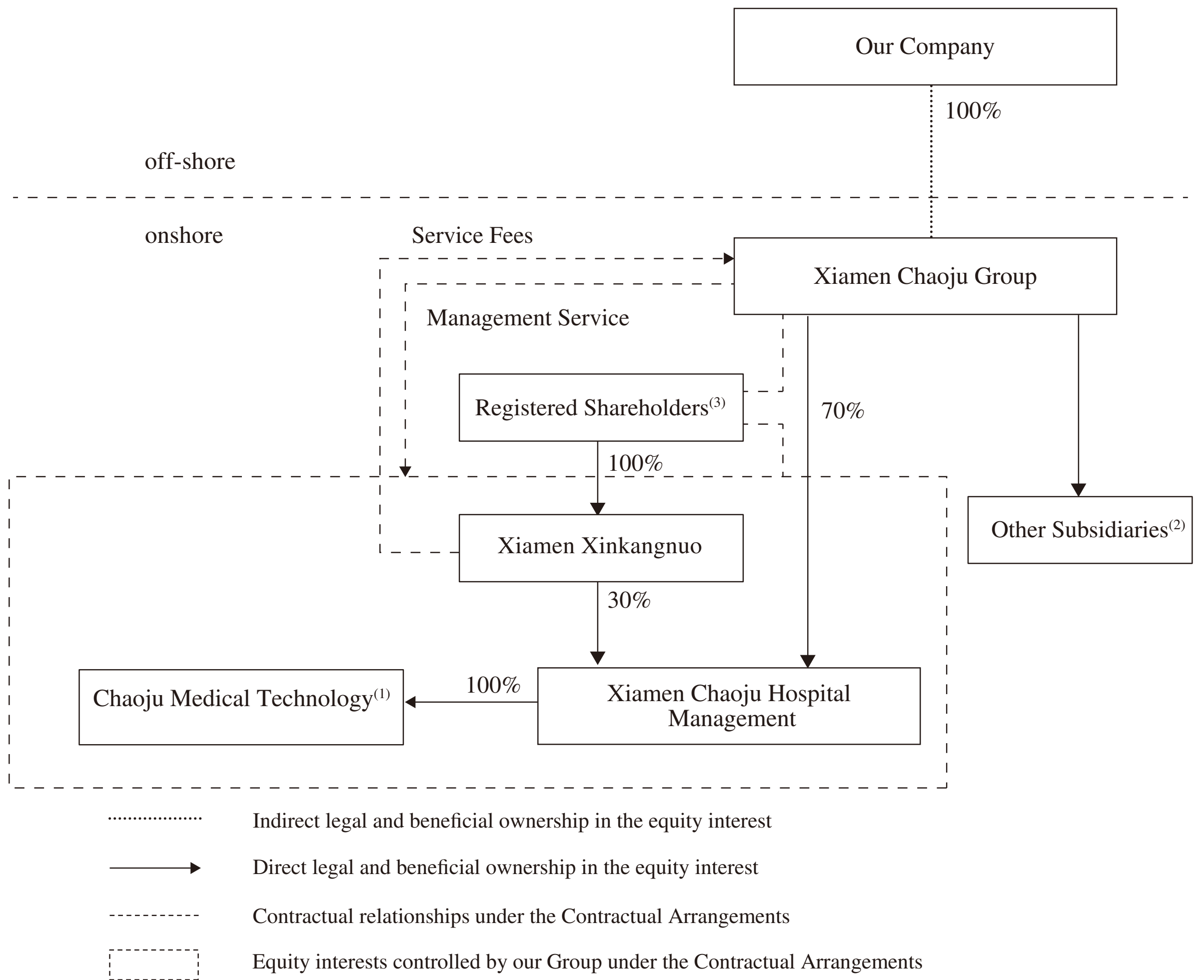
OUR PRE-IPO INVESTORS

In order to further develop our Group's business, certain investors (the "**Pre-IPO Investors**") were introduced to become shareholders of our Group (the "**Pre-IPO Investments**"). For details of the Pre-IPO Investors and the terms of the Pre-IPO Investments, see "History, Reorganization and Corporate Structure — Pre-IPO Investments" in this prospectus.

CONTRACTUAL ARRANGEMENTS

We primarily engage in the provision of ophthalmic services and eye care services through our 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 our operations, we, through our 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 our 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 our Group as stipulated under the Contractual Arrangements:



Notes:

(1) Chaoju Medical Technology is the holding entity of our VIE Hospitals except for Tongliao Hospital, Datong Hospital and Hulunbuir Hospital, all the VIE Hospitals were wholly-controlled by us as of the Latest Practicable Date. The minority shareholders of Tongliao Hospital, Datong Hospital and Hulunbuir Hospital were Independent Third Parties as of the Latest Practicable Date. For further information of the Contractual Arrangements and the VIE Hospitals, see the section headed "Contractual Arrangements".

(2) 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. The minority shareholders of these hospitals were Independent Third Parties as of the Latest Practicable Date. For the shareholding details and connected relationship of the minority shareholders of these entities with our Group, see section headed "History, Reorganization and Corporate Structure — Corporate Reorganization" under the simplified beneficial ownership structure of our business immediately prior to the Reorganization.

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

CONTINUING CONNECTED TRANSACTIONS

We have entered into the Contractual Arrangements which would constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules after the Listing. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in the section headed "Connected Transactions" of this prospectus.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$10.04 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$1,283.2 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes:

% of Net Proceeds	Future Plans	Approximately HK$ in millions
35.8%	• Establishment of the following new hospitals: (1) two ophthalmic hospitals in Hohhot; (2) an ophthalmic hospital and a refractive surgery center in Hangzhou; (3) an ophthalmic hospital in Zhoushan; (4) an ophthalmic hospital in eastern Inner Mongolia; (5) four county-level ophthalmic hospitals in western Inner Mongolia and eastern Inner Mongolia; and (6) an ophthalmic hospital in northern Jiangsu • Relocation and upgrade of our Hohhot Hospital, Baotou Kunlun Hospital and Xilinhot Hospital as well as upgrade and renovation of our Datong Hospital, Baotou Hospital and Chifeng Hospital.	459.0
44.8%	Acquiring hospitals, when appropriate opportunities arise, in new markets with sizable population and relatively high level of demand for ophthalmic healthcare services.	575.3
9.4%	Upgrading our IT systems, including network security infrastructure, server leasing and procurement, server room construction, electronic medical record and optical management system transformation and artificial intelligence system projects, etc.	120.6
10.0%	Working capital and other general corporate purposes.	128.3

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering. See section headed "Future Plans and Use of Proceeds" for more details.

REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or systemic non-compliance incidents which we believe, taken as a whole, would likely to have a material adverse effect on our business or financial position.

During the Track Record Period and up to the Latest Practicable Date, we did not pay social insurance and housing provident fund contributions in full for certain employees based on such employees' actual wages in accordance with applicable PRC laws and regulations. The total underpaid amount of our social insurance and housing provident fund contributions was approximately RMB6.7 million as of December 31, 2020. We have made provisions of RMB2.7 million, RMB3.5 million and RMB0.5 million, respectively, for the underpaid social insurance and housing provident funds contributions in 2018, 2019 and 2020.

RISK FACTORS

Our business faces risks including those set out in the "Risk Factors" section in this prospectus. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in the Offer Shares.

Set out below are some of the major risks that may materially and adversely affect us:

- Pricing controls and coverage limits under public health insurance programs may affect the pricing of our services and products.
- Any adverse change in the PRC regulatory regime for the healthcare industry, particularly changes in healthcare reform policies, could have a material adverse effect on our business.
- We are exposed to inherent risks of patient complaints, medical disputes and legal proceedings arising from our operations. Any complaints from our patients or any claims or accusations on malpractice, medical negligence or misconduct could result in significant costs, and may adversely affect our reputation, business, financial condition, results of operations and prospects.
- Failure to implement the infection control policies and procedures may adversely affect our operation and reputation.
- If we are unable to keep abreast of the latest developments in technology to meet our customers' changing needs, our competitive edge may be materially and adversely affected.
- Our operation is highly dependent on the provision of quality services by our ophthalmic professionals, and we incur significant costs in retaining them. We cannot guarantee that we will be able to continue to attract, recruit and retain sufficient qualified ophthalmic professionals, or at all.
- We may not be able to successfully execute our growth strategy or manage our growth.

You should read the entire section headed "Risk Factors" carefully before deciding to invest in the Offer Shares.

IMPACT OF THE COVID-19 PANDEMIC

In December 2019, a respiratory illness known as COVID-19 caused by a novel strain of coronavirus emerged and has spread globally since then, which has adversely affected the global economy. In order to contain the COVID-19 pandemic, the PRC Government has implemented a series of measures, including travel restrictions, quarantines and business shutdowns. In line with the PRC Government's measures and requirements to contain the pandemic, and to protect our employees and customers from infection, we have taken various precautionary measures at our hospitals and optical centers in response to the COVID-19 outbreak, including (i) setting up strict entrance registration and temperature screening procedures for our patients and customers; (ii) limiting the number of patients and customers received at the same time; (iii) reducing the density of personnel in our hospitals and optical centers; and (iv) requiring coronavirus testing for our patients before they receive surgeries or other in-patient services. In 2020, our costs incurred for the precautionary measures amounted to RMB3.1 million.

The COVID-19 pandemic materially and adversely affected our business, financial condition and results of operations. The operation of most of our hospitals (other than our Baotou Hospital, Hohhot Hospital, Chifeng Hospital, Datong Hospital, Hulunbuir Hospital and Chengde Hospital) were suspended in February 2020, and all of our hospitals and optical centers experienced a significant decrease in the number of patient and customer visits in February and March 2020 as compared to the same period in 2019. This was primarily due to the limitations on our business activities imposed by the PRC Government as part of its efforts to contain the COVID-19 pandemic, as well as our customers' hesitation to seek ophthalmic medical services or obtain optical products, most of which are of a non-urgent nature, during the pandemic. As a result, the operation of our hospitals and optical centers was severely affected, and our revenue for February and March 2020 decreased by 78.2% and 33.4%, respectively, compared to the same periods in 2019. In the meantime, in response to the uncertainties in market supplies brought by the COVID-19 pandemic, we increased our procurement of certain pharmaceuticals. The operation of our hospitals gradually resumed in late February and early March 2020, and we witnessed a bounce-back in the number of patient visits since April 2020, and our revenue in April 2020 increased by 13.1% compared to the same period in 2019. However, certain pandemic containment measures remain effective in light of the on-going COVID-19 situation. As of the Latest Practicable Date, all our hospitals and optical centers had resumed normal operations.

We did not experience any material delay or failure by our suppliers to deliver our orders, or the inability of our hospitals or optical centers to provide services or deliver products as agreed with patients and customers during such period. To our knowledge, our major suppliers in 2020 had all resumed normal operations as of the Latest Practicable Date. We believe that the COVID-19 pandemic will not have a significant on-going impact on our ability to provide services or deliver products as agreed with our patients and customers or disrupt the operation of our major suppliers.

It is uncertain when and whether COVID-19 could be contained globally. There is no assurance that the COVID-19 pandemic will not escalate significantly or continue to have a material adverse effect on our financial condition, results of operations or prospects. For further details, please see "Risk Factors — Risks relating to Our Business and Industry — Our business may be affected by natural disasters, epidemics and other acts of God."

At April 30, 2021, we had cash and cash equivalents of RMB469.4 million. Given the financial resources currently available to us, in the extreme scenario and based on the assumptions, which nevertheless are unlikely to happen, that (i) our business operations are suspended entirely due to the impact of the COVID-19 pandemic and no revenue is generated, (ii) approximately 98% of the outstanding trade receivables will be recovered in accordance with their respective payment terms, in line with our historical recovery record, (iii) all our outstanding payables and loans will be paid when they fall due, (iv) compensation of our personnel will be reduced by 50% of their usual level, (v) only minimal administrative expenses will be incurred during such operational suspension to maintain our business operations at a minimum level, (vi) 10% of the net proceeds from the Global Offering, being calculated based on the low-end of the Offer Price range, will be available for our working capital and other general corporate purpose, (vii) our expansion plan will be suspended, (viii) no further dividend will be declared or paid, except for the dividend of RMB43.0 million declared in May 2021, and (ix) we will obtain no further external financing, we believe that we will remain financially viable for over 22 months from April 30, 2021.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Since December 31, 2020, our business operations saw a significant growth compared to the same period in the previous year as the COVID-19 pandemic had been gradually contained in China. As a result, our revenue more than doubled from RMB109.4 million for the three months ended March 31, 2020 to RMB253.7 million for the three months ended March 31, 2021, and our cost of sales increased significantly from RMB71.6 million for the three months ended March 31, 2020 to RMB135.0 million for the three months ended March 31, 2021. This resulted in a significant increase in our gross profit from RMB37.7 million for the three months ended March 31, 2020 to RMB118.7 million for the three months ended March 31, 2021. As our business operations returned to the usual level after the containment of the COVID-19 pandemic, our selling and distribution expenses increased by 68.4% from RMB5.7 million for the three months ended March 31, 2020 to RMB9.6 million for the three months ended March 31, 2021, and our administrative expenses increased by 62.2% from RMB24.1 million for the three months ended March 31, 2020 to RMB39.1 million for the three months ended March 31, 2021. As such, we recorded a profit before tax of RMB67.5 million for the three months ended March 31, 2021, compared to the loss before tax of RMB7.5 million for the three months ended March 31, 2020.

Our total assets increased by 5.7% from RMB1,089.0 million at December 31, 2020 to RMB1,150.6 million at March 31, 2021, primarily attributable to: (i) an increase in our cash and cash equivalents from RMB413.2 million at December 31, 2020 to RMB475.6 million at March 31, 2021, (ii) an increase in our trade receivables from RMB62.0 million at December 31, 2020 to RMB65.7 million at March 31, 2021, and (iii) an increase in our property, plant and equipment from RMB294.8 million at December 31, 2020 to RMB300.4 million at March 31, 2021. Such increases were partially offset by a decrease in our prepayments, other receivables and other assets from RMB39.4 million at December 31, 2020 to RMB33.6 million at March 31, 2021 and a decrease in our right-of-use assets from RMB151.8 million at December 31, 2020 to RMB149.2 million at March 31, 2021.

Our total liabilities increased by 23.6% from RMB325.5 million at December 31, 2020 to RMB402.2 million at March 31, 2021, primarily attributable to an increase in our dividends payable from nil at December 31, 2020 to RMB70.0 million at March 31, 2021, and an increase in our trade payables from RMB39.3 million at December 31, 2020 to RMB51.0 million at March 31, 2021.

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since December 31, 2020, being the date of our latest audited financial statements, and up to the date of this prospectus, and there has been no event since December 31, 2020 and up to the date of this prospectus that would materially affect the information shown in the Accountants' Report set forth in Appendix I.

As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to acquisitions or had identified any definite acquisition targets.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Accountants' Report"	the report of the Reporting Accountants dated June 24, 2021, the text of which is set out in Appendix I of this prospectus
"Acting-in-concert Agreement"	the acting-in-concert agreement dated June 3, 2019 together with its supplemental agreement dated April 27, 2021 entered into by Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Zhang Fengsheng and Ms. Zhang Yumei
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them
"Articles" or "Articles of Association"	the articles of association of the Company (as amended from time to time), conditionally adopted on June 12, 2021, a summary of which is set out in Appendix III to this prospectus
"Audit Committee"	a committee of the Board established by the Board for the purpose of overseeing the accounting and financial reporting processes of our Company and audits of the financial statements of our Company
"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 our 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 our Company
"Baotou Weilailuoer Enterprise Management"	Baotou Weilailuoer Enterprise Management Co., Ltd.* (包頭市維萊洛爾企業管理有限公司), a limited liability company established under the laws of the PRC on October 16, 2019, our shareholder prior to the Reorganization, which is wholly owned by Mr. Sun Lei, an Independent Third Party

"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 our Company
"Board" or "Board of Directors"	the board of directors of the Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issue of 123,913,040 Shares to be made upon the capitalization of part of the sum standing to the credit of the share premium account of our Company referred to in the section headed "Statutory and General Information" in Appendix IV to this prospectus
"Cayman Companies Act"	the Companies Act (2021 Revision) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chaoju Eye Care (HK)"	Chaoju Eye Care (HK) Company Limited, a limited liability company established under the laws of Hong Kong on June 19, 2020, an indirect wholly-owned subsidiary of our Company
"Chaoju Eye Optics"	Xiamen Chaoju Eye Optics Technology Development Co. Ltd.* (廈門朝聚眼視光科技發展有限公司), a limited liability company established under the laws of the PRC on July 22, 2020, an indirect wholly-owned subsidiary of our Company

"Chaoju Medical Investment"	Chaoju Medical Investment Limited, a BVI business company with limited liability incorporated under the laws of the BVI on June 5, 2020, a wholly-owned subsidiary of our Company
"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 our 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 our 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 our Company
"China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan
"Circular 7"	the Notice on Relevant Issues Concerning the Administration of Foreign Exchange in respect of Domestic Individuals' Participating in the Share Incentive Schemes of Overseas-Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), issued by SAFE on February 15, 2012
"Circular 37"	the Notice on Issues Relating to Foreign Exchange Administration of Overseas Investments and Financing and Round-trip Investments by Domestic Residents via Special Purpose Vehicles (國家外滙管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), issued by SAFE on July 4, 2014
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on March 3, 2014, as amended, supplemented or otherwise modified from time to time

"Company" or "our Company" or "the Company"	Chaoju Eye Care Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands on May 19, 2020 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, Jutong Medical Management, Xiwang Medical Management, Guangming Medical Management, Sitong Medical Management and Xiamen Juludazhou Equity Investment
"Dalad 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 our 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 our Company
"Deed of Non-competition"	the deed of non-competition dated January 4, 2021 given by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the section headed "Relationship with Our Controlling Shareholders"
"Director(s)"	the director(s) of the Company
"eastern Inner Mongolia"	the eastern part of Inner Mongolia, including Hulunbuir, Xilinhot, Tongliao and Chifeng
"eastern Zhejiang"	the eastern part of Zhejiang Province, including Ningbo, Zhoushan, Shaoxing and Taizhou
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law, which was promulgated on March 16, 2007 and became effective as of January 1, 2008
"FIL"	the PRC Foreign Investment Law, which was promulgated on March 15, 2019 and became effective as of January 1, 2020
"FountainVest Chuangying"	Ningbo Meishan Bonded Area FountainVest Chuangying Equity Investment Partnership (Limited Partnership)* (寧波梅山保稅港區方源創盈股權投資合夥企業(有限合夥)), a limited liability partnership established in the PRC on July 11, 2017

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report"	an independent market research report commissioned by our Company on the ophthalmic medical services market and prepared by Frost & Sullivan
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Goodhope Capital Investment"	Goodhope Capital Investment Co. Ltd., a BVI business company with limited liability incorporated under the laws of the BVI on March 4, 2020, a shareholder and a Pre-IPO Investor of our Company, which is wholly owned by Ms. Zhang Yanmei
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider
"Group", "our Group", "the Group", "we", "us", or "our"	our Company and our subsidiaries and, in respect of the period before our Company became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Guangming Medical Management"	Guangming Medical Management Co. Ltd, a BVI business company with limited liability incorporated under the laws of the BVI on March 4, 2020, a shareholder of our Company, which is wholly owned by Mr. Zhang Junfeng
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"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 our Company
"Hohhot Jiasheng Enterprise Management"	Hohhot Jiasheng Enterprise Management Consulting Center (Limited Partnership)* (呼和浩特市嘉勝企業管理諮詢中心(有限合夥)), a limited liability partnership established under the laws of the PRC on September 27, 2019, our shareholder prior to the Reorganization, which is controlled by Mr. Jin Qianfeng as its sole general partner, an Independent Third Party
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars", "HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong Offer Shares"	the 17,093,000 Shares being initially offered for subscription at the Offer Price in the Hong Kong Public Offering, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price, on the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated June 22, 2021 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Controlling Shareholders, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters
"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 our Company
"IFRS"	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
"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 us, our subsidiaries or any of their respective associates
"Individual Shareholders" or "Registered Shareholders"	the five individual shareholders of our 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)
"Inner Mongolia"	the Inner Mongolia Autonomous Region of the PRC, unless the context indicates otherwise

"Inner Mongolia Chaoda"	Inner Mongolia Chaoda Investment Center (Limited Partnership)* (內蒙古朝達投資管理中心(有限合夥)), a limited liability partnership established under the laws of the PRC on October 14, 2015, our shareholder prior to the Reorganization, which is controlled by Ms. Zhang Xiaoli as its sole general partner
"Inner Mongolia Jutong Sihai"	Inner Mongolia Jutong Sihai Investment Center (Limited Partnership)* (內蒙古聚通四海投資管理中心(有限合夥)) a limited liability partnership established under the laws of the PRC on October 14, 2015, our shareholder prior to the Reorganization, which is controlled by Mr. Zhang Bozhou as its sole general partner
"insignificant subsidiary"	has the meaning ascribed to it under the Listing Rules
"International Offer Shares"	the 153,837,000 Shares (comprising 120,407,000 New Shares and 33,430,000 Sale Shares) being initially offered for subscription at the Offer Price in the International Offering, together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"International Offering"	the offer of the International Offer Shares at the Offer Price (a) within the United States to QIBs pursuant to Rule 144A, and (b) outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, our Company, our Controlling Shareholders, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date
"IT"	information technology
"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 our 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 our Company
"Joint Bookrunners," "Joint Global Coordinators" and "Joint Lead Managers"	Haitong International Securities Company Limited and Huatai Financial Holdings (Hong Kong) Limited
"Joint Sponsors"	Haitong International Capital Limited and Huatai Financial Holdings (Hong Kong) Limited
"Jutong Medical Management"	Jutong Medical Management Co. Ltd, a BVI business company with limited liability incorporated under the laws of the BVI on March 4, 2020, a shareholder of our Company, which is wholly owned by Mr. Zhang Bozhou, one of our Controlling Shareholders
"Latest Practicable Date"	June 20, 2021, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about Wednesday, July 7, 2021 on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company (as amended from time to time), conditionally adopted on June 12, 2021, a summary of which is set out in Appendix III to this prospectus
"Ming Da Management"	Ming Da Management Co. Ltd., a BVI business company with limited liability incorporated under the laws of the BVI on March 16, 2020, a shareholder of our Company, which is wholly owned by Mr. Jin Qianfeng, an Independent Third Party
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)

"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)
"New Share(s)"	the 137,500,000 Shares being initially offered by our Company for subscription at the Offer Price under the Global Offering
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"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 our 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 our Company
"North China"	a northern region of China consisting of Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia
"northern Jiangsu"	the northern part of Jiangsu Province, including Suqian, Xuzhou, Lianyungang, Huai'an and Yancheng
"northern Zhejiang"	the northern part of Zhejiang Province, including Hangzhou, Jiaxing and Huzhou
"NHC"	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"NPC"	National People's Congress of the PRC (全國人民代表大會)
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed and to be determined in the manner further described in the section headed "Structure of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares
"Orchid Asia VII"	Orchid Asia VII Global Investment Limited, a limited liability company incorporated under the laws of Hong Kong on May 9, 2018

"Over-allotment Option"	the option expected to be granted by us to the International Underwriters, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to an aggregate of 20,625,000 additional Shares (representing 15% of the New Shares and approximately 12% of the initial Offer Shares) at the Offer Price to cover over-allocations in the International Offering, if any, as further described in the section headed "Structure of the Global Offering" in this prospectus
"PBOC"	People's Bank of China (中國人民銀行)
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Legal Advisors"	Jingtian & Gongcheng, the legal advisors to our Company as to the laws of the PRC
"Price Determination Agreement"	the agreement to be entered into by the Joint Global Coordinators (for themselves and on behalf of the Underwriters), our Company and the Selling Shareholders on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Tuesday, June 29, 2021, on which the Offer Price will be determined, or such later time as the Joint Global Coordinators (for themselves and on behalf of the Underwriters), our Company and the Selling Shareholders may agree, but, in any event, not later than Tuesday, July 6, 2021
"QIBs"	qualified institutional buyers as defined in Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	a committee of the Board established by the Board to discharge the Board's responsibilities relating to the remuneration of Directors and executive officers of our Company
"Reorganization"	the reorganization of the group of companies now comprising our Group conducted in preparation for the Listing, details of which are set out in the section headed "History, Reorganization and Corporate Structure" of this prospectus
"Reporting Accountants"	Ernst & Young
"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 our Company, which is controlled by Ms. Zhang Wenwen, one of our 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 our Company, which is controlled by Ms. Zhang Wenwen, one of our non-executive Directors
"RMB"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), currently known as the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"Sale Shares"	the 33,430,000 Shares being offered by the Selling Shareholders for sale at the Offer Price under the International Offering
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), previously known as the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Selling Shareholders"	Jutong Medical Management, Sihai Medical Management, Guangming Medical Management and Xiwang Medical Management
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"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
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of HK$0.01 each before share subdivision and with a par value of HK$0.00025 each after share subdivision
"Shareholder(s)"	holder(s) of Shares

"Sihai Medical Management"	Sihai Medical Management Co. Ltd, a BVI business company with limited liability incorporated under the laws of the BVI on March 4, 2020, a shareholder of our Company, which is wholly owned by Ms. Zhang Xiaoli
"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 our Company
"Sitong Medical Management"	Sitong Medical Management Co. Ltd, a BVI business company with limited liability incorporated under the laws of the BVI on March 4, 2020, a shareholder of our Company, which is wholly owned by Ms. Zhang Yumei
"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 our Company
"Stabilizing Manager"	Haitong International Securities Company Limited
"State Council"	the PRC State Council (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilizing Manager (or its affiliates acting on its behalf) and Xiwang Medical Management
"subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"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 our 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 our Company
"Track Record Period"	the three financial years of the Company ended December 31, 2018, 2019 and 2020
"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 our Company

"U.S." or "United States"	the United States of America
"U.S. dollars" or "US$"	U.S. dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Vilelarr Management"	Vilelarr Management Co. Ltd., a BVI business company with limited liability incorporated under the laws of the BVI on March 4, 2020, a shareholder of our Company, which is wholly-owned by Mr. Sun Lei, an Independent Third Party
"western Inner Mongolia"	the western part of Inner Mongolia, including Baotou, Hohhot, Ulanqab and Erdos
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require such Hong Kong Offer Shares to be issued in the applicant's/applicants' own name(s)
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"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 our 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 our 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 our Company, which is owned by Shanghai Chaoxi as to 99.92%

"Xiamen Juludazhou Equity Investment"	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)), a limited liability partnership established under the laws of the PRC on April 10, 2020, a shareholder of our Company, which is controlled by Mr. Zhang Bozhou as its sole general partner
"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 our 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
"Xiamen Zhicheng Zhiyuan"	Xiamen Zhicheng Zhiyuan Medical Equipment Trading Co., Ltd* (廈門至誠致遠醫療器械貿易有限公司), a limited liability company incorporated in the PRC on July 8, 2020, an indirect wholly-owned subsidiary of our Company
"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 our 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 our Company
"Xiwang Medical Management"	Xiwang Medical Management Co. Ltd, a BVI business company with limited liability incorporated under the laws of the BVI on March 4, 2020, a shareholder of our Company, which is wholly owned by Mr. Zhang Fengsheng
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS

In this prospectus, the terms "associate," "connected person," "connected transaction," "controlling shareholder," "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only (indicated by an asterisk (*)). To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"associate-chief physician"	A professional rank for physicians in the PRC, second to chief physicians in terms of seniority.
"astigmatism"	A type of refractive error where a person experiences blurred vision caused by the inability of the eye to focus a point object into a sharp focused object on the retina. It is caused by the different refractive abilities at different positions of the cornea. This condition is broadly classified into regular and irregular astigmatism. Irregular astigmatism is often caused by a corneal scar or scattering in the crystalline lens.
"attending physician"	A professional rank for physicians in the PRC, which is subordinate to associate-chief physicians and superior to resident physicians in terms of seniority. An attending physician (主治醫師) may independently provide diagnosis and treatment to patients and supervise resident physicians.
"capsulorhexis"	A technique used to remove part of the interior membrane of the capsule of the lens from the eye during cataract surgeries by shear and stretch forces.
"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.
"chief physician"	The highest professional rank for physicians in the PRC. A chief physician (主任醫師) is generally in charge of a specific clinical department.
"cornea"	The clear front surface of the eye, which allows light to enter the eye and in the meantime bends the light together with the lens.
"crystalline lens"	The natural lens of the eye which lies behind the iris and the pupil and in front of the vitreous body, which bends light and, in a properly functioning eye, focuses it onto the retina to form clear images. Where context requires, the crystalline lens is also referred to as "lens" in this prospectus.
"day surgery"	A form of surgery where the patient is hospitalized, receives surgery, and is discharged within 24 hours.

"diopter"	Unit of measure for the degree of refractive power of an optical lens or refractive error of eyes. When used in reference to refractive errors of the human eye, a negative diopter value (such as -2.0 diopters) signifies an eye with myopia (or nearsightedness), and a positive diopter value (such as +2.0 diopters) signifies an eye with hyperopia (or farsightedness). It may also be used to describe the level of astigmatism (such as 2.0 diopters).
"excimer laser"	A type of laser which may be used to reshape the cornea to correct refractive errors (e.g. myopia, hyperopia and astigmatism). Excimer laser is used during FS-LASIK, LASIK and Smart TransPRK.
"femtosecond laser"	A set of ultrafast lasers that emit optical pulses with a duration well below one picosecond. Femtosecond laser may be used to make create incisions or flaps on the surface of the cornea, or to cut within the cornea through the transparent outer layer of the cornea without damaging the outer layer.
"FLACS"	Femtosecond laser-assisted cataract surgery, a surgery that combines femtosecond laser technique with the phacoemulsification surgery to treat cataract.
"FS-LASIK"	Femtosecond laser-assisted excimer laser in situ keratomileusis, a surgical procedure used to correct refractive errors. It involves the preparation of a thin flap of the anterior cornea with a femtosecond laser, which is lifted up followed by a re-shaping of the cornea with an excimer laser to correct refractive errors. See "Business — Our Services — Consumer Ophthalmic Services — Types of Treatments and Services — FS-LASIK."
"glaucoma"	An eye condition usually caused by overly high intraocular pressure, which usually causes optic nerve atrophies and visual field defect.
"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.
"ICL"	Implantable collamer lens, an artificial lens which is implanted in the eye to correct refractive errors. ICLs are implanted in front of the natural crystalline lens of the eye and behind the iris to correct severe refractive error like high myopia. Modern ICLs are made of soft material and are available in different optical designs.
"in-patient service"	Treatments of patients who are checked in at hospitals and are hospitalized overnight or for an extended period of time.

"IOL"	Intraocular lens, which is a man-made lens implant typically used to replace the natural crystalline lens in lens exchange or cataract surgeries. Regular monofocal IOLs focus light at one distance only, while multifocal IOLs can focus light at multiple focal points. The more advanced accommodative IOLs are capable of changing its refractive abilities through the contraction and relaxation of eye muscles, thus providing clear visions for both distance and near objects. Toric IOLs are also available to correct astigmatism by being placed into the eye with a specific orientation.
"iris"	The flat and ring-shaped membrane behind the cornea of the eye with an adjustable circular opening in the center called a pupil.
"LASIK"	Laser-assisted in situ keratomileusis, a laser surgical procedure to reshape the eye's corneal and correct refractive errors, including myopia, hyperopia and astigmatism. It involves the preparation of a thin flap of the anterior cornea with a microkeratome, which is lifted up followed by a re-shaping of the cornea with an excimer laser.
"limbal relaxing incisions"	Partial thickness incisions made at the out-edge of the cornea called the limbus for the treatment of mild to moderate astigmatism.
"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.
"macular edema"	The build-up of fluid in the macula caused by, among others, inflammation in the retina, which may result in a severe deterioration of vision.
"minimally invasive"	An advanced surgical technique where only small incisions are made to insert endoscopes and other surgical instruments to perform surgeries. Compared to conventional open surgeries, minimally invasive surgeries usually result in less injuries to the body and can reduce the recovery time, blood loss, post-surgical complications, surgical traumas, infection risks, pain and scarring.
"multi-site practice"	The arrangement where a physician practices at two or more medical institutions, including medical institution where he/she does not practice as a full-time employee.
"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.

"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.
"oculoplastic"	Restorative or reconstructive surgeries performed near or around the eye to correct deformations caused by trauma, illness or congenital causes.
"ophthalmologist"	A medical doctor who specializes in eye and vision care.
"ophthalmology"	The specialization of medicine concerned with the study and treatment of disorders and diseases of the eye and related tissues.
"optician"	A technical practitioner specialized in the assembling, examination and maintenance of eyeglasses.
"optometrist"	A health care professional specialized in refractive error examination, vision screening and management, and the prescribing of optical products such as eyeglasses and contact lenses.
"orthokeratology" or "Ortho-K"	A type of specially designed rigid gas permeable contact lenses to change the curvature of the cornea to temporarily improve the customer's vision acuity and slow the progression of myopia for children. See "Business — Our Services — Consumer Ophthalmic Services — Types of Treatments and Services — Orthokeratology."
"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).
"pediatric"	A specialization of medicine for the medical care of infants, children and adolescents of 16 years old or younger.
"phacoemulsification"	A cataract surgery method in which the eye's cloudy lens is emulsified with an ultrasonic handpiece and aspirated from the eye. See "Business — Our Services — Basic Ophthalmic Services — Types of Treatments — Phacoemulsification with IOL Implantation."
"photodynamic therapy" or "PDT"	A type of treatment that combines light and photosensitive medicine to treat various diseases.

"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.
"PRK"	Photorefractive keratectomy, a surgical procedure that uses excimer laser to correct refractive errors. It involves the mechanical removal of the outermost layer of the cornea, followed by a re-shaping of the cornea with excimer laser to correct refractive errors.
"refractive error"	A situation in which the eye does not bend light correctly to focus on the retina resulting in a blurred image captured by the retina. Refractive errors include myopia, hyperopia and astigmatism.
"refractive laser surgery"	Also known as "refractive cornea laser surgery," a term used to refer to all laser procedures used to change the refraction of the cornea, including but not limited to ReLEx SMILE, FS-LASIK, LASIK and Smart TransPRK.
"registered beds"	The number of beds that are registered in the practicing license of a medical institution.
"ReLEx SMILE"	A minimally invasive surgical procedure used to correct refractive errors. See "Business — Our Services — Consumer Ophthalmic Services — Types of Treatments and Services — ReLEx SMILE."
"resident physician"	The entry-level professional rank for physicians in the PRC, which is subordinate to attending physicians in terms of seniority. A resident physician (住院醫師) may only provide medical treatment to patients under the supervision of attending physicians or other superiors.
"retina"	The inner layer on the posterior part of the eye, responsible for the perception of light and send visual signals to be interpreted in the brain.
"Smart TransPRK"	A refractive laser surgery which combines the SmartPulse technology with the TransPRK procedures to correct refractive errors. See "Business — Our Services — Consumer Ophthalmic Services — Types of Treatments and Services — Smart TransPRK."
"squint"	Deviation of the eyes where there is an eye misalignment.
"surgeon"	An ophthalmologist who performs the surgeries.

"TransPRK"	Trans-epithelial photorefractive keratectomy, a surgical procedure used to correct refractive errors. It is an evolution from the PRK procedure, and involves the removal of the outermost layer of the cornea, followed by a re-shaping of the cornea to correct refractive errors. The procedure is entirely completed with excimer laser.
"vitrectomy"	A surgical procedure to remove the vitreous body.
"vitreoretinal surgery"	A surgical procedure performed to treat disorders in the retina and vitreous body.
"vitreous body"	The colorless, clear gel that fills the space inside the eyeball between the crystalline lens and the retina.

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim," "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our financial condition and our operating results and performance;
- future developments, trends and conditions in the industries and markets in which we operate;
- our services and products under development or planning;
- our business strategies and initiatives, business plans, objectives, goals and plans to achieve them;
- general economic, political and business conditions;
- changes to the regulatory environment, policies, operating conditions and general outlook in the ophthalmic services industry in the PRC;
- technological breakthrough in relation to medicine or technology used in ophthalmic services;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to control or reduce costs;
- our dividend distribution plans;
- our expansion and capital expenditure plans;
- the amount and nature of, and potential for, future development of our business; and
- changes to regulatory and operating conditions in the ophthalmic services industry in the PRC.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialize or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

An investment in our Shares involves various risks. Before investing in us, you should carefully consider all of the information set forth in this prospectus, and in particular, the specific risks set out below. Any of the risks and uncertainties described below could have a material adverse effect on our business, financial condition and results of operations or the trading price of our Shares, and could cause you to lose part or all your investment. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. For more information concerning the PRC legal and regulatory regime and certain related matters discussed below, see "Regulatory Overview." This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this prospectus. Please be cautioned that the risks and uncertainties described below are not exhaustive.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Pricing controls and coverage limits under public health insurance programs may affect the pricing of our services and products.

The PRC Government imposes price controls and price ceilings on the healthcare services provided by public healthcare providers. In addition, the healthcare services covered by public health insurance programs are also subject to different coverage. This means that private hospitals in the PRC providing such services covered by public health insurance programs may only seek payment from public health insurance programs up to the maximum amounts determined by the PRC Government from time to time.

As all of our hospitals are for-profit private hospitals, we are generally permitted to set our own pricing standards for our consumer ophthalmic services. For details on the differences between for-profit hospitals and not-for-profit hospitals, please see "Regulatory Overview — Regulations on the Classification of Medical Institutions — Opinions on Implementing Classification Administration of Urban Medical Institutions" and "Regulatory Overview — Regulations on the Management of Medical Institutions — The Administrative Measures on Medical Institutions and its Implementation Measures." However, if our patients are seeking coverage by public health insurance programs, the maximum amount that we may charge the public health insurance programs for the ophthalmic services rendered could not be more than the designated price ceilings. Any additional or excessive amount will need to be borne by the patients themselves. For more details, please see "Business — Pricing and Settlement." Therefore, if we set the prices of our services at a level significantly higher than the applicable price ceilings, demand for our services may reduce as potential customers would be required to bear significant costs in addition to public health insurance coverage.

Furthermore, if the PRC Government reduces coverage for certain ophthalmic services, or excludes certain ophthalmic services from the coverage under public health insurance programs, demand for our services from patients covered by the public health insurance programs may decrease, which could adversely affect our business, financial condition, results of operations and prospect.

Any adverse change in the PRC regulatory regime for the healthcare industry, particularly changes in healthcare reform policies, could have a material adverse effect on our business.

Our growth relies to a significant extent on the continued development of the PRC ophthalmic industry, in particular the healthcare reform. For further information on healthcare reform measures in the PRC, please see "Regulatory Overview — Regulations on the Reform of Medical Institutions."

The policies of the PRC Government may change from time to time, depending on the objectives prioritized by the PRC Government, as well as the political climate at any given time and the continued development of the PRC healthcare industry. Any future change in the relevant government policies may affect public hospital reform and limit private or foreign investments in ophthalmic services. In particular, the PRC Government has, as a part of the PRC healthcare reform, introduced various policies aiming to reduce the costs for pharmaceuticals and medical consumables. For example, the PRC Government has required that, starting 2016, pharmaceutical manufacturers may only sell pharmaceuticals to public hospitals through one layer of distributors as compared to the multiple layers of distributors that were previously more common in the distribution process of pharmaceuticals. Additionally, starting 2019, the PRC Government has required that a significant percentage of the pharmaceuticals and medical consumables used by the designated public hospitals be procured through a national centralized tendering and bidding process and at a price and amount determined through such process. These measures, although not directly applicable to us as a private hospital, are expected to lower the market price of various pharmaceuticals and medical consumables in general. As such, our cost for the procurement and selling price of pharmaceuticals and medical consumables are both expected to decrease, thus affecting our financial condition and results of operations. In addition, there is no assurance that we will not be required to mandatorily participate in such nationwide centralized procurement regime in the future.

Such future changes or reforms, if adopted and implemented, may limit the services we are able or intend to provide and the sources of our revenue, increase the cost of our services, restrict our ability to pursue potential acquisitions and expansions, intensify the competition, or otherwise negatively affect us disproportionately compared to our competitors and may therefore adversely affect our business, financial condition, results of operations and prospects.

In addition, the interpretation, implementation and enforcement of government policies and regulations may vary among different regulators. We cannot ensure that our business, financial condition, results of operations and prospects will not be materially and adversely affected by such differences in interpreting, implementing and enforcing government policies or regulations.

We are exposed to inherent risks of patient complaints, medical disputes and legal proceedings arising from our operations. Any complaints from our patients or any claims or accusations on malpractice, medical negligence or misconduct could result in significant costs, and may adversely affect our reputation, business, financial condition, results of operations and prospects.

As a provider of medical services, we are exposed to the inherent risks of complaints against us and claims on account of malpractice, medical negligence or misconduct, deficiencies in the services and products provided by us and human, machine or equipment errors. We may not be able to avoid such complaints and claims. We are especially exposed to these risks from the treatment of complex medical conditions at our hospitals that cannot be guaranteed with positive outcomes. In addition, there are inherent risks associated with our clinical activities, which may result in unfavorable medical outcomes that are not caused by our clinical decisions or conducts.

We cannot assure you that we or any of our ophthalmic professionals will not encounter malpractice, medical negligence or misconduct claims in the future. These claims may be brought against us or any of our ophthalmic professionals by way of legal proceedings or lodging of formal complaints with the relevant licensing regulatory bodies. Legal actions against our ophthalmic professionals or us, regardless of their merit or eventual outcome, could result in damage to our reputation, significant legal costs and diversion of the management's attention from our business operations. In addition, certain patients or their associates may assert their claims in manners that are violent or disruptive to our operations, including inflicting or threatening personal harm to our ophthalmic professionals and other staff, or organizing rallies or protests at our hospitals that may disrupt the ordinary operations of our hospitals. In any such cases, regardless of the merit of the patients' claims, our business operations and reputation could be materially and adversely affected.

If we face rulings or judgments against us, we may have to pay monetary damages, or may be subject to other non-monetary penalties such as suspension of qualifications or licenses of our ophthalmic professionals in case of gross violation. We may not be adequately insured against losses and liabilities arising from such claims or proceedings. During the Track Record Period, we had experienced a total of 42 medical disputes with our patients, 41 of which have been resolved as of the Latest Practicable Date with an aggregate payment of RMB2.4 million made to the complaining patients. For details on the medical disputes that we were and are currently involved in, please see "Business — Quality Control and Complaint Handling — Complaint Handling." In addition, customers unsatisfied with our ophthalmic services may also generate negative publicity using the media, which may in turn adversely affect our reputation, business, financial condition, results of operations and prospects.

Failure to implement the infection control policies and procedures may adversely affect our operation and reputation.

We have established infection control policies and procedures, with detailed guidelines for various types of medical procedures for our ophthalmic professionals and other employees. However, there is no assurance that each of our staff will strictly comply with our infection control policies and procedures. Failure by our staff to do so may result in severe consequences. For example, if our surgeons or other medical staff fail to comply with the protective measures during surgeries, they may be exposed to infectious diseases carried by the patients, which in turn will result in their inability to continue to provide medical services and cause disruptions to the operation of the relevant hospital. Failure to comply with sanitization procedures and measures may also result in a spread of infectious diseases in our hospitals, including among in-patient and out-patient customers, which may cause a material adverse effect on our business operations and reputation.

If we are unable to keep abreast of the latest developments in technology to meet our customers' changing needs, our competitive edge may be materially and adversely affected.

We rely heavily on offering quality services to our customers by using the latest technology and equipment, but we cannot assure you that we can continue to keep up with the technology development, accurately forecast and capture the technology trend or meet our customers' changing needs. The ophthalmic services industry is characterized by frequent product improvements and technology evolutions. As technologies in the ophthalmic services industry continue to evolve rapidly, in order to compete with other hospitals and clinics, we must continuously assess our equipment at our hospitals and upgrade our existing equipment and facilities or acquire new equipment as a result of technological improvements. Upgrading our existing equipment and facilities and acquiring new equipment require significant expenditure and may be subject to licensing or other regulatory requirements. If we are unable to upgrade our existing equipment and facilities, acquire latest technology and equipment, or satisfy relevant regulatory requirements for any newly acquired equipment in a timely manner, we may be unable to provide the desired services to our customers, and we may lose our existing and potential customers to our competitors with better services. In such cases, our business, financial condition, results of operations and prospects could be materially and adversely affected. Moreover, we intend to tap into the field of online medical care and apply innovative scientific and technological developments such as artificial intelligence in our examination and diagnose procedures. However, there can be no assurance that we will be able to maintain our competitive advantages in the area of online medical care, or that the examination and diagnose results generated by such advanced technologies will always be correct and accurate. Any inaccuracy of the results may result in patient complaints or even medical disputes, which would adversely affect our business operations and reputation. If the new technology or equipment that we invest in fails to meet our existing and potential customers' expectations or becomes obsolete sooner than we expect due to the development in other technologies, we may not be able to recover the associated financial expenditures, which could adversely affect our business, financial condition, results of operations and prospects.

In addition, rapid technological advances in the ophthalmic services industry could also, at times, lead to earlier-than-planned obsolescence or redundancy of equipment and result in asset impairment charges, which may materially adversely affect our results of operations. We may from time to time incur impairment charges, which may materially adversely affect our financial condition and results of operations.

We depend on the availability of certain equipment and supplies to provide ophthalmic services. Any price fluctuations in these supplies or failure to source sufficient supplies at reasonable prices may materially and adversely affect our financial performance and results of operations.

We have historically relied on a limited number of key suppliers for the equipment and supplies that we use to provide ophthalmic and optical services. In 2018, 2019 and 2020, purchases from our five largest suppliers in aggregate represented 33.6%, 36.1% and 38.9%, respectively, of our total purchases for the same years, and purchases from our single largest supplier represented 16.0%, 14.3% and 17.7%, respectively, of our total purchases for the same years. If any of our key suppliers decide not to accept our future purchase orders on the same or similar terms, or at all, or decide to substantially reduce their volume of supply to us, to terminate their business relationship with us, or to terminate their business operations, we may need to find a proper replacement in a timely manner. Failure to do so may result in disruption in our operations. In such event, our business, financial condition and results of operations may be materially and adversely affected.

In addition, our business and profitability may also be affected by fluctuations in the prices of the supplies that we use to provide ophthalmic and optical services. In 2018, 2019 and 2020, costs for medical consumables and optical products represented 39.7%, 39.5% and 40.3%, respectively, of our total cost of sales for the same years. As prices of these supplies fluctuate, we may have to adjust the prices of our services from time to time to pass the expected increase in such costs to our customers. However, there is no assurance that we will be able to pass all or any of the increased costs to our customers. If we are unable to pass increases in the cost of our supplies to our customers, our financial condition and results of operations could be materially and adversely affected.

Failure of products that we purchase to meet the quality standards expected by our customers could materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

Our reputation for quality is a key component of our success, and our customers expect the products we offer, including the medical consumables and pharmaceuticals used during our provision of medical services and the optical products to be provided to our customers, to meet high standards in terms of their quality. In order to meet such high quality standards, we rely on the quality of the products we purchase. However, there is no assurance that our product inspection procedures can detect all defects in the products we purchase. Should any product we purchased fail to meet the quality standards expected by our customers, or we fail to timely detect any defect in such products, our reputation could be negatively affected, which could in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, if there is any defect in the products we purchase and subsequently offer to our customers, we may be subject to claims from customers, negative publicity, reputational damage or administrative sanctions, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. In such cases, we may not be able to recover all or any of our losses arising from such claims from the supplier of such defect products, and our financial condition and results of operations may be materially and adversely affected.

Our operation is highly dependent on the provision of quality services by our ophthalmic professionals, and we incur significant costs in retaining them. We cannot guarantee that we will be able to continue to attract, recruit and retain sufficient qualified ophthalmic professionals, or at all.

Our success relies on our ability to attract, recruit and retain a team of skilled and qualified ophthalmic professionals to provide quality services to our customers. In 2018, 2019 and 2020, our revenue attributable to our top ten physicians, all of whom were our full-time employees, amounted to RMB105.9 million, RMB123.3 million and RMB144.5 million, respectively, representing approximately 16.9%, 17.2% and 18.1% of our total revenue for the respective years. We have historically incurred, and are likely to continue to incur in the future, substantial costs for providing remuneration and other benefits to these qualified professionals. In 2018, 2019 and 2020, our total employee benefit expenses amounted to RMB185.4 million, RMB197.0 million and RMB204.3 million, respectively, representing 29.3%, 27.6% and 25.7%, respectively, of our revenue for the same years. For the same years, the aggregate remuneration paid to our top ten physicians in terms of revenue contribution amounted to RMB5.5 million, RMB6.3 million, RMB7.9 million, respectively. In addition, our research and development team, which also consists of our medical professionals, provides various types of support for our business operations and development, including the diagnosis and treatment of complex diseases, the development and promotion of our medical treatments and techniques, the training of our young professionals and the development of hospital-made pharmaceuticals.

In light of the limited supply of qualified ophthalmic professionals in the ophthalmic services industry, the continuous recruitment of professional team members might be challenging. Moreover, we are facing intense competition for qualified, skilled and experienced ophthalmic professionals from our competitors such as other ophthalmic hospitals and clinics, both private and public. In light of the inflation and intensified competition, it is likely that we may incur higher expenses to recruit and retain ophthalmic professionals. If we are required to raise the compensation for our ophthalmic professionals, our costs may substantially increase, which may materially and adversely affect our financial condition and results of operations.

As of the Latest Practicable Date, 33.5% of our full-time ophthalmologists did not have a fixed term in their employment or service contracts. As of the same date, the remaining 66.5% of our full-time ophthalmologists had entered into employment or service contracts with fixed terms, including: (i) 28.6% of our full-time ophthalmologists with employment or service contracts subject to renewal within the next 12 months, and (ii) 37.9% of our full-time ophthalmologists with employment or service contracts subject to renewal beyond the next 12 months. For our ophthalmic professionals with a fixed term in their employment or service contracts, most of their tenures range from one to ten years. We do not expect that there will be material changes in the duration of any fixed term employment or service contracts for future ophthalmic professionals joining the Group. However, we cannot guarantee that such ophthalmic professionals would agree to such duration when negotiating a fixed term employment or service contract with us. In addition, substantially all of the employment and services contracts with our ophthalmic professionals are terminable by such ophthalmic professionals upon notice in advance. Therefore, there is no assurance that fixed term employment and services contracts will help us retain our ophthalmic professionals for the entire tenure. As our ophthalmic services business relies heavily on our ophthalmic professionals, if a large number of our ophthalmic professionals terminate their employment with us, we may not be able to retain our patients or continue to attract new patients, and our capacity to provide ophthalmic services will also be adversely affected. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected. In particular, if we are unable to retain the core members of our research and development team, our research, development and internal support may be materially and adversely affected, which would in turn have an adverse impact on our business and prospects.

We may not be able to successfully execute our growth strategy or manage our growth.

We intend to further increase our market share in our existing markets, and expand our business operations in markets where we have limited or no presence. Such expansion plans may include the setting up of new hospitals, acquiring hospitals from third parties, and acquisition of assets, businesses or companies complementary to our existing operations. The scope and complexity of our business operations may increase significantly due to our business expansion. We may not be able to effectively manage the larger scale of our operations or achieve the desired profitability from such expansion. For details of our expansion plans, please see "Business — Our Expansion Plans."

Challenges and execution risks that we may encounter in relation to this may include:

- our inability to identify suitable locations for new hospitals or our inability to identify suitable targets for acquisition;
- our inability to discover the latent and contingent liabilities of the hospitals or businesses we acquire;
- our limited experience and knowledge on the regulatory requirements and local demands in markets where we currently have limited or no presence;
- our inability to establish and raise our brand's awareness at the new locations in order to enable potential customers in the area to differentiate us from competitors that have established operations before us;
- our inability to integrate the acquired hospitals into our centralized and standardized management system, including our failure to integrate the operations, personnel and information systems of acquired hospitals;
- our inability to recruit and retain a sufficient number of qualified ophthalmic professionals and other medical staff for our new hospitals to maintain the quality services, and to provide necessary training to enable such persons to provide a consistently high level of care at each of our hospitals;
- our inability to secure sufficient funds to fund our expansions in light of the possibility of delays, cost overruns and any needs to upgrade facilities and equipment;
- our inability to obtain the regulatory approvals and registrations that are necessary to acquire and operate the new hospitals;
- our inability to negotiate the leasing arrangements for new premises on desirable terms; and
- difficulties in maintaining uniform standards, controls, procedures and policies and overcoming differences in corporate cultures.

Any of the factors mentioned above may affect our profit margins, or extend the time required to achieve profitability for our new hospitals, which in turn may affect our business, financial condition, results of operations and prospects.

In addition, we may collaborate with external business partners, such as other medical institutions, educational institutions or other investors, in the execution of our growth strategy. In such cases, our ability to execute our growth strategy may also depend on the performance by our business partners of their respective duties under such collaboration. If any of such business partners fails, or is unwilling, to perform its obligations with respect to its collaboration with us, our development plans may encounter substantial difficulties, which may increase our costs or delay the expected timetable for such development plans, compromise the expected strategic growth, or even fundamentally defeat our development plans. We have historically experienced difficulties in our business expansion resulting from the failure of our business partner to perform its contractual duties. For details, please see "Business — Our Operation Network — Our Hospitals — Our Hospital Network."

Furthermore, our growth strategy may change as the market and our business develop. If there is a significant change in our growth strategies, we may be unable to recover our investment under previous development plans, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, the implementation of our growth strategy may require significant time commitments from our management, as well as substantial operational, financial and other resources, and could result in a diversion of resources from our existing hospitals, which in turn could have an adverse effect on our business operations. We may also face logistical and operational challenges that are unseen from our previous practice in our existing markets, which may require extra time, costs and managerial effort. The aforementioned challenges, if present, may materially and adversely affect our reputation, business, financial performance and results of operations.

We may not obtain adequate or timely financing to fund our business development and expansion plans.

In order to finance our growth and development, including any potential investments and upgrades in our existing hospitals and optical centers and any acquisition of hospitals, we will require significant capital resources. If our internal resources are insufficient to satisfy our cash requirements, we may seek additional financing.

If we raise additional financing by issuing additional equity securities, our Shareholders may experience dilution in their shareholdings, which could in turn materially and adversely affect the market price of our Shares.

To the extent we engage in debt financing, the indebtedness we incur would result in increased debt service obligations and financing costs. In addition, bank borrowing and other debt financing may contain restrictive covenants that limit our ability to operate or grow our business and to respond to changes in market trends. Servicing our debt obligations could also be burdensome for our operations. In the event that we fail to satisfy any debt obligations or comply with any restrictive covenants, we could be in default under the relevant debt obligations, which could trigger a default in other debt obligations and materially and adversely affect our liquidity and financial condition.

Our ability to obtain additional capital on acceptable terms is subject to various uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability from banks, lenders and other investors, availability of necessary government approvals, investors' confidence, the general performance of the ophthalmic services industry and our operating and financial performance in particular. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, or at all. In the event that financing is not available or is not available on acceptable terms, our business, financial condition, results of operations and prospects may be adversely affected.

Opening new hospitals or optical centers could result in fluctuations in our short-term financial performance.

Our operating results have been, and in the future may continue to be, affected by the timing of the opening of new hospitals or optical centers. We may also incur substantial expenditures before new hospitals or optical centers commence business, such as rental, renovation and recruitment of ophthalmologists and other staff. For example, we need to confirm the location of our new hospitals or optical centers before applying for the required licenses. During such period, we need to continue to pay rent without generating any revenue. Depending on the scale of the hospitals or optical centers, the amount of these expenses could be significant. Accordingly, the number and timing of new hospital or optical center openings have, and will continue to have, a significant impact on our short-term operating results.

Our revenue has historically been dependent on our operations in Inner Mongolia, and is likely to remain largely dependent on our operations in such region in the near future. As such, we are especially sensitive to changes in the local conditions in Inner Mongolia.

Historically, a significant percentage of our revenue was generated from Inner Mongolia. In 2018, 2019 and 2020, revenue generated from our operations in Inner Mongolia and the adjacent regions was RMB526.9 million, RMB612.7 million and RMB683.6 million, respectively, representing 83.3%, 85.8% and 86.0% of our total revenue for the respective years. In line with our strategy to continue to reinforce our leading position in Inner Mongolia and the adjacent regions, we expect that a large part of our revenue will remain dependent on our operations in Inner Mongolia. We are therefore highly sensitive to the regulatory, economic, environmental and competitive conditions, as well as the public health landscape in such region. In particular, changes in the economic conditions, regulatory environment, or the private ophthalmic services industry in Inner Mongolia may have a material effect on our business operations and growth.

In addition, if there is an outbreak of contagious disease in Inner Mongolia, the number of patients seeking non-urgent ophthalmic services at our hospitals may decrease as patients may avoid visiting hospitals during such outbreak. For further details, please see "— Our business may be affected by natural disasters, epidemics and other acts of God."

Our financial performance has historically been dependent on the operations of a limited number of hospitals, and is likely to remain largely dependent on operations in such hospitals in the near future.

Historically, a significant percentage of our revenue was generated by our Baotou Hospital, Hohhot Hospital and Chifeng Hospital. In 2018, 2019 and 2020, revenue generated by these hospitals was RMB383.9 million, RMB426.8 million and RMB476.2 million, respectively, representing 60.7%, 59.7% and 60.0% of our total revenue for the respective years.

The business and financial performance of a hospital depend largely on the level of development of the local market it operations in, as well as its share of the local market. Some of our hospitals are located in certain less-developed areas. It may also take substantial amount of time for a hospital to strengthen its local market position and increase its local market share. As such, we expect that our financial performance will remain dependent on the operations of our Baotou Hospital, Hohhot Hospital and Chifeng Hospital in the near future. If we are unable to effectively manage the business operations and growth of these hospitals or achieve desirable profitability for such hospitals, our business, financial conditions, results of operations and prospects may be adversely affected.

In addition, our Baotou Hospital, Hohhot Hospital and Chifeng Hospital are all located in Inner Mongolia. If there is any change in the economic conditions, regulatory environment or the private ophthalmic services industry in Inner Mongolia, the business operations and growth of these hospitals may be adversely affected, which will in turn adversely affect our overall business, financial conditions, results of operations and prospects. Please see "— Our revenue has historically been dependent on our operations in Inner Mongolia, and is likely to remain largely dependent on our operations in such region in the near future. As such, we are especially sensitive to changes in the local conditions in Inner Mongolia."

Demand for our services is affected by macroeconomic and political conditions, which are beyond our control.

Our operation and growth depend on various macroeconomic factors that are beyond our control. Generally speaking, the increasing number of affluent population and the middle-class will stimulate the demand for private ophthalmic services. Any economic downturn in the PRC may cause customers to become less willing to pay for our services. In such event, our patients may become less receptive to high-margin special services, such as our consumer ophthalmic services, opt for more economic alternatives and cut back spending on treatments, procedures or services that are not considered medically necessary. As such, any adverse changes in economic conditions and consumer spending power may have a material adverse effect on our business, results of operations and prospects.

In addition, the overall affluence level and more importantly, the quality, of ophthalmic services provided by public medical institutions are crucial to the performance in private ophthalmic services industry. If the public sector is able to provide quality ophthalmic services competitively, both in terms of fee levels and quality of services, it will affect the demand for ophthalmic services provided by the private sector. In such events, our business, results of operations and prospects could be adversely affected.

Changes in international and regional political conditions could also adversely affect the macroeconomics, which in turn may adversely affect our business and financial performance. For instance, the China-U.S. relation has undergone a series of economic and political tensions since 2018. While China and the United States reached a phase one trade deal in January 2020, the agreed terms have not been fully implemented and more trade talks are in discussion. The future development of the China-U.S. relation remains uncertain and any adverse development may adversely impact the macroeconomics in the PRC and in turn adversely impact our business, results of operations and prospects.

If we are unable to predict or react to any negative changes in economic conditions in the PRC and consumer spending power and preference in a timely manner, we may experience material and adverse effect on our reputation, business, financial performance and results of operations.

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 our business. If we fail to retain or renew our requisite licenses and permits in time, we may not be able to maintain or expand our business operations.

We engage in a highly regulated industry and our operations are subject to various laws, rules and regulations, such as those governing the licensing and operation of hospitals and optical centers, technologies permitted for use in hospitals and optical centers, the licensing of professionals, occupational safety, environment protection, and the use and safety management of medical equipment. Our business operations and future expansion are largely affected by the PRC government's laws, rules and regulations, which may change significantly and are beyond our control. We cannot assure you that there will not be an adverse change in the regulatory environment for our business, such as additional regulatory requirements for providing ophthalmic medical or optical services or a more restrictive regulatory regime on the operation of private ophthalmic hospitals or optical centers. In any such case, our business operations and prospects will be materially and adversely affected.

Furthermore, we currently hold various licenses and permits in order to operate our business. For more details, please see "Business — Licenses, Permits and Approvals." Such licenses and permits are subject to review and renewal, and may be subject to interpretation, modification or termination by the relevant governing authorities. As such, our business operation depends largely upon our ability to maintain and renew our existing licenses and permits required for our operations. In the event that we fail to retain those licenses and permits or renew them in time, our reputation, business, financial performance and results of operations may be materially and adversely affected.

If we are found to have violated any applicable law or regulation, which may be amended from time to time, we may face penalties, suspension of operations or even revocation of existing licenses or permits, depending on the nature and severity of the non-compliance, any of which could materially and adversely affect our reputation, business, financial performance and results of operations.

Insurance coverage may not sufficiently cover risks arising from our business operation.

We have maintained medical liability insurance in respect of our business operations to cover possible liability that we may encounter during the course of our business. While we maintain insurance in amounts that we believe to be appropriate for our operations, we may face losses and liabilities that are uninsurable by their nature, or that are not covered fully or at all under our subsisting insurance policies. Moreover, coverage under insurance policies would generally be subject to certain standards or negotiated exclusions or qualifications and, therefore, any future insurance claims by us may not be honored by our insurers in full, or at all. In addition, the premium payments required under our insurance policies may be substantial, which may have a material impact on our financial condition and results of operations.

If there is any claim or litigation against us, it would affect not only our reputation, but also our business, financial condition, results of operations and prospects. To the extent that we may suffer loss or damage for which we did not obtain insurance or which exceeds our insurance coverage, the loss would have to be borne by us and our financial condition and results of operations could be adversely affected.

We may not be able to properly manage the clinical conducts and license registrations of our ophthalmic professionals, and failure to do so could materially and adversely affect our business, results of operations and prospects.

We rely on our ophthalmic professionals of our hospitals to make proper clinical decisions regarding the diagnosis and treatment of our patients. However, it is impossible for us to have direct control or oversight over all the clinical activities of our hospitals or the decisions and actions taken by our ophthalmic professionals, as their diagnoses and treatments of patients are subject to their professional judgment and in many cases, must be performed swiftly on a real time basis. Any lapse of judgment on the part of our ophthalmic professionals, or any failure by our hospitals to properly manage their clinical activities may result in unsatisfactory treatment outcomes, patient injury or possible patient death. In such event, our reputation, business and prospects may be materially and adversely affected.

In addition, the clinical activities of ophthalmic professionals are strictly regulated under PRC laws and regulations. Ophthalmic professionals who practice at medical institutions are required to hold relevant practicing licenses and are only permitted to practice within the scope of their licenses and at specific medical institutions where their licenses are registered, except for the multi-site practice arrangements permitted by competent authorities. In practice, it may take a period of time for ophthalmic professionals to transfer their licenses from one medical institution to another or to add another medical institution to their permitted practicing institutions. We cannot assure you that any of our ophthalmic professionals transferred from a different hospital or any potential candidates to be hired by our hospitals will complete the transfer of their licenses and the related government procedures in a timely manner, if at all, or that our physicians and nurses will not practice outside the permitted scope of their respective licenses. Our failure to properly manage the registration of our ophthalmic professionals in their respective licenses may subject us to administrative penalties against our hospitals, including fines, loss of licenses, or, in the worst case scenario, an order to cease business, any of which could materially and adversely affect our business, financial condition, results of operations and prospects.

We depend significantly on the continued services of our core management team and our inability to retain their services could adversely affect our reputation, business and prospects.

Our future success depends on the continued services of our core management team and other key employees. For further information on the background and qualifications of our core management team, please see "Directors and Senior Management." In particular, we are highly dependent on Mr. Zhang Bozhou, our chairman of the Board, executive Director and chief executive officer, who manages our business and operations as well as formulates our development and investment strategies. The loss of any member of our core management team, Mr. Zhang Bozhou in particular, and other key employees could have a material adverse effect on our business and operations. If we lose the services of any core management member or other key employee, we may be unable to identify, hire and train suitable qualified replacements and may incur additional expenses and time to recruit and train new personnel. In addition, our business is subject to the risk of any member of our core management team and key employees joining a competitor or forming a competing business. Consequently, our business could be severely disrupted, and our reputation, business and prospects could be materially and adversely affected.

We face fierce competition in the ophthalmic services industry, and we may not be able to compete effectively against existing and new competitors.

The ophthalmic services industry is highly competitive. We constantly face competition from clinics and hospitals in both public and private sectors in the PRC. We compete across various parameters, including geographical accessibility, price, the availability and quality of our services, the number of skilled and experienced ophthalmologists, the level of technology and supporting infrastructure. Our existing and potential competitors may possess competitive advantages such as stronger brand recognition, more competitive pricing, greater financial resources, greater geographical coverage or longer operating histories. Increased competition could reduce our operating margins and profitability and may result in a financial loss and loss of market share, or require us to incur additional costs and capital expenditure. Increased competition may also lead us to reduce our prices to attract patients, adversely affecting our financial condition and operating results. In the event that our competitors launch new hospitals near our existing hospitals, we may be unable to retain our ophthalmic professionals, employees and patients.

We cannot assure you that we will be able to successfully compete against existing and new competitors. Moreover, due to the non-recurring and permanent nature of refractive correction treatments, our revenue from refractive correction services is highly dependent on our ability to attract new customers. If we cannot compete effectively or maintain or increase our market share or maintain a constant flow of new customers seeking our services, our reputation, business, financial condition, results of operations and prospects may be materially and adversely affected.

We rely on our brand image and reputation. Any failure to develop, maintain or enhance, or any damage to, our brand image or reputation, or any negative publicity against us could materially and adversely affect our business, financial condition, results of operations and prospects.

We rely on our brand image and reputation in marketing and selling our services. As there are an increasing number of potential customers who may seek services based on the reputation of ophthalmic professionals and brand, we will need to constantly manage our reputation and brand image. In the event that we fail to meet the expectation of our potential customers or adhere to our established standards, our reputation and brand image may be harmed, which may lead to a reduced number of customers and strategic partners as well as members of our professional team.

Any adverse incident or negative publicity resulting from actual or alleged medical negligence or misconduct, accidents, employee allegations, or false advertisements associated with our industry may negatively affect the public perception of the ophthalmic services industry on the whole. In addition, negative media coverage regarding the quality, value, or pricing of our services may materially and adversely affect our brand recognition and our customers' trust on us. Whilst we have made considerable efforts in promoting our brand, we may still fail to effectively maintain our brand image or reputation.

We lease the premises where our hospitals and optical centers operate. Any defect in our leases, non-renewal of our leases, substantial increase in rent or any non-compliance in relation to relevant tenancy laws may adversely affect our business, financial condition, results of operations and prospects.

A majority of our hospitals and optical centers had entered into a long-term leasing agreement for the business premises for a term of five years or more. Under the leasing agreements, in the event of certain material breaches by us, such as non-payment of rent, our landlords may enforce their rights to terminate the lease agreements. Furthermore, one of our landlords has created security interests over the building leased to us in favor of certain financial institution to obtain financing. If there is a default by such landlord under the terms of the relevant financing arrangement, which is beyond our control, the lender may exercise its right of foreclosure against the building where our hospital operates, which may result in significant disruptions in our operations. We cannot assure you that our landlords will always have sufficient financial resources to service the debt obligations secured by the buildings where our hospitals operate.

We cannot assure you that we will be able to enter into replacement leases or renew our leases on similar or commercially acceptable terms (including, without limitation, similar tenure and on similar rental charges) in the future, if at all. If we are required to relocate any of our hospitals because we are unable to renew the relevant lease, such relocation would result in disruption in our operations and significant expenses. The availability of commercially attractive locations for our operations is important to our brand recognition, profitability and business expansion. If we are unable to maintain operations in such locations, our reputation, business, financial performance and results of operations may be materially and adversely affected.

In addition, as the Latest Practicable Date, out of our 39 leased properties in the PRC, 28 leasing agreements (with a gross floor area of approximately 59,695 sq.m. representing approximately 62.0% of the total gross floor area we leased) have not been registered with the competent authorities. As advised by our PRC Legal Advisors, since the non-registration of leasing agreements by the lessor and us does not affect the validity of such leasing agreements, our use of these leased properties would not be affected by such non-registration. However, we and the lessor might be notified to register the leasing agreements by the competent authorities, and, if we and the lessor fail to register the lease agreements within the prescribed time period, we may be imposed a penalty ranging from RMB1,000 to RMB10,000 per lease as a result of such non-registration. As of the Latest Practicable Date, we have not received any notification from any competent authority in the PRC in relation to the non-registration of lease agreements.

Furthermore, a substantial part of our leased properties are leased from our Controlling Shareholders or their associates. Renewal of such leases may be subject to additional approval or disclosure requirements. If any or all of such Controlling Shareholders or their associates decide not to, or become unable to renew their leases with us, we may be required to relocate the relevant hospitals, and our business, financial performance and results of operations may be materially and adversely affected.

Our business may be affected by natural disasters, epidemics and other acts of God.

Our business may be affected by natural disasters, epidemics and other acts of God which are beyond our control. The occurrence of earthquakes, sandstorms, snowstorms, fire or drought, or the outbreak of epidemics such as Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A (H1N1)), H7N9, Zika Virus Disease or COVID-19 may have a material adverse impact on the economic and social conditions in the affected regions. For example, the outbreak of COVID-19 materially and adversely affected our business and financial performance in early 2020. COVID-19 has spread all over the world and was declared a pandemic by the World Health Organization on March 11, 2020. The global outbreak of COVID-19 may cause further negative economic impact and increase the volatility in the PRC and global market and could result in a widespread health crisis and restrict the level of business operations in the affected areas. For further details, please see “Financial Information — Impact of the COVID-19 Pandemic.”

In addition, any natural disasters, epidemics and other outbreaks that are beyond our control may be expected to directly impact our operations, including straining our facilities and employees, exposing employees to personal risks, disrupting regular business operations, imposing additional health or safety measures upon our hospitals, exposing our hospitals to potential liability for any actions taken or not taken.

Moreover, China has experienced natural disasters such as earthquakes, floods and droughts in the past few years. For example, in May 2008 and April 2010, China experienced earthquakes in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people. Since the beginning of 2010, there were severe droughts in south-western China, resulting in significant economic losses in these areas. Sever flood in southern China in 2020 also caused significant social disruption and economic damage. Any future occurrence of severe natural disasters in the regions where we operate may adversely affect the local economy and in turn our business.

We are subject to laws and regulations relating to the personal information of our patients. Any failure to adequately protect our patients' medical records and personal data could expose us to liability.

As part of our business, we collect and maintain personal medical data and treatment records of our patients. PRC laws and regulations generally require medical institutions, including us, and their medical personnel to protect the privacy of their patients and prohibit unauthorized collection or disclosure of personal information. Medical institutions and their medical personnel will be liable for damages resulting from their unauthorized disclosure of patients' private or medical records. Ophthalmic professionals are also required by professional code of conduct applicable to them not to disclose medical information of patients to any third party without the patient's consent, except in certain specific circumstances.

However, there is a risk that our patients' personal information could be compromised. Such information could be divulged due to, for example, theft or misuse arising from staff misconduct or negligence. Furthermore, any change in privacy laws and regulations in the PRC could affect our ability to use medical data and subject us to liability for the use of such data for currently permitted purposes.

Failure to protect the confidentiality of patients' medical records and personal data, or any restriction on or liability as a result of our use of medical data, could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may fail to deal with medical wastes in accordance with the applicable laws and regulations or otherwise be in breach of the relevant medical, health and safety or environmental laws and regulations.

As part of our normal business operations, we produce medical wastes, which may be harmful to the environment and human health. The storage, transportation and processing of medical wastes are strictly regulated. We rely on external vendors for medical waste disposal services. Should the relevant service provider fails to comply with applicable regulations, we could face sanctions or fines, which could adversely affect our reputation, business, financial condition, results of operations and prospects. In addition, if the applicable PRC laws and regulations on medical wastes were to become more stringent, we may incur additional compliance costs for the storage, transportation and processing of our medical wastes. Failure to comply with the applicable regulations could expose us to penalties or liabilities, and our licenses, permits, approvals and certificates could be suspended or withdrawn by the relevant PRC health authorities. Any of these consequences may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be unable to fully recover our trade receivables, loans to third parties and amounts due from related parties.

We have historically received, and expect to continue to receive, payments from public health insurance programs and social organizations for medical services provided by our hospitals in our ordinary course of business and under the social responsibility programs we participate in. We routinely recognize trade receivables due from public health insurance programs and social organizations, as these payments may be subject to long settlement cycles and multiple administrative approval procedures. At December 31, 2018, 2019 and 2020, our trade receivables was RMB65.8 million, RMB71.8 million and RMB62.0 million, respectively. We make provisions for impairment losses on our trade receivables in accordance with the applicable accounting principles. In 2018, 2019 and 2020, our provision for impairment losses on trade receivables was RMB1.1 million, RMB6.8 million and RMB1.9 million, respectively. For the accounting principles and judgments applied in the assessment of impairment losses on our trade payables, please see note 2.4 to our historical financial information set forth in Appendix I to this prospectus.

Under the current policies of the PRC public health insurance programs, a government-approved quota is assigned annually to each medical institution in respect of the medical fees that are allowed to be recovered from the public health insurance programs. For any amount exceeding such quota, the local public health insurance authorities normally determine in the first half of the succeeding year whether, and to what extent, such amount will be settled with the relevant hospitals. Accordingly, we only recognize revenue to the extent that we estimate the relevant amounts to be within such quota and recoverable from public health insurance programs. For the medical fees estimated to be exceeding such quota and therefore unrecoverable, we do not recognize any revenue. In 2018, 2019 and 2020, our medical fees estimated to be exceeding such quota and therefore unrecoverable amounted to RMB7.5 million, RMB3.2 million and RMB2.6 million, respectively. For details on our revenue recognition policies, please see "Financial Information — Critical Accounting Policies, Judgements and Estimates — Revenue Recognition" and note 2.4 to our historical financial information set forth in Appendix I to this prospectus. In addition, we may need to write off medical fees recognized as receivables if they become unrecoverable from public health insurance programs in the following year. Although we had not experienced any material write-off of our trade receivables due from public health insurance programs during the Track Record Period, we may need to do so in the future if the quotas assigned by the local public health insurance authorities do not increase in line with our hospitals' business growth, in which case our financial condition and results of operations would be adversely affected.

In addition, we have historically provided loans to third parties and our related parties. At December 31, 2018, 2019 and 2020, our loans to third parties amounted to RMB4.9 million, RMB17.1 million and RMB16.9 million, respectively, and our amounts due from related parties amounted to RMB175.9 million, RMB24.9 million and RMB0.3 million, respectively. We make provisions for impairment losses on our loans to third parties and amounts due from related parties in accordance with the applicable accounting principles. In 2018, 2019 and 2020, we made provisions for impairment losses on our loans to third parties of RMB0.2 million, RMB0.2 million and RMB4.2 million, respectively, and provision for impairment losses on our amounts due from related parties of RMB3.3 million, RMB9.7 million and RMB4.9 million, respectively.

We may be required to make further provisions for impairment losses in the future in accordance with applicable accounting principles. In addition, there is no assurance that our provision for impairment losses can fully cover our actual losses that may arise in the future. In the case where we need to make substantial provision for impairment losses, our provision is not sufficient to cover the actual credit losses, our financial condition and results of operations may be materially and adversely affected.

We may incur impairment on our goodwill, and our results of operations and financial position may be adversely affected.

We recognized goodwill during our acquisition of Ningbo Hospital, Ninghai Hospital and Xiangshan Hospital. Such goodwill represents the excess of the aggregate of the consideration transferred, the non-controlling interests in these hospitals after our acquisition and the fair value of our equity interests in these hospitals held prior to our acquisition (if any) over the identifiable net assets of these hospitals. At December 31, 2018, 2019 and 2020, our goodwill remained unchanged at RMB28.2 million.

We do not amortize goodwill, but we assess our goodwill for impairment at least on an annual basis, or more frequently if events or changes in circumstances indicate that our goodwill may be impaired. For details on the impairment assessment methods for our goodwill, please see "Financial Information — Certain Items of Statements of Financial Position — Goodwill" and notes 2.4 and 16 to our historical financial information set forth in Appendix I to this prospectus. We did not incur any impairment losses on goodwill during the Track Record Period. However, adverse developments in the future may result in a decrease in the recoverable amount of our goodwill, which would in turn result in impairment losses on goodwill.

Furthermore, when assessing the recoverable amount of our goodwill, we make assumptions regarding our future performance, business trends, market and economic conditions. There are inherent uncertainties relating to these factors and our management's judgment in applying these factors to the assessment of our goodwill. We cannot assure you that our assumptions will prove to be correct. For example, our estimates of the future cash flows from Ningbo Hospital, Ninghai Hospital and Xiangshan Hospital may require a downward revision as a result of adverse factors or under circumstances where we fail to sustain the growth we have originally estimated. Any such change in our assumptions may require us to re-valuate our goodwill, and impairment losses may ensue as a result.

Although we did not incur any impairment loss on our goodwill during the Track Record Period, there is no assurance that this will remain the case in the future. Such impairment losses would adversely affect our reported earnings in the periods when recognized. In addition, impairment losses could negatively affect our financial ratios, and thus limit our ability to obtain financing in the future.

We may incur impairment losses on our intangible assets.

We recognize the value of our software and medical licenses as intangible assets. At December 31, 2018, 2019 and 2020, we had intangible assets of RMB62.1 million, RMB59.1 million and RMB56.5 million, respectively. Our intangible assets are tested for impairment annually and when there is an indicator for impairment. For details on the impairment assessment methods for our intangible assets, please see note 2.4 to our historical financial information set forth in Appendix I to this prospectus.

Adverse changes in the future may result in decreases in the value of our intangible assets, which in turn would result in an impairment loss. In addition, we make certain assumptions when assessing the value of our intangible assets, including assumptions on their useful life. There are inherent uncertainties relating to these assumptions and our management's judgment in applying these assumptions to the assessment of our intangible assets. We cannot assure you that our assumptions will prove to be correct. Any such change in our assumptions may require us to re-valuate our intangible assets, which may in turn result in impairment losses. Significant impairment losses on intangible assets may have a material adverse effect on our financial condition and results of operations, and may in turn limit our ability to obtain financing in the future.

We are subject to risks associated with changes in government grants and preferential tax treatment.

We have received various types of government grants in the past. In 2018, 2019 and 2020, we recognized government grants of RMB0.4 million, RMB1.8 million and RMB1.5 million, respectively.

In addition, some of our subsidiaries currently enjoys preferential tax treatments. For example, a number of our subsidiaries are currently taxed at preferential enterprise income tax rates of 15%, and certain other subsidiaries are eligible for a preferential income tax rate of 5% or 10% with respect to part of their taxable income, while the generally applicable income tax rate for PRC enterprises is 25%. For details, please see "Regulatory Overview — Regulations on Taxation" and note 11 to our historical financial information set forth in Appendix I to this prospectus. Our tax benefits as a result of the preferential tax treatment amounted to RMB11.8 million, RMB13.0 million and RMB18.4 million, respectively, in 2018, 2019 and 2020. For details, please see "Financial Information — Description of Key Components of Our Consolidated Statements of Profit or Loss — Income Tax Expenses."

There is no assurance that the government grants and preferential tax treatments will remain at the same level in the future, or that we will continue to be eligible for these government grants or preferential tax treatments. If such government grants reduce or becomes discontinued, or our preferential tax treatments are terminated or reduced, our profitability, financial condition and results of operations may be materially and adversely affected.

We face the risk of obsolescence for our inventories.

Our inventories include pharmaceuticals, medical consumables and optical products. At December 31, 2018, 2019 and 2020, the book value of our inventories amounted to RMB46.6 million, RMB36.1 million and RMB38.0 million, respectively. During the Track Record Period, we have not identified material inventory items requiring impairment provisioning, as we have maintained an effective inventory management system and our agreements with key pharmaceutical suppliers usually contain provisions allowing us to return close-to-obsolete inventories or exchange for new ones. We believe that maintaining appropriate levels of inventories helps us to meet market demands in a timely manner. We generally purchase supplies based on our estimated demand, and we monitor the expiry dates closely through our logbook and physical inspection to ensure that no expired items will be used. As our business expands, our inventory level may increase and our inventory obsolescence risk may also increase accordingly. Furthermore, any unexpected material fluctuations or irregularities in the supply of pharmaceuticals, medical consumables and optical products, or changes in customers' preferences may lead to decreased demand and overstocking of supplies and increase the risk of obsolescence.

We may be subject to intellectual property rights infringement or misappropriation claims by third parties, which may result in substantial legal expenses and, if determined adversely against us, material disruption to our business.

We may be exposed to intellectual property right infringement or misappropriation claims by third parties during the course of our operations. We may also be subject to litigation involving claims of trademark infringement or violation of other intellectual property rights of third parties. Defense against any of these claims would be both costly and time-consuming, and could significantly divert the attention and resources of our management and other personnel. We may incur substantial expenses and require significant attention of management in defending against these claims, regardless of their merit. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, pay on-going royalties, or subject us to injunctions prohibiting the provision and marketing of our ophthalmic services. In addition, certain software we currently use for our operations are licensed to us by external vendors. There is no assurance that we will be able to renew all or any of these licenses at commercially reasonable terms, or at all. If any of the licensors decides to discontinue their software licensing arrangement with us, we may be required to spend considerable time and resources sourcing alternative technologies, which may not be readily available. Otherwise, we may be forced to delay or suspend the relevant services or our brand promotion activities. In any such case, our business operations may be adversely affected.

Furthermore, protracted litigation could also result in our patients or potential patients deferring, reducing or cancelling their purchase of our ophthalmic services. We could also face disruptions to our business operations as well as damage to our reputation as a result of such claims, and our reputation, business, financial condition, results of operations and prospects could be adversely affected.

We are subject to the risk of system failure caused by unexpected network interruptions, security breaches, attacks by hackers or computer virus.

Our business operations depend significantly on the reliability of our information systems for hospital administration, management of patient information and financial information. We cannot assure you that we can successfully maintain the satisfactory performance, reliability, security, and availability of our IT infrastructure. Unexpected network interruptions, security breaches, attacks by hackers or computer virus may cause system failures.

Further, our operation may be interrupted if the operation of any of our IT infrastructure is disrupted due to events such as fire, hardware or software failure, or telecommunication failure. If any of the above events occur, our business operation could be disrupted, thereby affecting our business, financial condition and results of operations.

Our lending activities may not be in compliance with the relevant PRC laws and regulations.

We have historically provided loans to related parties and Independent Third Parties. In 2018, 2019 and 2020, our interest income derived from our amounts due from related parties and loans to third parties amounted to was RMB6.0 million, RMB3.8 million and RMB0.7 million, respectively. As of the Latest Practicable Date, we had collected all our loans to related parties. For more details, please see "Financial Information — Certain Items of Statements of Financial Position — Prepayments, Other Receivables and Other Assets" and "Financial Information — Certain Items of Statements of Financial Position — Amounts Due from Related Parties."

As advised by our PRC Legal Advisors, any financing arrangements or lending transactions between non-financial institutions is prohibited by Article 61 of the General Lending Provisions (貸款通則) promulgated by PBOC in June 1996. Furthermore, pursuant to Article 73 of the General Lending Provisions, PBOC may impose a fine on the non-compliant lender of one to five times of the income received by the lender from such loans. Notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions under the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) (the "**Judicial Interpretations on Private Lending Cases**"), which came into effect on September 1, 2015 and was amended on August 19, 2020 and December 29, 2020. According to Article 10 of the Judicial Interpretations on Private Lending Cases, the Supreme People's Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of mandatory provisions of applicable laws and regulations. Our PRC Legal Advisors advised that, under the Judicial Interpretations on Private Lending Cases, PRC courts will support a non-financial institution's claim for interests on loans as long as the annual interest rate does not exceed four times of the loan prime rate, as published by the National Interbank Funding Center, for loans with maturities of one year applicable on the date of loan agreement, or other interest rate specified in the Judicial Interpretations on Private Lending Cases applicable on the date of such loan agreement.

During the Track Record Period and up to the Latest Practicable Date, we had not been imposed any administrative penalty by government authorities, or become subject to any investigation relating to the interest-bearing loans to related parties or third parties. Based on the above, our PRC Legal Advisors are of the view that the risk that we become subject to any penalty with respect to our interest-bearing loans to third parties pursuant to the General Lending Provisions is low, and our interest-bearing loans to related parties or third parties do not constitute material non-compliance of any applicable laws and regulations. However, if PBOC imposes penalties against us under the General Lending Provisions, our business, financial position and results of operations could be adversely affected.

We were not in full compliance with social insurance and housing provident fund regulations.

During the Track Record Period and up to the Latest Practicable Date, we did not pay social insurance and housing provident fund contributions in full for certain employees. As of December 31, 2020, the total underpaid amount of our social insurance and housing provident fund contributions was approximately RMB6.7 million. As a result, we made provisions of RMB2.7 million, RMB3.5 million and RMB0.5 million, respectively, for the underpaid social insurance and housing provident funds contributions in 2018, 2019 and 2020.

As advised by our PRC Legal Advisors, if the PRC Government is of the view that our contributions to employees' social insurance or provident housing fund do not comply with the requirements under the relevant PRC laws and regulations, we may be ordered by the PRC Government to pay the underpaid amount and may be required to pay a late payment fee of up to 0.05% of our underpaid social insurance contribution for each day of delay, and may be imposed fines in an aggregate amount ranging from one to three times of the underpaid social insurance contribution. As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed against us by relevant authorities with respect to our under-contribution to employees' social insurance or provident housing fund, nor have we received any order to make up for the underpaid amount. For further details, please see "Business — Employees."

If we are required to make up the underpaid amount or to pay late payment fees, or are imposed fines, or our provisions prove to be insufficient, our cash flow, financial condition and results of operations may be materially and adversely affected.

Failure to comply with the PRC anti-corruption laws could subject us and our employees to investigations and administrative or criminal penalties, which may harm our reputation and materially and adversely affect our business, financial condition and results of operations.

We have adopted policies and procedures designed to ensure that our employees comply with the PRC anti-corruption laws, rules and regulations. The healthcare sector in the PRC, including the ophthalmic services industry, is featured with elevated risks of violations of anti-corruption laws, and the PRC Government has recently increased its anti-bribery efforts to reduce improper payments and other benefits received by medical professionals and management personnel at hospitals in connection with the purchase of pharmaceuticals, medical consumables and equipment and the provision of healthcare services. Although we have established anti-corruption policies and procedures and have not been subject to any government investigation relating to anti-corruption violations, there is no assurance that these policies and procedures will effectively prevent our employees from violating applicable anti-corruption laws without our knowledge. If any such violation occurs, we and the relevant employee may be subject to investigations and administrative or criminal penalties, and our reputation could be severely damaged by negative publicity stemming from such violations, which may materially and adversely affect our business, financial condition and results of operations.

Certifications and/or accreditations by professional associations or regulatory authorities help us maintain our brand recognition and reputation, and there can be no guarantee that we can maintain all such certifications and/or accreditations.

A certification and/or accreditation from renowned professional associations or regulatory authorities acts as an external assurance of quality of our services, as they demonstrate that we are compatible with the widely recognized industry standards and quality practices. Hence, certifications and/or accreditations are helpful assurance from a marketing and quality perspective, and may help us maintain our branding and pricing capabilities. To maintain such certifications and accreditations, we are required to comply with the obligations and duties associated with such certifications and accreditations. Any non-compliance or any malpractice, medical negligence or misconduct claims that involve such non-compliance may result in deprivation of our certification or accreditation status and thereby materially and adversely affect our reputation, which may lead to reduction in the number of existing and potential customers. Failure to maintain our certification or accreditation may also affect our ability to set favorable prices for our services, which may lead to a decrease in our revenue.

In addition, the standards for certifications and accreditations are subject to continuous changes and development. In such event, we cannot assure you that we can adapt to any future changes to the standards that may be in force when our certifications and accreditations expire. This can result in a material and adverse effect on our reputation, business, financial condition, results of operations and prospects.

We may not be able to recover all or part of our deferred tax assets, which may affect our financial positions and results of operations in the future.

At December 31, 2018, 2019 and 2020, our deferred tax assets amounted to approximately RMB4.8 million, RMB4.8 million and RMB4.8 million respectively, which mainly represent temporary differences attributable to accelerated accounting or tax depreciation, unused tax losses, accrued expenses, temporary differences due to leasing and temporary differences due to intercompany transaction. For details on the movements of our deferred tax assets during the Track Record Period, please see note 26 to our historical financial information as set forth in Appendix I to this prospectus.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant judgment on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. We cannot guarantee the recoverability or predict the movement of our deferred tax assets. If we fail to recover our deferred tax assets, our future financial condition and results of operations may be adversely affected.

Our past performance is not necessarily indicative of future results, and we may not be able to achieve or sustain the historical level of growth for revenue and profitability.

Our historical results may not be indicative of future performance. Our future financial condition and results of operations may be unable to meet the expectations of our investors or public market analysts who track our performance, which may cause the future price of our Shares to decline. Our revenue, cost, expenses, and results of operations may vary from time to time as it could be affected by various factors beyond our control. Such factors may include, but are not limited to, changes in the general economic conditions and new trends in the PRC ophthalmic services market. Historically, our operations have largely depended on our ability to treat patients effectively and leverage our success and reputation to attract new patients. To maintain our growth and profitability, we must continue to strengthen our reputation, attract qualified ophthalmic professionals, adopt innovative technologies and treatment processes, increase our brand awareness through effective marketing and promotional activities and word-of-mouth reputation, and utilize any growth in demand or shortage of supply in the markets in which we operate or intend to operate. We will also need to successfully expand our footprint into new geographical locations where we have limited or no presence. We cannot assure you that we will achieve any of the above. As a result, we believe that period-to-period comparisons of our results of operations during the Track Record Period may not be indicative of our future performance and you should not rely on such comparisons to predict the future performance of our operating results or the price of our Shares.

Dividends declared in the past may not be indicative of our dividend policy in the future.

We do not currently have a formal dividend policy or a fixed dividend distribution ratio. A decision to declare or pay any dividend and the amount of dividends is subject to the discretion of our Directors, depending on, among other considerations, our operations, earnings, cash flows and financial position, operating and capital expenditure requirements, our strategic plans and prospects for business development, as well as the requirements contained in our constitutional documents and applicable law. For further information on our historical dividend policies, please see "Financial Information — Dividends." Our historical dividends are therefore not indicative of our future dividend distribution policy. Potential investors should be aware that the amount of dividends paid previously is not used as a reference or basis upon which future dividends are determined.

In addition, as a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries, which are all located within the PRC. The calculation of our operating subsidiaries' profit under applicable PRC accounting standards and statutory requirements may differ from the calculation under IFRS. Accordingly, we may not have sufficient or any profit to enable us to make dividend distributions to our Shareholders in the future, even if our IFRS financial statements indicate that our operations have been profitable.

RISKS RELATING TO OUR CORPORATE STRUCTURE AND CONTRACTUAL ARRANGEMENTS

We are entitled to part of the economic benefits from our operations in the PRC by way of the Contractual Arrangements. If the PRC Government finds that these Contractual Arrangements do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to penalties or be forced to relinquish our economic interests in those operations.

Current PRC laws and regulations impose certain restrictions on foreign ownership in medical institutions. Pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (外商投資准入特別管理措施(負面清單)), the latest amended version of which is jointly promulgated by the MOFCOM and the NDRC in June 2020 and took effect in July 2020 (the "**Negative List**"), medical services are restricted for foreign investments and may not be wholly owned by foreign investors, except for those allowed for Hong Kong investors under the Mainland and Hong Kong Closer Economic Partnership Arrangement and subsequent supplements thereto. Furthermore, pursuant to the Interim Measures on the Administration of Sino-foreign Invested and Sino-foreign Cooperative Medical Institutions (中外合資、合作醫療機構管理暫行辦法) (the "**Sino-foreign Medical Institution Measures**"), which was promulgated by former Ministry of Health and the former Ministry of Foreign Trade and Economic Cooperations in May 2000 and became effective in July 2000, equity interests of foreign investors in a medical institution should not exceed 70%. However, both the Negative List and the Sino-foreign Medical Institution Measures are silent on the limitation on indirect ownership or equity interest held by foreign investors in medical institutions.

We are a company incorporated under the laws of the Cayman Islands, and Xiamen Chaoju Group, our PRC subsidiary, is therefore considered a foreign-invested enterprise. To comply with such restrictions on foreign ownership in medical institutions while remaining entitled to the full economic benefits from our operations in China, we conduct our ophthalmic medical services business in China primarily through our PRC subsidiaries controlled by Xiamen Chaoju Hospital Management, which is in turn 70% owned by Xiamen Chaoju Group, and have entered into the Contractual Arrangements to ensure that we are entitled to the entire economic interest in the ophthalmic medical services business of these subsidiaries. For details on the Contractual Arrangements, please see "Contractual Arrangements." Because of the Contractual Arrangements, we are the primary beneficiary of Xiamen Chaoju Hospital Management and its subsidiaries and consolidate their results of operations into ours.

If the PRC Government finds that our Contractual Arrangements do not comply with its restrictions on foreign ownership in medical service institutions, or if the PRC Government otherwise finds that we, Chaoju Hospital Management or any of its subsidiaries are in violation of PRC laws or regulations, the relevant PRC regulatory authorities, including but not limited to MOFCOM, NHC and their local counterparts, would have broad discretion in dealing with such violations or failures, including, without limitation:

- suspending or revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines and/or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or Xiamen Chaoju Hospital Management or its subsidiary may not be able to comply;
- requiring us or Xiamen Chaoju Hospital Management or its subsidiary to restructure the relevant ownership structure or operations; or
- taking other regulatory or enforcement actions that could be harmful to our ophthalmic medical services business or our entitlement to the full economic benefit from such business.

Furthermore, any of the assets under the name of any Registered Shareholder may be put under court custody in connection with litigation, arbitration or other judicial or dispute resolution proceedings against such Registered Shareholder. We cannot ensure that such equity interest will be disposed of in accordance with the Contractual Arrangements. Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our consolidated financial condition and results of operations. In addition, if the PRC Government find our corporate structure and Contractual Arrangements to be in violation of PRC laws, it is unclear what impact the PRC Government actions may have on the operation of our ophthalmic medical services business and on our entitlement to the full economic benefit from such business. If any of these penalties results in our inability to enjoy the full economic benefit from our ophthalmic medical services business, our consolidated financial condition and results of operations will be materially and adversely affected.

Certain provisions in the Contractual Arrangements through which we are entitled to corresponding economic interests in our operations in China may not be enforceable under PRC laws.

All the agreements under the Contractual Arrangements are governed by PRC laws. The legal system in China is not as developed as certain other jurisdictions, such as Hong Kong and the United States. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. As a result, uncertainties in the PRC legal system could limit our ability to enforce our Contractual Arrangements. In the event that we are unable to enforce the Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it may be difficult for us to enjoy the full economic benefit from our ophthalmic medical services business in China.

Under the dispute resolution provisions of the agreements under the Contractual Arrangements, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. For details on these dispute resolution provisions, please see "Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — Common Terms of the Contractual Arrangements — Dispute Resolution." As the arbitration proceedings and the subsequent enforcement procedures may take long periods of time, in the event that the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain remedies in a timely manner, and our ability to enjoy the full economic benefit from our ophthalmic medical services business could be materially and adversely affected.

Substantial uncertainties exist with respect to the interpretation and implementation of the PRC Foreign Investment Law, its implementation regulations and how they may impact the viability of our current corporate structure, business, financial condition and results of operations.

The "variable interest entity" structure, or the VIE structure, has been adopted by many China-based companies, including us, whose operations are currently subject to restrictions on or prohibitions against foreign investment, or to secure their economic interests in such operations. The MOFCOM published a consultation draft of the proposed Foreign Investment Law (中華人民共和國外國投資法(草案徵求意見稿)) in January 2015 (the "**2015 Draft Foreign Investment Law**"), according to which, variable interest entities that are controlled via contractual arrangements would be deemed as foreign-invested enterprises, if they are ultimately "controlled" by foreign investors. In March 2019, NPC adopted the Foreign Investment Law (中華人民共和國外商投資法) (the "**Foreign Investment Law**"), which became effective from January 1, 2020. In December 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法實施條例) (the "**Implementing Rules**"), to further clarify and elaborate upon relevant provisions of the 2019 PRC Foreign Investment Law. The adopted version of the Foreign Investment Law and the Implementing Rules both became effective from January 1, 2020 and replaced major former laws and regulations governing foreign investment in China. See "Regulatory Overview — Regulations on Foreign Investment in China." The Foreign Investment Law and the Implementing Rules do not use the concept of "control" in determining whether a company should be considered as a foreign-invested enterprise, nor do they explicitly classify the VIE structure as a method of foreign investment. However, the Foreign Investment Law has a catch-all provision that broadly defines "foreign investments" as those made by foreign investors in China through other methods as specified in laws, administrative regulations, or as stipulated by the State Council.

Given this broad definition of "foreign investments" and the fact that the Foreign Investment Law and the Implementing Rules are newly adopted and relevant government authorities may promulgate additional rules and regulations as to their interpretation and implementation, there can be no assurance that the concept of "control" as reflected in the 2015 Draft Foreign Investment Law will not be reintroduced, or that the VIE structure adopted by us will not be deemed as a method of foreign investment. Accordingly, there are substantial uncertainties as to whether our VIE structure may be deemed as a method of foreign investment in the future. If our VIE structure were to be deemed as a method of foreign investment by PRC authorities, foreign ownership in our PRC subsidiary hospitals may be deemed to have exceeded the statutory maximum, and we may need to take further actions in order to comply with these laws, regulations and rules. In an extreme scenario, we may be required to unwind the Contractual Arrangements and dispose of our interests in Xiamen Xinkangnuo. In such cases, our ability to enjoy the full economic benefit from our ophthalmic medical services business may be materially and adversely affected.

Our Contractual Arrangements may not be as effective in securing full economic benefits from our ophthalmic medical services business as direct ownership, and relevant parties may fail to perform their obligations under our Contractual Arrangements.

Due to the PRC restrictions on foreign ownership in medical institutions in China, we rely on the Contractual Arrangements to obtain the full economic benefits from their operations. For details on the Contractual Arrangements, please see "Contractual Arrangements."

Although we have been advised by our PRC Legal Advisors that the Contractual Arrangements are legal, valid and binding on the parties thereto, the Contractual Arrangements may not be as effective for us to obtain the full economic benefits from our ophthalmic medical services business as direct ownership. If the relevant parties fail to perform their respective obligations under the Contractual Arrangements, especially the obligation for Xiamen Xinkangnuo to pay service fees to Xiamen Chaoju Group, we may be unable to receive the full economic benefit from our ophthalmic medical services business, and it may take substantial costs and resources to enforce our rights under the Contractual Arrangements.

In addition, there remain significant uncertainties regarding the outcome of arbitration or litigation. For details, please see "— Certain provisions in the Contractual Arrangements through which we are entitled to corresponding economic interests in our operations in China may not be enforceable under PRC laws." These uncertainties could limit our ability to enforce these Contractual Arrangements. In the event we are unable to enforce these Contractual Arrangements, or we experience significant delays or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to receive the full economic benefits from our ophthalmic medical services business, and our consolidated financial condition and results of operations may be negatively affected.

The Registered Shareholders may potentially have a conflict of interest with us, which may materially and adversely affect our business and operations.

The Registered Shareholders may potentially have conflicts of interest with us and breach their contracts or undertakings with us if it would further their own interest or if they otherwise act in bad faith. There can be no assurance that the Registered Shareholders will always act in our best interests should any conflicts of interest arise, or that any conflicts of interest will be resolved in our favor. There also can be no assurance that the Registered Shareholders will not breach the Contractual Arrangements. If we cannot resolve any of these conflicts of interest or any related disputes in our favor, or at all, we would have to rely on legal proceedings to resolve these disputes and take enforcement actions under the Contractual Arrangements. There is substantial uncertainty as to the outcome of any of these legal proceedings. See "— Certain provisions in the Contractual Arrangements through which we are entitled to corresponding economic interests in our operations in China may not be enforceable under PRC laws." In the case of a conflict of interest and the Registered Shareholders do not act in our best interest, our consolidated financial condition and results of operations may be adversely affected.

If we exercise the option to acquire the equity interest in Xiamen Xinkangnuo or Xiamen Chaoju Hospital Management, the equity transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, the Registered Shareholders, Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management irrevocably and unconditionally granted us exclusive options to purchase, at any time when permitted by the then applicable PRC laws, all or part of the equity interest in Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management, as the case may be, at minimum purchase price permitted under PRC laws. For details on these exclusive option arrangements, please see "Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Option Agreements."

In the case that we determine to exercise these exclusive options and to acquire the equity interest in Xiamen Xinkangnuo or Xiamen Chaoju Hospital Management, the transfer of equity interests in Xiamen Xinkangnuo or Xiamen Chaoju Hospital Management may be required to be reported through the online enterprise registration system or filings with MOFCOM, SAMR or their local competent counterparts. In addition, the equity transfer price may be subject to review and assessment by the competent tax authorities, and the transfer price may also be subject to PRC income tax, which could be substantial. In addition, acquisition of the equity interest in Xiamen Xinkangnuo from the Registered Shareholders is deemed as connected transactions for us under the Listing Rules, and will be subject to internal approval and disclosure requirements. There is no assurance that we will be able to complete the required procedures within the desired time period for our acquisition of Xiamen Xinkangnuo.

Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and any finding that we owe additional taxes could substantially reduce our consolidated net income and the value of our Shares.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements are not at arm's length and adjust the income of Xiamen Xinkangnuo in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by Xiamen Xinkangnuo, which could in turn increase its tax liabilities without reducing our tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to Xiamen Xinkangnuo or any of its subsidiaries for underpaid taxes. In such cases, our consolidated financial condition and results of operations may be adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

We are subject to the political, economic and social developments as well as laws, rules, regulations and licensing requirements in the PRC.

All of our business, assets, operations, and revenues are located in or derived from our operations in the PRC, and as a result, our business, financial condition, results of operations and prospects are subject to the economic, political, social and regulatory environment in the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including, among others, the extent of government involvement, level of development, growth rate, control of foreign exchange and the allocation of resources. The PRC economy has been undergoing a transition from a planned economy to a market-oriented economy for over four decades. The PRC Government has in recent years implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a substantial portion of productive assets in the PRC is still owned by the PRC Government. In addition, the PRC Government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC Government still retains significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency denominated liabilities, setting monetary policy and providing preferential treatment to particular industries or enterprises.

Our performance has been and will continue to be affected by the PRC's economy, which in turn is influenced by the global economy. The global economic slowdown and the turmoil in the global financial markets that began in the second half of 2008, continued weakness in the United States economy, the sovereign debt crisis in Europe and the COVID-19 outbreak in late 2019 have collectively added downward pressure to the PRC's economic growth.

Any of the above factors may materially and adversely affect our business, financial condition, results of operations and prospects. We are unable to accurately predict the precise nature of all the risks and uncertainties that we face as a result of current economic, political, social and regulatory conditions and many of these risks are beyond our control.

Uncertainties with respect to the PRC legal system could have a material adverse effect on our business and operations.

Our business and operations are conducted in the PRC and are governed by applicable PRC laws, rules and regulations. The PRC legal system is based on written statutes and interpretations published by the Supreme People's Court. Prior court decisions may be cited for reference, but have limited weight as precedents. Since the late 1970s, the PRC Government has significantly enhanced the PRC legislation and regulations to provide protection to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules in a timely manner. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and the diversion of resources and management attention, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business, financial condition and results of operations could be materially and adversely affected by the PRC labor laws and regulations.

The Labor Contract Law of the PRC (中華人民共和國勞動合同法) (the "**Labor Contract Law**") promulgated by the Standing Committee of the National People's Congress and its implementation rule promulgated by the State Council aim to provide employees with greater protections with respect to establishing and terminating employment relationships. For example, the Labor Contract Law requires us to enter into employment contracts with indefinite terms rather than fixed-term contracts under certain circumstances. In particular, an employer must enter into an employment contract with indefinite term with an employee upon the third consecutive renewal of the employment contract, unless otherwise requested by the employee or under certain special circumstances. In addition, the Labor Contract Law requires us to make severance payment upon terminating an employment contract in certain cases, including termination for incompetency or downsizing. As such, in the event that we need to reduce the number of employees, we may be required to incur substantial expenses. As a result, the Labor Contract Law limits our discretion in the recruitment and termination processes and could in turn affect our expenses on human resources, our profitability, and ultimately affecting our reputation, business, financial condition, results of operations and prospects.

Non-compliance with the PRC advertising laws, rules and regulations could be subject to government sanctions.

The contents of our advertisements in the PRC are required to comply with the applicable PRC laws, and regulations. According to the Administrative Measures on Medical Advertisement (醫療廣告管理辦法) and Notice on Further Strengthening the Administration of Medical Advertisements (關於進一步加強醫療廣告管理的通知), our hospitals must obtain a medical advertisement examination certificate (醫療廣告審查證明) before publishing a medical advertisement. Any breach of these regulations may result in penalties against our subsidiaries in the PRC, including administrative, orders, warnings, suspension of operations, revocation of the permit to engage in the provision of ophthalmic services, and the revocation of the practicing licenses of our hospitals by the health authorities. In addition, if the contents of the published advertisement are different from what is approved and documented in the medical advertisement examination certificate, the competent authority may revoke the certificate and refuse to accept any application for advertisement examination from us for one year. In any of these events, we may not be able to make advertisement in the PRC and our business and financial condition and operating results could be adversely affected. For advertisements related to certain types of products and services, such as pharmaceuticals and medical devices, we are required to confirm that the advertisers have completed filings with local authorities and obtained all requisite government approvals.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

Substantially all of our assets are situated in the PRC. Most of our Directors and officers also reside within the PRC, and most of their respective assets are also located within the PRC. As a result, it may not be possible to effect service of process upon us or our directors in Hong Kong or elsewhere outside the PRC, including with respect to matters arising under the applicable securities laws. Furthermore, China does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**") effective on August 1, 2008, in the case of a valid and enforceable final judgment made by a PRC court or Hong Kong court concerning a civil and commercial case under a written agreement on jurisdiction, in which payment must be made, the party concerned may, under the Arrangement, apply to a PRC court or a Hong Kong court for recognition and enforcement. The term "written agreement on jurisdiction" as mentioned in the Arrangement refers to agreements clearly stipulated in written form by the parties concerned that a PRC court or Hong Kong court has sole jurisdiction as to the effectiveness of the Arrangement, so as to settle disputes relevant to a certain legal relationship that has either arisen or might arise. In addition, the Arrangement contains specific definitions of the terms "enforceable final judgment", "certain legal relationship" and "written form." Final judgments that are not compliant with the Arrangement may not be recognized or enforced by a PRC court. Moreover, we cannot assure you that all final judgments that are compliant with the Arrangement will be recognized and effectively enforced by a PRC court.

Restrictions on foreign exchange may limit the ability of our operating subsidiaries in the PRC to remit payments to us.

Under the existing foreign exchange regulations in the PRC, we may undertake current account foreign exchange transactions without prior approval from SAFE by complying with certain procedural requirements. The PRC Government may, however, decide to restrict access to foreign currencies for current account transactions in the future. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy any foreign currency-denominated obligations we may incur. In addition, since our future cash flow from operations in the PRC will continue to be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to receive dividends and distributions from our subsidiaries in the PRC, purchase goods and services outside of the PRC, or otherwise fund any future business activities that may be conducted in currencies other than the Renminbi. The convertibility of the RMB into other currencies is subject to changes in the PRC policies and international economic and political developments. There is no assurance that the PRC Government will not implement additional restrictions on the conversion between Renminbi and other currencies and the cross-border remittance of funds.

SAFE regulations may limit our ability to effectively finance our operations and intended expansion in the PRC with the net proceeds from the Global Offering, which may materially and adversely affect the value of your investment and may make it more difficult for us to expand our operations in the PRC.

We intend to finance our operations and intended expansion in the PRC with the net proceeds from the Global Offering through overseas shareholder loans or additional capital contributions, which require registration with or approvals from PRC Government authorities. Any overseas shareholder loans to our PRC businesses must be registered with the local branch of SAFE as a procedural matter, and such loans cannot exceed the difference between the total amount of investment our PRC businesses are approved to make under the relevant PRC laws and their respective registered capital. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to making future loans or capital contributions to our PRC businesses with the net proceeds from the Global Offering. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC businesses may be materially and adversely affected, which in turn could materially and adversely affect the liquidity of our PRC operations and our ability to fund and expand our operations in the PRC.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of the RMB against the other currencies fluctuates from time to time and is affected by a number of factors, such as changes in China's and international political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC Government. On July 21, 2005, the PRC Government adopted a more flexible managed floating exchange rate system to allow the value of the RMB to fluctuate within a regulated band that is based on market supply and demand and with reference to a basket of currencies. The PRC Government has since introduced further changes to the exchange rate system in 2012 and 2014. On August 11, 2015, PBOC announced to improve the central parity quotations of RMB against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Center with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. On the same day, the central parity of RMB against the U.S. dollar depreciated by nearly 2% as compared to August 10, 2015, and further depreciated by nearly 1.6% on August 12, 2015 as compared to August 11, 2015. With the development of foreign exchange market and progress towards interest rate liberalization and RMB internationalization, the PRC Government may in the future announce further changes to the exchange rate system. We cannot predict whether the PRC

Government may change its policies that have effect on the exchange rate of the Renminbi, as well as when and how Renminbi exchange rates may change going forward.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. To the extent such hedges are available, their effectiveness may be limited and we may be unable to hedge our exposure successfully, or at all. To date, we have not entered into any agreements to hedge our exchange rate exposure. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

We may be deemed to be a PRC tax resident enterprise under the PRC EIT Law. Gains on the sales of Shares and dividends on the Shares may be subject to PRC income taxes.

We are a holding company incorporated under the laws of the Cayman Islands and indirectly hold interests in our PRC operating subsidiaries. Pursuant to the PRC EIT Law and its implementation rules, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed to be PRC resident enterprise are subject to a 10% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement.

The PRC EIT Law provides that if an enterprise incorporated outside the PRC has its "*de facto* management bodies" within the PRC, such enterprise would generally be deemed a "PRC resident enterprise" for tax purposes and be subject to a PRC EIT rate of 25.0% on its global income. "*De facto* management body" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise.

In April 2009, the SAT promulgated a circular to clarify the certain criteria for the determination of the "*de facto* management bodies" for foreign enterprises controlled by PRC enterprises. These criteria include: (i) the enterprise's senior management personnel and department who are responsible for managing the day-to-day production and operation perform their obligations primarily in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. According to these regulations, we may be regarded as a PRC resident enterprise by PRC tax authorities and pay a PRC EIT at a rate of 25.0% for all of our global income. In addition, the "*de facto* management bodies" determination is based on the principle of substance over form. The SAT further issued administrative rules in July 2011 and January 2014 regarding administrative procedures for recognizing PRC resident enterprise status of a Chinese-invested company registered abroad.

According to the foregoing SAT circulars, a Chinese-invested company registered abroad could either apply for the PRC resident enterprise status with the competent PRC tax authorities in the place where its major PRC investor is located and the application will be subject to approval by competent PRC tax authorities, or be recognized as a PRC resident enterprise by competent PRC tax authorities. In this regard, there are uncertainties regarding whether a Chinese-invested company registered abroad would be treated as a PRC resident enterprise before obtaining the relevant approval from competent PRC tax authorities, and there have been no official implementation rules regarding the determination of the "*de facto* management bodies" for foreign enterprises which are not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the PRC tax authorities will treat a case such as ours. We cannot assure you that we will not be considered a PRC resident enterprise for PRC EIT purposes and be subject to the uniform 25.0% PRC EIT rate on our global income. In addition, although the PRC EIT Law provides that dividend payments between qualified PRC resident enterprises are exempt from PRC EIT, due to the relatively short history of the PRC EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC-established subsidiaries to us will meet such qualification requirements even if we are considered as a PRC resident enterprise for tax purposes.

Profit distributions by our PRC subsidiaries to us are subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in the PRC.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"), adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law of the PRC (中華人民共和國反壟斷法) requires that MOFCOM shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire *de facto* control over domestic enterprises that raise "national security" concerns are subject to strict review by MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we will expand our business by continuing acquiring other hospitals. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval or filing processes, including obtaining approval from MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

The heightened scrutiny over acquisitions from the PRC tax authorities may have a material and adverse impact on our business, acquisition or restructuring strategies or the value of your investment in us.

In connection with the EIT Law, MOF and SAT jointly issued the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business (關於企業重組業務企業所得稅處理若干問題的通知), or Circular 59, on April 30, 2009. On February 3, 2015, SAT issued the Announcement of the State Administration of Taxation on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告), or the SAT Announcement 7. By promulgating and implementing the above, the PRC tax authorities have strengthened their scrutiny over the direct or indirect transfer of equity interest in a PRC resident enterprise by a non-PRC resident enterprise. Pursuant to SAT Announcement 7, if a non-resident enterprise transferor, transfers its equity in an offshore enterprise which directly or indirectly owns PRC taxable assets, including ownership interest in PRC resident companies (or the "**taxable properties**") without a reasonable commercial purpose, such transfer shall be deemed as a direct transfer of such taxable properties. The transferee in such transfer shall be obligated to withhold and remit the applicable enterprise income tax to the relevant PRC tax authority. Factors that may be taken into consideration when determining whether there is a "reasonable commercial purpose" include, among other factors, the value constitution of the transferred equity, offshore taxable situation of the transaction, the offshore structure's economic essence and duration and trading fungibility. If an equity transfer transaction satisfies all the requirements mentioned above, such transaction will be considered an arrangement with "reasonable commercial purpose."

Since we may pursue expansion through acquisitions and may conduct acquisitions involving complex corporate structures in the future, the PRC tax authorities may, at their discretion, impose PRC taxes on our future acquisitions, adjust the capital gains or request that we submit additional documentation for their review in connection with any potential acquisitions, which may cause us to incur additional acquisition costs or delay our acquisition timetable.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no existing public market for our Shares and their liquidity and market price may fluctuate.

Prior to the completion of the Global Offering, there has been no public market for our Shares. The Offer Price is the result of negotiations between us, the Selling Shareholders and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), which may not be indicative of the market prices at which our Shares will be traded following completion of the Global Offering. In addition, there can be no assurance that an active trading market for our Shares will develop or if it does develop, that it will be sustained following completion of the Global Offering; or that the market prices of our Shares will not decline below the Offer Price.

The market price of our Shares may be volatile, which could result in substantial losses to investors.

The market price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, Singapore, the United States, the United Kingdom and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in the PRC that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance. In addition to market and industry factors, the market price and trading volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, earnings and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

Our Controlling Shareholders have substantial control over our Company and their interests may not align with the interests of the other Shareholders.

Prior to and immediately following completion of the Global Offering, our Controlling Shareholders will remain having substantial control over our Company. Subject to our Articles of Association, the Companies Ordinance and the Cayman Companies Act, our Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders. The interest of our Controlling Shareholders may differ from the interests of other Shareholders and they are free to exercise their votes according to their interests. To the extent that the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

Due to a gap of several business days between the pricing and the Listing Date, the initial trading price of our Shares can be lower than the Offer Price.

The Offer Price will be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date, which is expected to be several business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during such period, and thus are subject to the risk that the market price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur during this period.

Investors for our Shares may face difficulties in protecting their interests under Cayman Islands law, which may provide different remedies to minority shareholders when compared with the laws of Hong Kong or other jurisdictions.

We are an exempted company incorporated in the Cayman Islands with limited liability, and the law of the Cayman Islands differs in some respects from that of Hong Kong or other jurisdictions where investors may be located.

Our corporate affairs are governed by our Memorandum and Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against us and our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive but not binding authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. Such differences mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. Further information is set forth in Appendix III to this prospectus.

The sale of substantial amounts of our Shares, especially by our Directors, senior management members and Controlling Shareholders, could materially and adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares by our existing shareholders, or the possibility of such sales, could materially and adversely affect the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which trading of our Shares commences on the Stock Exchange. While we are not currently aware of any intention of our Controlling Shareholders to dispose of significant amounts of their Shares after the completion of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources or other sources contained in this prospectus.

Certain facts, forecasts and other statistics relating to the PRC as well as the ophthalmic services market contained in this prospectus have been derived from various government publications, market data providers and other Independent Third Party sources, including Frost & Sullivan, an independent industry expert, and are generally believed to be reliable. However, we cannot guarantee the quality or reliability of such information. Our Directors believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. They do not believe that such information is false or misleading in any material aspect or that any material fact has been omitted that would render such information false or misleading. These facts, forecasts and other statistics have not been independently verified by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, the respective directors and advisers of ours and of such persons or any other parties involved in the Global Offering and none of them makes any representation as to the accuracy or completeness of such information. Furthermore, such facts, forecasts and other statistics may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside the PRC. For these reasons, you should not place undue reliance on such information as a basis for making your investment in our Shares.

You should read the entire prospectus carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there has been or may be press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information. In making decisions as to whether to invest in our Shares, prospective investors should rely only on the financial, operational and other information included in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information to the public about us. The Directors collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined among the Joint Global Coordinators (for themselves and on behalf of the Underwriters), us, and the Selling Shareholders on the Price Determination Date. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around the Price Determination Date, subject to the Offer Price being agreed.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by the Joint Global Coordinators (for themselves and on behalf of the Underwriters), our Company, and the Selling Shareholders on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, June 29, 2021, or such later time as the Joint Global Coordinators (for themselves and on behalf of the Underwriters), our Company and the Selling Shareholders may agree, but, in any event, not later than Tuesday, July 6, 2021. If, for whatever reason, the Offer Price is not agreed among the Joint Global Coordinators (for themselves and on behalf of the Underwriters), our Company and the Selling Shareholders on or before Tuesday, July 6, 2021, the Global Offering will not proceed and will lapse immediately.

Further information about the Underwriters and the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by the Company, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, representatives, employees or advisers or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" and in the relevant Application Forms.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus. No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought as at the date of this prospectus. All the Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed "Structure of the Global Offering" in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained by our Company's principal share registrar, Harneys Fiduciary (Cayman) Limited in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in the Shares or exercising any rights attaching to the Shares. It is emphasized that none of us, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of, or dealing in, the Shares or their exercise of any rights attaching to the Shares.

EXCHANGE RATES

Solely for convenience purposes, this prospectus includes translations of certain currencies based on the exchange rate below.

Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars and the translation of Renminbi into U.S. dollars, and vice versa, in this prospectus are based on the median rate published by the China Foreign Exchange Trading System on June 18, 2021, and the translation of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus is based on the noon buying rate in effect on June 11, 2021 as set forth in the H.10 weekly statistical release of the Federal Reserve Board, which are set forth below.

RMB0.82893	to HK$1.00
RMB6.4361	to US$1.00
HK$7.7604	to US$1.00

No representation is made that any amounts in HK$, RMB and US$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, the translated English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the name in its original language prevails.

ROUNDING

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Our Company's headquarters and our major business operations are based in the PRC and all of our executive Directors have been, are and are expected to be based in the PRC. We believe it would be more effective and efficient for most of our executive Directors to be based in a location where we have significant operations. As such, we will not be able to comply with the requirements of Rule 8.12 of the Listing Rules for sufficient management presence in Hong Kong.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange. The two authorized representatives are Mr. Zhang Bozhou (張波洲), the chairman of our Board, an executive Director and our chief executive officer, and Mr. Cheng Ching Kit (鄭程傑), one of our joint company secretaries. They will be able to meet with the Hong Kong Stock Exchange on reasonable notice upon the request of the Hong Kong Stock Exchange and be readily contactable by telephone, facsimile and email by the Hong Kong Stock Exchange;

(b) each of the authorized representatives will have all necessary means to contact all the Directors promptly at all times, as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters;

(c) all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Hong Kong Stock Exchange upon reasonable notice if required;

(d) we have, in compliance with Rule 3A.19 of the Listing Rules, engaged Haitong International Capital Limited, as our compliance adviser, who will act as an additional channel of communication with the Hong Kong Stock Exchange;

(e) we will retain Hong Kong legal advisers to advise on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations after the Listing; and

(f) to enhance communications among the Hong Kong Stock Exchange, the Directors will provide their respective mobile phone numbers, office phone numbers, email addresses and fax numbers to the authorized representatives as well as the Hong Kong Stock Exchange, and in the event that a Director expects to travel and be out of office, he/she will provide the phone number of the place of his/her accommodation to the authorized representatives.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules and the Guidance on experience and qualification requirement of a company secretary (HKEX-GL108-20), we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules, which stated that a company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experiences, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. Below are the academic or professional qualifications as set out in Note 1 to Rule 3.28 of the Listing Rules, where the Hong Kong Stock Exchange considers acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience," the Hong Kong Stock Exchange will consider the individual's:

(a) length of employment with the listing applicant and other issuers and the roles he / she played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance and the Hong Kong Code on Takeovers and Mergers (the ''**Takeovers Code**'');

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Wang Weichao (王維超) as one of the joint company secretaries. Mr. Wang Weichao is the chief financial officer of our Company and the secretary of our Board. Our Directors are of the view that, having regard to Mr. Wang Weichao's thorough understanding of the corporate governance and financial management of our Group, he is therefore considered as a suitable person to act as a company secretary of our Company. Mr. Wang Weichao possesses experience in corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Mr. Cheng Ching Kit (鄭程傑), an associate member of both of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom, who fully complies with the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Wang Weichao for an initial period of three years from the Listing to enable Mr. Wang Weichao to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Mr. Cheng Ching Kit will work closely with Mr. Wang Weichao to jointly discharge the duties and responsibilities as company secretary and assist Mr. Wang Weichao to acquire the relevant experience as required under Note 2 to Rules 3.28 and 8.17 of the Listing Rules. In addition, Mr. Wang Weichao will endeavor to attend relevant training and familiarize himself with the Listing Rules and duties required for a company secretary of a company listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing. The waiver is subject to the following conditions:

(i) Mr. Wang Weichao be assisted by Mr. Cheng Ching Kit, who is a qualified person pursuant to Rule 3.28 of the Listing Rules; and

(ii) there being no material breaches of the Listing Rules by our Company.

Our Directors believe that the appointment of Mr. Wang Weichao as a joint company secretary is in the Company's and the Shareholders' best interests and beneficial to its corporate governance.

Prior to the expiration of the initial three-year period, the qualifications of Mr. Wang Weichao will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied and whether the need for on-going assistance will continue.

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the Contractual Arrangements which constitute non-exempt continuing connected transactions for us under the Listing Rules. We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the (i) the announcement, circular and independent shareholders' approval in respect of such non-exempt continuing connected transactions pursuant to Rule 14A.105 of the Listing Rules, (ii) setting an annual cap for such non-exempt continuing connected transactions under Rule 14A.53 of the Listing Rules, and (iii) limiting the term of any such non-exempt continuing connected transactions to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange. Please see the section headed "Connected Transactions" in this prospectus for further details.

ALLOCATION OF SHARES TO CORNERSTONE INVESTORS WHO ARE CONNECTED WITH HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED

Paragraph 5(1) of Appendix 6 to the Hong Kong Listing Rules provides that, without the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to "connected clients" of the lead broker or of any distributors.

Paragraph 13(7) of the Appendix 6 states that "connected clients" in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

Fullgoal Fund Management Co., Ltd ("**Fullgoal Fund**") is a member of the same group with Haitong International Securities Company Limited ("**HTI Securities**"). As a result, Fullgoal Fund is a connected client of HTI Securities. Fullgoal Fund will hold the Shares on a discretionary basis on behalf of Independent Third Parties.

HTI Securities has been appointed by the Company as one of the Joint Global Coordinators, Joint Bookrunners and Underwriters of the Global Offering.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, its consent under paragraph 5(1) of Appendix 6 to the Hong Kong Listing Rules to permit Fullgoal Fund to participate in the Global Offering as cornerstone investor subject to the following conditions:

1. any Shares to be allocated to Fullgoal Fund will be held for, and on behalf of, Independent Third Parties;

2. the cornerstone investment agreement in relation to Fullgoal Fund will not contain any material terms which are more favorable to Fullgoal Fund than those in other cornerstone investment agreements;

3. HTI Securities has not participated, and will not participate in the decision-making process or relevant discussions among the Company, the Joint Bookrunners and the other Underwriters as to whether Fullgoal Fund will be selected as cornerstone investor;

4. Fullgoal Fund has not received, and will not receive preferential treatment in the allocation as cornerstone investor by virtue of its relationship with HTI Securities, other than the preferential treatment of assured entitlement under a cornerstone investment following the principles as set out in HKEX-GL51-13;

5. each of the Joint Sponsors, the Company, the Joint Bookrunners, HTI Securities and Fullgoal Fund has provided the Hong Kong Stock Exchange written confirmations in accordance with HKEX-GL85-16; and

6. details of the allocation will be disclosed in the prospectus and the allotment results announcement.

DIRECTORS

Name	Address	Nationality
Chairman and executive Director		
Mr. Zhang Bozhou (張波洲) . . .	Unit 2, Building 29 Jialai Zhuangyuan Xincun Residential District Fengtai District Beijing China	Chinese
Executive Directors		
Ms. Zhang Xiaoli (張小利)	Flat 906, Tower 4 Hengda Huafu Shamujia Road 1 Jiuyuan District Baotou Inner Mongolia China	Chinese
Mr. Zhang Junfeng (張俊峰) . . .	Flat 402, Unit 3, Tower 5 3rd Xianghe District Houxinchengdao Street Huimin District Hohhot Inner Mongolia China	Chinese
Mr. Zhang Guangdi (張光弟) . .	Flat 305, Unit 1 Building 5 Jiuyuan Garden Zone 1 Jiuyuan District Baotou Inner Mongolia China	Chinese
Non-executive Directors		
Mr. Ke Xian (柯鋈)	Flat 1201, Lane 86 Hunan Road 3468 Kangqiao Town Pudong New Area Shanghai China	Chinese

Name	Address	Nationality
Mr. Richard Chen Mao	No.70, Lane 55 Jinfeng Road West Suburb of Linyin Lake Shanghai China	American
Mr. Li Zhen (李甄).	Rooms 2601 & 2607-2612, Block 2 No. 288 Shimen Yi Road Jing'an District Shanghai China	Chinese
Ms. Zhang Wenwen (張文雯). . . .	Flat 7, 6/F, Building 2 26 Minzhu North Street Chongwen District Beijing China	Chinese
Independent non-executive Directors		
Mr. He Mingguang (何明光) . . .	32A Albury RD Balwyn North VIC 3104 Australia	Chinese
Ms. Guo Hongyan (郭紅岩)	Flat 1208 Mingguang Beili 18 Haidian District Beijing China	Chinese
Mr. Li Jianbin (李建濱).	Flat 2101, Unit 1, Building 2 Wanxiangfu, Xiangshuwan Phase 5 Haidian District Beijing China	Chinese
Mr. Bao Shan (寶山)	Flat 2202, Tower 6 Shuguang Xili Jia 5 Chaoyang District Beijing China	Chinese

Please see the section headed "Directors and Senior Management" in this prospectus for further details.

SELLING SHAREHOLDERS

Selling Shareholders	**Jutong Medical Management** Craigmuir Chambers Road Town Tortola VG 1110 British Virgin Islands
	Sihai Medical Management Craigmuir Chambers Road Town Tortola VG 1110 British Virgin Islands
	Guangming Medical Management Craigmuir Chambers Road Town Tortola VG 1110 British Virgin Islands
	Xiwang Medical Management Craigmuir Chambers Road Town Tortola VG 1110 British Virgin Islands

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Haitong International Capital Limited** Suites 3001-3006 and 3015-3016 One International Finance Centre 1 Harbour View Street Central Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center 99 Queen’s Road Central Central Hong Kong

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	**Haitong International Securities Company Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong **Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Central Hong Kong
Legal Advisors to Our Company	*As to Hong Kong and US laws:* **Fangda Partners** 26/F, One Exchange Square 8 Connaught Place Central Hong Kong *As to PRC laws:* **Jingtian & Gongcheng** 34/F, Tower 3 China Central Place 77 Jianguo Road Beijing China *As to Cayman Islands laws:* **Harney Westwood & Riegels** 3501, The Center 99 Queen's Road Central Central Hong Kong
Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong laws:* **William Ji & Co. LLP** **in Association with** **Tian Yuan Law Firm Hong Kong Office** Suites 3304-3309, 33/F Jardine House One Connaught Place Central Hong Kong *As to PRC laws:* **Commerce & Finance Law Offices** 6/F, NCI Tower A12 Jianguomenwai Avenue Beijing China

	As to US laws: **Wilson Sonsini Goodrich & Rosati** Suite 1509, 15/F Jardine House 1 Connaught Place Central Hong Kong
Reporting Accountants and Auditors	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B 500 Yunjin Road Shanghai China
Compliance Adviser	**Haitong International Capital Limited** Suites 3001-3006 and 3015-3016 One International Finance Centre 1 Harbour View Street Central Hong Kong
Receiving Bank	**Industrial and Commercial Bank of China (Asia) Limited** 33/F, ICBC Tower 3 Garden Road Central Hong Kong

Registered Office	**Harneys Fiduciary (Cayman) Limited** 4th Floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Headquarters 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
Company's Website	www.chaojueye.com *(The information on the website does not form part of this prospectus)*
Joint Company Secretaries	Mr. Wang Weichao (王維超) 24/F, East Zone Block A, Shouke Building No. 14 Yard, West 3rd Ring South Road Fengtai District Beijing China Mr. Cheng Ching Kit (鄭程傑) *(ACS, ACIS)* 40th Floor Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong

Authorized Representatives	Mr. Zhang Bozhou (張波洲) Unit 2, Building 29 Jialai Zhuangyuan Xincun Residential District Fengtai District Beijing China
	Mr. Cheng Ching Kit (鄭程傑) 40th Floor Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Mr. Li Jianbin (李建濱) *(Chairman)* Ms. Guo Hongyan (郭紅岩) Mr. Bao Shan (寶山)
Remuneration Committee	Mr. Bao Shan (寶山) *(Chairman)* Mr. Li Jianbin (李建濱) Mr. Zhang Bozhou (張波洲)
Nomination Committee	Mr. Zhang Bozhou (張波洲) *(Chairman)* Mr. Bao Shan (寶山) Mr. He Mingguang (何明光)
Cayman Islands Principal Share Registrar and Transfer Agent	**Harneys Fiduciary (Cayman) Limited** 4th floor, Harbour Place 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

Principal Banks

Bank of China Co., Ltd., Baotou Jiuyuan Branch
Shahe Street 63, Jiuyuan District
Baotou
Inner Mongolia
China

Industrial and Commercial Bank of China Co., Ltd., Xiamen Xinglin Branch
Ninghai Liuli 2
Jimei District
Xiamen
Fujian
China

The information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report, commissioned by us and independently prepared by Frost & Sullivan in connection with the Global Offering. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any material fact has been omitted that would render such information and statistics false and misleading. None of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, any of their respective directors, officers, employees, agents or advisers makes any representation as to the accuracy, fairness and completeness of such information and statistics. Accordingly, such information should not be unduly relied upon.

SOURCE AND RELIABILITY OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research company, to conduct an analysis of, and to produce a report on the ophthalmic medical services market in China. The information from Frost & Sullivan disclosed in this prospectus is extracted from the Frost & Sullivan Report, a report which was commissioned by us for a fee of RMB500,000 and is disclosed with the consent of Frost & Sullivan.

The Frost & Sullivan's Report has relied on data and information obtained through primary and secondary research or publicly accessible. The secondary research was used as an initial platform for the whole research. Primary research involved in-depth, telephone and face-to-face interviews with manufacturers and key distributors. Secondary research involved reviewing Frost & Sullivan in-house research, industry reports, industry literature and annual reports of listed companies. Publicly accessible information involved NHC public database and published data of other governmental institutions. In compiling and preparing the report, Frost & Sullivan has adopted the following assumptions:

- The social, economic and political environments of China will remain stable during the forecast period, which will ensure a sustainable and steady development of the ophthalmic medical services industry;
- The Chinese healthcare market will grow as expected due to the increasing healthcare demand and supply;
- There are no significant material changes in government policies in respect of the ophthalmic medical services industry; and
- No unexpected events such as wars or disasters will occur during the relevant forecasting period.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our directors confirm that after taking reasonable care, the sources of information used in this section, which are extracted from the Frost & Sullivan Report, are reliable and not misleading as Frost & Sullivan is an independent professional market research agency with extensive experience, and there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

OVERVIEW OF OPHTHALMIC MEDICAL SERVICES

Ophthalmology is a combined medical and surgical specialty concerned with the eye and its disorders. Ophthalmic medical services can be divided into two segments, namely consumer ophthalmic medical services and basic ophthalmic medical services. Consumer ophthalmic medical services refers to ophthalmic medical services with consumer attributes, including primarily two major segments: refractive correction and myopia control. Basic ophthalmic medical services mainly refer to the diagnosis and treatment of basic eye diseases, including cataract, ocular surface disease, ocular fundus disease and others.

Common Ophthalmic Diseases and Treatments in China

Refractive Errors and Presbyopia

Refractive errors and presbyopia are the most common visual disorders. Refractive errors include myopia (nearsightedness), hyperopia (farsightedness) and astigmatism. Presbyopia is a condition in aging eyes where the eyes have difficulty seeing near items clearly due to declines in refractive abilities of the lens. The most common refractive error in young people in China is myopia, which gives considerable growth potential to the refractive surgery market. Based on the degree of refractive disorder, myopia can be classified as low (less than -3.0 diopters), medium (between -3.0 and -6.0 diopters) and high myopia (over -6.0 diopters).

Laser surgery (including ReLEx SMILE, FS-LASIK, LASIK, TransPRK) and implantable collamer lens (ICL) surgery, are the primary method to permanently treat such refractive errors and presbyopia. Laser surgeries and ICL surgeries are recommended for patients under 45 years old; for patients over 45 years old, lens exchange surgeries and corneal topography guided laser surgeries are recommended to treat presbyopia. ReLEx SMILE surgeries typically cost RMB15,000 to RMB25,000 for each pair of eyes. In extreme cases, ReLEx SMILE surgeries may cost over RMB50,000 for each pair of eyes due to the involvement of very famous physicians. ICL surgeries typically cost RMB30,000 to RMB40,000 for each pair of eyes. In extreme cases, ICL surgeries may cost lower than RMB30,000 due to sales promotion.

Frame glasses and contact lenses are also commonly used to correct refractive errors and aid vision. In addition, orthokeratology (or Ortho-K) is also used on children and adolescents to control and slow the progress of myopia.

Other Eye Diseases

Eye diseases could cause vision problems and even vision loss. Common eye diseases in China include cataract, ocular surface disease, ocular fundus disease, as well as other eye diseases.

As a form of eye diseases, cataract is the most common cause of blindness worldwide, and occurs predominantly among the elderly. This occurs when the lens in the eye loses its transparency and blocks light out from reaching the retina, causing a permanent blurring of vision and a decrease in the quality of life. This typically occurs among people over 50 years old. Phacoemulsification, used in conjunction with IOL implantation, is a mainstream treatment for cataract, which typically costs RMB5,000 to RMB25,000 for each pair of eyes. In extreme cases, phacoemulsification, used in conjunction with IOL implantation may cost over RMB60,000 for each pair of eyes due to the involvement of very famous physicians and application of high-end multi-focal artificial lenses.

Depending on the type of disease and the specific conditions and circumstances of the patients, eye diseases may be treated by pharmaceuticals or surgeries, or through a combination of both.

OPHTHALMIC MEDICAL SERVICES MARKET IN CHINA

Overview of the Ophthalmic Medical Services Market in China

The followings set forth certain information on the ophthalmic medical services market in China.

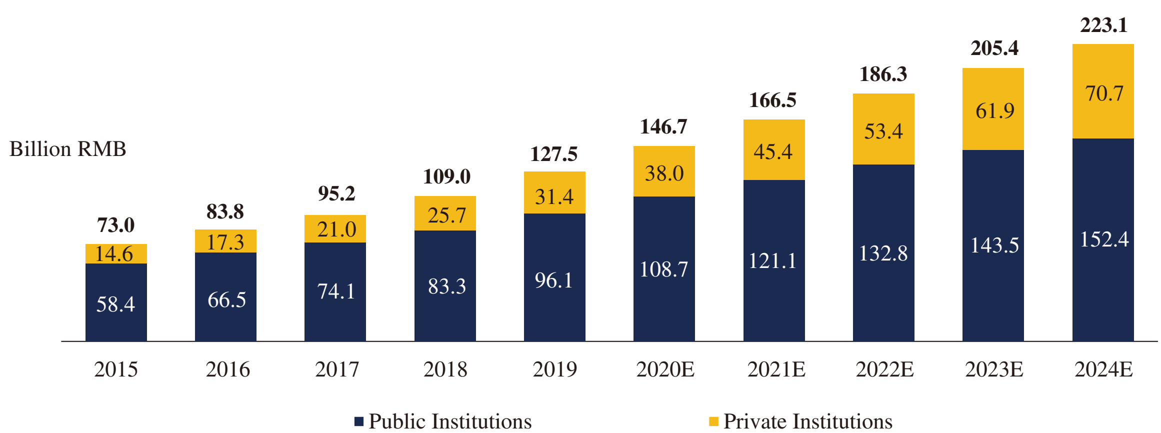
Ophthalmic Medical Services Market in China

China's ophthalmic medical services market has grown steadily in recent years and is expected to increase at relatively high growth rates in the future as a result of continued economic growth and an increasingly ageing population. 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 reach RMB223.1 billion in 2024.

The share of private medical institutions in China's ophthalmic medical services market has increased from RMB14.6 billion in 2015 to RMB31.4 billion in 2019, representing a CAGR of 21.1%, and is expected to reach RMB70.7 billion in 2024. In the same period, the share of public medical institutions in China's ophthalmic medical services market increased from RMB58.4 billion to RMB96.1 billion, representing a CAGR of 13.3%, and is expected to reach RMB152.4 billion in 2024.

The diagram below sets forth the historical and projected size of China's ophthalmic medical services market and a breakdown of the market size into public and private medical institutions for the years indicated.

Market Size of Ophthalmic Medical Services in China, 2015-2024E



Sources: NHC, Frost & Sullivan analysis

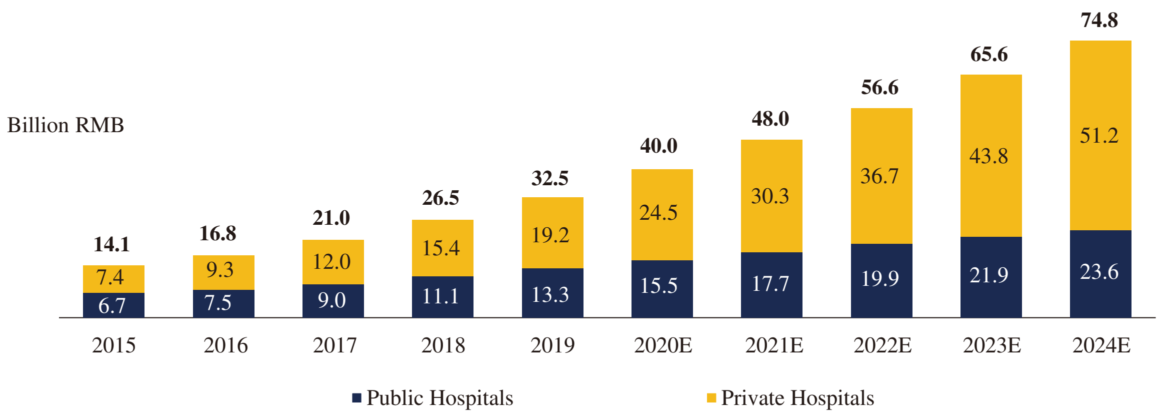
Market Size of Public and Private Ophthalmic Hospitals in China

Despite the ophthalmology department of public institutions are still the principal providers for ophthalmic services in China, the market has also seen stable growth in the size of the specialized ophthalmic hospitals. The market size of specialized ophthalmic hospitals in China increased from RMB14.1 billion in 2015 to RMB32.5 billion in 2019, representing a CAGR of 23.2%, and is expected to reach RMB74.8 billion in 2024.

As compared with public ophthalmic hospitals, private ophthalmic hospitals have achieved more rapid growth. The market size of private ophthalmic hospitals increased from RMB7.4 billion in 2015 to RMB19.2 billion in 2019, representing a CAGR of 27.1%, and is expected to reach RMB51.2 billion in 2024. In the same period, the market size of public ophthalmic hospitals increased from RMB6.7 billion to RMB13.3 billion, representing a CAGR of 18.6%, and is expected to reach RMB23.6 billion in 2024.

The diagram below sets forth the historical and projected market size of China's specialized ophthalmic hospitals and a breakdown of the market size into public and private ophthalmic hospitals for the years indicated.

Market Size of Ophthalmic Hospitals in China, 2015-2024E



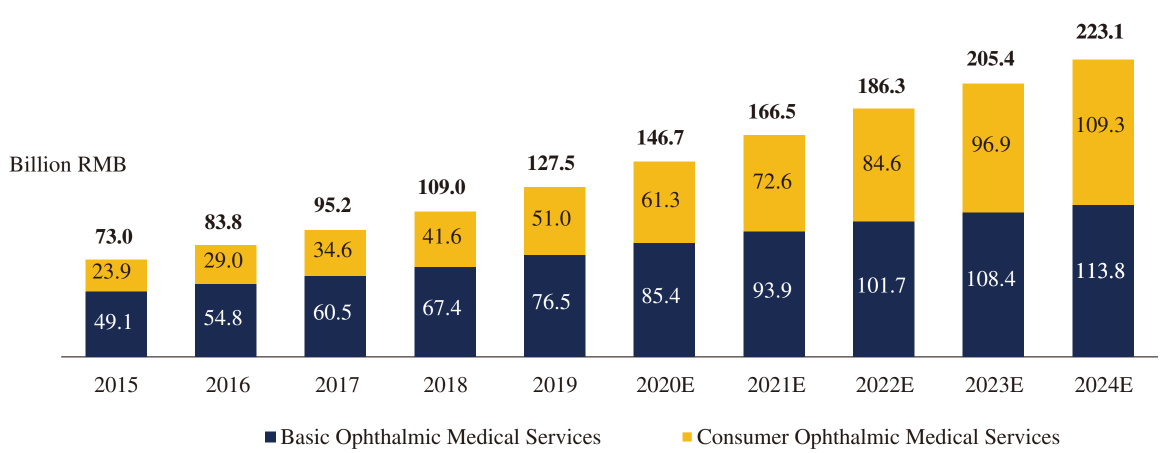
Sources: NHC, Frost & Sullivan analysis

Market Size of Consumer and Basic Ophthalmic Medical Services in China

The market size of consumer ophthalmic medical services in China increased from RMB23.9 billion in 2015 to RMB51.0 billion in 2019, representing a CAGR of 20.8%, and is expected to reach RMB109.3 billion in 2024. In the same period, the market size of basic ophthalmic medical services increased from RMB49.1 billion to RMB76.5 billion, representing a CAGR of 11.8%, and is expected to reach RMB113.8 billion in 2024.

The diagram below sets forth the historical and projected market size of consumer and basic ophthalmic medical services in China for the years indicated.

Market Size of Ophthalmic Medical Services in China, 2015-2024E



Sources: NHC, Frost & Sullivan analysis

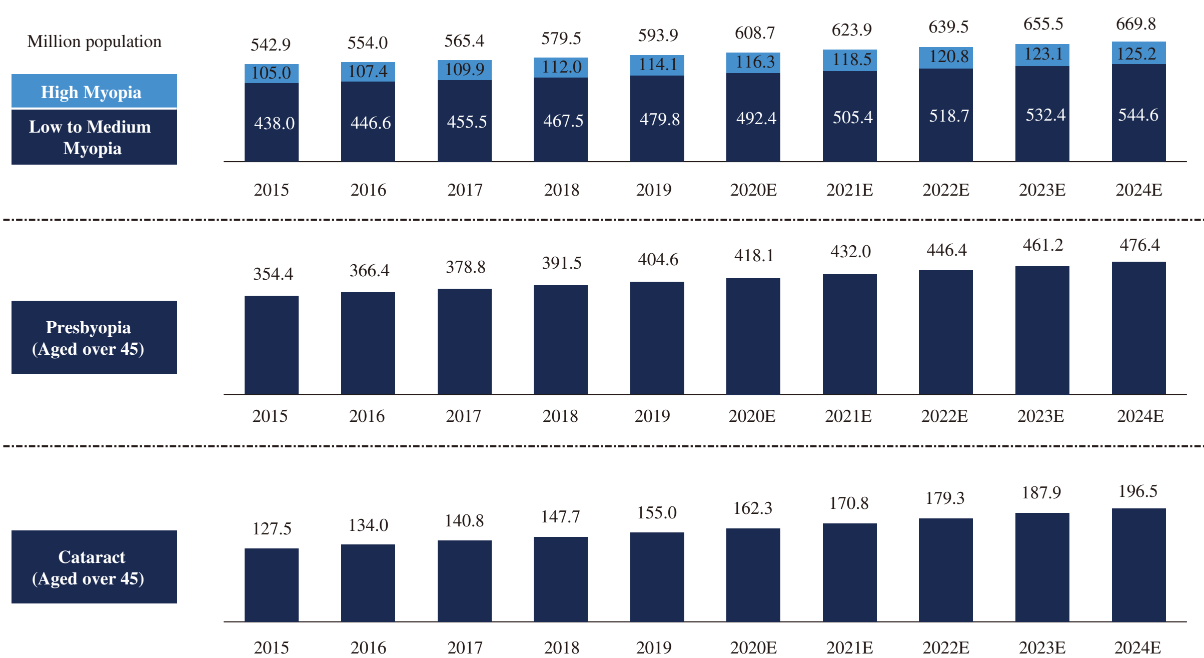
Number of Common Ophthalmic Disease Cases in China

In recent years, the number of ophthalmic disease cases in China has gradually increased due to various factors, including increases in the ageing population and increased access and use of digital products especially by the youth. Myopia, presbyopia and cataract are the three most common ophthalmic diseases in China, with patients increasing each year and already over 100 million for each since 2014.

Population in China with myopia increased from 542.9 million in 2015 to 593.9 million in 2019, and is expected to reach 669.8 million in 2024. Population in China aged over 45 with presbyopia increased from 354.4 million in 2015 to 404.6 million in 2019, and is expected to reach 476.4 million in 2024. Population aged over 45 in China with cataract increased from 127.5 million in 2015 to 155.0 million in 2019, and is expected to reach 196.5 million in 2024.

The diagram below sets forth the historical and projected number of cases of selected ophthalmic diseases in China for the years indicated.

Number of Common Ophthalmic Disease Cases in China, 2015-2024E



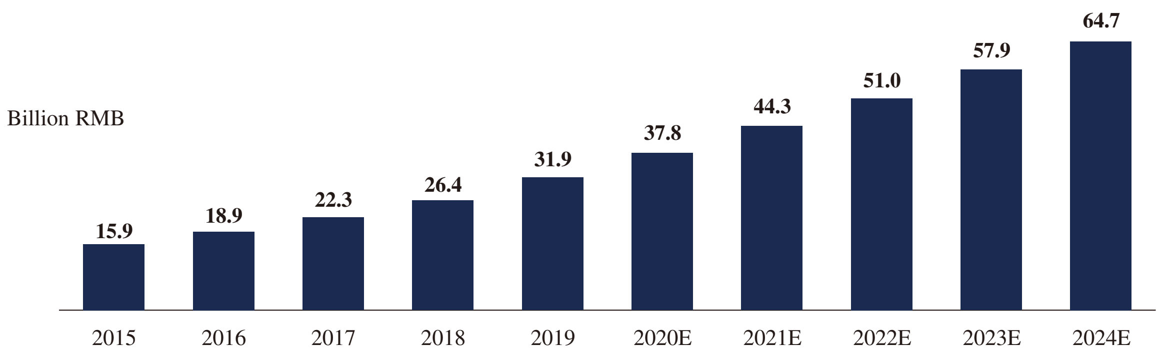
Sources: Literature research, NHC, Frost & Sullivan analysis

Market Size of Refractive Errors Medical Services in China

There is a strong growth in the market size of the refractive errors medical services in China. The market size of refractive errors medical services in China increased from RMB15.9 billion in 2015 to RMB31.9 billion in 2019, representing a CAGR of 19.0%, and is expected to reach RMB64.7 billion in 2024.

The diagram below sets forth the historical and projected market size of refractive errors medical services in China for the years indicated.

Market Size of Refractive Errors Medical Services in China, 2015-2024E



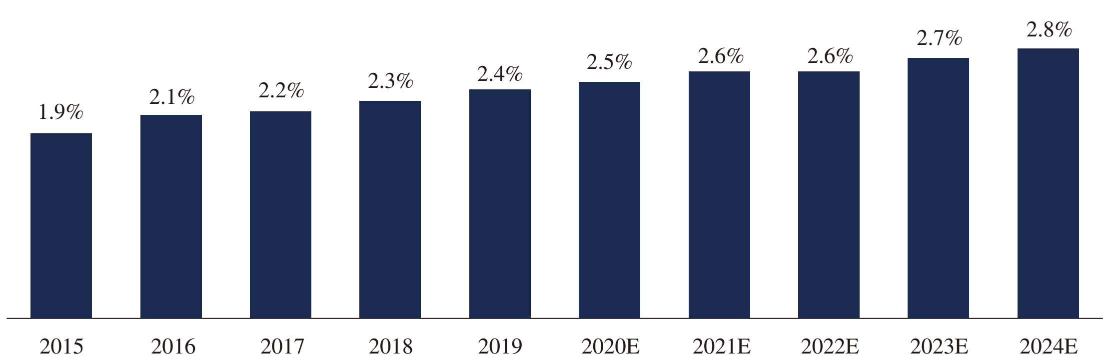
Sources: NHC, Frost & Sullivan Analysis

Penetration Rate of Cataract Treatment in China

Penetration rate of cataract treatment is calculated as the prevalence of cataract divided by number of cataract surgeries each year. The penetration rate of cataract treatment in China has historically been lower than that in developed countries, but has been gradually rising in recent years. From 2015 to 2019, the penetration rate of cataract treatment in China increased from 1.9% to 2.4%, representing a CAGR of 5.5%, and is expected to reach 2.8% in 2024.

The diagram below sets forth the historical and projected market penetration rate of cataract treatment in China for the years indicated.

Market Penetration Rate of Cataract Treatment in China, 2015-2024E



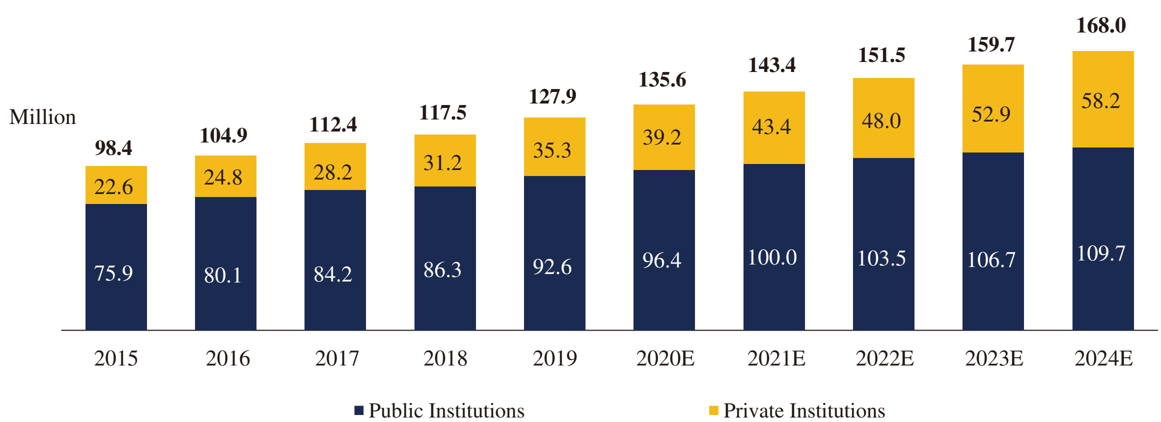
Sources: NHC, Frost & Sullivan Analysis

Number of Out-patient Visits to Ophthalmic Medical Institutions in China

Historically, a majority of out-patient visits to ophthalmic medical institutions in China are attributable to public medical institutions. The number of out-patient visits to public ophthalmic medical institutions increased from 75.9 million in 2015 to 92.6 million in 2019, representing a CAGR of 5.1%, and is expected to reach 109.7 million in 2024. In the same period, the number of out-patient visits to private ophthalmic medical institutions increased from 22.6 million to 35.3 million, representing a CAGR of 11.8%, and expected to reach 58.2 million in 2024.

The diagram below sets forth the historical and projected number of out-patient visits to ophthalmic medical institutions in China for the years indicated.

Out-patient Visits to Ophthalmic Medical Institutions in China, 2015-2024E



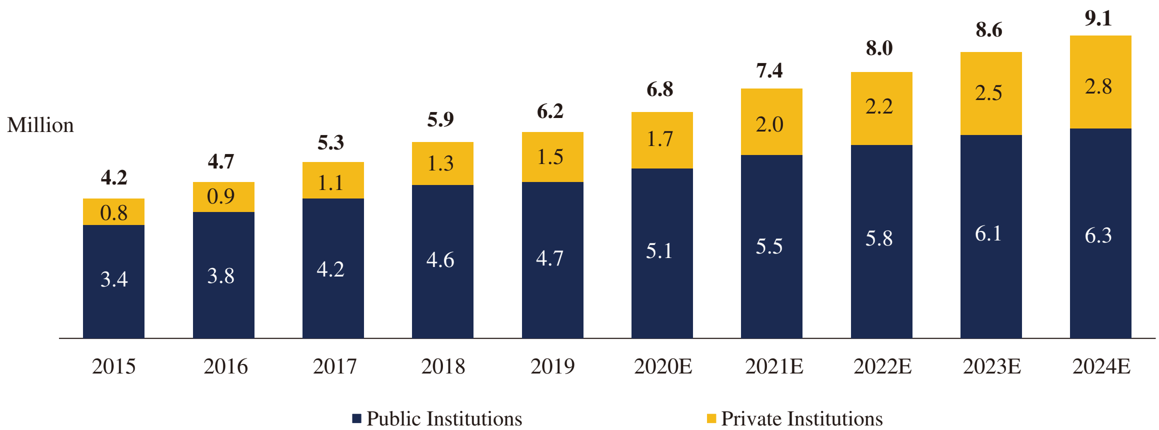
Sources: NHC, Frost & Sullivan analysis

Number of In-patient Visits to Ophthalmic Medical Institutions in China

Similar to out-patient visits, a majority of historical in-patient visits to ophthalmic medical institutions are attributable to public medical institutions. The number of in-patient visits to public ophthalmic medical institutions increased from 3.4 million in 2015 to 4.7 million in 2019, representing a CAGR of 8.6%, and is expected to reach 6.3 million in 2024. In the same period, the number of in-patient visits to private ophthalmic medical institutions increased from 0.8 million to 1.5 million, representing a CAGR of 16.5%, and expected to reach 2.8 million in 2024.

The diagram below sets forth the historical and projected number of in-patient visits to ophthalmic medical institutions in China for the years indicated.

In-patient Visits to Ophthalmic Medical Institutions in China, 2015-2024E



Sources: NHC, Frost & Sullivan analysis

OPHTHALMIC MEDICAL SERVICES MARKET IN NORTH CHINA

The followings set forth certain information on the ophthalmic medical services market in North China. In the paragraphs below, North China includes Beijing, Tianjin, Hebei, Shanxi, and Inner Mongolia.

Overview of the Ophthalmic Medical Services Market in North China

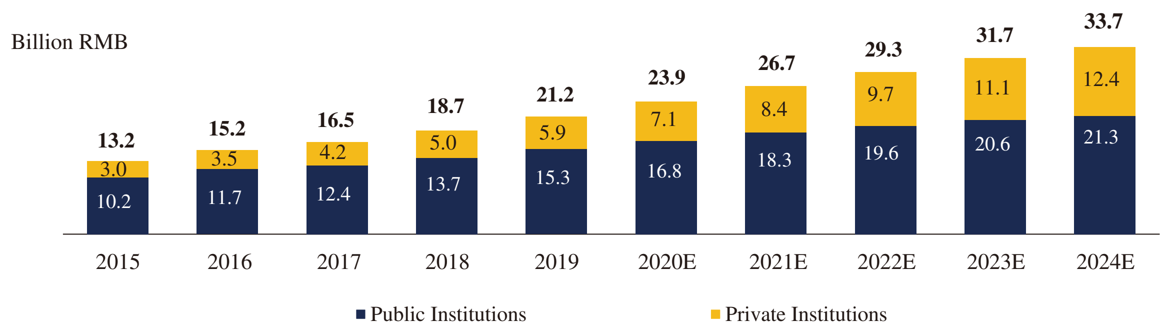
There is a strong growth in the market size of the ophthalmic medical services in North China. The size of the ophthalmic medical services market in North China increased from RMB13.2 billion in 2015 to RMB21.2 billion in 2019, representing a CAGR of 12.5%, and is expected to reach RMB33.7 billion by 2024. The following paragraphs set forth certain information on the ophthalmic medical services market in North China.

Share of Public and Private Medical Institutions in the Ophthalmic Medical Services Market in North China

The share of private medical institutions in North China's ophthalmic medical services market increased from RMB3.0 billion (representing a 22.7% share of the entire ophthalmic medical services market in North China) in 2015 to RMB5.9 billion (representing a 27.8% share) in 2019, representing a CAGR of 18.7%, and is expected to reach RMB12.4 billion (representing a 36.8% share) in 2024. In the same period, the share of public medical institutions in North China's ophthalmic medical services market increased from RMB10.2 billion to RMB15.3 billion, representing a CAGR of 10.5%, and is expected to reach RMB21.3 billion in 2024. Although the market size of private medical institutions is still small compared to that of public institutions at present, private medical institutions will play an increasingly important role in the ophthalmic medical services market in North China.

The diagram below sets forth the historical and projected size of the ophthalmic medical services market for public and private medical institutions in North China for the years indicated.

Share of the Public and Private Medical Institutions in the Ophthalmic Medical Services Market in North China, 2015-2024E



Sources: *NHC, Frost & Sullivan analysis*

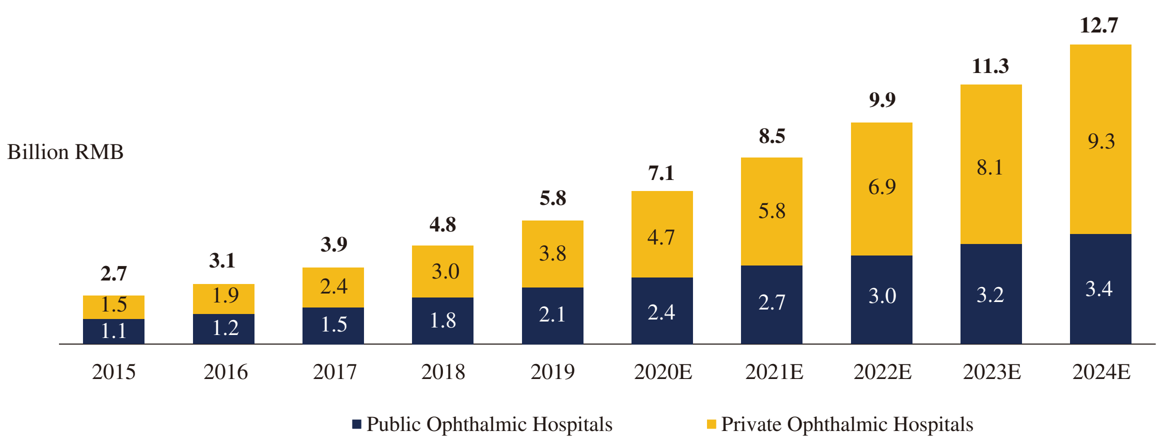
Market Size of Public and Private Ophthalmic Hospitals in North China

The market size of specialized ophthalmic hospitals in North China increased from RMB2.7 billion in 2015 to RMB5.8 billion in 2019, representing a CAGR of 21.9%, and is expected to reach RMB12.7 billion in 2024.

The market size of private ophthalmic hospitals in North China increased from RMB1.5 billion in 2015 to RMB3.8 billion in 2019, representing a CAGR of 25.4%, and is expected to reach RMB9.3 billion in 2024. In the same period, the market size of public ophthalmic hospitals in North China increased from RMB1.1 billion to RMB2.1 billion, representing a CAGR of 16.6%, and is expected to reach RMB3.4 billion in 2024.

The diagram below sets forth the historical and projected market size of specialized ophthalmic hospitals in North China and a breakdown of the market size into public and private ophthalmic hospitals for the years indicated.

Market Size of Ophthalmic Hospital in North China, 2015-2024E



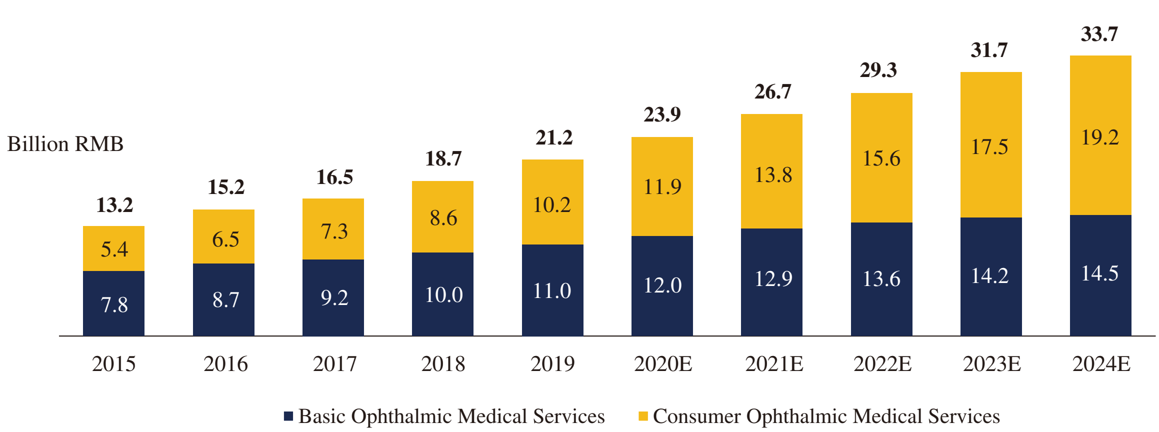
Sources: NHC, Frost & Sullivan analysis

Market Size of Consumer and Basic Ophthalmic Medical Services in North China

The market size of consumer ophthalmic medical services in North China increased from RMB5.4 billion in 2015 to RMB10.2 billion in 2019, representing a CAGR of 17.1%, and is expected to reach RMB19.2 billion in 2024. In the same period, the market size of basic ophthalmic medical services increased from RMB7.8 billion to RMB11.0 billion, representing a CAGR of 8.9%, and is expected to reach RMB14.5 billion in 2024.

The diagram below sets forth the historical and projected market size of consumer and basic ophthalmic medical services in North China for the years indicated.

Market Size of Ophthalmic Medical Services in North China, 2015-2024E



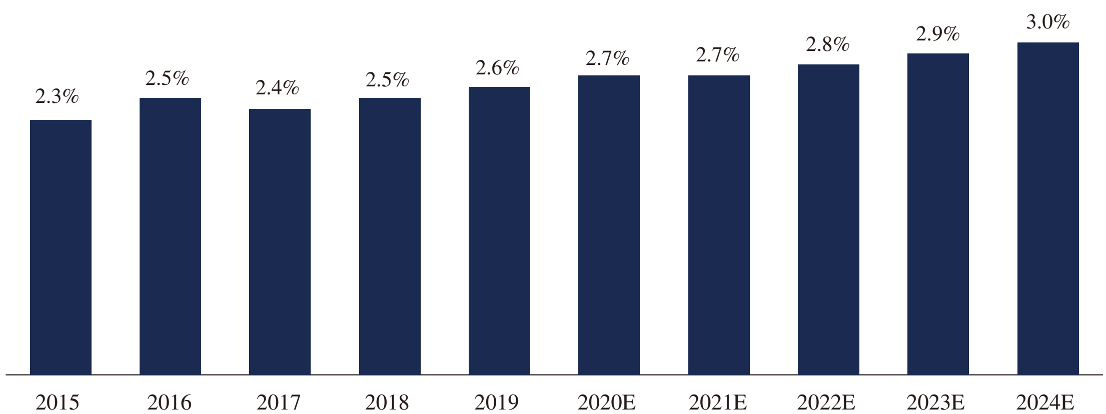
Sources: NHC, Frost & Sullivan analysis

Penetration Rate of Cataract Treatment in North China

The penetration rate of cataract treatment in North China has historically been higher than the national average. From 2015 to 2019, the penetration rate of cataract treatment in North China increased from 2.3% to 2.6%, representing a CAGR of 2.8%, and is expected to reach 3.0% in 2024.

The diagram below sets forth the historical and projected market penetration rate of cataract treatment in North China for the years indicated.

Market Penetration Rate of Cataract Treatment in North China, 2015-2024E



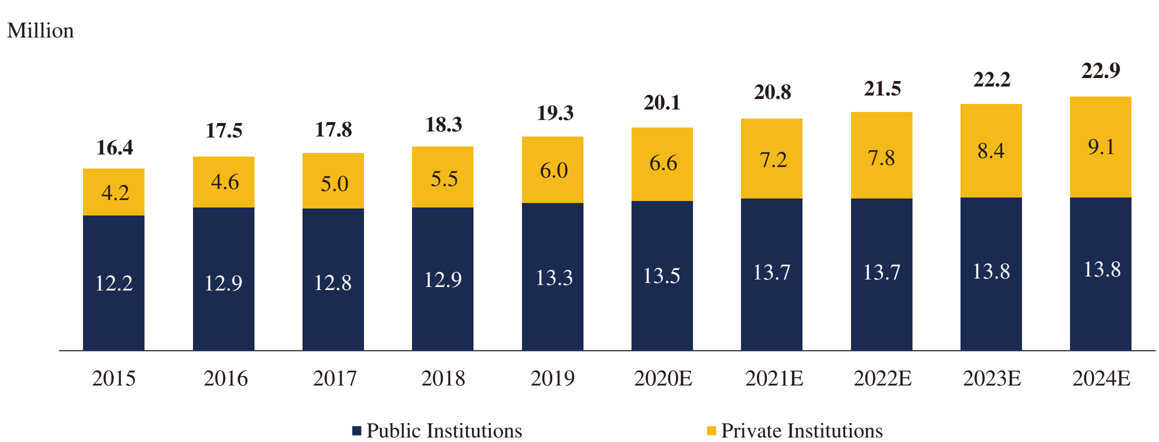
Sources: NHC, Frost & Sullivan Analysis

Number of Out-patient Visits to Ophthalmic Medical Institutions in North China

Historically, a majority of out-patient visits to ophthalmic medical institutions in North China are attributable to public medical institutions. The number of out-patient visits to public ophthalmic medical institutions increased from 12.2 million in 2015 to 13.3 million in 2019, representing a CAGR of 2.3%, and is expected to reach 13.8 million in 2024. In the same period, the number of out-patient visits to private ophthalmic medical institutions increased from 4.2 million to 6.0 million, representing a CAGR of 9.3%, and is expected to reach 9.1 million in 2024.

The diagram below sets forth the historical and projected number of out-patient visits to ophthalmic medical institutions in North China for the years indicated.

Out-patient Visits to Ophthalmic Medical Institutions in North China, 2015-2024E



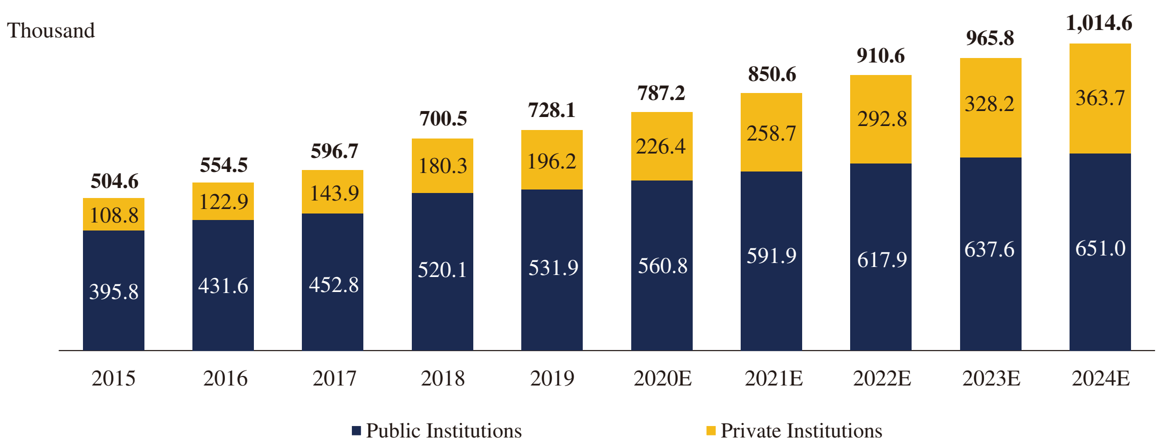
Sources: NHC, Frost & Sullivan analysis

Number of In-patient Visits to Ophthalmic Medical Institutions in North China

There has been a considerable growth in the number of in-patient visits to ophthalmic medical institutions in North China. The number of in-patient visits to public ophthalmic medical institutions increased from 0.4 million in 2015 to 0.5 million in 2019, representing a CAGR of 7.7%, and is expected to reach 0.7 million in 2024. In the same period, the number of in-patient visits to private ophthalmic medical institutions increased from 0.1 million to 0.2 million, representing a CAGR of 15.9%, and is expected to reach 0.4 million in 2024.

The diagram below sets forth the historical and projected number of in-patient visits to ophthalmic medical institutions in North China for the years indicated.

In-patient Visits to Ophthalmic Medical Institutions in North China, 2015-2024E



Sources: NHC, Frost & Sullivan analysis

OPHTHALMIC MEDICAL SERVICES MARKET IN INNER MONGOLIA

The followings set forth certain information on the ophthalmic medical services market in Inner Mongolia.

Overview of the Ophthalmic Medical Services Market in Inner Mongolia

Inner Mongolia has experienced fast growth in the market size of ophthalmic medical services. The size of the ophthalmic medical services market in Inner Mongolia increased from RMB1.1 billion in 2015 to RMB2.0 billion in 2019, representing a CAGR of 15.6%, and is expected to reach RMB3.3 billion in 2024.

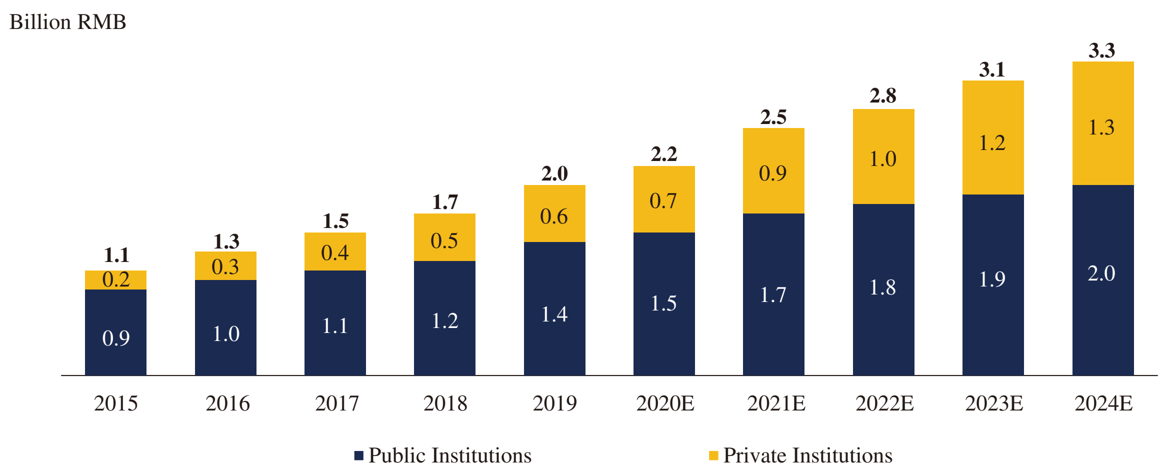
Inner Mongolia also plays an increasingly important role in the ophthalmic medical services market in North China. The share of Inner Mongolia's ophthalmic medical services market in the North China's increased from 8.3% in 2015 to 9.4% in 2019, and is expected to reach 9.8% in 2024.

In 2019, the population of Inner Mongolia was approximately 25.4 million, among which 13.0% was 14 years old or below (being a key customer base for myopia control services), while 10.2% was 65 years old or above (being a key customer base for cataract treatments).

The share of private medical institutions in Inner Mongolia's ophthalmic medical services market increased from RMB0.2 billion (representing a 18.2% share of the entire ophthalmic medical services market in Inner Mongolia) in 2015 to RMB0.6 billion (representing a 30.0% share) in 2019, representing a CAGR of 24.9%, and is expected to reach RMB1.3 billion (representing a 39.4% share) in 2024. In the same period, the share of public medical institutions in Inner Mongolia's ophthalmic medical services market increased from RMB0.9 billion to RMB1.4 billion, representing a CAGR of 12.6%, and is expected to reach RMB2.0 billion in 2024.

The diagram below sets forth the historical and projected size of the ophthalmic medical services market for public and private medical institutions in Inner Mongolia for the years indicated.

Share of the Public and Private Medical Institutions in the Ophthalmic Medical Services Market in Inner Mongolia, 2015-2024E



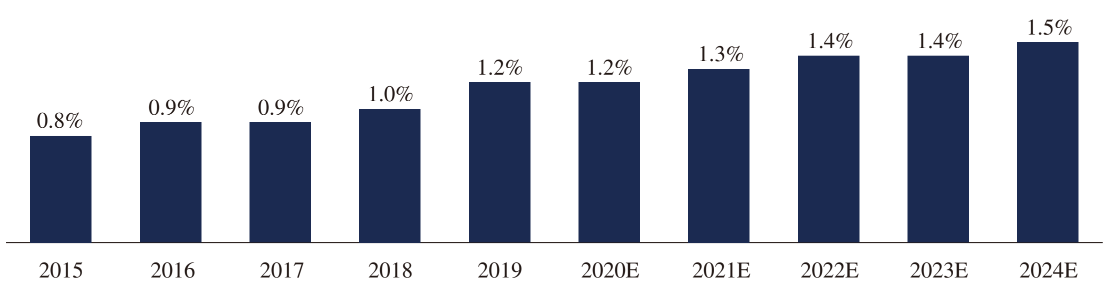
Sources: NHC, Frost & Sullivan analysis

Penetration Rate of Cataract Treatment in Inner Mongolia

The penetration rate of cataract treatment in Inner Mongolia has historically been lower than the national average, but has been gradually rising in recent years. From 2015 to 2019, the penetration rate of cataract treatment in Inner Mongolia increased from 0.8% to 1.2%, representing a CAGR of 9.8%, and is expected to reach 1.5% in 2024.

The diagram below sets forth the historical and projected market penetration rate of cataract treatment in Inner Mongolia for the years indicated.

Market Penetration Rate of Cataract Treatment in Inner Mongolia, 2015-2024E



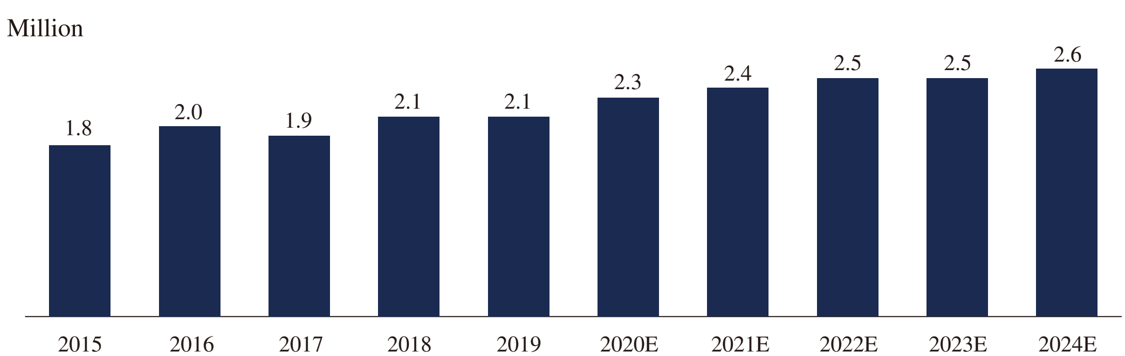
Sources: NHC, Frost & Sullivan analysis

Number of Patient Visits to Ophthalmic Medical Institutions in Inner Mongolia

The number of patient visits to ophthalmic medical institutions in Inner Mongolia has increased gradually over the years. The number of out-patient visits to ophthalmic medical institutions in Inner Mongolia increased from 1.8 million in 2015 to 2.1 million in 2019, representing a CAGR of 5.0%, and is expected to reach 2.6 million in 2024. In the same period, the number of in-patient visits to ophthalmic medical institutions in Inner Mongolia increased from 63.3 thousand to 93.3 thousand, representing a CAGR of 10.2%, and is expected to reach 109.1 thousand in 2024.

The diagram below sets forth the historical and projected number of out-patient visits to ophthalmic medical institutions in Inner Mongolia for the years indicated.

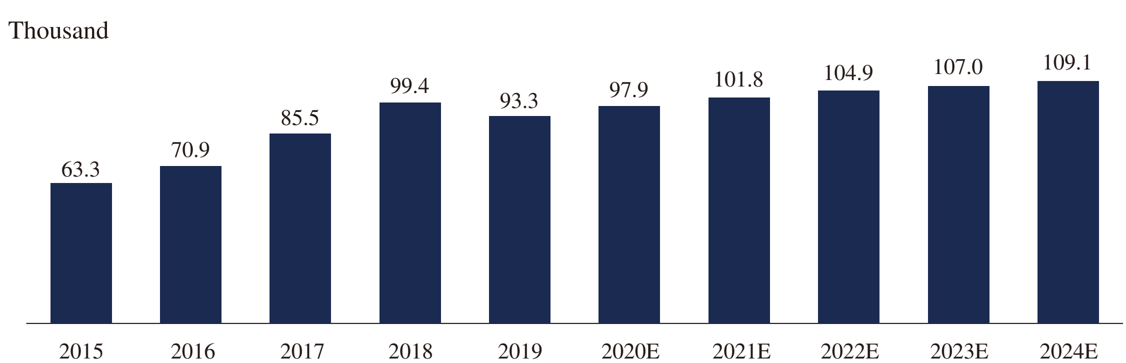
Out-patient Visits to Ophthalmic Medical Institutions in Inner Mongolia, 2015-2024E



Sources: NHC, Frost & Sullivan analysis

The diagram below sets forth the historical and projected number of in-patient visits to ophthalmic medical institutions in Inner Mongolia for the years indicated.

In-patient Visits to Ophthalmic Medical Institutions in Inner Mongolia, 2015-2024E



Sources: NHC, Frost & Sullivan analysis

OPHTHALMIC MEDICAL SERVICES MARKET IN ZHEJIANG PROVINCE

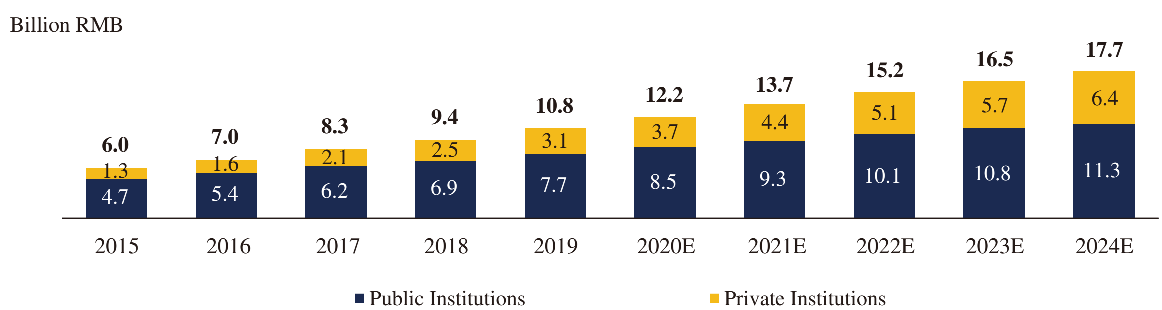
There is a strong growth in the market size of the ophthalmic medical services in Zhejiang Province. The size of the ophthalmic medical services market in Zhejiang Province increased from RMB6.0 billion in 2015 to RMB10.8 billion in 2019, representing a CAGR of 15.8%, and is expected to reach RMB17.7 billion in 2024.

The share of private medical institutions in Zhejiang Province's ophthalmic medical services market increased from RMB1.3 billion (representing a 21.7% share of the entire ophthalmic medical services market in Zhejiang Province) in 2015 to RMB3.1 billion (representing a 28.7% share) in 2019, representing a CAGR of 24.0%, and is expected to reach RMB6.4 billion (representing a 36.2% share) in 2024. In the same period, the share of public medical institutions in Zhejiang Province's ophthalmic medical services market increased from RMB4.7 billion to RMB7.7 billion, representing a CAGR of 13.2%, and is expected to reach RMB11.3 billion in 2024.

In 2019, the population of Zhejiang Province was approximately 58.5 million, among which 13.1% was 14 years old or below (being a key customer base for myopia control services), while 14.0% was 65 years old or above (being a key customer base for cataract treatments).

The diagram below sets forth the historical and projected size of Zhejiang Province's ophthalmic medical services market and a breakdown of the market size into public and private medical institutions for the years indicated.

Share of Public and Private Medical Institutions in the Ophthalmic Medical Services Market in Zhejiang Province, 2015-2024E



Sources: NHC, Frost & Sullivan analysis

OPHTHALMIC MEDICAL SERVICES MARKET IN JIANGSU PROVINCE

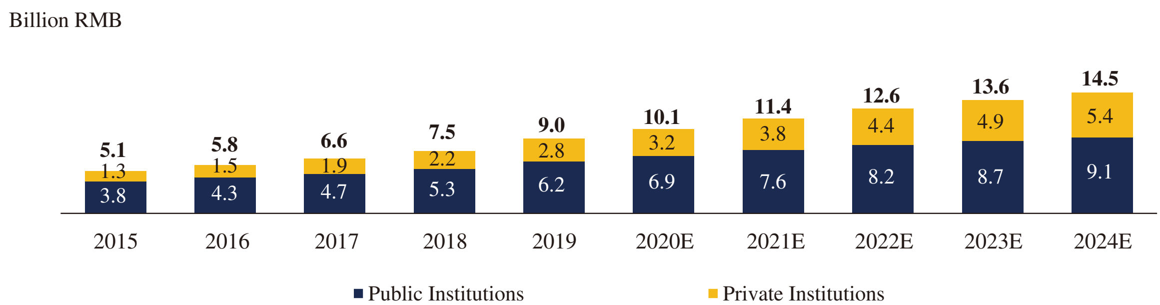
Jiangsu Province is another fast-growing market for ophthalmic medical services, featured with a relatively high share of the overall market for private ophthalmic services providers. The size of the ophthalmic medical services market in Jiangsu Province increased from RMB5.1 billion in 2015 to RMB9.0 billion in 2019, representing a CAGR of 15.5%, and is expected to reach RMB14.5 billion in 2024.

The share of private medical institutions in Jiangsu Province's ophthalmic medical services market increased from RMB1.3 billion (representing a 25.5% share of the entire ophthalmic medical services market in Jiangsu Province) in 2015 to RMB2.8 billion (representing a 31.1% share) in 2019, representing a CAGR of 21.4%, and is expected to reach RMB5.4 billion (representing a 37.2% share) in 2024. In the same period, the share of public medical institutions in Jiangsu Province's ophthalmic medical services market increased from RMB3.8 billion to RMB6.2 billion, representing a CAGR of 13.2%, and is expected to reach RMB9.1 billion in 2024.

In 2019, the population of Jiangsu Province was approximately 80.7 million, among which 13.8% was 14 years old or below (being a key customer base for myopia control services), while 15.1% was 65 years old or above (being a key customer base for cataract treatments).

The diagram below sets forth the historical and projected size of Jiangsu Province's ophthalmic medical services market and a breakdown of the market size into public and private medical institutions for the years indicated.

Share of Public and Private Medical Institutions in the Ophthalmic Medical Services Market in Jiangsu Province, 2015-2024E



Sources: NHC, Frost & Sullivan analysis

GROWTH DRIVERS, ENTRY BARRIERS AND FUTURE TRENDS OF THE OPHTHALMIC MEDICAL SERVICES MARKET IN CHINA

Growth Drivers of Ophthalmic Medical Services Market in China

The future growth of the ophthalmic medical services market in China is expected to be primarily driven by the following factors.

Increasing Population with High Demands for Ophthalmic Medical Services

The number of related ophthalmic disease cases in China has gradually increased due to various factors, including increases in the ageing population and increased access and use of digital products especially by the youth. Consequently, this increasing number of people with ophthalmic disease has created a greater demand for ophthalmic medical services and is creating more opportunities for ophthalmic medical service providers.

More Advanced Equipment and Expanding Scope of Surgery Types

The technology used in refractive surgery and lens exchange surgery in China has changed tremendously over the last two decades. The state-of-the-art and high-tech equipment can not only improve the treatment outcomes but also increase the success rate. For example, with the development of IOLs, from mono-focal to trifocal lens; these premium IOLs have the capability of providing good visual at all distances for individuals with presbyopia and cataract. Ophthalmic hospitals are fully equipped with advanced medical devices for different surgeries, which promotes the market growth for the ophthalmic medical services market in China.

Improved Personal Income Level and Living Standards

For the past few decades, China's economy continually developed and grew at a more rapid rate than that of the global average. The living standards of Chinese residents have continuously improved, with per capita disposable income increased from RMB21,966 in 2015 to RMB30,733 in 2019. The rise in economic growth has led to an increase in household wealth, which in turn fueled a rise in consumption on healthcare. Along with the improvement of living standards, the residents' awareness of healthcare will also increase for purpose of pursuing high quality of life, thus driving the growth for the ophthalmic medical services market in China.

Favorable Policies for the Ophthalmic Industry

In order to fulfill people's growing need for eye healthcare, the PRC Government has launched a series of policies to raise the level of ophthalmic medical services. For example, the 13th Five-year National Plan of Eye Health ("十三五"全國眼健康規劃) has promoted the establishment of a comprehensive eye disease prevention and treatment service network, with the emphasis on the primary ophthalmic medical services market, and the National Disability Prevention Action Plan (國家殘疾預防行動計劃) has set up the goal of the number of cataract surgeries performed per million population in China reaching over 2000. Local governments also provide financial and administrative support for investors that enter the ophthalmic industry. Regarding consumer ophthalmic medical services, NHC has launched multiple policies that urge the nation to reduce the rate of myopia, which is beneficial for the development of the consumer ophthalmic medical services market.

Impact on the Growth of Our Business

We have benefited from the growth of ophthalmic medical services market in China in the following aspects.

With the implementation of the "One Child Policy" from 1978 to 2015 and the increasing life expectancy, China has entered an aging society. The 65-year-old or older population of China has increased from 143.9 million in 2015 to 176.0 million in 2019, representing a CAGR of 5.2%. Similarly, the 65-year-old or older population of Inner Mongolia has increased from 2.4 million in 2015 to 2.6 million in 2019, representing a CAGR of 1.9%. As the number of ophthalmic diseases is correlated to the size of elderly population, the increasingly aging population has resulted in an increase in the demand for ophthalmic medical services. In addition, with the popularization of electronic equipment, the number of people with myopia in China increased from 542.9 million in 2015 to 593.9 million in 2019, which has resulted in an increase in the demand for consumer ophthalmic services, such as refractive laser surgeries and Orthokeratology. In particular, the number of people with myopia in Inner Mongolia, Zhejiang Province and Jiangsu Province increased from 9.9 million, 21.9 million and 31.5 million, respectively, in 2015 to 10.8 million, 24.8 million and 34.2 million, respectively, in 2019. As a result, our ophthalmic services business has developed rapidly.

We have advanced ophthalmic medical equipment and ophthalmic medical service offerings, enabling us to provide patients with more competitive ophthalmic medical services. For example, our ReLEx SMILE equipment is an evolution from FS-LASIK equipment, and ReLEx SMILE surgeries are less traumatic and have fewer side effects compared to FS-LASIK surgeries. In addition, we are capable to perform complex eye surgeries, such as ICL surgeries. These equipment and technologies are more popular among patients, and enable us to charge higher fees, which in turn drives our business growth.

Our main business is concentrated in Inner Mongolia, where the per capita disposable income increased from RMB22,310 in 2015 to RMB30,555 in 2019, with a CAGR of 8.2%, which is close to the per capita disposable income of RMB30,733 in China. Likewise, Zhejiang Province and Jiangsu Province also witnessed a growth in their disposable income per capita, both of which are higher than the national disposable income per capita in China. In particular, the disposable income per capita of Zhejiang Province increased from RMB35,537 in 2015 to RMB49,899 in 2019, representing a CAGR of 8.9%, and the disposable income per capita of Jiangsu Province increased from RMB29,539 in 2015 to RMB41,410 in 2019, representing a CAGR of 8.8%. Increases in income level and living standards have promoted the attention for eye care, allowing us to expand our ophthalmic services and promote our brand among population, thus driving the growth of ophthalmic medical services in Inner Mongolia, Zhejiang Province and Jiangsu Province.

Furthermore, the favorable policies have paved the way for our rapid development. In the past few years, the PRC Government has launched a series of policies to improve the development of ophthalmic medical services described in "— Growth Drivers of Ophthalmic Medical Services Market in China — Favorable Policies for the Ophthalmic Industry" for more details. Furthermore, the Inner Mongolia government has promulgated a series of policies that are conducive to the development of ophthalmic medical services. For example, the Inner Mongolia Autonomous Region Eye Health Plan (2017-2020) (內蒙古自治區眼健康規劃(2017-2020年)) promulgated by the Inner Mongolia Health and Family Planning Commission in 2018 sets forth the requirements on the prevention and treatment of a series of eye diseases such as cataracts, diabetic retinopathy, adolescent refractive errors and trachoma. Similarly, the Zhejiang government promulgated the Implementation Opinion on the Action of Promoting Healthy Zhejiang (關於推進健康浙江行動的實施意見) in 2019 and set up goals including reducing the overall prevalence of myopia in children and adolescents by more than 1% per year; the Jiangsu Health Commission issued the Notice on Ensuring Children's Eye Health and Conducting Vision Screening (關於做好兒童眼健康和視力篩查工作的通知) in 2020 to expand the coverage and improve the quality of children's vision screening in Jiangsu Province. We, as an ophthalmic medical group conducting business in Inner Mongolia, Zhejiang Province and Jiangsu Province, have benefited from these favorable policies.

Entry Barriers of the Ophthalmic Medical Services Market in China

The key entry barriers in the ophthalmic medical services market in China include the following factors.

Control of Resources

Medical devices and physicians are the most crucial resources of an ophthalmic medical institution. Ophthalmic medical devices and consumables are costly, but at the same time they are updated or iterated at high frequency. In terms of physicians, there is a large gap between the number of ophthalmology practitioners and the market demand. Moreover, experienced doctors favor to work in big hospitals, which adds an obstacle for start-ups to obtain human resources. On the other hand, mature players in the market have a control of resources and create a high barrier.

Brand Awareness and Reputation

Regarding the private healthcare market, there is sign of oligopoly. Industry leaders would open chain hospitals in different cities in a region to expand their brand influence. Such strategy can expand the group's service range and, at the same time, provide technical support and circulation of resources among different branches. In this way, an industry leader may achieve greater internal growth and thereby occupying the regional market, creating a high barrier for small ophthalmic medical institutions to enter the market.

Access to Capital

Large funds must be invested to construct a medical institution and buy equipment. At present, almost all high-end diagnostic devices and surgical instruments are imported from foreign companies with high price. Nevertheless, hospitals are concerned with the risk of medication errors and rather pay more to buy foreign products than to choose cheaper domestic ones. In addition, the operating income for a new hospital is usually low, which leads to a long payback period. As a result, one must have start-up capital before entry.

Customer Loyalty

In China, large public hospitals and private ophthalmic chains are widely recognized by consumers, because they are the first-movers in the market and have high-standard management. Therefore, these hospitals usually have a higher attendance rate. In contrast, private ophthalmic clinics opened by small companies or individuals have undertrained service quality and safety measures, leading to continued sluggish consumer evaluation and treatment rates. Low brand recognition would make it difficult for newcomers to enter the market.

Management and Operating Experience

The management and operating efficiency of a hospital have direct impact on patients' satisfaction, and therefore influence the hospital's customer flow and its revenue. A chain medical group can gain rich operating experience through its subsidiaries, so that it can set up a comprehensive service system and standardized management guidelines. It can also apply successful operating models of an existing hospital to newly built ones. Through this way, a chain medical group can realize management cost-saving while providing good-quality service. On the contrary, newly built individual hospitals lack such experience and would be more likely to have disorders during operation. Therefore, the operating and management experience is a credential asset to hospitals and creates an entry barrier.

Future Trends of Ophthalmic Medical Services Market in China

Development in Private Ophthalmic Chains

In the past, people believe that only the public hospitals can provide reliable medical services. Also, most health insurances didn't cover the fees incurred in the treatment provided by private hospitals. Nowadays, some ophthalmic chains could provide more professional ophthalmic treatment as well as more patient-oriented services, which is becoming increasingly popular. In addition, government has been extending the coverage of basic medical insurance to the private sector. Moreover, with the development of commercial insurance market, many insurance plans now cover high-end healthcare. As a result, consumers are encouraged to go to private ophthalmic hospitals, enlarging the market share of the ophthalmic medical services market.

More Advanced and Costly Equipment

The equipment used in the examination and surgical treatment of ophthalmic diseases, such as Ultra Q Reflex for Posterior Membranectomy, Capsulotomy and Iridotomy procedures, and Visumax for SMILE surgery, involve advanced technology and are usually very expensive. With increasing investment, more private ophthalmic medical service providers will afford the expensive instruments to offer the sophisticated operations in the near future.

Basic Ophthalmic Medical Services Sinking into Primary Medical Market

In recent years, the PRC Government has launched multiple policies, such as the 13th Five-Year National Plan of Eye Health, to build a multi-level ophthalmic medical services network. As the sinking market (i.e. third-tier cities and rural areas) has a large population but is severely underserved in terms of ophthalmic medical services, the basic ophthalmic medical services market is expected to grow quickly in these areas. In addition, with the development of technology and growing investment in the primary medical services, ophthalmic medical institutions in the sinking market would be able to reduce service disparity with those in developed areas and, especially when treating common eye diseases. Therefore, the basic ophthalmic medical services are expected to grow at the highest speed in the sinking market.

Internet Facilitates the Growth of Consumer Ophthalmic Medical Services

With the rapid development of internet, the consumer ophthalmic medical services market is under tremendous expansion. Online medical service platform has promoted knowledge sharing on myopia control and refractive correction, thereby reducing consumers' fear of innovated treatment methods and elevating their acceptance of the consumer ophthalmic services. Moreover, medical institutions can improve information transparency and build brand awareness through marketing on online medical service platforms. Obviously, internet development would exploit the potential demand for consumer ophthalmic services to the fullest and fuel the market growth in the future.

COMPETITIVE LANDSCAPE OF PRIVATE OPHTHALMIC HOSPITALS IN CHINA

We are one of the key players in the ophthalmic medical services market in China. We ranked first in Inner Mongolia, second in North China and fifth in China among private ophthalmic hospitals in terms of total revenue in 2020.

Our Ranking among Private Ophthalmic Hospitals in China

Ranking by Total Revenue

We ranked fifth among all private ophthalmic hospitals in China in 2020 in terms of total revenue. The following table sets forth the top five private ophthalmic hospitals in China in terms of total revenue in 2020 and their respective revenue in 2020.

Rank	Market participant	Total revenue in 2020	Headquartered in	Markets
		(RMB millions)		
1	Competitor A	11,900	Changsha	Asia, Europe, U.S.
2	Competitor B	2,410	Xiamen	Southern, middle and eastern China; Gansu
3	Competitor C	1,359	Chengdu	Main cities in China
4	Competitor D	835	Shenyang	Northern China, Chengdu
5	**Our Group**	**792(1)**	**Baotou**	**Inner Mongolia, Zhejiang, Jiangsu**

Note:

(1) Representing the aggregate of our revenues from consumer ophthalmic services and basic ophthalmic services, and excluding revenue from our other business.

Sources: Frost & Sullivan analysis

Ranking by Revenue from Basic Ophthalmic Services

We ranked fourth among all private ophthalmic hospitals in China in 2020 in terms of revenue from basic ophthalmic services. The following table sets forth the top five private ophthalmic hospitals in China in terms of revenue from basic ophthalmic services in 2020 and their respective revenue from basic ophthalmic services in 2020.

Rank	Market participant	Revenue from basic ophthalmic services in 2020	Headquartered in	Markets
		(RMB millions)		
1	Competitor A	5,097	Changsha	Asia, Europe, U.S.
2	Competitor B	1,329	Xiamen	Southern, middle and eastern China; Gansu
3	Competitor C	482	Chengdu	Main cities in China
4	**Our Group**	**422**	**Baotou**	**Inner Mongolia, Zhejiang, Jiangsu**
5	Competitor D	394	Shenyang	Northern China, Chengdu

Sources: Frost & Sullivan analysis

Our Ranking among Private Ophthalmic Hospitals in North China

Ranking by Total Revenue from Hospitals

We ranked second among all private ophthalmic hospitals in North China in 2020 in terms of total revenue generated in North China. The following table sets forth the top five private ophthalmic hospitals in North China in terms of total revenue generated in North China in 2020 and their respective revenue generated in North China in 2020.

Rank	Market participant	Total revenue in North China in 2020	Headquartered in	Markets
		(RMB millions)		
1	Competitor A	794	Changsha	Asia, Europe, U.S.
2	**Our Group**	**686**	**Baotou**	**Inner Mongolia, Zhejiang, Jiangsu**
3	Competitor E............	200	Beijing	Northern China
4	Competitor C	89	Chengdu	Main cities in China
5	Competitor B	30	Xiamen	Southern, middle and eastern China; Gansu

Sources: Frost & Sullivan analysis

Ranking by Revenue from Basic Ophthalmic Services

We ranked second among all private ophthalmic hospitals in North China in 2020 in terms of revenue from basic ophthalmic services provided in North China. The following table sets forth the top five private ophthalmic hospitals in North China in terms of revenue from basic ophthalmic services provided in North China in 2020 and their respective revenue from basic ophthalmic services provided in North China in 2020.

Rank	Market participant	Revenue from basic ophthalmic services in 2020	Headquartered in	Markets
		(RMB millions)		
1	Competitor A	420	Changsha	Asia, Europe, U.S.
2	**Our Group**	**353**	**Baotou**	**Inner Mongolia, Zhejiang, Jiangsu**
3	Competitor E............	80	Beijing	Northern China
4	Competitor C	51	Chengdu	Main cities in China
5	Competitor B	17	Xiamen	Southern, middle and eastern China; Gansu

Sources: Frost & Sullivan analysis

Ranking by Revenue to Population Coverage Ratio

We ranked top among all private ophthalmic hospitals in North China in 2020 in terms of revenue generated in North China per million population covered. The following table sets forth the top five private ophthalmic hospitals in North China in terms of revenue generated in North China per million population in 2020 and their respective revenue generated in North China per million population in 2020.

Rank	Market participant	Revenue per million population covered in 2020(1)	Headquartered in	Markets
		(RMB millions)		
1	**Our Group**	**24.2**	**Baotou**	**Inner Mongolia, Zhejiang, Jiangsu**
2	Competitor A	14.5	Changsha	Asia, Europe, U.S.
3	Competitor B	6.5	Xiamen	Southern, middle and eastern China; Gansu
4	Competitor E............	6.4	Beijing	Northern China
5	Competitor C	2.5	Chengdu	Main cities in China

Note:

(1) Calculated by dividing the total revenue generated in North China by each market participant by the number of population in the cities where the market participant operates.

Sources: Frost & Sullivan analysis

DEVELOPMENT TRENDS IN THE COSTS FOR OPHTHALMIC MEDICAL SERVICE PROVIDERS

Remuneration of Medical Professionals

With the thriving of the ophthalmic medical market, the wage of ophthalmic medical professionals is expected to rise steadily. The wage system of private hospitals is more flexible compared to public hospitals, which are under control of the government. Except from basic salary, private hospitals give medical professional bonus in proportion to the hospital's revenue, and adopt employee stock ownership plans, options or partnership programs as an incentive for employees. These benefit plans further elevate the level of remuneration of ophthalmic medical professionals.

Prices of Ophthalmic Surgical Equipment

As a large variety of equipment is used in ophthalmic surgeries, investment in medical equipment accounts for a large proportion of an ophthalmic hospital's cost. At present, a majority of the high-end ophthalmic equipment used in the treatment of refractive errors, retinal detachment and cataract is monopolized by U.S., Europe and Japan and cost highly. However, the production techniques and independent research ability of domestic medical equipment manufacturers have made great progress and are getting more recognition in the market for its reasonable price and good quality. The trend of replacing imported ophthalmic surgery equipment with domestic ones is expected to lower the equipment cost of hospitals.

Prices of Lenses

In the former successful pilot trials of centralized drug procurement led by the PRC government, the overall price of intraocular lenses went down dramatically, with 85% decrease at most in some specific regions. With the nationwide popularization of this model, the price of intraocular lenses is expected to maintain at an affordable price for the masses in the future.

The following table sets forth the typical price range for key materials for ophthalmic services during the Track Record Period. During the Track Record Period, the prices for most of the following materials remained stable, with the exception that the prevailing prices for hard lenses and basic soft foldable lenses decreased slightly during the Track Record Period.

Material	**Price range(1)** **(RMB/pair)**
Artificial lenses used for cataract surgeries	
Poly methyl methacrylate hard lenses	400–1,600
Soft foldable lenses	
Basic (monofocal, spherical surface)	3,000–6,000
Advanced (with additional functions, such as blue light absorption, ultraviolet absorbers and astigmatism correction)	6,000–20,000
Medium-high-end (bifocal)	12,000–20,000(2)
High-end (multifocal)	16,000–20,000(3)
ICL	20,000–32,000
Ortho-K	2,000–15,000

Notes:

(1) Represents the market prices in most cases for public hospitals to purchase the medical materials from manufacturers or dealers. Costs for private hospitals may be lower or higher depending on their bargaining power. Top ophthalmic medical service providers that have bulk purchasing plans may be able to bargain for discounts of up to approximately 50%.

(2) In extreme cases where high-cost lenses are used, the price for medium-high-end (bifocal) artificial lenses may reach up to RMB30,000 per pair.

(3) In extreme cases where high-cost lenses are used, the price for high-end (multifocal) artificial lenses may reach up to RMB50,000 per pair.

OVERVIEW

Our business operations in the PRC are subject to extensive supervision and regulation by the PRC Government. This section sets out an introduction to a summary of the main applicable laws, rules, regulations and policies, which may have a significant impact on our business.

REGULATIONS ON THE REFORM OF MEDICAL INSTITUTIONS

Opinions of the Central Committee of the Communist Party of China and the State Council on Deepening the Reform of Medicine and the Healthcare System (《中共中央、國務院關於深化醫藥衛生體制改革的意見》)

The Opinions of the Central Committee of the Communist Party of China and the State Council on Deepening the Reform of Medicine and the Healthcare System (《中共中央、國務院關於深化醫藥衛生體制改革的意見》) (the "**Opinions**"), which was promulgated by the Central Committee of the Communist Party of China and the State Council on March 17, 2009, advocates a range of measures to reform medical institutions in China and to establish a basic healthcare system covering urban and rural residents. The Opinions encourages private capital to invest in medical institutions (including investments by foreign investors), the development of private medical institutions and the reform of public medical institutions (including those established by state-owned enterprises) through private capital investment.

Opinions on Encouraging and Guiding the Healthy Development of Private Investment (《鼓勵和引導民間投資健康發展的若干意見》)

The Opinions on Encouraging and Guiding the Healthy Development of Private Investment (《鼓勵和引導民間投資健康發展的若干意見》), which was promulgated by the State Council on May 7, 2010, requires the PRC Government to (i) encourage private capital participation in the development of medical business, support the use of private capital in building medical institutions such as all kinds of hospitals, community health service institutions, sanatoriums, outpatient departments, clinics and health centers (stations), participate in the systemic reform and restructuring of public hospitals, support private medical institutions in providing public health services, basic medical services and designated medical insurance services, implement tax policy in relation to not-for-profit medical institutions (the "**NMIs**") in a practical manner, encourage a reasonable flow of medical personnel resources to private medical institutions, ensure that private medical institutions receive treatment equal to that of public hospitals in terms of the introduction of talents, job appraisal and scientific research; (ii) strengthen the regulation of all kinds of medical institutions in aspects such as medical quality, medical conduct, and fee standards, and promote the healthy development of private medical institutions.

Opinions on Further Encouraging and Guiding the Establishment of Medical Institutions by Social Capital (《關於進一步鼓勵和引導社會資本舉辦醫療機構意見》)

On November 26, 2010, the General Office of the State Council promulgated the Notice of the General Office of the State Council on Forwarding the Opinions of the National Development and Reform Commission, the Ministry of Health and other Ministries on Further Encouraging and Guiding the Establishment of Medical Institutions by Social Capital (《關於進一步鼓勵和引導社會資本舉辦醫療機構意見》) (the "**Notice**"). The Notice sets out the following measures with respect to expanding the scope for social capital to set up medical institutions, including that social capital is permitted and encouraged to set up various medical facilities; social capital may apply for establishing and operating either for-profit medical institutions (the "**PMIs**") or NMIs according to its purposes; priority shall be given to social capital when adjusting or increasing medical and health resources; reasonably determine the scope of practice for NMIs; overseas medical institutions, enterprises and other economic organizations are permitted to establish medical institutions together with domestic medical institutions, enterprises or other economic organizations in the form of equity or contractual joint venture. The restrictions on maximum equity that can be owned by overseas capital in domestic medical institutions will be lifted step by step. Simplify and standardize the approval procedures for medical institutions by overseas capital. The establishment of Sino-foreign equity joint venture and Sino-foreign contractual joint venture medical institutions can be approved by provincial level health authority and commerce authority. In addition, for encouraging and guiding social capital in setup of medical facilities, the Notice also proposes on tax and price policies for the NMIs, incorporation of qualified non-public medical institutions into the list of appointed hospitals for medical insurance, employment conditions and purchase of large medical equipment.

Several Opinions on Promoting the Development of Healthcare Service Industry (《國務院關於促進健康服務業發展的若干意見》

Several Opinions on Promoting the Development of Healthcare Service Industry (《國務院關於促進健康服務業發展的若干意見》)(the "**2013 Opinions**") was promulgated by the State Council on September 28, 2013. The 2013 Opinions encourages the private sector to invest in the healthcare service industry by various means including new establishment and participation in restructuring, and also encourages private capital investment in NMIs for provision of basic health care services. The 2013 Opinions proposes the idea of the relaxation of the requirements for sino-foreign equity joint or contractual joint healthcare institutions and expand eligibility in the pilot programme for wholly foreign-invested healthcare institutions.

Opinions on Accelerating the Development of Setup Medical Institutions by Social Capital (《關於加快發展社會辦醫的若干意見》)

Opinions on Accelerating the Development of Setup Medical Institutions by Social Capital (《關於加快發展社會辦醫的若干意見》), which was promulgated by the National Health and Family Planning Commission (the "**NHFPC**") and the State Administration of Traditional Chinese Medicine (the "**SATCM**") on December 30, 2013, sets forth the policies to support the development of private-invested healthcare institutions, including but not limited to the (i) gradual relaxation of investment in healthcare institutions by foreign capital; (ii) relaxation of requirements for service sectors, allowing social capital's investment in the areas which are not explicitly prohibited; and (iii) acceleration of the approval procedures regarding the establishment and operation of private-invested healthcare institutions.

Opinions on Encouraging Social Forces to Provide Multi-layered and Diverse Healthcare Services (《關於支援社會力量提供多層次多樣化醫療服務的意見》)

Opinions on Encouraging Social Forces to Provide Multi-layered and Diverse Healthcare Services (《關於支援社會力量提供多層次多樣化醫療服務的意見》), which was promulgated by the General Office of the State Council on May 16, 2017, sets forth the policies to actively support social forces to go deep into the niche service market, such as specialized medical services, to expand the effective supply of services, and to foster professionalized advantages. Efforts shall be made to speed up to create a batch of competitive branded service institutions for such specialties including but not limited to ophthalmology.

Opinion on Promoting the Sustainable, Healthy and Regulated Development of Private Medical Institutions (《促進社會辦醫持續健康規範發展意見》)

The Opinion on Promoting the Sustainable, Healthy and Regulated Development of Private Medical Institutions (《促進社會辦醫持續健康規範發展意見》), which was promulgated by the NHC and other departments on June, 10, 2019, provides that the PRC Government aims to increase support to private medical institutions, including but not limited to expanding the development space and land supply, promoting government procurement of services, implementing preferential tax policies, as well as simplifying the administrative approval processes.

Opinions on Deepening the Reform of the Medical Insurance System (《關於深化醫療保障制度改革的意見》)

In order to solve the problem of imbalanced and inadequate development of medical insurance, the Central Committee of the Communist Party of China and the State Council promulgated the Opinions on Deepening the Reform of the Medical Insurance System (《關於深化醫療保障制度改革的意見》) (the "**Medical Insurance System Opinions**") on February 25, 2020. Main opinions include: (i) improving the treatment guarantee mechanism; (ii) consummating the financing operation mechanism; (iii) establishing the efficient medical insurance payment mechanism; and (iv) sound and strict fund supervision mechanism. Based on the main opinions aforementioned, the Medical Insurance System Opinions mainly targets on benefiting patients to enjoy quality medical services and increasing the rate of patient visits and the utilization of medical insurance funds.

REGULATIONS ON THE CLASSIFICATION OF MEDICAL INSTITUTIONS

Opinions on Implementing Classification Administration of Urban Medical Institutions (《關於城鎮醫療機構分類管理的實施意見》)

The Opinions on Implementing Classification Administration of Urban Medical Institutions (《關於城鎮醫療機構分類管理的實施意見》), jointly promulgated by the Ministry of Health (the "**MOH**"), SATCM, the MOF and the NDRC on July 18, 2000 and came into effect on September 1, 2000, provides that medical institutions in the PRC are mainly identified as PMIs and NMIs, and NMIs is further divided into public NMIs and private NMIs. NMIs and PMIs shall be classified based on their business objectives, service purposes and implementation of various financial, taxation, pricing and accounting policies. Also, governments shall not operate PMIs. On the other hand, NMIs must comply with the pricing guidance for medical service promulgated by governments from time to time, and the rules and policies issued by the NHC and the MOF including Hospital Finance System and Hospital Accounting System. PMIs may distribute their profits to their investors as economic returns. Based on its marketing needs, PMIs have the discretion to set the fees and prices for their medical and healthcare services. In establishing internal control system, they may apply the finance and accounting system and other policies suitable for corporate enterprise. Medical institutions shall file with relevant authorities of health written statements of their not-for-profit/for-profit status when they go through the application, registration and re-examination procedures in accordance with the relevant laws, and the handling authority of health shall, jointly with other relevant authorities, decide the not-for-profit/for-profit status for such medical institutions based on the sources of the investments received by them and the nature of their business.

Regulations in relation to the classification of hospitals include the Opinions on Implementing Classification Administration of Urban Medical Institutions (《關於城鎮醫療機構分類管理的實施意見》), Opinions on Further Encouraging and Guiding the Establishment of Medical Institutions by Social Capital (《關於進一步鼓勵和引導社會資本舉辦醫療機構意見》), Interim Regulations on Registration Administration of Private Non-enterprise Units (《民辦非企業單位登記管理暫行條例》) and Interim Measures on Registration of Private Non-enterprise Units (《民辦非企業單位登記暫行辦法》). According to these regulations, medical institutions are identified as PMIs and NMIs, and NMIs is further divided into public NMIs and private NMIs, where governments shall not operate PMIs. NMIs and PMIs have different business objectives, and apply different financial, taxation, pricing and accounting policies. Also, NMIs shall comply with the pricing guidance for medical service promulgated by governments from time to time. Based on its marketing needs, PMIs have the discretion to set the fees and prices for their medical and healthcare services. The implementation of the classification administration of medical institutions is a reform to adapt to the socialist market economy system, and is a key initiative by the State to promote fair and orderly competition among medical institutions.

Interim Regulations on the Management of Registration for Private Non-enterprise Entities (《民辦非企業單位登記管理暫行條例》) and Interim Measures for the Registration for Private Non-enterprise Entities (《民辦非企業單位登記暫行辦法》)

The Interim Regulations on the Management of Registration for Private Non-enterprise Entities (《民辦非企業單位登記管理暫行條例》) promulgated and implemented by the State Council on October 25, 1998 and the Interim Measures for the Registration for Private Non-enterprise Entities (《民辦非企業單位登記暫行辦法》) promulgated on December 28, 1999 and amended on December 27, 2010 by the Ministry of Civil Affairs provide that the establishment of private non-enterprise entities shall be subject to the review and approval of the competent authority for the activities that such entities engage in and be registered in accordance with relevant requirements. Such private non-enterprise entities may not engage in profit-making operational activities, and their legal income obtained from activities provided in the Articles of Association in compliance with the relevant requirements of the government authorities shall only be used in activities provided therein. Private non-enterprise entities shall specify in its draft Articles of Association or partnership agreement that the profit of the entities shall not be distributed, and the property shall not be privately divided upon disintegration. Particularly, the sponsors of private non-enterprise entities have the right to supervise and the right to know according to the Articles of Association of such private non-enterprise entities, such as the right to appoint a council or a supervisor, to know about the operating and financial status, to access the minutes of councils meeting and the financial report of the entities. Such sponsors' rights are roughly the same as shareholders' rights.

REGULATIONS ON THE STANDARDS FOR OPHTHALMIC HOSPITALS

Circular of The Ministry of Health on Issuing the Basic Standards for Ophthalmic Hospitals (for Trial Implementation), the Basic Standards for Obstetrics and Gynecology Hospitals (for Trial Implementation) and The Basic Standards for Otolaryngology Hospitals (for Trial Implementation) (《衛生部關於發佈〈眼科醫院基本標準(試行)〉、〈婦產醫院基本標準(試行)〉、〈耳鼻喉醫院基本標準(試行)〉的通知》) and Circular of the Ministry of Health on Relevant Provisions on the Administration of Examination and Approval of the Establishment of Specialized Hospitals (《衛生部關于專科醫院設置審批管理有關規定的通知》)

The Circular of The Ministry of Health On Issuing the Basic Standards for Ophthalmic Hospitals (for Trial Implementation), the Basic Standards for Obstetrics and Gynecology Hospitals (for Trial Implementation) and the Basic Standards for Otolaryngology Hospitals (for Trial Implementation) (《衛生部關於發佈〈眼科醫院基本標準(試行)〉、〈婦產醫院基本標準(試行)〉、〈耳鼻喉醫院基本標準(試行)〉的通知》) promulgated on June 11, 1996 and the Circular of The Ministry of Health on Relevant Provisions on the Administration of Examination and Approval of the Establishment of Specialized Hospitals (《衛生部關于專科醫院設置審批管理有關規定的通知》) promulgated on December 5, 2011 set different standards on the number of registered beds, departments, personnel, buildings, equipment and registered capital for different classes of ophthalmic hospitals, and ophthalmic hospitals must satisfy the standards for Class II or Class III ophthalmic hospitals. In particular, Class III ophthalmic hospitals shall have more than 80 registered beds.

The Circular of the National Health Commission on Issuing the Basic Standards and Administrative Practices for Three Types of Medical Institutions Including Medical Disinfection Supply Centers (for Trial Implementation) (《國家衛生健康委員會關於印發〈醫療消毒供應中心等三類醫療機構基本標準和管理規範(試行)〉的通知》)

The Circular of the National Health Commission on Issuing the Basic Standards and Administrative Practices for Three Types of Medical Institutions Including Medical Disinfection Supply Centers (for Trial Implementation) (《國家衛生健康委員會關於印發〈醫療消毒供應中心等三類醫療機構基本標準和管理規範(試行)〉的通知》) promulgated on May 17, 2018 provides that ophthalmic hospitals shall comply with the relevant standards on the number of registered beds, department establishment, personnel, premises, equipment and management. In particular, the total number of registered beds shall be no less than 20 (including daytime observation beds).

REGULATIONS ON THE MANAGEMENT OF MEDICAL INSTITUTIONS

The Administrative Measures on Medical Institutions and its Implementation Measures (《醫療機構管理條例》及其實施細則)

The Administrative Measures on Medical Institutions (《醫療機構管理條例》), which was promulgated by the State Council on February 26, 1994 and amended on February 6, 2016, and its implementation measures promulgated by the MOH on August 29, 1994 and amended on November 1, 2006, June 24, 2008 and February 21, 2017, provide that the establishment of a medical institution by any entity or individual must be reviewed and approved by health administrative departments of People's Governments at or above the county level and obtain the Medical Institution Practising Certificate (醫療機構執業許可證). The Medical Institution Practising Certificate shall not be forged, altered, sold, transferred or lent. Where a medical institution violates the provisions hereof, and sells, transfers or lends the Medical Institution Practising Certificate, the health administrative department of the People's Government at the county level or above shall confiscate its illegal gains and may impose a fine of less than RMB5,000; where the circumstance is serious, the Medical Institution Practising Certificate shall be revoked.

The Administrative Measures for Verification of Medical Institutions (For Trial Implementation) (《醫療機構校驗管理辦法(試行)》)

The Administrative Measures for Verification of Medical Institutions (For Trial Implementation) (《醫療機構校驗管理辦法(試行)》), which was promulgated by the MOH and came into effect on June 15, 2009, provides that the Medical Institution Practising Certificate is subject to periodic examinations and verifications by registration authorities. The verification period shall be 3 years for general hospitals, hospitals of traditional Chinese medicine, hospitals of western medicine and traditional Chinese medicine, hospitals of ethnic minority medicine and specialized hospitals, as well as sanitariums, rehabilitation hospitals, maternity and children's health care centers, emergency centers, clinical laboratories and specialized disease prevention institutions equipped with more than 100 beds, while the verification period shall be 1 year for other medical institutions. In the event that a medical institution fails to apply for verification as required and post re-verification procedures or unsuccessful in its re-verification application, the registration authorities may cancel its Medical Institution Practising Certificate.

Provisions on the Administration of Radiological Diagnosis and Treatment (《放射診療管理規定》)

According to Provisions on the Administration of Radiological Diagnosis and Treatment (《放射診療管理規定》) promulgated by the MOH on January 24, 2006 and amended on January 19, 2016 by the NHFPC, medical institutions engaged in the radio diagnosis and radiotherapy shall have conditions corresponding to the radiological diagnosis and treatment services. Prior to carrying out radiodiagnosis and radiotherapy, medical institutions shall submit relevant materials, including but not limited to the Medical Institution Practising Certificate or the Approval Certificate for Establishment of a Medical Institution, the list of radiodiagnosis and radiotherapy equipment, and apply for the License for Radiotherapy (《放射診療許可證》) issued by the competent public health administrative authorities. Medical institutions shall be respectively equipped with the corresponding equipment in carrying out different kinds of radiodiagnosis and radiotherapy. After obtaining the License for Radiotherapy, medical institutions shall register the relevant diagnosis and treatment items with health administrative and registration authorities, which issued the Medical Institution Practising Certificate. The License for Radiotherapy and the Medical Institution Practising Certificate shall be verified at the same time.

Regulation on the Safety and Protection of Radioisotopes and Radiation-emitting Devices (《放射性同位素與射線裝置安全和防護條例》) and Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment (《放射性同位素與射線裝置安全許可管理辦法》)

According to the Regulation on the Safety and Protection of Radioisotopes and Radiation-emitting Devices (《放射性同位素與射線裝置安全和防護條例》) promulgated by the State Council on September 14, 2005 and amended on July 29, 2014 and March 2, 2019 and the Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment (《放射性同位素與射線裝置安全許可管理辦法》) promulgated by the State Environment Protection Administration on January 18, 2006 and amended on December 6, 2008, December 20, 2017 and August 22, 2019 by the Ministry of Environmental Protection and Ministry of Ecology and Environment, any entity conducts activities of production, sale, and use of radioactive isotopes and radial equipment within the territory of the PRC shall obtain the Radiation Safety Licenses (《輻射安全許可證》).

Regulation on the Control of Narcotic Drugs and Psychotropic Drugs (《麻醉藥品和精神藥品管理條例》)

According to the Regulation on the Control of Narcotic Drugs and Psychotropic Drugs (《麻醉藥品和精神藥品管理條例》) promulgated by the State Council on August 3, 2005 and amended on December 7, 2013 and February 6, 2016, any medical institution needs to use narcotic drugs and the psychotropic drugs of category I shall be subject to the approval of the relevant authority, and obtain the seal card for purchasing narcotic drugs and the psychotropic drugs of category I (《麻醉藥品、第一類精神藥品購用印鑒卡》).

Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》)

According to the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》) promulgated by the State Food and Drug Administration (the "**SFDA**") on August 31, 2015 and amended on November 17, 2017, a Food Operation License (《食品經營許可證》) shall be obtained in accordance with the law to engage in food selling and catering services within the PRC.

REGULATIONS ON PHARMACEUTICALS IN MEDICAL INSTITUTIONS AND MEDICAL DEVICES

Drug Administration Law of the PRC and its Implementing Rules and Measures for Supervision and Administration of Drugs of Medical Institutions (For Trial Implementation)《中華人民共和國藥品管理法》及其實施條例、《醫療機構藥品監督管理辦法(試行)》

According to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on September 20, 1984 and amended on February 28, 2001, December 28, 2013, April 24, 2015 and August 26, 2019, and came into effect on December 1, 2019, the Regulation for the Implementation of the Drug Administration Law (《中華人民共和國藥品管理法實施條例》) promulgated by State Council on August 4, 2002 and amended on February 6, 2016, March 2, 2019 and the Measures for Supervision and Administration of Drugs of Medical Institutions (For Trial Implementation) (《醫療機構藥品監督管理辦法(試行)》), which was promulgated by the SFDA and came into effect on October 11, 2011, medical institutions must purchase drugs from enterprises qualified to produce and deal in drugs. Drugs used by medical institutions must be purchased uniformly by special departments in accordance with the provisions, and other departments and medical staff members of medical institutions are forbidden to purchase drugs on their own.

Administrative Measures for the Registration of Pharmaceutical Preparations of Medical Institutions (《醫療機構製劑註冊管理辦法(試行)》)

The Administrative Measures for the Registration of Pharmaceutical Preparations of Medical Institutions (《醫療機構製劑註冊管理辦法(試行)》), which was promulgated by the State Food and Drug Administration on June 22, 2005 and came into effect on August 1, 2005, provides that an applicant of pharmaceutical preparation shall be a medical institution that holds a Medical Institution Practicing Permit and has obtained a Pharmaceutical Preparation Certificate for Medical institution. To engage in the confection of pharmaceutical preparations, the medical institution shall apply for the Approval of the Registration of Pharmaceutical Preparation of Medical Institution (《醫療機構製劑註冊批件》) to the food and drug administration of the People's Government of the province, autonomous region or municipality directly under the Central Government where they are located. If it is necessary to use the pharmaceutical preparation through adjustment and if the adjustment of the pharmaceutical preparation of medical institution is to be made within the jurisdiction at the provincial level, then the adjustment shall be subject to the approval of the food and drug administration of the province, autonomous region or municipality directly under the Central Government. If the pharmaceutical preparation falls within the scope of special pharmaceutical preparations as provided for by the SFDA, or if the adjustment of pharmaceutical preparation of medical institution is to be made between different provinces, autonomous regions and municipalities directly under Central Government, the adjustment shall be subject to the approval of the SFDA.

Regulation on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》)

In the PRC, medical devices are classified into three different categories, Class I, Class II and Class III, based on the invasiveness of and risks associated with each medical device. According to the Regulation on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) promulgated by the State Council on January 4, 2000 and amended on March 7, 2014 and May 4, 2017, for Class I medical devices, the record-filing management shall be implemented, while for Class II and Class III devices, the registration management shall be implemented.

To engage in production of Class I medical devices, manufacturers shall file the production with the NMPA of a city divided into districts where they are located. To engage in production of Class II or III medical devices, manufacturers shall apply for the Medical Device Production License (《醫療器械生產許可證》) to the food and drug administration of the People's Government of the province, autonomous region or centrally administered municipality where they are located. The production permit is valid for five years and the holder of which shall apply for extension within six months prior to its expiration. To engage in the operation of Class II medical devices, an operating enterprise shall make a record-filing with the relevant authority. To engage in the operation of Class III medical devices, an operating enterprise shall apply for the Medical Device Operation License (《醫療器械經營許可證》).

REGULATIONS ON THE PRICE OF HEALTHCARE SERVICES AND MEDICINE

Notice of Issues Related to the Implementation of Market Price Adjustment by Non-Public Medical Institutions (《關於非公立醫療機構醫療服務實行市場調節價有關問題的通知》)

According to the Notice of Issues Related to the Implementation of Market Price Adjustment by Non-Public Medical Institutions (《關於非公立醫療機構醫療服務實行市場調節價有關問題的通知》) promulgated on March 25, 2014 by NDRC, the NHFPC and the Ministry of Human Resources and Social Security (the "**MHRSS**"), prices on healthcare services provided by non-public medical institutions shall be set with reference to the market level. Non-public medical institutions which are for-profit in nature may set the price schedule for their healthcare services at their own discretion. Non-public medical institutions which are non-profit in nature shall set the price schedule for their healthcare services according to the National Standard Price List of Healthcare Services (《全國醫療服務價格項目規範》). For non-public medical institutions qualified to become designated medical institutions covered by medical insurance, they should be included as a designated service provider covered by social insurance such as basic medical insurance for employees and urban residents, new-type rural cooperative medical insurance, work-related injury insurance and maternity insurance in accordance with relevant procedures and adopt the same payment policy as in public hospitals. To efficiently utilize funds, medical insurance agents should determine specific payment methods and standards with such non-public medical institution by way of negotiation under the requirements of medical insurance payment system reform.

Opinions on Promoting Drug Pricing Reform (《推進藥品價格改革的意見》)

The Opinions on Promoting Drug Pricing Reform (《推進藥品價格改革的意見》), which was promulgated by the NDRC, the NHFPC, the SFDA, Ministry of Commerce (the "**MOFCOM**") and other three departments on May 4, 2015, sets forth that from June 1, 2015, except for narcotic drugs and Class I psychotropic drugs, the restrictions on the prices of the drugs that were subject to government pricing will be cancelled. Specifically, the prices of narcotic drugs and Class I psychotropic drugs are still subject to maximum factory prices and maximum retail prices set by the NDRC for the time being. The medical insurance regulatory authority shall, along with other competent departments, draw up provisions in relation to the standards, procedures, basis and methods of the payment of drugs paid by medical insurance funds. With regard to patented drugs and exclusively produced drugs, the prices thereof are set through transparent and public negotiation among multiple parties. The prices for blood products not listed in the Medical Insurance Drugs List, immunity and prevention drugs that are purchased by the PRC Government in a centralized manner, and AIDS antiviral drugs and contraceptives provided by the PRC Government for free, shall be set through tendering purchase or negotiation. Except as otherwise mentioned above, the prices for other drugs may be determined by the manufacturers and the operators on their own on the basis of production or operation costs and market supply and demand.

Regulations on Medical Insurance and Medical Liability Insurance for Urban Employees

According to the Interim Measures for the Administration of Medical Insurance Designated Medical Institutions and the Provision of Basic Medical Insurance for Urban Employees (《城鎮職工基本醫療保險定點醫療機構管理暫行辦法》) promulgated by the MOH, the Ministry of Labor and Social Security and the SATCM on May 11, 1999, and the Decision of the State Council on Canceling the First Batch of 62 Items Subject to Administrative Examination and Approval of Local Governments Designated by the Central Government (《國務院關於第一批取消62項中央指定地方實施行政審批事項的決定》) promulgated by the State Council on October 11, 2015 and the Guiding Opinions of the MHRSS on Improving the Management of Designated Medical Institutions and Pharmacies of Basic Medical Insurance through Agreements (《人力資源和社會保障部關於完善基本醫療保險定點醫藥機構協議管理的指導意見》) promulgated by MHRSS on December 2, 2015, the license for qualifying a medical institution as a designated medical institution to provide medical services to urban employees with basic medical insurance was cancelled. Agencies and the medical institutions should strictly comply with the stipulations in the service agreement and perform the agreement seriously. The defaulting party shall be held liable to the violations of the agreement.

REGULATIONS ON MEDICAL PRACTITIONERS OF MEDICAL INSTITUTIONS

The Law on Practising Physicians of the People's Republic of China (《中華人民共和國執業醫師法》)

Pursuant to the Law on Practising Physicians of the People's Republic of China (《中華人民共和國執業醫師法》) promulgated by the SCNPC on June 26, 1998 and amended on August 27, 2009, medical physicians in the PRC must obtain licenses of medical professional qualifications. Qualified physicians and assistant physicians must register with the relevant health administrative authorities at county level or above. After registration, physicians may practice in medical institutions of their registered locations under the type of registered specialty to provide relevant medical, preventive or healthcare services.

Administrative Measures for the Registration of Practising Physicians (《醫師執業註冊管理辦法》)

Pursuant to the Administrative Measures for the Registration of Practising Physicians (《醫師執業註冊管理辦法》), which was promulgated by the NHFPC on February 28, 2017 and became effective on April 1, 2017, medical physicians must register and obtain the Physician Practising Certificate (醫師執業證書) before they commence practice and, those who are not registered or have not obtained the Physician Practising Certificate are not allowed to engage in medical, preventive and healthcare services. The registration details of practising physicians include their places of practice, types of registered specialty and scopes of practice. The place of practice refers to the county or provincial administrative region of the medical, preventive and healthcare institutions where the assistant physician or the physician is practising. Physicians who want to practice in multiple institutions within the same place of practice shall determine a specific institution as the main practising institution and apply for registration with the competent health authority. As for other practicing institutions, practising physicians shall submit record filing with the competent health authorities to approve the institutions' operation and indicate the names of the institutions.

Notice on Certain Opinions on Promoting and Standardizing Multi-site Practice of Physicians from Ministry of Health (《關於印發〈推進和規範醫師多點執業的若干意見〉的通知》)

The Notice on Certain Opinions on Promoting and Standardizing Multi-site Practice of Physicians from the MOH (《關於印發〈推進和規範醫師多點執業的若干意見〉的通知》), which was jointly promulgated by 5 departments on November 5, 2014 and became effective on the same date, provides that clinical physicians, dentists and Chinese medicine physicians are permitted for practising at multiple sites. Physicians practising in multiple sites shall have intermediary or above technical skills and have been in the same profession for more than five years. Physicians practising outside of their main practice site shall practice the same registered specialty as they do in the main practice site and the scope of practice shall be the same as Class II diagnosis and treatment of the main practice site.

Regulation on Nurses (《護士條例》)

The Regulation on Nurses (《護士條例》) promulgated by the State Council on January 31, 2008 and amended on March 27, 2020 provides that for nursing practice, a nurse must obtain the Nurse Practising Certificate, which is valid for five years. The number of nurses deployed to a medical institution shall not be less than the standard number as prescribed by the competent health administration authority.

Administrative Measures for the Registration of Practising Nurses (《護士執業註冊管理辦法》)

Pursuant to the Administrative Measures for the Registration of Practising Nurses (《護士執業註冊管理辦法》), which was promulgated by the MOH on May 6, 2008 and became effective on May 12, 2008, nurses must register and obtain the Nurse Practising Certificate before they practice nursing at the registered practising place.

REGULATIONS ON MEDICAL INCIDENTS

Tort Liability Law of PRC (《中華人民共和國侵權責任法》) and the Civil Code of the PRC (《中華人民共和國民法典》)

The Tort Liability Law of PRC (《中華人民共和國侵權責任法》), which was promulgated by the SCNPC on December 26, 2009 and came into effect on July 1, 2010, provides that, a medical institution, if its medical personnel are at fault for damage inflicted on a patient during the course of diagnosis and treatment, the medical institution shall be liable and pay compensation for the damage caused by the failure of its medical personnel to fulfill their statutory obligations in the course of diagnosis and treatment. On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) was adopted by the third session of the 13th National People's Congress, which became effective on January 1, 2021 and replaced the current effective Tort Liability Law of the PRC. The Civil Code of the PRC provides that if a medical institution or its medical personnel are at fault for damage inflicted on a patient during the course of diagnosis and treatment, the medical institution shall be liable for compensation, which further clarifies that either the medical institution or its medical personnel are at fault, the medical institution shall bear the relevant responsibilities.

The Regulation on Handling Medical Incidents (《醫療事故處理條例》)

The Regulation on Handling Medical Incidents (《醫療事故處理條例》), which was promulgated by the State Council on April 4, 2002 and came into effect on September 1, 2002, provides a legal framework and specific regulations regarding the prevention, identification, compensation and penalties of or relating to cases involving personal injury to patients caused by medical institutions or medical personnel due to malpractice.

REGULATIONS ON MEDICAL ADVERTISEMENT

Advertising Law of the PRC (《中華人民共和國廣告法》)

Pursuant to the Advertising Law of the PRC (《中華人民共和國廣告法》), which was promulgated by the SCNPC on October 27, 1994 and amended on April 24, 2015 and October 26, 2018, advertisements shall not contain false statements that are deceitful or misleading to consumers. Advertisements are legally required to receive censorship, including those relating to medical treatment, pharmaceuticals and medical devices, shall be reviewed by the relevant authorities in accordance with relevant rules before being distributed by broadcasting, movies, television, newspapers, journals or otherwise. No such advertisement shall be published without being reviewed. If the advertisers published such advertisements without being reviewed in violation of the provisions, the Market Regulation Departments may order the advertisers to cease publishing such advertisements and eliminate the ill-effects within the corresponding scope, impose a fine equivalent to three times the amount of the advertising fees, and revoke the business licenses, and the advertisement review authorities shall revoke the approval documents for advertisement review and shall not accept the relevant party's application for advertisement review for one year. Where the advertising fees cannot be calculated or are significantly low, a fine of not less than RMB100,000 and not more than RMB200,000 shall be imposed; where the circumstance is serious, a fine of not less than three times and not more than five times the advertising fees shall be imposed; in case that the advertising fees cannot be calculated or are significantly low, a fine of not less than RMB200,000 and not more than RMB1 million shall be imposed.

Administrative Measures on Medical Advertisement (《醫療廣告管理辦法》)

Pursuant to the Administrative Measures on Medical Advertisement (《醫療廣告管理辦法》), which was jointly promulgated by the MOH and the State Administration of Industry and Commerce (the "**SAIC**") on September 27, 1993 and was amended on September 28, 2005 and November 10, 2006 and came into effect on January 1, 2007, any medical institution intending to publish any medical advertisement shall apply for medical advertisement examination and obtain Medical Advertisement Examination Certificate (醫療廣告審查證明). The Medical Advertisement Examination Certificate shall be valid for one year.

Circular of the Ministry of Health on Strengthening the Medical Advertisement Administration (《衛生部關於進一步加強醫療廣告管理的通知》)

According to the Circular of the Ministry of Health on Strengthening the Medical Advertisement Administration (《衛生部關於進一步加強醫療廣告管理的通知》), which was promulgated by the MOH on July 17, 2008 and became effective on the same date, the Medical Advertisement Examination Certificate (醫療廣告審查證明) shall be examined strictly, the medical advertisement monitoring system shall be gradually established and improved, and the penalty for illegal medical advertisement shall be increased.

Provisional Measures for the Administration of Internet Advertisement (《互聯網廣告管理暫行辦法》)

Pursuant to the Provisional Measures for the Administration of Internet Advertisement (《互聯網廣告管理暫行辦法》), which was promulgated by the SAIC on July 4, 2016 and became effective on September 1, 2016, no advertisement of any medical treatment, medicines, food for special medical purposes, medical apparatuses, pesticides, veterinary medicines, dietary supplement or other special commodities or services which are subject to examination by an advertising examination authority as required by laws and regulations shall be published unless it has passed such examination.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Trademark Law of the PRC and its Implementing Rules (《中華人民共和國商標法》及其實施條例)

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001, August 30, 2013, April 23, 2019 and took effect on November 1, 2019 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted by the State Council on August 3, 2002 and revised on April 29, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office of National Intellectual Property Administration handles trademark registrations and grants a term of ten years to registered trademarks, which is renewable every ten years where a registered trademark needs to be used after the expiration of its validity term.

Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》)

The Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and became effective on November 1, 2017, regulates that the ".CN" and the ".zhongguo (in Chinese character)" shall be China's national top level domains. Any party that engages in internet information services shall use its domain name in compliance with laws and regulations and in line with relevant provisions of the telecommunications authority, and shall not use its domain name to commit any violation.

Copyright Law of the PRC (《中華人民共和國著作權法》) and Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》)

The Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated by the SCNPC on September 7, 1990 and was amended on October 27, 2001 and February 26, 2010, specifies that works of Chinese citizens, legal persons or other organizations, including literature, art, natural sciences, social sciences, engineering technologies and computer softwares created in writing, oral or other forms, whether published or not, shall enjoy the copyright. Copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on February 20, 2002 and came into effect on the same day, regulates the registration of software copyright, the exclusive licensing contracts and the assignment contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and designates the China Copyright Protection Center as the agency for software registration. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants.

REGULATIONS ON ENVIRONMENTAL PROTECTION RELATED TO MEDICAL INSTITUTIONS

Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》)

Pursuant to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), which was promulgated by the SCNPC on December 26, 1989, amended on April 24, 2014 and became effective on January 1, 2015, the waste discharge licensing system has been implemented in the PRC and entities that discharge medical sewage to water bodies directly or indirectly shall obtain a Waste Discharge License (《排污許可證》). Furthermore, installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project.

Pursuant to the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 and amended on July 2, 2016 and December 29, 2018, the State implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction entity shall prepare an environmental impact report, or an environmental impact form or complete an environmental impact registration form (the "**Environmental Impact Assessment Documents**") for reporting and filing purpose. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction entity is prohibited from commencing construction works.

Regulation on the Management of Medical Waste (《醫療廢物管理條例》), and the Implementation Measures of the Management of Medical Waste (《醫療衛生機構醫療廢物管理辦法》)

According to the Regulation on the Management of Medical Waste (《醫療廢物管理條例》), which was promulgated by the State Council on June 16, 2003 and amended on January 8, 2011, and the Implementation Measures of the Management of Medical Waste (《醫療衛生機構醫療廢物管理辦法》), which was promulgated by the MOH on October 15, 2003 and came into effect on the same day, medical or health institutions shall register medical wastes, classify their medical wastes properly document the transfer of hazardous wastes in accordance with the Catalogue of Classified Medical Wastes (《醫療廢物分類目錄》), and deliver medical wastes to an entity licensed by a relevant environment protection administrative department for centralized disposal of medical wastes. Sewage generated by any health institution and excretion of its patients or suspected patients of infectious diseases shall be sterilized in strict accordance with the relevant provisions, and shall not be discharged into sewage disposal systems until the discharging standards are met.

The Administrative Measures on Licensing of Urban Drainage (《城鎮污水排入排水管網許可管理辦法》)

The Administrative Measures on Licensing of Urban Drainage (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-rural Development on January 22, 2015 and came into effect on March 1, 2015, provides that enterprises, institutions and individual industrial and commercial households engaging in industry, construction, catering industry, medical industry and discharging sewage into the urban drainage network must apply for and obtain a License for Urban Drainage (《排水許可證》).

Regulations on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》)

The Regulations on Urban Drainage and Sewage Treatment (城鎮排水與污水處理條例), which was promulgated by the State Council on October 2, 2013 and came into effect on January 1, 2014, requires that urban entities and individuals shall dispose sewage through urban drainage facilities covering their geographical areas in accordance with relevant rules. Companies or other entities engaging in medical activities shall apply for a Sewage Disposal Drainage License (污水排入排水管網許可證) before disposing sewage into urban drainage facilities. Sewage-disposing entities and individuals shall pay sewage treatment fees in accordance with relevant rules.

REGULATIONS ON FOREIGN INVESTMENT IN CHINA

Company Law of the PRC (《中華人民共和國公司法》)

The Company Law of the PRC (中華人民共和國公司法), which was promulgated by the Standing Committee of National People's Congress on December 29, 1993 and came into effect on July 1, 1994 (subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018), provides that companies established in the PRC may take forms of company of limited liability or company limited by shares. Each company has the status of a legal person and owns its assets itself. Assets of a company may be used in full for the company's liability. The Company Law applies to foreign-invested companies unless relevant laws provide otherwise.

Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) and the Regulations on the Implementation of Foreign Investment Law (《中華人民共和國外商投資法實施條例》)

On March 15, 2019, the 2nd meeting of the 13th SCNPC approved 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**"), which became effective on January 1, 2020. According to the FIL, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (the "**Foreign Investors**"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the negative list refers to special administrative measures imposed by the relevant authorities for access by foreign investment to specific fields. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council. After the FIL came into effect, the FIL 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 Enterprise Law 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.

The Regulations on the Implementation of Foreign Investment Law (《中華人民共和國外商投資法實施條例》) was promulgated by the General Office of the State Council on December 26, 2019, and came effect on January 1, 2020, provides the detailed regulation and guidance for implementing the FIL.

Pursuant to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which was promulgated by the MOFCOM and the State Administration for Market Supervision on December 30, 2019 and came into effect on January 1, 2020, foreign investors or foreign invested enterprises shall submit investment information to the commerce authorities through the online enterprise registration system and the National Enterprise Credit Information Publicity System. The relevant information shall be forwarded by the market regulatory authorities to the commerce authorities. The Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises was abolished as of January 1, 2020.

Pursuant to the Announcement on Matters relating to the Reporting of Foreign Investment Information (《關於外商投資信息報告有關事項的公告》), which was promulgated by the MOFCOM on

December 31, 2019 and came into effect on January 1, 2020, foreign investors or foreign invested enterprises shall submit initial statements and change statements through the online enterprise registration system and submit annual statements through the National Enterprise Credit Information Publicity System according to the Measures for the Reporting of Foreign Investment Information. Foreign invested enterprises which are established or changed after January 1, 2020 are not required to submit registration and filing formalities to market regulatory authorities, but are required to submit investment information according to the Measures for the Reporting of Foreign Investment Information and this announcement.

The Industry Catalogue for Guiding Foreign Investment (《外商投資產業指導目錄》) and Provisions on Guiding Foreign Investment Direction (《指導外商投資方向規定》) and Catalogue of Encouraged Industries for Foreign Investment (Edition 2020) (《鼓勵外商投資產業目錄(2020年版)》)

According to the current Industry Catalogue for Guiding Foreign Investment(《外商投資產業指導目錄》), which was jointly promulgated by the NDRC and the MOFCOM on June 28, 2017 and was amended by the NDRC and MOFCOM on June 29, 2018 and June 30, 2019, and the Provisions on Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, all foreign investment projects are classified into four categories: (i) encouraged projects, (ii) permitted projects, (iii) restricted projects, and (iv) prohibited projects. If the industry in which the investment is to occur falls into the encouraged category, foreign investment in certain cases may enjoy preferential policies or benefits. If the industry invested falls into the restricted category, foreign investment may be conducted in accordance with applicable legal and regulatory restrictions. According to the current Foreign Investment Catalogue, foreign investment in medical institutions shall be restricted to the form of joint venture or sino-foreign cooperation. Catalogue of Encouraged Industries for Foreign Investment (Edition 2020) (《鼓勵外商投資產業目錄(2020年版)》), which was jointly promulgated by the NDRC and MOFCOM on December 27, 2020, and came into effect on January 27, 2021, includes investment in medical institutions.

The Special Administrative Measures (Negative List) for the Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)》)

The 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)) (the "**2020 Negative List**"), which was jointly promulgated by the NDRC and MOFCOM on June 23, 2020 and came into effect on July 23, 2020, provides that the foreign investment in medical institutions is restricted to the form of sino-foreign joint venture.

Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》) and its Supplementary Provisions

The Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》), which was jointly promulgated by the MOH and the Ministry of Foreign Trade and Economic Cooperation on May 15, 2000 and came into effect on July 1, 2000, and its Supplementary Provisions allow foreign investors to partner with Chinese medical entities to establish a medical institution in China by means of equity joint venture or cooperative joint venture. Establishment of equity joint venture or cooperative joint venture shall meet certain requirements, including the total investment sum shall not be less than RMB20 million and the equity percentage of the Chinese partner in the joint venture shall not be less than 30%. Establishment of equity joint venture or cooperative medical institutions shall be subject to approval by relevant authorities.

Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》)

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), which was jointly promulgated by the MOFCOM and five other departments and commissions on August 8, 2006, came into effect on September 8, 2006 and subsequently amended by the MOFCOM on June 22, 2009, requires that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by relevant commerce authorities.

REGULATIONS ON OVERSEAS INVESTMENT

According to the Administrative Measures for Overseas Investment by Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on December 26, 2017, which became effective on March 1, 2018, overseas investment means any investment activity in which a domestic enterprise of the PRC obtains overseas ownership, control, operation and management rights and other relevant interests directly or through its controlled overseas enterprise by way of contributing assets or interest or providing financing or guarantee. To conduct overseas investment, certain procedures (such as approval or filing procedures) shall be complied with according to the relevant circumstances of the overseas investment project.

According to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) promulgated by the MOFCOM on September 6, 2014, which became effective on October 6, 2014, overseas investment means enterprises legally incorporated in the PRC which own non-financial enterprises or obtain the ownership, control, operation management rights or other interests of existing non-financial enterprises in foreign countries through incorporation, merger or acquisition, or other means. MOFCOM and the provincial commercial administration authorities are responsible for the management and supervision of overseas investments. MOFCOM and the provincial commercial administration authorities will implement filing administration and approval, respectively, according to the different types of overseas investments.

REGULATIONS ON THE MANAGEMENT OF LEASE HOUSING

Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》)

The Administrative Measures on Leasing of Commodity Housing, which was promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and came into effect on February 1, 2011, provides that lessors and lessees shall complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development (real estate) department of the PRC Government of the centrally-administered municipality, municipality or county where the leased property is located. Organizations who violate the relevant provisions of this regulation shall be ordered by the development (real estate) department of the PRC Governments of centrally-administered municipalities, municipalities or counties to make correction within a prescribed period; where an organization fails to make correction within the prescribed period, a fine ranging from RMB1,000 to RMB10,000 shall be imposed.

REGULATIONS ON EMPLOYMENT AND SOCIAL SECURITY

Labor Law of PRC (《中華人民共和國勞動法》)

The Labor Law of PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009 and December 29, 2018, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its employees. Labor safety and health facilities must comply with relevant national standards. Employees engaged in special operations shall have received specialized training and obtained the pertinent qualifications.

Labor Contract Law of PRC and its Implementation Regulations (《中華人民共和國勞動合同法》及其實施條例)

The Labor Contract Law of PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, amended on December 28, 2012, and came into effect on July 1, 2013, and the Implementation Regulations on Labor Contract Law (《中華人民共和國勞動合同法實施條例》) which was promulgated by the State Council and came into effect on September 18, 2008, regulate the relations between employers and employees, and contain specific provisions involving the terms of the labor contract.

REGULATION ON SUPERVISION OVER THE SOCIAL SECURITY AND HOUSING FUNDS

According to the Provisional Regulations on the Collection and Payment of Social Insurance Premium (《社會保險費徵繳暫行條例》), the Regulation on Work Injury Insurance (《工傷保險條例》), the Regulation on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in China must provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and must pay or withhold relevant social insurance premiums for or on behalf of employees.

The Law on Social Insurance (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and amended on December 29, 2018, regulates basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance, and elaborates in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

The Regulation on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, provides that housing provident fund contributions paid by an individual employee and housing provident fund contributions paid by his or her employer shall all belong to the individual employee.

REGULATIONS ON TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (the "**EIT Law**") promulgated by the National People's Congress on March 16, 2007 and amended by the SCNPC on February 24, 2017 and December 29, 2018, and the Implementation Regulation on the EIT Law (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007 and amended by the State Council on April 23, 2019 and came into effect on the same date, a uniform income tax rate of 25% will be applied to domestic enterprises, foreign-invested enterprises and foreign enterprises that have established production and operation facilities in China. These enterprises are classified as either resident enterprises or non-resident enterprises. Resident enterprises refer to enterprises that are established in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or *de facto* control is administered from within the PRC. Non-resident enterprises refer to enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but who (whether or not through the establishment of institutions in the PRC) derive income from the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not established institutions or places in the PRC, or if they have established institutions or places in the PRC but there is no actual relationship between the relevant income derived in the PRC and the institutions or places set up by them, enterprise income tax is set at the rate of 10%.

According to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies (《關於深入實施西部大開發戰略有關稅收政策問題的通知》), which was jointly promulgated by the SAT and the MOF on July 27, 2011 and came into effect on January 1, 2011, from January 1, 2011 to December 31, 2020, enterprises established in western regions in encouraged industries shall be entitled to 15% income tax rate. According to the Announcement on Renewing the Enterprise Income Tax Policy for Great Western Development (《關於延續西部大開發企業所得稅政策的公告》), which was jointly promulgated by the MOF, the State Taxation Administration and the NDRC on April 23, 2020 and came into effect on January 1, 2021, from January 1, 2021 to December 31, 2030, enterprises established in western regions in encouraged industries shall be entitled to 15% income tax rate. Under the Catalogue of Encouraged Industries in the Western Region (《西部地區鼓勵類產業目錄》) promulgated by the NDRC, medical institutions in Inner Mongolia fall into the catalogue.

Value-added Tax

The Provisional Regulation on Value-added Tax (《增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993 and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulation on Value-added Tax (《增值稅暫行條例實施細則》), which was promulgated by the MOF on December 25, 1993 amended on December 15, 2008 and October 28, 2011, and came into effect on November 1, 2011, set out that all taxpayers selling goods or providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods in China shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling goods and services, leasing of tangible movable assets or importing goods whereas the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise provided. According to the Notice of the MOF and the SAT on Adjusting Value added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) which was issued on April 4, 2018 and became effective on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Notice of the MOF, the SAT and the General Administration of Customs on Relevant Policies for Deepening Value Added Tax Reform (《關於深化增值稅改革有關政策的公告》) which was issued on March 20, 2019 and became effective on April 1, 2019, the value added tax rate was reduced to 13% and 9%, respectively.

On November 16, 2011, the MOF and the SAT promulgated the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業税改徵增值税試點方案》), pursuant to which the PRC Government launched gradual taxation reforms where, from January 1, 2012, a value-added tax is imposed in lieu of business tax on a trial basis in regions and industries showing strong economic performance, such as transportation and certain modern service industries.

The Notice on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》), which was promulgated by the MOF and the SAT on March 23, 2016 and amended on July 1, 2017, December 25, 2017 and March 20, 2019 and became effective on April 1, 2019, provides that all business tax payers in the consumer service industry shall pay value-added tax instead of business tax from May 1, 2016. If a taxpayer of the pilot project has already enjoyed tax incentives of business tax according to relevant policies and regulations before the application of the pilot collection of value-added tax in lieu of business tax, such taxpayer may, in the remaining period of tax incentives, enjoy tax incentives of value-added tax in accordance with the relevant provisions.

According to the Circular of the MOF and the State Administration of Taxation on the Relevant Tax Policies in Respect of Medical and Hygiene Institutions (《財政部、國家税務總局關於醫療衛生機構有關税收政策的通知》), which was promulgated by the MOF and the SAT on July 10, 2000 and became effective on the same date and further revised by the MOF on May 18, 2009 and became effective on January 1, 2009, medical services income obtained by NMIs at the price set by the relevant authorities shall be exempted from any taxes. In respect of those medical services income which is not obtained at the price set by the state, this exemption policy shall not apply. Taxes on the income obtained by the PMIs shall be imposed according to the relevant provisions.

Withholding Tax and International Tax Treaties

According to the Treaty on the Avoidance of Double Taxation and Tax Evasion between Main land and Hong Kong (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) (the "**Tax Treaty**") entered into between Mainland China and Hong Kong on August 21, 2006, if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which beneficially owns 25% or more interests in the PRC enterprise, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments once approvals have been obtained from the relevant tax authorities. The determination of beneficial ownership is clarified under the Notice on Understanding and Determining Beneficial Owners (《國家税務總局關於如何理解和認定税收協定中"受益所有人"的通知》), which was issued by the SAT on February 3, 2018 and came into effect on April 1, 2018, provides that "beneficial owner" shall mean a person who has the ownership and control over the income and the rights and property from which the income is derived. When an individual who is a resident of the treaty counterparty derives dividend income from the PRC, the individual may be determined as a "beneficial owner".

The Notice on the Several Issues of the Implementation of Tax Treaty (《國家税務總局關於執行税收協定股息條款有關問題的通知》), which was promulgated by the SAT on February 20, 2009 and came into effect on the same date, provides that the non-resident taxpayer or the withholding agent is required to obtain and keep sufficient documentary evidence proving that the recipient of the dividends meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty if the main purpose of an offshore transaction or arrangement is to obtain preferential tax treatment.

According to the Administrative Measures on Non-resident Taxpayers to Enjoy the Treatment under Tax Treaties (《非居民納稅人享受稅收協定待遇管理辦法》) which was promulgated by the SAT on October 14, 2019 and came into effect on January 1, 2020, where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials for future inspection, and accept follow-up administration by the tax authorities.

REGULATION ON FOREIGN EXCHANGE CONTROL

The Regulation on the Control of Foreign Exchange (《外匯管理條例》), which was promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and amended on January 14, 1997 and August 5, 2008, set out that foreign exchange receipts of domestic institutions or individuals may be transferred to China or deposited abroad and that the State Administration of Foreign Exchange (the "**SAFE**") shall specify the conditions for transfer to China or overseas and other requirements in accordance with the balance of payments and foreign exchange control needs. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Domestic institutions or individuals that make direct investments abroad, are engaged in the distribution, sale of valuable securities or derivative products overseas should register according to SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with relevant authorities shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

The Regulation on the Administration of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the People's Bank of China on June 20, 1996 and came into effect on July 1, 1996, provides that foreign exchange receipts under the current account of foreign-invested enterprises may be retained to the fullest extent specified by the foreign exchange bureau. Any portion in excess of such amount shall be sold to a designated foreign exchange bank or through a foreign exchange swap center.

The Notice on Issues Relating to Foreign Exchange Administration of Overseas Investments and Financing and Round-trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular 37**"), which was promulgated by the SAFE on July 4, 2014 and came into effective on the same date, states that (i) a PRC resident, including a PRC resident natural person or a PRC legal person, shall register with the local branch of the SAFE before it contributes the assets of or its equity interests into a special purpose vehicle for the purpose of investment and financing; and (ii) when the special purpose vehicle undergoes changes of basic information, such as changes in PRC resident natural person shareholder, name or operating period, or occurrence of a material event, share capital of a PRC resident natural person, performance of merger or split, the PRC resident shall register such changes with the local branch of the SAFE in a timely manner.

The Notice of the SAFE on Further Improving and Adjusting Policies Relating to Foreign Exchange Administration in Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) promulgated by the SAFE on November 19, 2012 and amended on December 30, 2019 expands on the reform of the foreign exchange administration system, simplifies the administrative approval procedures, and improves foreign exchange administration in direct investment by repealing or adjusting certain approval items for foreign exchange administration in direct investment.

According to the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**"), which was promulgated by SAFE on March 30, 2015, amended on December 30, 2019 and came into effect on the same day, voluntary settlement of foreign exchange (the "**voluntary settlement**") is implemented for foreign exchange capital funds of foreign-invested enterprises. The voluntary settlement means that the foreign exchange capital funds which have been confirmed by SAFE as cash contribution for equity interest (or have been registered as capital contribution in cash via a bank) in the capital account of the foreign-invested enterprise may carry out settlement at the bank as and when required according to actual operation needs of the enterprise. The ratio of voluntary settlement of foreign exchange capital funds of a foreign-invested enterprise is set at 100% for the time being. The RMB funds arising from the settlement of foreign exchange shall be placed in a special account for administration. If the foreign-invested enterprise has further payment needs, it is still required to truthfully produce relevant authentic certification materials to the bank for review according to regulations. The RMB funds obtained from the capital funds and foreign exchange settlement of the foreign-invested enterprise are prohibited from the following uses: (i) shall not be used directly or indirectly for expenses incurred outside the scope of operation or prohibited by laws and regulations of the PRC; (ii) unless otherwise required by laws and regulations, shall not be used directly or indirectly in securities investment; (iii) shall not be used directly or indirectly for lending as entrusted loans denominated in RMB (except permitted by the scope of operation), for repayment of inter-company borrowings (including third-party advances) and for repayment of RMB -denominated bank loans which have been re-lent to third parties; and (iv) except for foreign-invested real estate enterprises, such RMB funds shall not be used to pay for the relevant expenses for the purchase of real estate properties which are not for its own use.

Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》, the "**Circular 16**"), which was promulgated by SAFE on June 9, 2016 and came into effect on the same day, provides that the use of foreign exchange receipts under capital accounts of a domestic institution and the RMB funds obtained thereby from foreign exchange settlement are prohibited from the following uses: (i) direct or indirect expenditure beyond the enterprise's business scope or expenditure prohibited by laws and regulations of the State; (ii) unless otherwise provided, directly or indirectly investments in securities or other investments than banks' principal-secured products; (iii) granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) construction or purchase of real estate for purposes other than self-use (except for real estate enterprises). Further, Circular 16 provides voluntary settlement shall be settled where expressly prescribed in the relevant policies, and where the current regulations contain any restrictive provisions on the foreign exchange settlement of foreign exchange receipts under capital accounts of domestic institutions, such provisions shall prevail. Domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the above proportion in due time according to balance of payments. Should there be any conflict between Circular 19 and Circular 16, Circular 16 shall prevail.

OVERVIEW

Our Company was incorporated in the Cayman Islands on May 19, 2020 as an exempted company with limited liability. Our Group primarily engages in the provision of (i) consumer ophthalmic services and (ii) basic ophthalmic services through our hospitals and optical centers. For details of our facilities, see "— Our Operation Network — Our Hospitals — Our Facilities" and "— Our Operation Network — Our Optical Centers — Our Facilities" in the section headed "Business" in this prospectus.

Our history could be traced back to the period when the grandfather of our Chairman, Mr. Zhang Xinghuan, started to practice as a Chinese medicine physician. He was born in 1893 and studied medical science when he was young. Subsequently, by integrating the practices of Traditional Chinese medicine and western medicine, he founded a Chinese medical clinic named Zhonghetang in 1921. Following his father's footprint, our founder, Mr. Zhang Chaoju, a pioneer of modern ophthalmology in Inner Mongolia and an entrepreneur in the field of Chinese ophthalmological services, founded the predecessor of our Company, a clinic with a floor area of approximately 350 sq.m., providing ophthalmic services to patients in Baotou, Inner Mongolia in 1988 which was served by three to four physicians at the time. Since then, we have deeply rooted in North China and built a broad network of ophthalmic hospitals and optical centers spanning across five provinces or autonomous region in China. Our Individual Shareholders, namely, Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng and Mr. Zhang Fengsheng, being the children, and Ms. Zhang Yumei, being the niece, inherited the business from Mr. Zhang Chaoju prior to the Track Record Period. As of the Latest Practicable Date, we operated a network of 17 ophthalmic hospitals and 23 optical centers.

In addition to our organic growth in the Inner Mongolia and other regions, we expanded our business through acquisitions. Our acquisitions of hospitals were mainly concentrated in the regions of Zhejiang Province, which allowed us to obtain the controlling rights of Ningbo Hospital, Xiangshan Hospital and Ninghai Hospital. Further, some of our subsidiaries (for-profit medical institutions) were established and have continued to develop and expand the businesses and operations from their respective predecessors (non-profit medical institutions).

In preparation for the Listing, we implemented a series of corporate restructurings such that our Company became the holding company of our current businesses. For details of our business development and corporate restructurings, see "— Key Milestones" and "— Corporate Reorganization" below.

KEY MILESTONES

The following is a summary of key development milestones of our businesses:

Month/Year	Milestone Event
1988	Our founder established the predecessor of our Company, a clinic providing ophthalmic services in Baotou, Inner Mongolia
1994	We conducted one of the first cataract surgeries and myopia correction surgeries in Inner Mongolia
1995	We were one of the first to use laser therapy technology on the fundus of eye in Inner Mongolia
1998	We conducted one of the first excimer laser surgeries in Inner Mongolia
2009	The predecessor of Baotou Hospital was relocated to its new premises totaling an area of approximately 17,000 sq.m.

Month/Year	**Milestone Event**
May 2010	We expanded outside of Inner Mongolia and established Jiaxing Chaoju Eye Hospital (嘉興朝聚眼科醫院) ("**Jiaxing Chaoju**"), the predecessor of our Jiaxing Hospital
July 2012	Baotou Hospital was designated as a national key clinical specialty construction project unit
November 2015	We became a designated unit of the "Brightness Action" in Inner Mongolia, and conducted cataract restoration and myopia prevention and control work throughout the region, which achieved both social and economic benefits
December 2015	We introduced our first round of external investors and further improved our group organizational structure and a consolidated group management and control system
	The pharmaceutical preparation room of Baotou Hospital first received its Medical Institution Pharmaceutical Preparation Permit (醫療機構製劑許可證)
December 2017 to June 2018	We decided to expand our business into eastern Zhejiang, and acquired Xiangshan Hospital and Ningbo Hospital in December 2017 and Ninghai Hospital in June 2018
April 2019	The "Belt and Road: Bright Tour" project was jointly initiated by us, the Red Cross Society of Inner Mongolia Autonomous Region (內蒙古自治區紅十字會) and Chinese Red Cross Foundation (中國紅十字基金會) to help cure poor cataract patients in Mongolia
July 2020	We signed a cooperation agreement with the Red Cross Society of Inner Mongolia Autonomous Region (內蒙古自治區紅十字會) and certain other parties to help train Mongolian ophthalmologists and facilitate the development of ophthalmology in Mongolia
April 2020 to October 2020	We signed a cooperation agreement with Inner Mongolia Medical University (內蒙古醫科大學) and Baotou Medical College (包頭醫學院) in April and October, respectively, which laid the talent pools for our further development

Please refer to the section headed "Business — Awards, Recognitions and Social Responsibility" in this prospectus for further details of the major awards, recognitions and accreditations received by our hospitals and optical centers.

OUR GROUP

Our Company

Our Company was incorporated in the Cayman Islands on May 19, 2020 as an exempted company with limited liability with a share capital of HK$380,000 divided into 38,000,000 shares with a par value of HK$0.01 each.

Upon incorporation, our Company allotted and issued at par value one Share to Harneys Fiduciary (Cayman) Limited, an Independent Third Party, 1,673,002 Shares to Sihai Medical Management, 1,535,320 Shares to Jutong Medical Management, 1,191,053 Shares to Xiwang Medical Management, 1,191,053 Shares to Guangming Medical Management, 172,133 Shares to Sitong Medical Management, 92,391 Shares to Goodhope Capital Investment, 881,380 Shares to Xiamen Chaoxi, 640,359 Shares to Light Medical Limited, 425,000 Shares to Xiamen Juludazhou Equity Investment, 652,174 Shares to Orchid Asia VII, 434,783 Shares to Riverhead Capital I, 652,174 Shares to FountainVest Chuangying, 271,739 Shares to Riverhead Runfeng, 62,479 Shares to Ming Da Management, and 124,959 Shares to Vilelarr Management, respectively. The one Share held by Harneys Fiduciary (Cayman) Limited was subsequently transferred to Sihai Medical Management on the same day.

Upon completion of the above allotment and transfer, the shareholding structure of our Company was as follows:

Shareholder	Number of Shares held	Shareholding Percentage
Sihai Medical Management	1,673,003	16.73%
Jutong Medical Management	1,535,320	15.35%
Xiwang Medical Management	1,191,053	11.91%
Guangming Medical Management.	1,191,053	11.91%
Sitong Medical Management	172,133	1.72%
Goodhope Capital Investment	92,391	0.92%
Xiamen Chaoxi	881,380	8.81%
Light Medical Limited	640,359	6.40%
Xiamen Juludazhou Equity Investment	425,000	4.25%
Orchid Asia VII	652,174	6.52%
Riverhead Capital I	434,783	4.35%
FountainVest Chuangying	652,174	6.52%
Riverhead Runfeng	271,739	2.72%
Ming Da Management	62,479	0.62%
Vilelarr Management	124,959	1.25%
Total	**10,000,000**	**100%**

On September 18, 2020, our Company allotted and issued 652,174 Shares to Orchid Asia VII, pursuant to the agreement entered into between the then existing shareholders of Chaoju Medical Technology and Orchid Asia VII on November 14, 2018. See the section headed "— Pre-IPO Investments — 2. Principal terms of the Pre-IPO Investments and Pre-IPO Investors' rights" for details of the pre-IPO investment.

For details of changes in the share capital of our Company, see the section headed "Statutory and General Information — A. Further Information about our Group — 2. Changes in our share capital" in Appendix IV to this prospectus.

Our principal subsidiaries

We currently operate and manage our businesses through our subsidiaries in the PRC. The following table sets out the details of all our principal subsidiaries during the Track Record Period and as of the Latest Practicable Date:

Entity	Date of Establishment and Commencement of Business	Registered Capital	Principal Business Activity
Chaoju Medical Technology	November 16, 2015	RMB135.29 million	Provision of hospital management services and enterprise management consulting services
Baotou Hospital	May 12, 2016; December 6, 2016 (Commencement of Business)	RMB16.88 million	Provision of ophthalmic service
Hohhot Hospital	September 21, 2016; June 19, 2017 (Commencement of Business)	RMB15 million	Provision of ophthalmic service
Chifeng Hospital	December 19, 2016; June 20, 2017 (Commencement of Business)	RMB15.5 million	Provision of ophthalmic service
Beijing Chaoju	October 28, 2014	RMB30 million	Investment management and enterprise management consulting services
Tianjin Chaoju	January 20, 2017; March 6, 2017 (Commencement of Business)	RMB5 million	Procurement of medical equipment and consumables

Further details of our Group's principal subsidiaries are provided below. For the list of all subsidiaries of our Company, see Note 1 to the Accountants' Report in "Appendix I" of this prospectus.

Chaoju Medical Technology

Chaoju Medical Technology was incorporated in the PRC on November 16, 2015 with a registered capital of RMB100 million contributed by Mr. Zhang Bozhou as to 24.78%, Ms. Zhang Xiaoli as to 27.00%, Mr. Zhang Junfeng as to 19.22%, Mr. Zhang Fengsheng as to 19.22%, Ms. Zhang Yumei as to 2.78%, Inner Mongolia Chaoda as to 5.00% and Inner Mongolia Jutong Sihai as to 2.00%. Subsequent to a series of capital injection and equity transfers, as of the Latest Practicable Date, Chaoju Medical Technology had a registered capital of RMB135.29 million and was indirectly held by, through Xiamen Chaoju Hospital Management, Xiamen Chaoju Group as to 70% and Xiamen Xinkangnuo as to 30%. Xiamen Xinkangnuo is a company established by our Individual Shareholders and is held 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.

Chaoju Medical Technology is one of our Group's major operating subsidiaries and as of the Latest Practicable Date wholly owned our following principal subsidiaries: Baotou Hospital, Hohhot Hospital, Chifeng Hospital, Beijing Chaoju and Tianjin Chaoju. Please see " — Corporate Reorganization" in this section for further details on Chaoju Medical Technology.

Baotou Hospital

Baotou Hospital was incorporated in the PRC on May 12, 2016 with a registered capital of RMB16.88 million, wholly contributed by Chaoju Medical Technology. As of the Latest Practicable Date, Baotou Hospital was wholly owned by Chaoju Medical Technology.

Hohhot Hospital

Hohhot Hospital was incorporated in the PRC on September 21, 2016 with a registered capital of RMB15 million, wholly contributed by Chaoju Medical Technology. As of the Latest Practicable Date, Hohhot Hospital was wholly owned by Chaoju Medical Technology.

Chifeng Hospital

Chifeng Hospital was incorporated in the PRC on December 19, 2016 with a registered capital of RMB15.5 million, contributed by Chaoju Medical Technology as to 86% and Mr. Zhang Fengsheng as to 14%, respectively. On December 16, 2019, Chaoju Medical Technology acquired 14% equity interests in Chifeng Hospital from Mr. Zhang Fengsheng for a consideration of RMB27.8 million, which was determined with reference to the fair value of Chifeng Hospital as of June 30, 2019 based on the independent valuation conducted by an independent professional valuer using the income-based approach. Upon completion and as of the Latest Practicable Date, Chifeng Hospital was wholly owned by Chaoju Medical Technology.

Beijing Chaoju

Beijing Chaoju was incorporated in the PRC on October 28, 2014 with a registered capital of RMB30 million, contributed by Ms. He Menghui(1) as to 16.3%, Mr. Zhang Bozhou as to 22.3%, Ms. Zhang Xiaoli as to 24.3%, Mr. Zhang Junfeng as to 17.3%, Mr. Zhang Fengsheng as to 17.3% and Ms. Zhang Yumei as to 2.5%, respectively. Subsequent to a series of equity transfers concerning Beijing Chaoju, as of the Latest Practicable Date, Beijing Chaoju was wholly owned by Chaoju Medical Technology.

Tianjin Chaoju

Tianjin Chaoju was incorporated in the PRC on January 20, 2017 with a registered capital of RMB5 million, wholly contributed by Chaoju Medical Technology. Upon the completion of the Reorganization and as of the Latest Practicable Date, Tianjin Chaoju was wholly owned by Xiamen Chaoju Group.

Notes:

(1) Ms. He Menghui is the daughter of Ms. Zhang Xiaoli, one of our Controlling Shareholders.

CERTAIN PREDECESSORS OF OUR HOSPITALS

Historically, six hospitals of our Group[1] were initially set up as not-for-profit hospitals and registered as "private non-enterprise entities" (民辦非企業單位) in China. Under the applicable PRC laws and regulations, although the sponsor hold sponsors' interests (舉辦者權益) in the private non-enterprise entities, they are not entitled to receive economic interests from the private non-enterprise entities through dividends or other form of distribution, or to receive any residual assets upon liquidation. Such private non-enterprise entities are only allowed to retain their earnings for their own continued development, and no part of their earnings constitutes "distributable profits" under the relevant PRC laws and regulations. Please see "Regulation Overview — Regulations on the Classification of Medical Institutions" for more details on sponsors' interest.

In contemplation for the need of external financing to facilitate our expansion plans, we decided to change the classification of the predecessors of six hospitals of our Group (the "**Predecessors**") from not-for-profit hospitals to for-profit hospitals located at the same premises (the "**Change of Classification**"). Generally speaking, as advised by our PRC Legal Advisors, for the purpose of changing the classification from not-for-profit to for-profit, subject to the requirements of the local government authorities, the predecessor, the not-for-profit hospital, being a private non-enterprise entity, is required to apply to its competent authority, namely, the local Health Commission of the PRC Government (衛生健康委員會), which issued the medical institution practicing certificate (醫療機構執業許可證), for the change of classification and upon assessment, the local Health Commission will approve the application for such change in classification. Having completed its internal resolution process, the predecessor, the not-for-profit hospital will transfer its business operations and assets (including employment relationship of its employees, leasing right of real properties and relevant equipment) to the newly established for-profit hospital at a consideration determined with reference to their fair value and upon arm's length negotiations. The relevant local government authority will issue a new medical institution practicing certificate to the new for-profit hospital before its commencement of business operation, at which point the predecessor's medical institution practicing certificate will become invalid and it may not continue with any provision of medical services. The predecessor, the not-for-profit hospital will also take steps as required by the applicable PRC laws and regulations and the requirements of its competent authority to liquidate and dissolve itself.

Please see below identity and background of six hospitals of the Group and their Predecessors initially set up as not-for-profit hospital, and details of transfer of assets by the Predecessors (the "**Transfers**"):

Name of our hospital	Date of incorporation of our hospital	Date of commencement of business by our hospital	Name of its predecessor	Date of incorporation of its predecessor	Name of predecessor's sponsor	Business address	Date of completion of assets transfer to our hospital	Date of dissolution of its predecessor
Baotou Hospital	May 12, 2016	December 6, 2016	Inner Mongolia Autonomous Region Red Cross Baotou Chaoju Eye Hospital (內蒙古自治區紅十字會包頭朝聚眼科醫院)	June 15, 2007	Mr. Zhang Bozhou	No.6, Wenming Road, Shahe Town, Jiuyuan District, Baotou City, Inner Mongolia (內蒙古自治區包頭市九原區沙河鎮文明路6號)	December 6, 2016	May 15, 2017

[1] These hospitals are Baotou Hospital, Hohot Hospital, Chifeng Hospital, Ulanqab Hospital, Jiaxing Hospital and Sihong Hospital.

Name of our hospital	Date of incorporation of our hospital	Date of commencement of business by our hospital	Name of its predecessor	Date of incorporation of its predecessor	Name of predecessor's sponsor	Business address	Date of completion of assets transfer to our hospital	Date of dissolution of its predecessor
Hohhot Hospital . .	September 21, 2016	June 19, 2017	Inner Mongolia Autonomous Region Red Cross Hohhot Chaoju Eye Hospital (內蒙古自治區紅十字會呼和浩特朝聚眼科醫院)	June 15, 2007	Mr. Zhang Bozhou	No.40, Chezhan West Street, Xincheng District, Hohhot City (呼和浩特市新城區車站西街40號)	June 19, 2017	December 31, 2020
Chifeng Hospital . .	December 19, 2016	June 20, 2017	Inner Mongolia Autonomous Region Red Cross Chifeng Chaoju Eye Hospital (內蒙古自治區紅十字會赤峰朝聚眼科醫院)	June 15, 2007	Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Zhang Fengsheng, Ms. Zhang Yumei and Ms. Zhang Wenge	Chaoju Eye Hospital, No.96, North Road, Middle Section of Hada Street, Hongshan District, Chifeng City, Inner Mongolia (內蒙古自治區赤峰市紅山區哈達街中段路北96號朝聚眼科醫院)	June 19, 2017	In the process of dissolution[3]
Ulanqab Hospital .	March 27, 2017	May 3, 2017	Inner Mongolia Autonomous Region Red Cross Ulanqb Chaoju Eye Hospital (內蒙古紅十字烏蘭察布朝聚眼科醫院)	October 27, 2009	Mr. Zhang Chaoju	Junction of Xinti Road and Gongnong Road, Jining District, Ulanqab City (烏蘭察布市集寧區新體路與工農路交叉處)	N/A[1]	January 9, 2019
Jiaxing Hospital[4] .	February 7, 2018	August 29, 2019	Jiaxing Chaoju Eye Hospital (嘉興朝聚眼科醫院)	May 31, 2010	Inner Mongolia Jujing Rehabilitation Services Centre (內蒙古聚睛康復服務中心) [2] and Baotou City Chaoju Eye Medical Co. Ltd. (包頭市朝聚眼科醫療有限公司)	No. 1629, Zhonghuan West Road, Jiaxing Economic and Technological Development Zone, Jiejiang Province (浙江省嘉興市經濟技術開發區中環西路1629號)	August 27, 2019	February 27, 2020

Name of our hospital	Date of incorporation of our hospital	Date of commencement of business by our hospital	Name of its predecessor	Date of incorporation of its predecessor	Name of predecessor's sponsor	Business address	Date of completion of assets transfer to our hospital	Date of dissolution of its predecessor
Sihong Hospital . .	June 28, 2017	January 1, 2018	Sihong Chaoju Eye Hospital (泗洪縣朝聚眼科醫院)	October 27, 2015	Jiangsu Chaoju Investment Management Co., Ltd (江蘇朝聚投資管理有限公司)	1 to 3/F of Sihong County Xinhua Book Shop Publishing Building, Southwest Corner of Junction of Qingyang North Road and Xiangjiang Road, Sihong County, Suqian City (宿遷市泗洪縣青陽北路與香江路交叉路西南角的泗洪縣新華書店發行大廈的一至三層)	December 31, 2017	January 19, 2020

Notes:

(1) Inner Mongolia Autonomous Region Red Cross Ulanqb Chaoju Eye Hospital did not transfer its assets to Ulanqab Hospital as those were primarily old equipment required to be replaced, and consequently, Ulanqab Hospital purchased its new equipment from Independent Third Parties.

(2) Formerly named Inner Mongolia Autonomous Region Red Cross Chaoju Eye Hospital Group (內蒙古自治區紅十字會朝聚眼科醫院集團).

(3) While the transfer of other operating assets to Chifeng Hospital was completed on June 19, 2017, the dissolution of Inner Mongolia Autonomous Region Red Cross Chifeng Chaoju Eye Hospital ("**Chifeng Chaoju**") can only be completed until the relevant land and real property rights have been disposed of, which can only take place subsequent to the completion of reclassification from allocated land (劃撥用地) to leasing land (出讓用地) as required under applicable laws of the PRC for dissolution. On May 6, 2021, Chifeng Chaoju has disposed of its land and real property rights to certain Independent Third Parties, namely, Hongshan District Haohui Information Consulting Center (紅山區浩輝信息咨詢中心) ("**Haohui**") and Hongshan District Tongde Domestic Services (紅山區同得家政服務部) ("**Tongde**"), which leased such properties to Baotou Chaoju. Haohui and Tongde are sole proprietorships (個體工商戶) and are operated by (a) the brother-in-law of the spouse of one of our Controlling Shareholders, and (b) the cousin of the spouse of the same Controlling Shareholder, respectively. Baotou Chaoju, as sublessor, then entered into the tenancy agreement with Chifeng Hospital as lessees, so that Chifeng Hospital will continue to operate on the same premises. As there has been no change to the commercial terms of the new tenancy agreement compared with that entered previously with Chifeng Chaoju (other than the lease term which will expire on May 5, 2026), such disposal by our predecessor does not have any material impact on our business operations. For details, please see "Relationship with our Controlling Shareholders — Transactions Entered into Before the Listing Which Would Otherwise Constitute Connected Transactions — Tenancy Agreements".

As of the Latest Practicable Date, Chifeng Chaoju is in the process of liquidation audit, upon the completion of which Chifeng Chaoju will submit applications to the relevant tax authority and local civil affairs bureau for tax deregistration and dissolution, which are expected to be completed within the third quarter of 2021.

(4) For the year ended December 31, 2018 and the eight months ended August 31, 2019, being the period within the Track Record Period prior to the Transfer of Jiaxing Chaoju Eye Hospital to our Group, Jiaxing Chaoju Eye Hospital generated a revenue of RMB23.4 million and RMB19.5 million, respectively, of which revenue from consumer ophthalmic services represented 15.9% and 14.5%, respectively. For the same periods, Jiaxing Chaoju Eye Hospital recorded gross profits of RMB6.1 million and RMB4.7 million, respectively, and net losses of RMB2.2 million and RMB2.4 million, respectively. Jiaxing Chaoju Eye Hospital experienced net losses prior to the Transfer primarily due to the fact that it was then being operated as a not-for-profit hospital and it did not aim to seek any profits. Subsequent to the Transfer, for the four months ended December 31, 2019 and the year ended December 31, 2020, Jiaxing Hospital generated a revenue of RMB17.9 million and RMB38.2 million, respectively, of which revenue from consumer ophthalmic services represented 44.4% and 47.0%, respectively. For the same periods, Jiaxing Hospital recorded gross profits of RMB6.7 million and RMB13.6 million, and net profits of RMB2.4 million and RMB4.1 million, respectively. The increase in the revenue of Jiaxing Hospital after the Change of Classification compared to its Predecessor was primarily attributable to an increase in its revenue from consumer ophthalmic services as a result of: (i) its shift of strategic focus from basic ophthalmic services to consumer ophthalmic services in line with our overall development strategy to grow our consumer ophthalmic services, (ii) our assignment of certain renowned physicians to Jiaxing Hospital to strengthen its consumer ophthalmic services capabilities, and (iii) our overall increased allocation of resources to the development of our consumer ophthalmic services business through investments in new equipment, increased training to our professionals and adoption of more productive and cost-effective marketing initiatives, such as community educational events and on-campus myopia screening. The improvement in the financial performance of Jiaxing Hospital after the Change of Classification compared to its Predecessor also resulted from: (i) an increased proportion of its revenue contributed by consumer ophthalmic services with higher growth and gross profit margin, (ii) the decreased procurement costs for certain medical consumables as a result of our implementation of our centralized procurement practice, and (iii) decreases in the selling and distribution expenses and administrative expenses of Jiaxing Hospital as its operational efficiency increased benefiting from our centralized and standardized management system.

While the business operation and financial performance of Jiaxing Hospital improved compared to those of its Predecessor, such improvement was primarily resulted from measures we introduced, rather than the Change of Classification itself. Our Directors are of the view that the Change of Classification itself did not result in any material change to the business operation and financial performance (including pricing, cost and taxation) of our hospitals for the following reasons:

- Pricing: There was no material change in terms of the pricing of our services and products, nor was there any material change to the pricing guidance by public health insurance programs and PRC government policies on pricing of non-public medical institutions, including for-profit non-public medical institutions and not-for-profit non-public medical institutions that are applicable to our services and products (e.g. Notice of the National Development and Reform Commission, the National Health and Family Planning Commission and the Ministry of Human Resources and Social Security on Issuing the Opinions on Pushing Forward the Pharmaceutical Pricing Reform (國家發展改革委、衛生部、人力資源社會保障部關於印發改革藥品和醫療服務價格形成機制的意見的通知)), as a result of the Change of Classification.

  Further, as our hospitals operated at the same location and business premises as their respective Predecessors, there was no material change to their customer base or customer composition due to the Change of Classification, or any consequential change to their pricing.

- Costs: There was also no material change in terms of the costs of our hospitals, compared with their respective Predecessors, as a result of the Change of Classification, given that there was no material change to our key suppliers as well as the terms for our procurement from them; and there was no material change in terms of the staff of our hospitals and their compensation package immediately before and after the Change of Classification.

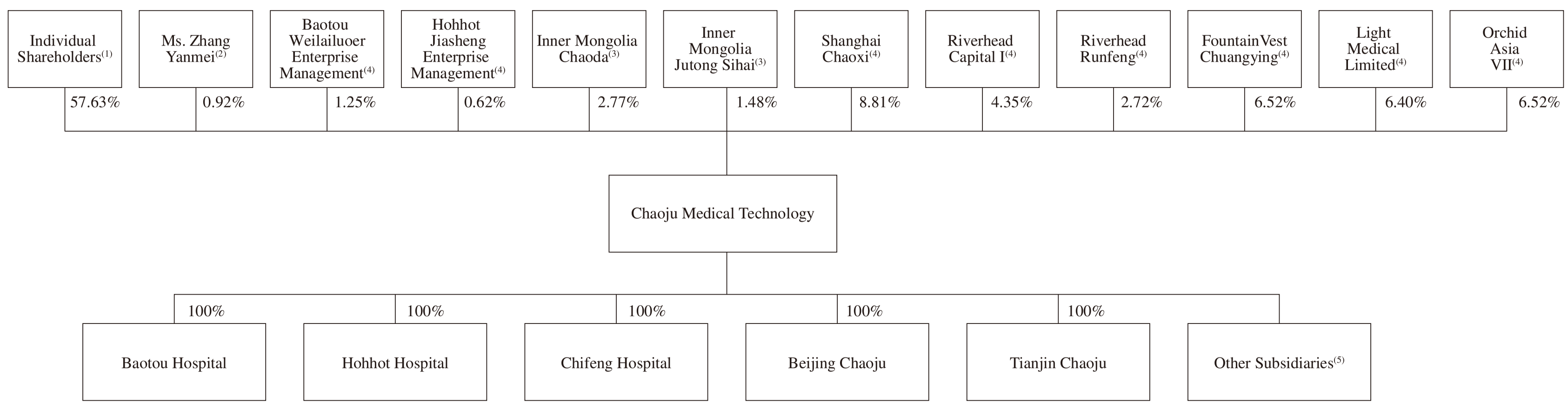
- Taxation: Although certain favorable tax treatments were available for not-for-profit hospitals under the applicable PRC laws and regulations, the type of revenue generated by the Predecessors did not fall within the scope set out in the Notice on the Issue of Corporate Income Tax Exemptions for Non-profit Organizations (《關於非營利組織企業所得稅免稅收入問題的通知》) promulgated by the finance department of the State Taxation Administration to enjoy such favorable tax treatments. As a result, the Predecessors did not receive such favorable tax treatments accordingly, and there was no material change in terms of the taxation applicable to our hospitals, compared with their respective Predecessors, as a result of the Change of Classification.

Further, our PRC Legal Advisors have advised that, (i) the Change of Classification of the Predecessors was conducted in compliance with applicable laws and regulations of the PRC and the requirements of local government authorities in all material respects; (ii) the Transfers are legally valid, and no member of our Group and the predecessors have been subject to administrative punishment imposed by the relevant registration and business authorities or any other governing authorities with respect to the Transfers; (iii) the dissolution of the Predecessors (other than Chifeng Hospital) was completed in compliance with applicable laws and regulations or the requirements of the local government authorities of the PRC in all material respects; and (iv) subject to the fulfilment of the applicable requirements of the relevant authorities, there is no material legal impediment to the ongoing dissolution process of Chifeng Hospital, and such dissolution process would not cause any material adverse effect on our Group as well as its business and operations.

CORPORATE REORGANIZATION

Prior to the Reorganization, our business operated under Chaoju Medical Technology was held by (i) our Individual Shareholders, Inner Mongolia Chaoda and Inner Mongolia Jutong Sihai as to 61.88%, (ii) domestic institutional investors (consisting of Shanghai Chaoxi, Riverhead Capital I, Riverhead Runfeng and FountainVest Chuangying) as to 22.4%, (iii) overseas institutional investors (Light Medical Limited and Orchid Asia VII) as to 12.92%, and (iv) other shareholders as to 2.79%.

The following chart sets forth the simplified beneficial ownership structure of our business immediately prior to the Reorganization:



Note:

(1) Our Individual Shareholders refer to Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Zhang Fengsheng and Ms. Zhang Yumei, who held, immediately prior to the Reorganization, 15.35%, 16.73%, 11.91%, 11.91% and 1.72% equity interest, respectively, in Chaoju Medical Technology. Chaoju Medical Technology was the holding company of all our PRC subsidiaries of the Group prior to the Reorganization. Further, pursuant to the Acting-in-concert Agreement, our Individual Shareholders have confirmed that they had been parties-acting-in-concert since becoming our shareholders, and irrevocably entrusted Mr. Zhang Bozhou to exercise, at his discretion, their voting rights at the shareholders meetings of our Group.

(2) Ms. Zhang Yanmei incorporated Goodhope Capital Investment as part of the Reorganization. See section headed "— 3. Incorporation of Chaoju Medical Investment and Chaoju Eye Care (HK)" for shareholding details of Ms. Zhang Yanmei via Goodhope Capital Investment in our Company after the Reorganization.

(3) Inner Mongolia Chaoda, Inner Mongolia Jutong Sihai and Mr. Zhang Bozhou established Xiamen Juludazhou Equity Investment as part of the Reorganization. See section headed "— 3. Incorporation of Chaoju Medical Investment and Chaoju Eye Care (HK)" for shareholding details of Inner Mongolia Chaoda and Inner Mongolia Jutong Sihai via Xiamen Juludazhou Equity Investment in our Company after the Reorganization.

(4) See section headed "— Pre-IPO Investments — 2. Principal terms of the Pre-IPO Investments and Pre-IPO Investors' rights" for shareholding details of these Pre-IPO Investors after the Reorganization.

(5) All of our PRC subsidiaries were wholly-owned by us as of the Latest Practicable Date, except for the following:

(1) Ninghai Hospital, which was held as to 65% by us, as to 30% by Ningbo Liangjing Information Consultancy Co., Ltd. (寧波亮睛信息諮詢有限公司) and as to 5% by Zhao Caijun (趙彩君); (2) Ningbo Hospital which was held as to 63% by us, as to 33% by Ningbo Meishan Baoshuigang District Tiandirenhe Investment Consultancy Co., Ltd. (寧波梅山保稅港區天地人和投資諮詢有限公司), as to 3.2% by Ningbo Zhongying Kaiyuan Investment Co., Ltd. (寧波中贏開元投資有限公司 and as to 0.8% by Mao Chunliang (毛春亮); (3) Xiangshan Hospital, which was held as to 55% by us, as to 22.5% by Zhou Minjun (周敏君) and as to 22.5% by Ningbo Liangjing Information Consultancy Co., Ltd. (寧波亮睛信息諮詢有限公司); (4) Tongliao Hospital, which was held as to 95% by us and as to 5% by Cui Lixin (崔立新); (5) Datong Hospital, which was held as to 86.67% by us and as to 13.33% by Zhou Lili (周利利); (6) Hulunbuir Hospital, which was held as to 86.04% by us, as to 8.73% by Wang Hongguang (王宏光), as to 2.73% by Jin Baoquan (金寶泉), as to 1.59% by Zhu Heping (祝和平), and as to 0.91% by Tong Yanqiu (佟艷秋); (7) Zhoushan Chaoju Optical Glasses Co., Ltd. (舟山朝聚光學眼鏡有限公司), formerly known as Zhoushan Chaoju Eye Hospital Co. Ltd. (舟山朝聚眼科醫院有限公司), which was held as to 80% by us, as to 10% by Jin Liqian (金麗茜), and as to 10% by Zhang Hong (張宏); (8) Hulunbuir City Chaoju Optometry Co., Ltd., which was held as to 97.30% by us and as to 2.70% by Jin Baoquan (金寶泉); and (9) Hexigten Banner Chaoju Ophthalmic Optometry Clinic Co., Ltd., which was held as to 70% by us and as to 30% by Lv Hongwei (呂紅衛). Each of Zhou Minjun (周敏君), Zhou Lili (周利利), Lu Hongwei (呂紅衛), Ningbo Liangjing Information Consultancy Co., Ltd. (寧波亮睛信息諮詢有限公司), Jin Liqian (金麗茜), and Zhang Hong (張宏) was a substantial shareholder of our insignificant subsidiary, Zhao Cai jun (趙彩君) was a director of our insignificant subsidiary and Wang Hongguang (王宏光) has been a director of our insignificant subsidiary in the last 12 months as of the Latest Practicable Date. Each of the minority shareholders of our aforesaid subsidiaries was an Independent Third Party as of the Latest Practicable Date.

For the list of all subsidiaries of our Company, see Note 1 to the Accountants' Report in "Appendix I" to this prospectus.

For the purpose of optimizing our management and resources in the provision of consumer ophthalmic services and basic ophthalmic services to our patients in our hospitals and optical centers, the companies comprising our Group underwent the Reorganization in preparation for the Listing. The key steps in the Reorganization are set out in chronological order below:

1. *Incorporation of our Company*

Our Company was incorporated in the Cayman Islands on May 19, 2020 as an exempted company with limited liability with an authorized share capital of HK$380,000 divided into 38,000,000 Shares of par value HK$0.01 each. For its shareholding upon incorporation, please see "— Our Group — Our Company" in this section. Upon the share subdivision which will occur immediately prior to the Listing, our authorized share capital will be altered to HK$380,000 divided into 1,520,000,000 Shares of HK$0.00025 each. For details on the share subdivision, please see section headed "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 3. Resolutions in writing of our Shareholders passed on June 12, 2021".

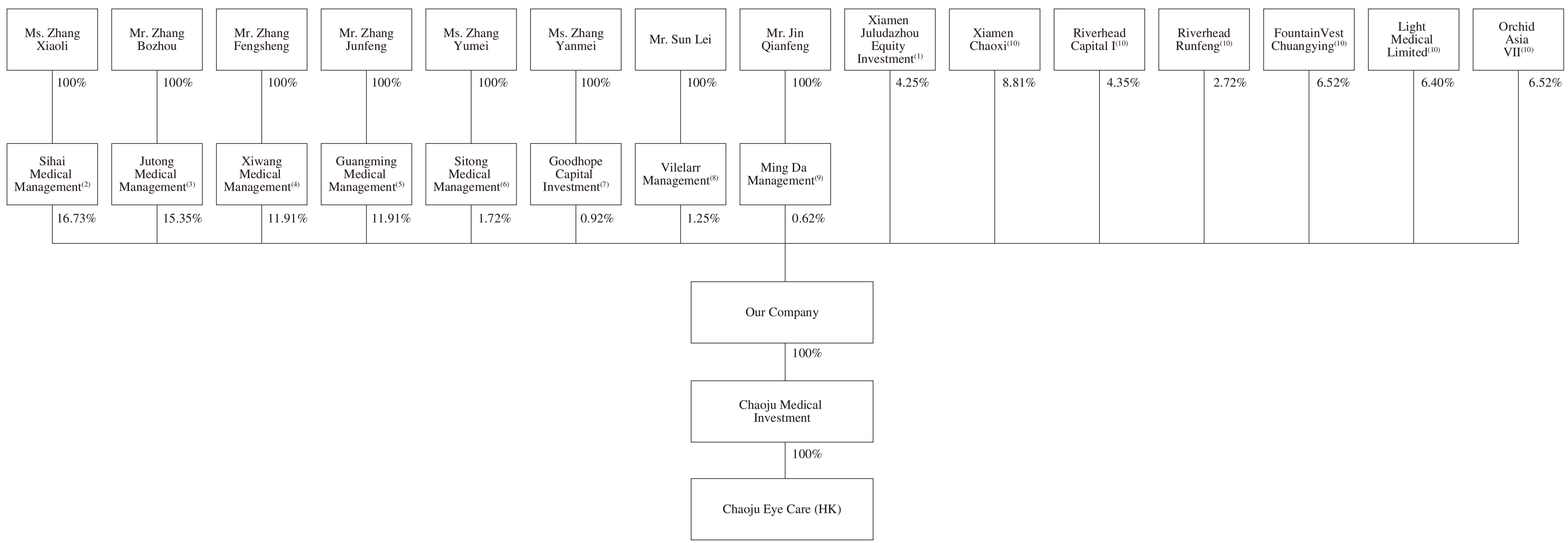
2. *Establishment of Xiamen Chaoju Hospital Management*

On June 5, 2020, Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Zhang Fengsheng, Ms. Zhang Yumei, Ms. Zhang Yanmei, Baotou Weilailuoer Enterprise Management, Hohhot Jiasheng Enterprise Management, Inner Mongolia Chaoda, Inner Mongolia Jutong Sihai, Shanghai Chaoxi, Riverhead Capital I, Riverhead Runfeng, FountainVest Chuangying, Light Medical Limited and Orchid Asia VII, being the then existing shareholders of Chaoju Medical Technology, collectively incorporated Xiamen Chaoju Hospital Management with shareholdings mirroring their shareholdings in Chaoju Medical Technology, at the time being 15.35%, 16.73%, 11.91%, 11.91%, 1.72%, 0.92%, 1.25%, 0.62%, 2.77%, 1.48%, 8.81%, 4.35%, 2.72%, 6.52%, 6.40% and 6.52%, respectively, and contributed to the registered capital of Xiamen Chaoju Hospital Management using their entire equity interest in Chaoju Medical Technology. The value of the entire equity interest in Chaoju Medical Technology at the time was RMB547.3 million, which was determined with reference to the net assets of Chaoju Medical Technology as of December 31, 2019 according to a valuation report dated June 30, 2020 issued by an independent professional valuer. Xiamen Chaoju Hospital Management then had a registered capital of RMB135,294,117 and a capital reserve of RMB412,005,883 and Chaoju Medical Technology became a wholly-owned subsidiary of Xiamen Chaoju Hospital Management.

3. *Incorporation of Chaoju Medical Investment and Chaoju Eye Care (HK)*

After the incorporation of our Company, on June 5, 2020, our Company established Chaoju Medical Investment as a limited liability company under the laws of the British Virgin Islands as its wholly-owned subsidiary, with an issued share capital of US$1.00. On June 19, 2020, Chaoju Medical Investment established Chaoju Eye Care (HK), a limited liability company under the laws of Hong Kong as its wholly-owned subsidiary, with an issued capital of HK$10,000.

The shareholding structure of our Company immediately after the incorporation of our Company, Chaoju Medical Investment and Chaoju Eye Care (HK) is as follows:



Notes:

(1) Xiamen Juludazhou Equity Investment was established by Inner Mongolia Chaoda, Inner Mongolia Jutong Sihai, and Mr. Zhang Bozhou on April 10, 2020, for the purpose of employee incentive of the Group's members of management and employees who made significant contributions to the Group historically. Xiamen Juludazhou Equity Investment is controlled by Mr. Zhang Bozhou, as its sole general partner, who is directly interested therein as to 0.01%, with the remaining limited partnership interest being ultimately held by (i) three executive Directors, namely, Mr. Zhang Bozhou, Ms. Zhang Xiaoli and Mr. Zhang Junfeng, as to 9.586%, 0.004% and 0.007% limited partnership interests, respectively, (ii) members of our senior management comprising our chief financial officer, Mr. Wang Weichao, our chief medical officer, Ms. Yang Yajun and our chief operating officer, Mr. Liu Hongyan as to 24.348%, 7.535% and 6.392% limited partnership interests, respectively, (iii) connected persons of our Company, namely, Mr. He Yong, the spouse of Ms. Zhang Xiaoli, as to 3.941% limited partnership interest, and Ms. Liu Lihong, Mr. Yu Cun, Mr. Lei Jinyi and Ms. Liang Xinyun, the chief executive and/or directors of our certain subsidiaries, as to 3.331%, 2.609%, 0.696% and 1.739% limited partnership interest, respectively, and (iv) other 81 employees of the Group collectively as to 39.803% limited partnership interest, ranging from 0.035% to 2.704% of such limited partnership interest. Save as disclosed above, no other Directors, members of senior management, controlling shareholders or connected persons of our Company have any limited partnership interest in Xiamen Juludazhou Equity Investment.

(2) Sihai Medical Management was incorporated in the British Virgin Islands on March 4, 2020 with an issued share capital of US$3,000 divided into 3,000 shares with a par value of USD1.00 each, and is wholly-owned by Ms. Zhang Xiaoli, one of our Controlling Shareholders.

(3) Jutong Medical Management was incorporated in the British Virgin Islands on March 4, 2020 with an issued share capital of US$3,000 divided into 3,000 shares with a par value of USD1.00 each, and is wholly-owned by Mr. Zhang Bozhou, one of our Controlling Shareholders.

(4) Xiwang Medical Management was incorporated in the British Virgin Islands on March 4, 2020 with an issued share capital of US$3,000 divided into 3,000 shares with a par value of USD1.00 each, and is wholly-owned by Mr. Zhang Fengsheng, one of our Controlling Shareholders.

(5) Guangming Medical Management was incorporated in the British Virgin Islands on March 4, 2020 with an issued share capital of US$3,000 divided into 3,000 shares with a par value of USD1.00 each, and is wholly-owned by Mr. Zhang Junfeng, one of our Controlling Shareholders.

(6) Sitong Medical Management was incorporated in the British Virgin Islands on March 4, 2020 with an issued share capital of US$3,000 divided into 3,000 shares with a par value of USD1.00 each, and is wholly-owned by Ms. Zhang Yumei, one of our Controlling Shareholders.

(7) Goodhope Capital Investment was incorporated in the British Virgin Islands on March 4, 2020 with an issued share capital of US$200 divided into 200 shares with a par value of USD1.00 each, and is wholly-owned by Ms. Zhang Yanmei, an Independent Third Party who has been our Shareholder since 2017.

(8) Vilelarr Management was incorporated in the British Virgin Islands on March 4, 2020 with an issued share capital of US$30,000 divided into 30,000 shares with a par value of USD1.00 each, and is wholly-owned by Mr. Sun Lei, an Independent Third Party.

(9) Ming Da Management was incorporated in the British Virgin Islands on March 16, 2020 with an issued share capital of US$30,000 divided into 30,000 shares with a par value of USD1.00 each, and is wholly-owned by Mr. Jin Qianfeng, an Independent Third Party.

(10) See section headed "— Pre-IPO Investments — 2. Principal terms of the Pre-IPO Investments and Pre-IPO Investors' rights" for shareholding details of these Pre-IPO Investors after the Reorganization.

4. Establishment of Xiamen Zhicheng Zhiyuan and Xiamen Chaoju Group

On July 8, 2020, Chaoju Eye Care (HK) established Xiamen Zhicheng Zhiyuan with a registered capital of US$10 million . Xiamen Zhicheng Zhiyuan was a wholly-owned subsidiary of Chaoju Eye Care (HK) upon its establishment.

On July 15, 2020, Chaoju Eye Care (HK) established Xiamen Chaoju Group in the PRC with a registered capital of RMB200 million. Xiamen Chaoju Group was also a wholly-owned subsidiary of Chaoju Eye Care (HK) upon its establishment.

5. *Acquisition of Xiamen Chaoju Hospital Management by Xiamen Chaoju Group*

On July 30, 2020, Xiamen Chaoju Group acquired the entire equity interests in Xiamen Chaoju Hospital Management from the then shareholders of Xiamen Chaoju Hospital Management, details of the transfers being set out below:

Date of Transfer	Transferor	Transferee	Percentage of equity interest in Xiamen Chaoju Hospital Management transferred (%)	Consideration (RMB)(1)
July 30, 2020 . . .	Mr. Zhang Bozhou	Xiamen Chaoju Group	15.35	20,771,976
July 30, 2020 . . .	Ms. Zhang Xiaoli	Xiamen Chaoju Group	16.73	22,634,731
July 30, 2020 . . .	Mr. Zhang Junfeng	Xiamen Chaoju Group	11.91	16,114,252
July 30, 2020 . . .	Mr. Zhang Fengsheng	Xiamen Chaoju Group	11.91	16,114,252
July 30, 2020 . . .	Ms. Zhang Yumei	Xiamen Chaoju Group	1.72	2,328,863
July 30, 2020 . . .	Ms. Zhang Yanmei	Xiamen Chaoju Group	0.92	1,250,000
July 30, 2020 . . .	Hohhot Jiasheng Enterprise Management	Xiamen Chaoju Group	0.62	845,309
July 30, 2020 . . .	Baotou Weilailuoer Enterprise Management	Xiamen Chaoju Group	1.25	1,690,617
July 30, 2020 . . .	Inner Mongolia Chaoda	Xiamen Chaoju Group	2.77	3,750,000
July 30, 2020 . . .	Inner Mongolia Jutong Sihai	Xiamen Chaoju Group	1.48	2,000,000
July 30, 2020 . . .	Xiamen Chaoxi	Xiamen Chaoju Group	8.81	11,924,553
July 30, 2020 . . .	Riverhead Capital I	Xiamen Chaoju Group	4.35	5,882,352
July 30, 2020 . . .	Riverhead Runfeng	Xiamen Chaoju Group	2.72	3,676,471
July 30, 2020 . . .	FountainVest Chuangying	Xiamen Chaoju Group	6.52	8,823,529
July 30, 2020 . . .	Light Medical Limited	Xiamen Chaoju Group	6.40	8,663,683
July 30, 2020 . . .	Orchid Asia VII	Xiamen Chaoju Group	6.52	8,823,529
Total			**100**	**135,294,117**

Notes:

(1) The considerations for the above transfers were determined with reference to the registered capital of Xiamen Chaoju Hospital Management, being RMB135,294,117.

On August 6, 2020, our Individual Shareholders established Xiamen Xinkangnuo with a registered capital of RMB85 million, contributed as to RMB22,646,550 by Mr. Zhang Bozhou, RMB24,677,455 by Ms. Zhang Xiaoli, RMB17,568,480 by Mr. Zhang Junfeng, RMB17,568,480 by Mr. Zhang Fengsheng and RMB2,539,035 by Ms. Zhang Yumei.

On September 24, 2020, Xiamen Xinkangnuo entered into a capital increase agreement with Xiamen Chaoju Hospital Management, pursuant to which Xiamen Xinkangnuo agreed to subscribe for 30% equity interests in Xiamen Chaoju Hospital Management by way of capital injection for a consideration of RMB77.81 million. The amount of such capital injection was paid on September 30, 2020. We entered into the Contractual Arrangements and established the VIE structure after Xiamen Xinkangnuo's subscription of 30% equity interests in Xiamen Chaoju Hospital Management. Xiamen Xinkangnuo is a subsidiary of our Company by way of consolidation of financial statements. Please see sections headed "— Corporate Reorganization — 8. Execution of the agreements forming the Contractual Arrangements" and "Contractual Arrangements" for further details of the Contractual Arrangements.

6. Acquisition of the Group's optical centers by Chaoju Eye Optics

On July 22, 2020, Xiamen Chaoju Group established Chaoju Eye Optics with a registered capital of RMB100 million. Chaoju Eye Optics was a wholly-owned subsidiary of Xiamen Chaoju Group upon its establishment. From August 10, 2020 to September 24, 2020, as part of the Reorganization, Chaoju Eye Optics acquired certain optical centers within the Group, details of which are listed in the below:

Date of transfer	Optical Center	Transferor	Transferee	Shareholding percentage transferred	Consideration (in RMB)(Note)
August 10, 2020	Baotou Low Vision Rehabilitation Center (包頭市低視力康復中心)	Chaoju Medical Technology and Mr. Zhang Bozhou	Chaoju Eye Optics	100%	310,000
August 10, 2020	Chifeng City Yuanbaoshan District Chaoju Optometry Eyeglasses Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	100%	200,000
August 10, 2020	Ulanqab City Chaoju Optometry Correction Eyeglasses Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	100%	1,000,000
August 12, 2020	Hangzhou Chaoju Optical Eyeglasses Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	100%	500,000
August 12, 2020	Ongniud Banner Chaoju Optometry Eyeglasses Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	100%	200,000
August 13, 2020	Chifeng Chaoju Eyeglasses Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	100%	100,000
August 13, 2020	Dalad Banner Chaoju Optometry Eyeglasses Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	100%	100,000
August 14, 2020	Baotou City Donghe District Chaoju Optometry Eyeglasses Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	100%	100,000
August 14, 2020	Datong City Chaoju Eyeglasses Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	100%	1,000,000
August 14, 2020	Hexigten Banner Chaoju Ophthalmic Optometry Clinic Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	70%	1,120,000
August 17, 2020	Baotou City Chaoju Optometry Correction Eyeglasses Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	100%	1,000,000
August 17, 2020	Hohhot City Chaoju Optometry Correction Eyeglasses Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	100%	1,000,000
August 17, 2020	Zhoushan Chaoju Optical Glasses Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	80%	1,000,000
August 18, 2020	Tongliao City Chaoju Eyeglasses Co., Ltd.	Beijing Chaoju	Chaoju Eye Optics	100%	500,000

Date of transfer	Optical Center	Transferor	Transferee	Shareholding percentage transferred	Consideration (in RMB)(Note)
August 20, 2020	Jiaxing City Chaoju Optical Glasses Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	100%	500,000
August 20, 2020	Sihong County Chaoju Optical Optometry Eyeglasses Co., Ltd.	Jiangsu Chaoju	Chaoju Eye Optics	100%	300,000
August 21, 2020	Hulunbuir City Chaoju Optometry Co. Ltd.	Beijing Chaoju	Chaoju Eye Optics	97.30%	486,500
August 27, 2020	Baotou City Kunlun Chaoju Optometry Correction Eyeglasses Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	100%	1,000,000
August 27, 2020	Siyang Chaoju Eyeglasses Co., Ltd.	Jiangsu Chaoju	Chaoju Eye Optics	100%	500,000
August 31, 2020	Chengde Chaoju Trading Co. Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	100%	3,000,000
September 3, 2020	Tumb Right Banner Chaoju Optometry Eyeglasses Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	100%	100,000
September 24, 2020	Xilinhot City Chaoju Optometry Correction Eyeglasses Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	100%	1,000,000
September 24, 2020	Jungar Banner Chaoju Optometry Eyeglasses Co., Ltd.	Chaoju Medical Technology	Chaoju Eye Optics	100%	100,000

Note:

The considerations of such acquisitions were determined taking in account, inter alia, the registered capital or paid up capital of the relevant entities.

7. Acquisition of hospitals and other companies in the Group by Xiamen Chaoju Group

For the purpose of the Reorganization, the following acquisitions were effected by Xiamen Chaoju Group:

Date of transfer	Entity transferred	Transferor	Transferee	Shareholding percentage transferred	Consideration (in RMB)[(2)]
August 12, 2020 .	Hangzhou Chaoju Eye Optometry Hospital Co., Ltd.[(1)]	Beijing Chaoju	Xiamen Chaoju Group	100%	Nil[(3)]
August 13, 2020 .	Datong Hospital	Beijing Chaoju	Xiamen Chaoju Group	31.10%	4,665,000
August 17, 2020 .	Hohhot Chaoju Eye Hospital Co., Ltd.[(1)]	Chaoju Medical Technology	Xiamen Chaoju Group	100%	Nil[(3)]
August 19, 2020 .	Inner Mongolia Chuangjie Enterprise Operation Management Co., Ltd.	Chaoju Medical Technology	Xiamen Chaoju Group	100%	50,000,000
August 19, 2020 .	Tongliao Hospital	Beijing Chaoju	Xiamen Chaoju Group	11.67%	1,167,000
August 20, 2020 .	Tianjin Chaoju	Chaoju Medical Technology	Xiamen Chaoju Group	100%	5,000,000
August 27, 2020 .	Hulunbuir Hospital	Beijing Chaoju	Xiamen Chaoju Group	32.57%	7,165,400
September 17, 2020	Zhejiang Chaoju Hezhong Investment Management Co., Ltd.	Chaoju Medical Technology	Xiamen Chaoju Group	100%	100,000,000

Notes:

(1) Hohhot Chaoju Eye Hospital Co., Ltd. and Hangzhou Chaoju Eye Optometry Hospital Co., Ltd. had not commenced operation as of the Latest Practicable Date.

(2) The considerations of such acquisitions were determined taking in account, inter alia, the registered capital of the relevant entities.

(3) The consideration of such acquisition was determined according to the paid up capital of the relevant entity.

8. Execution of the agreements forming the Contractual Arrangements

On September 30, 2020, Xiamen Chaoju Group entered into various agreements which constitute the Contractual Arrangements with the Registered Shareholders, Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management, under which the corresponding economic benefits indirectly held by the Registered Shareholders in Xiamen Chaoju Hospital Management are transferred to Xiamen Chaoju Group to the extent permitted under the PRC laws and regulations by means of services fees payable by Xiamen Xinkangnuo to Xiamen Chaoju Group. See the section headed "Contractual Arrangements" for further details of the Contractual Arrangements.

PRE-IPO INVESTMENTS

1. Overview of the Pre-IPO Investments

In order to further develop our Group's business, certain investors (the "**Pre-IPO Investors**") were introduced to become the shareholders of our Group (the "**Pre-IPO Investments**"), details of which are set out below.

2. Principal terms of the Pre-IPO Investments and Pre-IPO Investors' rights

The principal terms of the Pre-IPO Investments are set out below:

	First Round	Second Round	Third Round	Fourth Round	Fifth Round
Name(s) of Pre-IPO Investor(s)	(a) Shanghai Chaoxi;[4] (b) Light Medical Limited;[5] and (c) Zhang Yanmei[12]	Orchid Asia VII[6]	Riverhead Capital I[7]	(a) FountainVest Chuangying;[8] and (b) Riverhead Runfeng[9]	(a) Baotou Weilailuoer Enterprise Management;[10] and (b) Hohhot Jiasheng Enterprise Management[11]
Date(s) of relevant agreement (s) with the Pre-IPO Investor	December 22, 2015 and December 28, 2017[15]	November 14, 2018	January 3, 2019	May 30, 2019	November 28, 2019
Date of payment or satisfaction of payment of the relevant Pre-IPO Investment	May 24, 2017, December 8, 2017 and December 29, 2017;[13] May 18, 2018 and October 11, 2018[16]	December 28, 2018 and September 10, 2020[14]	March 5, 2019, April 1, 2019 and May 7, 2019	August 21, 2019	November 28, 2019 and December 3, 2019
Approximate amount of Pre-IPO investment in aggregate (RMB)[1]	236 million[2]	240 million	80 million	170 million	30 million
Cost per Share immediately after the share subdivision and the Capitalization Issue but before the Global Offering (RMB)	2.41	3.57	3.57	3.57	3.08
Basis of determination of the consideration	The basis of the considerations of the Pre-IPO Investments was determined after arm's length negotiations with the Pre-IPO Investors with reference to the Group's post-money valuation.				
Discount to the Offer Price[3]	71.1%	57.1%	57.1%	57.1%	63.0%[17]
Total percentage of equity interest subscribed immediately after the share subdivision and the Capitalization Issue	(a) 8.27%; (b) 6.01%; (c) 0.87%	12.24%	4.08%	(a) 6.12%; (b) 2.55%	(a) 1.18%; (b) 0.59%

	First Round	Second Round	Third Round	Fourth Round	Fifth Round
Shareholding in our Company upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)	(a) 6.62%; (b) 4.81%; (c) 0.70%	9.79%	3.26%	(a) 4.90%; (b) 2.04%	(a) 0.94%; (b) 0.47%
Lock-Up Period	Each of the Pre-IPO Investors agrees to a 180-day lock-up from the date of Listing in respect of the Shares held by them.				
Use of proceeds from the Pre-IPO Investments . . .	We utilized the proceeds for the development and operation of our business, including but not limited to, personnel recruitment, business operation and development, technology infrastructure and marketing. As of the Latest Practicable Date, we have utilized approximately 90% of the net proceeds received by us from the Pre-IPO Investments.				
Strategic benefits of the Pre-IPO Investors brought to our Company	At the time of the Pre-IPO Investments, our Directors were of the view that we could benefit from the additional capital that would be provided by the Pre-IPO Investors' investment and the possibility that we could utilize the Pre-IPO Investors' knowledge and experience. Such Pre-IPO Investments demonstrate the Pre-IPO Investors' confidence in the operation of our Group, which further endorse our performance and future prospects. Also, the non-executive Directors of our Board are composed of representatives from certain Pre-IPO Investors and they complement our executive Directors to ensure good corporate governance of our Group.				

Notes:

(1) Each of FountainVest Chuangying, Riverhead Runfeng, Baotou Weilailuoer Enterprise Management, Hohhot Jiasheng Enterprise Management and Ms. Zhang Yanmei became our Pre-IPO Investors through acquisition of equity interests from the then existing shareholders of our Group, while Riverhead Capital I became our Pre-IPO Investor through both acquisition of equity interests from the then existing shareholders of our Group and subscription of new Shares.

(2) Shanghai Chaoxi and Light Medical Limited subsequently entered into agreement with Riverhead Capital I on January 3, 2019 in relation to the transfer of a portion of their then equity interests of our Group (which are equivalent to 16,830,000 shares in our Company immediately following completion of the share subdivision and the Capitalization Issue) at a consideration of RMB60 million.

(3) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$10.04 per Share, being the midpoint of the indicative Offer Price range of HK$9.48 to HK$10.60.

(4) Shanghai Chaoxi was our shareholder prior to the Reorganization, and as of the Latest Practicable Date, Xiamen Chaoxi was owned as to 99.92% by Shanghai Chaoxi. Xiamen Chaoxi became the shareholder of our Company after the Reorganization, which is controlled by Mr. Wang Hui, one of our substantial shareholders.

(5) Light Medical Limited is the shareholder of our Company after the Reorganization, which is controlled by Mr. Wang Hui, one of our substantial shareholders.

(6) Orchid Asia VII is the shareholder of our Company after the Reorganization, an Independent Third Party.

(7) Riverhead Capital I is the shareholder of our Company after the Reorganization, which is controlled by Ms. Zhang Wenwen, one of our non-executive Directors.

(8) FountainVest Chuangying is the shareholder of our Company after the Reorganization, an Independent Third Party.

(9) Riverhead Runfeng is the shareholder of our Company after the Reorganization, which is controlled by Ms. Zhang Wenwen, one of our non-executive Directors.

(10) Baotou Weilailuoer Enterprise Management was our shareholder prior to the Reorganization, and as of the Latest Practicable Date, each of Baotou Weilailuoer Enterprise Management and Vilelarr Management was wholly-owned by Mr. Sun Lei, an Independent Third Party. Vilelarr Management became our shareholder after the Reorganization.

(11) Hohhot Jiasheng Enterprise Management was our shareholder prior to the Reorganization, and as of the Latest Practicable Date, Hohhot Jiasheng Enterprise Management was controlled by Mr. Jin Qianfeng as its sole general partner, an Independent Third Party, and Ming Da Management was wholly-owned by Mr. Jin Qianfeng. Ming Da Management became our shareholder after the Reorganization.

(12) Ms. Zhang Yanmei was our shareholder prior to the Reorganization. Subsequent to the Reorganization, Ms. Zhang Yanmei held her interests in us through Goodhope Capital Investment, a limited liability company wholly-owned by her.

(13) Shanghai Chaoxi, an affiliate of Xiamen Chaoxi, together with Light Medical Limited, entered into an investment agreement with among others Chaoju Medical Technology and its shareholders on December 22, 2015, pursuant to which Shanghai Chaoxi and Light Medical Limited (i) agreed to invest into Chaoju Medical Technology by way of granting a loan of RMB80 million (which was provided on February 5 and March 3, 2016) that would, upon fulfillment and/or waiver of the conditions precedent therein, be converted into equity interest in Chaoju Medical Technology; and (ii) had the right to subscribe for additional equity interest in Chaoju Medical Technology for an additional amount of RMB150 million upon fulfillment and/or waiver of the conditions precedent therein. Pursuant to the investment agreement, Shanghai Chaoxi and Light Medical Limited settled the relevant payments on May 24, 2017 and December 8, 2017, respectively, for the subscription of additional equity interests for RMB150 million. The RMB80 million loan was then converted into equity interest in Chaoju Medical Technology on December 29, 2017 upon fulfillment and/or waiver of the conditions precedent to such conversion.

(14) Orchid Asia VII entered into a capital increase agreement with, among others, Chaoju Medical Technology and its shareholders on November 14, 2018, pursuant to which Orchid Asia VII agreed to invest, under two equal tranches, a total of RMB240 million into Chaoju Medical Technology. Pursuant to the capital increase agreement, the first tranche was agreed to be paid by December 20, 2018 or a date otherwise agreed amongst the parties of the capital increase agreement, and the second tranche was to be paid on a date at least one year after the settlement of the first tranche and to be agreed amongst the parties of the capital increase agreement. The first investment payment was duly settled on December 28, 2018. In anticipation of the Reorganization undertaken by our Group in preparation for the Listing, the parties agreed to amend the terms of the capital increase agreement and defer the second investment payment from December 2019 such that Orchid Asia VII could directly subscribe for shares in our Company, instead of shares in Chaoju Medical Technology. As a result, Orchid Asia VII settled the second investment payment in September 2020, following the completion of Reorganization of our Group.

(15) Ms. Zhang Yanmei acquired equity interest in Chaoju Medical Technology pursuant to the consultancy agreement dated December 18, 2015 (the "**Consultancy Agreement**") entered into by, among others, Chaoju Medical Technology and Shanghai Paramount Investment & Asset Management Co., Ltd. (上海盈融投資管理有限公司) ("**Shanghai Paramount**"). It was agreed in the Consultancy Agreement that Shanghai Paramount could designate a person to acquire 1% equity interest in Chaoju Medical Technology from its then existing shareholder, as compensation for the services provided by Shanghai Paramount in the capacity of Chaoju Medical Technology's financial advisor in the first round Pre-IPO Investment, at a consideration which was partially offset by such services rendered, with the remainder settled by cash payment. At the time, Ms. Zhang Yanmei was a member of the senior management of Shanghai Paramount and the project manager in the first Pre-IPO Investment who led and executed the transaction successfully. In recognition of her performance in the project and as reward for her past contribution and loyalty to Shanghai Paramount which she had joined after her graduation from university and worked for more than 10 years, Shanghai Paramount designated her to acquire the 1% equity interest in Chaoju Medical Technology pursuant to the Consultancy Agreement. Ms. Zhang Yanmei later entered into a share purchase agreement with Inner Mongolia Chaoda and Chaoju Medical Technology on December 28, 2017, pursuant to which she acquired 1% equity interest in Chaoju Medical Technology from Inner Mongolia Chaoda at a consideration settled by cash and the financial advisory services rendered.

(16) Since Inner Mongolia Chaoda, as seller, had not yet fully paid up the registered capital concerning the 1% equity interest in Chaoju Medical Technology at that time, the parties agreed to extend the completion date until the relevant registered capital was fully paid. As a result, the purchase price was settled subsequently by Ms. Zhang Yanmei on May 18 and October 11, 2018, respectively.

(17) A greater discount to the Offer Price for the fifth round Pre-IPO Investment compared to second, third and fourth rounds of Pre-IPO Investments was primarily the result of the arm's length negotiations between the transferors, namely, Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Zhang Fengsheng and Ms. Zhang Yumei (the "**Transferors**"), and the transferees, namely, Hohhot Jiasheng Enterprise Management and Baotou Weilailuoer Enterprise Management (the "**Transferees**"). At the material time, the Transferors intended to dispose of some of their equity interests due to their imminent financial needs, while the Transferees were both readily available to complete the transaction in a compacted timeframe. Further, the discount given also took into account the fact that the acquired equity interests did not come with any special rights in the target, Chaoju Medical Technology, such as board representation, veto right, right of first refusal and tag along right.

3. Shareholders' Rights of Pre-IPO Investors

All special rights granted to the Pre-IPO Investors pursuant to their respective share purchase agreements, including among others, rights of first refusal, information rights, pre-emptive rights and director nomination rights, will be automatically terminated upon the Listing while redemption rights had been terminated at the time we submitted the application for Listing to the Hong Kong Stock Exchange.

4. Public Float

Upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised), except for Xiamen Chaoxi and Light Medical Limited, which are both ultimately controlled by Mr. Wang Hui in aggregate holding more than 10% of the issued Shares, the Pre-IPO Investors will each hold less than 10% of the issued Shares. Except for Riverhead Capital I and Riverhead Runfeng, which are ultimately controlled by Ms. Zhang Wenwen, a non-executive Director, Xiamen Chaoxi and Light Medical Limited, the Pre-IPO Investors have confirmed to our Company and the Joint Sponsors that they are not connected persons of the Company (as defined in the Listing Rules) and are not accustomed to take instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of Shares held or to be allotted to them. Therefore, the Shares held by our Shareholders, other than our Controlling Shareholders, Xiamen Chaoxi, Light Medical Limited, Riverhead Capital I and Riverhead Runfeng, will count towards the public float of our Company upon Listing.

5. Information about the Pre-IPO Investors

(a) Shanghai Chaoxi and (b) Light Medical Limited

Shanghai Chaoxi was established as a limited partnership under the laws of the PRC on December 25, 2015. Light Medical Limited is a limited liability company incorporated in Hong Kong on December 9, 2014.

Shanghai Chaoxi is controlled by Jiangsu Honghui Equity Investment Management Co. Ltd. (江蘇弘暉股權投資管理有限公司) as its executive partner. Jiangsu Honghui Equity Investment Management Co., Ltd. is a limited liability company established under the laws of the PRC held as to 77.5% by Mr. Wang, Stephen Hui (王暉) and is a health industry focused fund based in the PRC, managing approximate RMB10 billion worth of investment assets. It is dedicated to investing in leading life science enterprises which provide innovative products and services to advance diagnosis and treatment of diseases and to promote healthy living. With extensive experience, it has accumulated unique insight into health related industries and have established a strong presence across sub-sectors such as biotechnology (innovative therapeutics, CRO/CMO etc), medical technology (medical devices, IVD etc.) and consumer health (hospital chains, personal care, etc.).

Light Medical Limited is wholly-owned by Highlight Capital Partners I L.P., which is controlled by Highlight Capital GP I Company Limited as its general partner, which is in turn held by Mr. Wang, Stephen Hui as to 59.5%. HighLight Capital Partners I L.P. has 24 limited partners, comprising mostly of international investment funds and high net worth individuals, and is a private equity investment vehicle managed under HighLight Capital with approximately US$410 million worth of investment assets. HighLight Capital is a health industry focused fund under the management of Jiangsu Honghui Equity Investment Management Co. Ltd. Shanghai Chaoxi and Light Medical Limited were introduced to the management of the Group through one of the Group's suppliers.

(c) Goodhope Capital Investment

Goodhope Capital Investment was incorporated as a BVI business company with limited liability under the laws of the BVI on March 4, 2020, and is wholly-owned by Ms. Zhang Yanmei, an Independent Third Party. Ms. Zhang Yanmei, as the project manager in charge of advising Chaoju Medical Technology in the first round Pre-IPO Investment and the person designated by Shanghai Paramount, acquired 1% equity interest in Chaoju Medical Technology from Inner Mongolia Chaoda, in recognition of her performance in the project and as reward for her past contribution and loyalty to Shanghai Paramount, which she had joined after graduation from the university and worked for more than 10 years, pursuant to the Consultancy Agreement. Please see "— 6. Salient terms of the financial advisors to our Company for the Pre-IPO Investments" for information of our financial advisors in the Pre-IPO Investments. Ms. Zhang is currently an employee of Beijing Yingrong Commerce Co., Ltd. (北京盈融商貿有限公司), responsible for its management and operation. Beijing Yingrong Commerce Co., Ltd., an Independent Third Party of our Company and Shanghai Paramount, is primarily engaged in the business of information technology trading and is wholly-owned by Mr. Xu Suxiang (徐素祥), the spouse of Ms. Zhang Yanmei. There is no relationship between Beijing Yingrong Commerce Co., Ltd. (北京盈融商貿有限公司) and Shanghai Paramount.

(d) Orchid Asia VII

Orchid Asia VII is a limited liability company incorporated in Hong Kong on May 9, 2018 and is owned as to 93% and 7% by Orchid Asia VII, L.P. and Orchid Asia VII Co-Investment Limited, respectively. Orchid Asia VII, L.P. is principally engaged in equity investments in private companies and Orchid Asia VII Co-Investment Limited is an entity incorporated to invest alongside with Orchid Asia VII, L.P, with total fund size of approximate US$1.3 billion. Orchid Asia VII has an investment focus in growth-stage companies in high-end medical and bio-technologies and consumer health services.

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. Each of Ms. Lam Lai Ming and Mr. Gabriel Li is an Independent Third Party. Orchid Asia VII was introduced to the Group by Mr. Wang Zhengyun, then managing director of CV Capital, who was also acquainted with Mr. Zhang Bozhou. CV Capital was the Company's financial advisor for the second round Pre-IPO Investment. Please see "— 6. Salient terms of the financial advisors to our Company for the Pre-IPO Investments" for information of our financial advisors in the Pre-IPO Investments.

(e) Riverhead Capital I and (f) Riverhead Runfeng

Riverhead Capital I is a private equity investment fund established as a limited partnership under the laws of the PRC on February 9, 2015. With an aggregated assets under management of approximately RMB5.0 billion, Riverhead Capital I mainly invests in the medical industry. Riverhead Capital I is managed by its general partner, Riverhead Capital Investment Management Co., Ltd. (陽光融匯資本投資管理有限公司) which holds 0.5% interest in Riverhead Capital I. The limited partners of Riverhead Capital I include two non-wholly-owned subsidiaries of Sunshine Insurance Group Inc., Ltd. (陽光保險集團股份有限公司) and one limited partnership managed by Riverhead Capital Investment Management Co., Ltd. which held approximately 88.4%, 11% and 0.1% interest in Riverhead Capital I, respectively, as of the Latest Practicable Date. Riverhead Capital I focuses its investments in medical services, medical devices and pharmaceuticals sectors.

Riverhead Runfeng was established as a limited partnership enterprise under the laws of the PRC on March 10, 2016. Riverhead Runfeng is managed by its general partner, Riverhead Capital Investment Management Co., Ltd., which holds 2% interest in Riverhead Runfeng. The limited partners of Riverhead Runfeng include Riverhead Capital I, Suzhou Huarui Chuangye Investment Center, L.P. (蘇州華瑞創業投資中心(有限合夥)) and Xiamen Qicheng Heyi Equity Investment Partnership, L.P. (廈門市啟誠合義股權投資合夥企業(有限合夥)) which held 50%, 28% and 20% interest in Riverhead Runfeng, respectively, as of the Latest Practicable Date.

Riverhead Capital I was introduced to the Group by Beijing Lvqiao Hongsheng Investment Consultancy Co., Ltd. (北京綠橋泓升投資諮詢有限公司), a financial advisor engaged by the Group for the third round Pre-IPO Investment. Please see "— 6. Salient terms of the financial advisors to our Company for the Pre-IPO Investments" for information of our financial advisors in the Pre-IPO Investments. Riverhead Capital Investment Management Co., Ltd., being the general partner of Riverhead Capital I and Riverhead Runfeng, is a private fund manager registered with Asset Management Association of China (registration number: P1009409) and ultimately controlled by Ms. Zhang Wenwen (張文雯), our non-executive Director.

(f) FountainVest Chuangying

FountainVest Chuangying was established as a limited partnership under the laws of the PRC on July 11, 2017 and registered with Asset Management Association of China. FountainVest Chuangying focuses on long-term investments in industry leaders and early investments in selected industries, with its investment portfolio spanning across medical, health care, internet, advanced manufacturing and financial technology industries.

FountainVest Chuangying is controlled by its general partner Ningbo Meishan Bonded Port Area, Fangyuan Jiacheng Investment Co., Ltd. (寧波梅山保稅港區方源嘉成投資有限公司) which is in turn owned by Ma Xiao (馬驍) as to 51.30% and Wang Qiuyuan (王秋原) as to 48.70%. Each of Ma Xiao and Wang Qiuyuan is an Independent Third Party. FountainVest Chuangying manages assets of over RMB1.60 billion and is backed by seven sophisticated private equity investors who are limited partners, including PRC state-owned banking corporations, listed companies and high net worth individuals, such as (i) Ningbo Meishan Bonded Port Area Fangyuan Huihe Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區方源匯合股權投資合夥企業(有限合夥) ("**Fangyuan Huihe**") which holds 46.98% limited partnership interests in FountainVest Chuangying[(Note)], (ii) Bank of China Investment Asset Management Co., Ltd. (中銀投資資產管理有限公司), (iii) Hunan CEL Xingchen Equity Investment Partnership (Limited Partnership) (湖南光控星宸股權投資合夥企業(有限合夥)(which is ultimately beneficially owned by China Everbright Limited (165.HK) and the People's Government of Hunan Province) and (iv) Shenzhen China Merchants Equity Investment Fund Partnership (Limited Partnership) (深圳市招商招銀股權投資基金合夥企業(有限合夥)). FountainVest Chuangying was introduced to our Controlling Shareholders by CV Capital, the Group's financial advisor for the second round Pre-IPO

Note:

Fangyuan Huihe's general partner is Ningbo Meishan Bonded Port Area, Fangyuan Jiacheng Investment Co., Ltd. (寧波梅山保稅港區方源嘉成投資有限公司) and has 11 limited partners, namely Shanghai Qituo Investment Management Co., Limited (上海齊拓投資管理有限公司), Chen Dan (陳丹), Shang Min (尚敏), Gao Xiang (高翔), Ningbo Meishan Bonded Port Area, Fangyuan Renheng Equity Investment Partnership (Limited Partnership) (寧波梅山保稅港區方源仁恒股權投資合夥企業(有限合夥)), Qingdao Yinshengtai Runze Investment Center (Limited Partnership) (青島銀盛泰潤澤投資中心(有限合夥)), Ningbo Meishan Bonded Port Area, Dilong Jidao Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區帝龍極道投資管理合夥企業(有限合夥)), Ningbo Shunyi Equity Investment Partnership (Limited Partnership) (寧波舜熠股權投資合夥企業(有限合夥)), Ningbo Fotile Kitchenware Co., Ltd.(寧波方太廚具有限公司), Beijing Huanyu Shantong Information Consulting Service Co., Ltd. (北京寰宇善通資訊諮詢服務有限公司) and Tibet Xuying Hundred Years Investment Co., Ltd. (西藏旭贏百年實業有限公司).

Investment. Please see "— 6. Salient terms of the financial advisors to our Company for the Pre-IPO Investments" for information of our financial advisors in the Pre-IPO Investments.

(g) Baotou Weilailuoer Enterprise Management

Baotou Weilailuoer Enterprise Management was established as a limited company under the laws of the PRC on October 16, 2019 to make investments in our Group, and is wholly owned by Mr. Sun Lei (孫磊), who is an Independent Third Party and was introduced to the Group through Mr. Jin Qianfeng, the sole general partner of Hohhot Jiasheng Enterprise Management, another Pre-IPO Investor. Prior to being our shareholder, Mr. Sun Lei was a creditor of our Group and through such capacity he became more familiar with our business. As of the Latest Practicable Date, Baotou Weilailuoer Enterprise Management does not have other investments in its portfolio. Mr. Sun Lei is currently the general manager of Guangfu (Beijing) Technology Development Limited (光復(北京)科技發展有限公司), a family business of his and an Independent Third Party primarily engaged in the trading of electronic products and telecommunication equipment. He is also the general manager and 70% shareholder of Beijing Purui Situo Technology Co. Ltd. (北京普瑞斯托科技有限公司), an Independent Third Party primarily engaged in software development and provision of technology services.

(h) Hohhot Jiasheng Enterprise Management

Hohhot Jiasheng Enterprise Management was established as a limited partnership under the laws of PRC on September 27, 2019 to make investments in our Company, and is controlled by Mr. Jin Qianfeng (靳前峰) as its sole general partner, who is an Independent Third Party. As of the Latest Practicable Date, Hohhot Jiasheng Enterprise Management does not have other investments in its portfolio. Mr. Jin Qianfeng is a merchant based in Inner Mongolia, and was introduced to the Group through Mr. Zhang Bozhou, who both held senior positions at Inner Mongolia Gongshangye Federation (內蒙古自治區工商業聯合會) and he is currently the general manager and the chairman of Inner Mongolia Mingdingxinhe Diandang Co., Ltd. (內蒙古明鼎信合典當股份有限公司), and an Independent Third Party, a company engaged in the pawn business.

6. Salient terms of the financial advisors to our Company for the Pre-IPO Investments

Our Company has engaged Shanghai Paramount, CV Capital (上海投中商務諮詢有限公司) ("**CV Capital**") and Beijing Lvqiao Hongsheng Investment Consultancy Co., Ltd. (北京綠橋泓升投資諮詢有限公司) ("**Beijing Lvqiao**") as financial advisors ("**Pre-IPO Financial Advisors**") to advise us on the first, second and third round of Pre-IPO Investments, respectively. The salient terms of the agreement with each of the Pre-IPO Financial Advisors are set out below:

Name of Pre-IPO Financial Advisor	Round of Pre-IPO Investment Advised	Amount of Service Fees Paid and Method of Payment of Service Fees	Agreed Services Fees and Basis of Determining Service Fees	Scope of Work
Shanghai Paramount[(1)]	First round	RMB300,000 in cash paid by Chaoju Medical Technology and 1% equity interest in Chaoju Medical Technology	RMB300,000 and an option to acquire 1% of equity interest in Chaoju Medical Technology at a consideration settled by cash and the financial advisory services rendered	Advisory services in relation to, among others, financing, introduction of investors and strategic development planning
CV Capital[(2)]	Second round	RMB7.2 million in cash paid by Chaoju Medical Technology	3% to 3.5% of the amount of investment funds raised by Chaoju Medical Technology (depending on its pre-money valuation)	Advisory services in relation to, among others, financing, and introduction of investors
Beijing Lvqiao[(3)]	Third round	RMB800,000 in cash paid by Chaoju Medical Technology	4% of the amount of investment funds raised by Chaoju Medical Technology	Advisory services in relation to, among others, financing, introduction of investors and our business and financial performance

Notes:

(1) Shanghai Paramount is ultimately controlled by Mr. Wang Lei (王雷), who is a director of our certain subsidiaries, namely, Zhejiang Chaoju Hezhong Investment Management Co., Ltd., Xiangshan Hospital, Ningbo Hospital and Ninghai Hospital, and thus, a connected person of our Company. Mr. Wang has accumulated experience in financial advisory through working at different international financial institutions. Shanghai Paramount had provided financial advisory services to our Group on retainer basis since 2015 and was appointed by us as our financial adviser in the first Pre-IPO Investment under the Consultancy Agreement. Pursuant to the Consultancy Agreement, Shanghai Paramount designated Ms. Zhang Yanmei, a member of its then senior management and the project manager, to acquire 1% equity interest in Chaoju Medical Technology in recognition of her performance in the project and as reward for her past contribution and loyalty to Shanghai Paramount, which she had joined after graduation from the university and worked for more than 10 years. In light of his experience in finance and investment, Mr. Wang was also appointed as director of our subsidiaries as further cooperation with us. Save as disclosed above, none of Shanghai Paramount and Mr. Wang Lei has any other past or present relationship with our Company, any of its subsidiaries, shareholders, directors or senior management, or any of their respective associates.

(2) To the best knowledge of our Company, the managing partners of CV Capital are Jay Chen, John Ma and Bin Yang, who are Independent Third Parties. Jay Chen, as CV Capital's founder, together with John Ma and Bin Yang, have experience in advising on M&A and private placement transactions. Save for acting as one of the Pre-IPO Financial Advisors, none of CV Capital and its managing partners has any past or present relationship with our Company, any of its subsidiaries, shareholders, directors or senior management, or any of their respective associates.

(3) Beijing Lvqiao is ultimately controlled by Mr. Sun Chao (孫超), who is an Independent Third Party. Mr. Sun is the founder of various investment funds and has extensive experience in financial advising. Save for acting as one of the Pre-IPO Financial Advisors, none of Beijing Lvqiao and Mr. Sun Chao has any past or present relationship with our Company, any of its subsidiaries, shareholders, directors or senior management, or any of their respective associates.

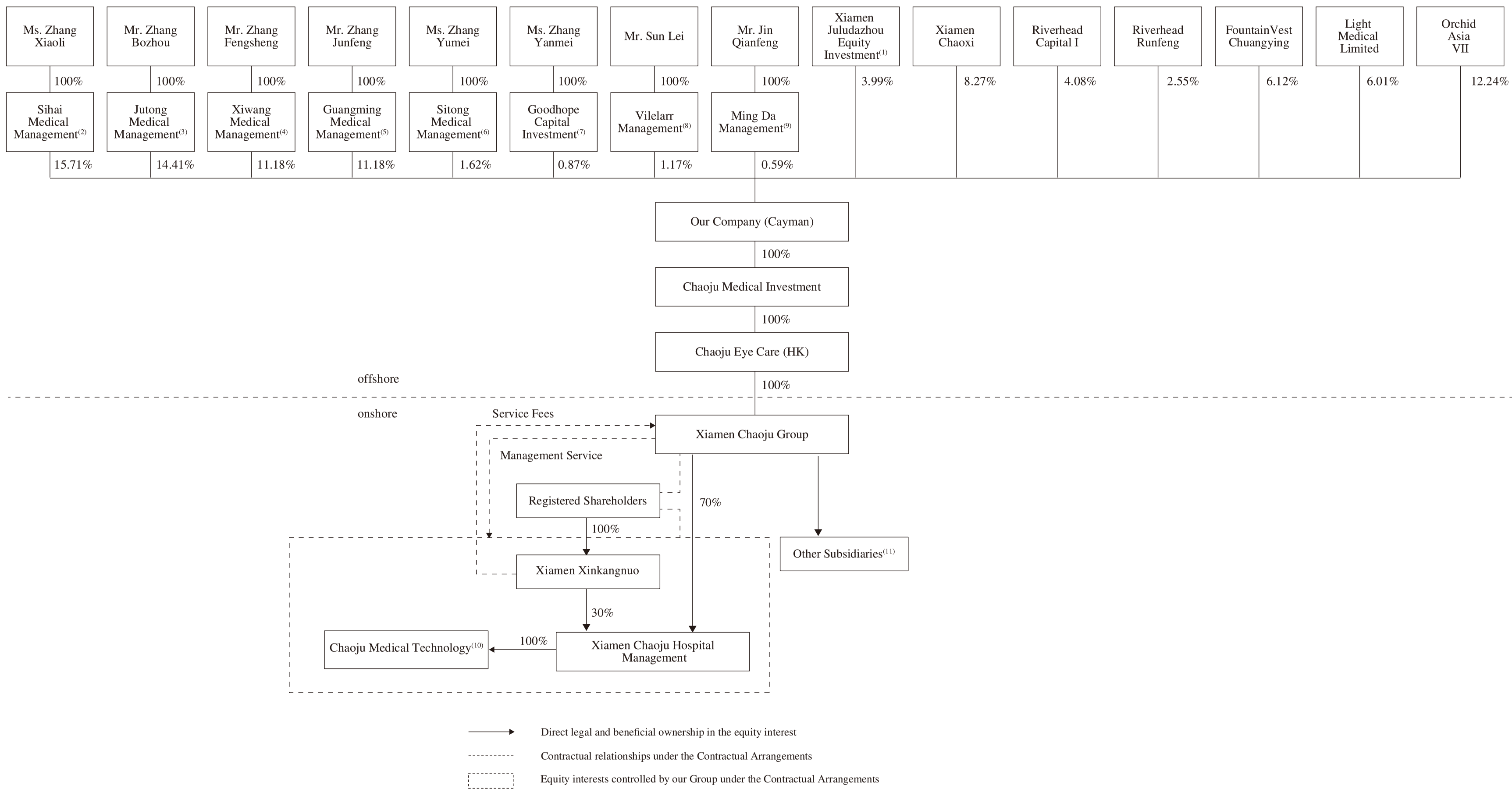
COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

The Joint Sponsors confirm that the investments by the Pre-IPO Investors are in compliance with the Guidance Letter HKEX-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, Guidance Letter HKEX-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange and Guidance Letter HKEX-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

CORPORATE STRUCTURE

Corporate structure after the Reorganization and before the share subdivision, the Capitalization Issue and the Global Offering

The following diagram depicts the shareholding and beneficial ownership structure of our Group immediately following the Reorganization and prior to the completion of the share subdivision, the Capitalization Issue and the Global Offering:



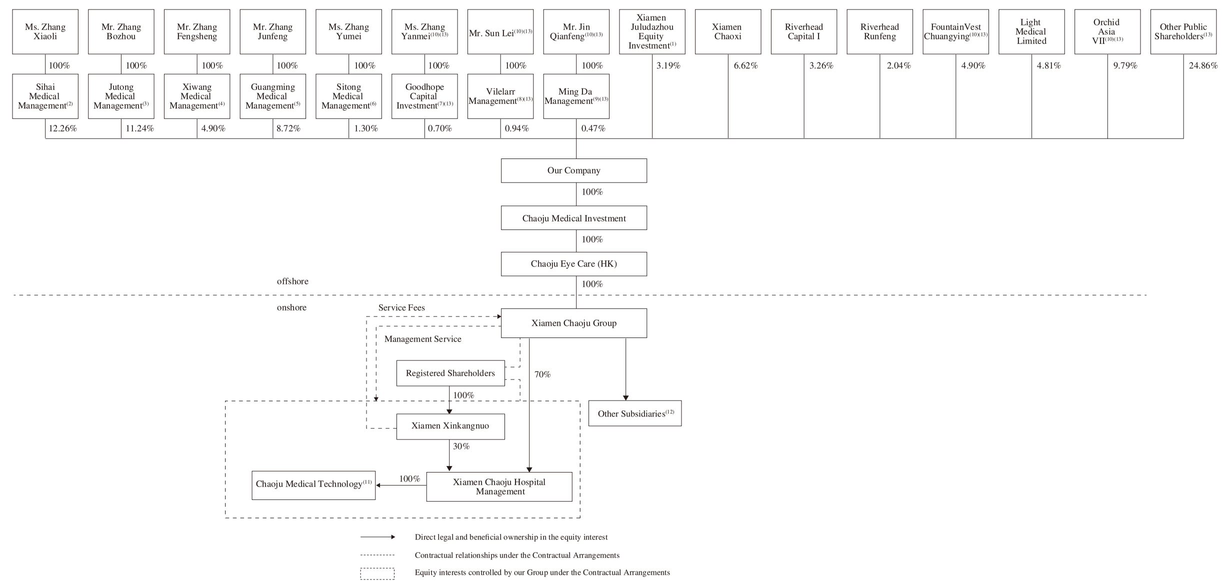
Notes: (1) to (9) For the background and shareholding details of these entities, see the corresponding notes in the diagram showing the shareholding structure of our Company immediately after incorporation in the section headed "— Corporate Reorganization — 3. Incorporation of Chaoju Medical Investment and Chaoju Eye Care (HK)" above.

(10) This entity is the holding entity of our VIE Hospitals (as defined in the section headed "Contractual Arrangements — Background of the Contractual Arrangements"). Except for Tongliao Hospital, Datong Hospital and Hulunbuir Hospital, all the VIE Hospitals were wholly-controlled by our Company as of the Latest Practicable Date. For the shareholding details and connected relationship of the minority shareholders of these entities with our Group, see note (5) in the section headed "— Corporate Reorganization" under the simplified beneficial ownership structure of our business immediately prior to the Reorganization.

(11) These include hospitals and clinic other than the VIE Hospitals, and our non-hospital entities. Except for Ninghai Hospital, Ningbo Hospital, Xiangshan hospital, Zhoushan Chaoju Optical Glasses Co., Ltd., Hulunbuir City Chaoju Optometry Co., Ltd. and Hexigten Banner Chaoju Ophthalmic Optometry Clinic Co., Ltd., all the other subsidiaries were wholly-owned by our Company as of the Latest Practicable Date. For the shareholding details and connected relationship of the minority shareholders of these entities with our Group, see note (5) in the section headed "— Corporate Reorganization" under the simplified beneficial ownership structure of our business immediately prior to the Reorganization.

Corporate structure immediately following the share subdivision, the Capitalization Issue and the Global Offering

The following diagram depicts the shareholding and beneficial ownership structure of our Group immediately following the completion of the share subdivision, the Capitalization Issue and the Global Offering, assuming that the Over-allotment Option is not exercised:



Notes: (1) to (9) For the background and shareholding details of these entities, see the corresponding notes in the diagram showing the shareholding structure of our Company immediately after incorporation in the section headed "— Corporate Reorganization — 3. Incorporation of Chaoju Medical Investment and Chaoju Eye Care (HK)" above.

(10) As of the Latest Practicable Date, each of such entities and its ultimate beneficial owner(s) was an Independent Third Party.

(11) This entity is the holding entity of our VIE Hospitals (as defined in the section headed "Contractual Arrangements — Background of the Contractual Arrangements"). Except for Ninghai Hospital, Ningbo Hospital, Xiangshan Hospital, Tongliao Hospital, Datong Hospital and Hulunbuir Hospital, all the VIE Hospitals were wholly-controlled by our Company as of the Latest Practicable Date. For the shareholding details and connected relationship of the minority shareholders of these entities with our Group, see note (5) in the section headed "— Corporate Reorganization" under the simplified beneficial ownership structure of our business immediately prior to the Reorganization.

(12) These include entities other than the VIE Hospitals, and our non-hospital entities. Except for Ninghai Hospital, Ningbo Hospital, Xingshan Hospital, Zhoushan Chaoju Optical Glasses Co., Ltd., Hulunbuir City Chaoju Optometry Co., Ltd. and Hexigten Banner Chaoju Ophthalmic Optometry Clinic Co., Ltd., all the other subsidiaries were wholly-owned by our Company as of the Latest Practicable Date. For the shareholding details and connected relationship of the minority shareholders of these entities with our Group, see note (5) in the section headed "— Corporate Reorganization" under the simplified beneficial ownership structure of our business immediately prior to the Reorganization.

(13) Upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the Shares held by our Shareholders, other than our Controlling Shareholders, Xiamen Chaoxi, Light Medical Limited, Riverhead Capital I and Riverhead Runfeng, in an aggregate of approximately 41.66% of the Shares, will count towards the public float of our Company upon Listing.

SAFE REGISTRATION AND PRC LEGAL COMPLIANCE

Pursuant to the Notice on Issues Relating to Foreign Exchange Administration of Overseas Investments and Financing and Round-trip Investments by Domestic Residents via Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知, "**Circular 37**"), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to Circular 37, failure to comply with these registration procedures may result in penalties. Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知, "**Circular 13**"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE branch to local banks where the domestic entity is registered. As advised by our PRC Legal Advisors, all relevant Registered Shareholders who were required to undergo registration under Circular 37 have completed initial registration as of the Latest Practicable Date.

All requisite payments required under the Reorganization have been satisfied. Our PRC Legal Advisors also confirmed that (i) the PRC incorporated entities within our Group had been duly established, (ii) all requisite approvals, permits and licenses in respect of the Reorganization had been obtained in accordance with the applicable PRC laws and regulations, and (iii) the Reorganization complies with the applicable PRC laws and regulations in all material respects.

OVERVIEW

We are a leading ophthalmic medical service group in North China with a strong reputation nationwide. According to the Frost & Sullivan Report, we ranked first in Inner Mongolia, second in North China and fifth in China among private ophthalmic hospitals in terms of total revenue in 2020. China is a large and fast growing market for ophthalmic medical services. According to the Frost & Sullivan Report, the size of the ophthalmic medical services market in China increased from RMB73.0 billion in 2015 to RMB127.5 billion in 2019, representing a CAGR of 15.0%, and is expected to further grow to RMB223.1 billion in 2024; the size of the 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 in 2024; the size of the ophthalmic medical services market in Inner Mongolia increased from RMB1.1 billion in 2015 to RMB2.0 billion in 2019, representing a CAGR of 15.6%, and is expected to further grow to RMB3.3 billion in 2024. With an increasing population with high demands for ophthalmic medical services, it is expected that the ophthalmic medical services market in China has great potential for further growth. Leveraging our experience in ophthalmic services and market leading position, we believe we are well-positioned to capture the growing opportunities and benefit from the rapid expansion of the ophthalmic services market in the PRC.

We were founded in 1988 in Baotou, Inner Mongolia, where Mr. Zhang Chaoju, a pioneer of modern ophthalmology in Inner Mongolia and an entrepreneur in the field of ophthalmic services in China, founded the predecessor of our Company, a clinic providing ophthalmic services. The Zhang's family is a medical family with a century's heritage. Since our inception, we have adhered to the vision of "taking our century's heritage to bring light to the world and inspire hope" (百年朝聚，朝向光明，聚集希望) and provided patients with safe, reassuring and affordable ophthalmic medical experience with professional and effective equipment and technology as well as caring and considerate services. With a deep root in North China, we have built a broad network of ophthalmic hospitals and optical centers spanning across five provinces or autonomous region in China, namely, Inner Mongolia, Zhejiang Province, Jiangsu Province, Shanxi Province and Hebei Province. As of the Latest Practicable Date, we operated a network of 17 ophthalmic hospitals and 23 optical centers. In addition, as of the Latest Practicable Date, we also operated two clinics as branches of our hospitals, and one of our optical centers also held a medical institution practicing certificate and was licensed to operate as a clinic providing certain out-patient services.

We generate revenue primarily from (i) consumer ophthalmic services and (ii) basic ophthalmic services. We classify our ophthalmic services primarily 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. Our 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. Our 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. There is no overlap in the scope of the services provided and the diseases and corresponding treatments covered by our basic ophthalmic services and consumer ophthalmic services. In light of upgraded social consumption in China over the recent years, we plan to increase our strategic focus on our consumer ophthalmic services business and devote more efforts to pursue a continued rapid growth, while maintaining the fundamental strength of our basic ophthalmic business.

We have 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. We focus on the quality of our ophthalmic services and devote resources to allow our ophthalmologists to provide ophthalmic medical services in a professional, dedicated and responsible manner. We are 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 the Latest Practicable Date, our medical professional team consisted of 261 registered physicians (including 67 multi-site practice physicians who were not our full-time employees).

Advanced technology and equipment is another key factor underpinning our market leadership. Our patients are treated by ophthalmologists with latest technology and advanced equipment. According to the Frost & Sullivan Report, we are the first-mover in Inner Mongolia to use micropulse laser technology to treat macular edema, to use minimally invasive vitreoretinal surgeries to treat vitreous and ocular fundus diseases, and to use artificial vitreous body implantations to protect the eye from atrophy. We are a leader in Inner Mongolia to first introduce advanced medical equipment, such as OPTOS ultra-widefield fundus imaging system, vitreous cutter, optical coherence tomography for blood flow quantification, microfield detector and corneal confocal microscopy. We believe that our 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. In particular, we are 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. We believe that our capabilities in hospital-made pharmaceuticals have helped improve our brand awareness and customer loyalty, brought us competitive advantage in the area of myopia control and increased our overall revenue.

We experienced a rapid growth during the Track Record Period. Our revenue increased by 13.0% from RMB632.7 million in 2018 to RMB714.7 million in 2019, and further increased by 11.1% to RMB794.3 million in 2020. Our net profit also increased significantly from RMB29.2 million in 2018 to RMB70.8 million in 2019, and further increased by 70.2% to RMB120.5 million in 2020. In 2018, 2019 and 2020, our hospitals received 638,650 visits, 702,143 visits and 696,206 visits from our patients, and our optical centers received 73,935 visits, 79,903 visits and 91,660 visits from our customers, respectively.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have differentiated us from our competitors.

As a leading ophthalmic medical service group in North China, we are well-positioned to capture significant demands from a vast market for ophthalmic services

We are a leading ophthalmic medical service group in North China with a strong reputation nationwide. According to the Frost & Sullivan Report, we ranked first in Inner Mongolia, second in North China and fifth in China among private ophthalmic hospitals in terms of total revenue in 2020; our revenue per million population covered in North China was RMB19.9 million in 2019, ranking top among all private ophthalmic hospitals operating in North China. Over the years, we have deeply explored the ophthalmic services market in North China, and have been a pioneer in ophthalmic medical technologies in China. Leveraging on our market reputation and rich clinical experience cumulated over the years, we have expanded our business to Zhejiang and Jiangsu provinces and become a leading ophthalmic medical service provider in China.

China is a large and fast growing market for ophthalmic medical services. According to the Frost & Sullivan Report, the size of the ophthalmic medical services market in China increased from RMB73.0 billion in 2015 to RMB127.5 billion in 2019, representing a CAGR of 15.0%, and is expected to further grow to RMB223.1 billion in 2024. In particular, the size of the 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 in 2024. However, ophthalmic medical resources in China are scarce, and the penetration rate of surgeries for eye diseases in China is low. In 2018, the number of cataract surgeries performed per million population in China was 2,662, amounting to approximately one fifth of that in the United States. Meanwhile, although public hospitals still dominate the ophthalmic medical services market in China, they are unable to satisfy the fast growing market demand due to various factors, such as less flexibility in service offerings tailored to the demands of patients. On the other hand, private hospitals, although currently shy of penetration rate and market share compared to public hospitals, can provide patients with customized treatments by leveraging their innovation momentum, flexible pricing mechanism, more advanced medical equipment and refined facilities, thus attracting an increasing number of patients to choose private hospitals. According to the Frost & Sullivan Report, contribution by private ophthalmic medical service providers to the overall ophthalmic medical services market in China in terms of revenue increased from 20.0% in 2015 to 24.6% in 2019, and is expected to further increase to 31.7% in 2024; the size of private ophthalmic medical services market in China increased from RMB14.6 billion in 2015 to RMB31.4 billion in 2019, representing a CAGR of 21.1%, and is expected to further increase to RMB70.7 billion in 2024.

Leveraging our market leading position in North China, our brand awareness as well as our market reputation, we believe we are well-positioned to capture the significant growth potential of the underserved market of private ophthalmic services in China.

Our clustered operation model helps to improve our market penetration, operational efficiency and profitability

With over 30 years of experience in the ophthalmic services market in Inner Mongolia, we have accumulated rich operational experience and gained in-depth understanding of the local markets. We have established a clustered operation model, where our hospitals are operated and managed in clusters based on their geographic proximity, and achieve synergies and economy of scale within the same cluster. For example, we have established six ophthalmic hospitals and ten optical centers in western Inner Mongolia and the adjacent region, forming a cluster of hospitals covering the key areas in the region. We manage the center hospitals in such clusters in a centralized and standardized manner to ensure the faithful implementation of our strategies, business plans and service standards and procedures, and share resources, such as physicians, among different hospitals within the region. In addition, our procurement of pharmaceuticals and medical consumables and marketing and promotion activities are also managed in a centralized manner, which has effectively reduced our procurement and operational costs and improved efficiency. Furthermore, our dense network layout and brand awareness in western Inner Mongolia and the adjacent region has reduced our marketing expenses, as our strong brand name and reputation has enabled us to recruit physicians from local physician communities and acquire customers from our target customer base in an efficient and effective manner. In 2019, our selling and distribution expenses in western Inner Mongolia and the adjacent region represented merely 3.5% of our total revenue in the same region, significantly lower than the industry average of approximately 18.0%; our administrative expenses in western Inner Mongolia and the adjacent region represented merely 5.3% of our total revenue in the same region, significantly lower than the industry average of approximately 15.0%. Our gross profit margin in western Inner Mongolia and the adjacent region increased from 44.9% in 2019 to 49.8% in 2020. Our market share in western Inner Mongolia reached 32.3% in terms of total revenue in 2019, according to the Frost & Sullivan Report.

When expanding into a new region, we generally start with in-depth surveys on the features of the local market, after which we concentrate our resources to establish our first hospital in the region that can reach a desired market position and meet local demands. We then expand our coverage to the areas surrounding such first hospital, gradually forming a clustering effect. For example, when we expanded our presence into eastern Inner Mongolia and the adjacent region, which we learned from our early surveys to be densely populated in the county areas, we established our first hospital in Chifeng and achieved local prestige in a short time. Shortly afterwards, we established our hospitals in Chengde, Tongliao and Hulunbuir. Leveraging our well-recognized market reputation and a number of key professionals cumulated in our Chifeng hospital, we were able to establish hospitals in Chengde, Tongliao and Hulunbuir in a more efficient manner. In addition, the positive market perception of our Chifeng hospital also brought us easier access to local resources and facilitated our investments in the local markets. Our cluster of hospitals in eastern Inner Mongolia and the adjacent region has facilitated the multi-site practice of our high-caliber physicians and boosted regional collaboration, synergies and sharing of resources among our hospitals, with key hospitals in the region developing their own specialties and our employees being trained across different hospitals. For example, our Chifeng Hospital has developed its distinguished specialty in the treatment of ocular fundus diseases. With an ocular fundus diseases discipline led by famous physicians and with its advanced medical equipment, our Chifeng Hospital is one of the few hospitals in the eastern Inner Mongolia region that are able to diagnose and treat complicated ocular fundus diseases. In particular, our Chifeng Hospital established an ocular fundus disease center in late 2019, which further enhance the medical capabilities of our Chifeng Hospital in the field of ocular fundus diseases. Leveraging our clustered operation model and resources sharing mechanism, our Chifeng Hospital is able to share its rich experience in ocular fundus disease treatment with other hospitals located in eastern Inner Mongolia and the adjacent region, which may improve the medical capabilities and quality of services of these hospitals.

Our expansion through western Inner Mongolia, eastern Inner Mongolia and their adjacent regions and our deep roots in these regions earned us a high reputation and popularity in Inner Mongolia. Our hospitals in Inner Mongolia have received over 4.3 million patient visits from across the nation and performed over 560,000 surgeries so far, and our Baotou hospital, a designated medical institution in the national health survey, was certified as a national model hospital for proper screening and treatment of ophthalmic diseases in 2007 and a national key clinical hospital specialized in ophthalmology in 2012. During the Track Record Period, the average annual revenue generated from our Baotou hospital was over RMB150 million. Our medical quality and safety control are also highly recognized by our patients. In addition, we have also undertaken multiple governmental and social responsibility programs. From 2015 to 2020, we have successfully treated and restored the eye sights of over 27,000 indigent patients in the Inner Mongolia "Bright Tour" social welfare campaign, further strengthening our brand in Inner Mongolia.

We believe that our clustered operation model, where we start from regional center hospitals and expand to surrounding areas, can help to increase our market share in the regions where we operate and improve our operating efficiency, and will be replicable to new markets efficiently, enabling us to capture the growth opportunities.

Our centralized and standardized management system makes our business model scalable and replicable

Leveraging our market presence and experience in western Inner Mongolia and the adjacent region as well as our standardized management and services models, we have successfully established and acquired 11 ophthalmic hospitals and 13 optical centers in different regions of China, including eastern Inner Mongolia and the adjacent region, northern Jiangsu, eastern Zhejiang and northern Zhejiang, and are forming a good clustering effect in these regions. For example, we increased our efforts to expand our business in eastern Inner Mongolia in 2014, and are currently operating five ophthalmic hospitals in eastern Inner Mongolia and the adjacent region, which have achieved overall satisfying financial results. The average breakeven period (namely, the time period before recording a positive monthly net profit for the first time) of our hospitals in such region was less than three years from the commencement of operation of the relevant hospitals, while the industry average breakeven period is three to five years according to the Frost & Sullivan Report. Revenues generated from these hospitals increased by 19.2% from RMB146.2 million in 2019 to RMB174.3 million in 2020.

The successful experience in our expansion to eastern Inner Mongolia and the adjacent region has helped us further expand into other regions in China. Our successful expansion is reflected in the following aspects.

- ***Shorter preparation periods for new hospitals***: Our resources sharing mechanism in western Inner Mongolia and the adjacent region, effective customer-intake and solid execution capabilities have enabled us to open our own hospitals in new markets within a shorter preparation period. Our new hospitals with a GFA of 3,000 sq.m. to 4,000 sq.m. may commence operation after a preparation period as short as 13 months after the inception of such hospitals. By comparison, it generally takes one to two years for hospitals in similar size to commence operation. In addition, our hospitals in new markets are also supported by our professional teams at our headquarters, including supervision on the overall preparation process, support in their application for requisite licenses and permits as well as sharing and training relevant medical teams.

- ***Shorter breakeven periods for new hospitals***: Benefiting from the overall corporate culture, business model and professional support from our headquarters, the performance of our new hospitals in new markets usually improves after commencement of operations. Our new hospitals may achieve breakeven (namely, recording a positive monthly net profit for the first time) as soon as within one year.

- ***Substantial improvements in acquired hospitals***: In addition to establishing new hospitals from scratch, we have adopted a prudent merger and acquisition strategy and leverage on prominent local hospitals and physicians to expand our presence into new markets, attracted customers and recruit talents. After acquiring a hospital, we integrate the acquired hospital into our centralized and standardized management system, enabling it to benefit from our resources and achieve economies of scale. We also continuously optimized our acquired hospitals, including optimizing the mix and focus of their clinical departments, introducing new medical equipment, recruiting high-caliber physicians and medical professionals, providing employee incentives and promoting our corporate culture, which has enabled us to bring the acquired hospitals to our uniform standards and successfully improve their performance. During the Track Record Period, we acquired three hospitals in eastern Zhejiang. As a result of our integration efforts, the operational efficiency of our acquired hospitals has been substantially improved since our acquisition.

High-caliber medical professionals and sound training system underpins the foundation of our growth

We have a high-caliber professional ophthalmic medical team, which we believe is crucial to our success and market leading position. As of the Latest Practicable Date, our medical professional team consisted of 261 registered physicians (including 67 multi-site practice physicians who were not our full-time employees), including 49 chief physicians, 58 associate chief physicians, 91 attending physicians and 63 resident physicians. In addition, as of the Latest Practicable Date, we had 70 medical professionals who were receiving physician qualification training and yet to obtain their practicing licenses.

We greatly value the cultivation of talents and have established our own physician training programs. Leveraging on our years of experience in clinical ophthalmic services, we have established a sound physician training system based on the features of the ophthalmic services industry and our own development plans, which is led by our discipline development committee (學科建設委員會). Our discipline development committee is responsible for training our talents, maintaining a proper mix of different levels of professionals, as well as research and development. The ten specialized groups under our discipline development committee are responsible for the implementation of our training plans. This internal training program has supplied a large number of young ophthalmologists with solid skills and rich clinical experience. We also engage external consultants, experts and professors to provide standardized and high-quality trainings for our physicians based on their needs with an aim to cultivate clinicians with extensive practical capabilities. For example, we provide trainings to our resident physicians in accordance with our five-year resident physician training program, enabling them to acquire clinical experience as early as possible. In addition to clinical trainings, we also cooperate with universities and medical schools to cultivate young medical professionals. For example, we have established the Chaoju optometry technology major in collaboration with Baotou Medical College (包頭醫學院) to cultivate versatile optometry talents with integrated skills in both eye care and optometry; we have established a standardized training center for resident physicians in collaboration with a prominent public hospital in Chengde to provide training to quality resident physicians; we have also cooperated with Inner Mongolia Medical University (內蒙古醫科大學) and Inner Mongolia University for Nationalities (內蒙古民族大學) to cultivate and recruit young medical professionals catering to our needs. In addition, our hospitals with relatively long operational histories can provide off-site trainings to physicians from our new or acquired hospitals, and assign experienced physicians to new hospitals as required to help them stabilize their operations during the transition periods. We also provide standardized training to our medical assistants so that they may better support our physicians and improve the operational efficiency and quality of our medical professionals, in the meantime lowering the turnover rate of our medical assistants. We believe our training and education programs have laid a solid foundation for us to attract and cultivate talents.

Benefiting from our internal training and education programs, our internally-trained surgeons accounted for 79.2% of our total surgeons as of the Latest Practicable Date. Our internal training and education programs have also helped us retain talents. The turnover rate of our high-ranking physicians (namely, chief physicians and associate chief physicians) was as low as 4.8% in 2020. In addition, our internal training and education programs have enabled our physicians to accumulate professional skills and clinical experiences quickly. For example, the average age of our internally-trained full-time experienced surgeons performing cataract surgeries is 42 years old as of the Latest Practicable Date.

Our full-service clinical ophthalmic treatments bring high customer satisfaction

We are a comprehensive ophthalmic service provider capable of providing both basic ophthalmic services and consumer ophthalmic services. Our capability to provide end-to-end services on a wide range of eye conditions enables us to cater to diverse needs from customers to their satisfaction.

Over the years, we have formed 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 and oculoplastic, and ocular trauma. Our basic ophthalmic operations can also provide optometry services to our customers. 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 have strategically provided advanced and specialized ophthalmic services for ocular fundus diseases, refraction errors and pediatric ophthalmology through our regional center hospitals located in Hohhot, Chifeng, Baotou and Ningbo, which enables us to provide patients with differentiated services in the region, thus strengthening our pricing power. In addition, we have been one of the industry leaders in utilizing cutting-edge technology for basic ophthalmic services. We are the first-mover in Inner Mongolia to carry out minimally invasive vitreoretinal operations and to use micropulse laser technology to treat macular edema. We have also carried out the first case of artificial vitreous body implantations in Inner Mongolia.

We have demonstrated strengths in the field of refractive correction services. We are one of the first medical service providers in China, and the first in Inner Mongolia, that carried out excimer laser surgeries, and are capable of offering a wide range of refractive correction services. During the Track Record Period, we have successfully performed 24,243 refractive correction surgeries, including ReLEx SMILE, FS-LASIK, Smart TransPRK and ICL surgeries, as well as laser surgeries for presbyopia. In order to improve patients' experience and our service quality, we closely monitor market demand and technology development, and timely procure and promote advanced equipment that can significantly improve patients' experience and our physicians' operational efficiency. We have established long-term strategic partnerships with a number of national and global leading suppliers of ophthalmic medical equipment and consumables. This provides us prompt access to the latest ophthalmic equipment on the market and maintain a desired mix of equipment based on market trends and our clinical needs. For example, we introduced OPTOS ultra-widefield fundus imaging system in 2015, being one of the first private ophthalmic hospitals to introduce the equipment in China; we introduced ReLEx SMILE in 2017 and generated considerable revenue shortly afterwards. Meanwhile, our key suppliers also provide us with various types of support in connection with their new products and projects, such as technical training, streamlining medical procedures, improving our facilities and organizing patient education events. Furthermore, we also cooperate with certain suppliers in clinical researches, academic exchanges and surgeon training, as well as establishing wet labs in our hospitals to provide training on basic medical skills. We also collaborate with these key suppliers regularly in marketing activities, such as the opening ceremonies for our excimer laser and our campaign on refractive surgeries for medical professionals who contributed to the national COVID-19 combating efforts (最美逆行者摘鏡活動).

We enjoy unique advantages in the area of myopia control. 0.01% atropine sulfate eye drops is a well-recognized pharmaceutical used for myopia control among adolescents in China. We believe that we are the first and only hospital in Inner Mongolia that are qualified to provide 0.01% atropine sulfate eye drops to be prescribed in hospitals to control myopia among adolescents. We are one of the first hospitals in China implementing a myopia screening system for the storage, analysis and monitoring of students' screening data. A number of our physicians also serve as members of the Inner Mongolia Task Force on Myopia Survey. In addition, we have also published 15 papers on myopia studies on domestically and internationally renowned professional journals, such as British Journal of Ophthalmology, Disease Markers, and Medicine.

We have also made great achievements in terms of hospital-made pharmaceuticals. We have developed 23 types of hospital-made ophthalmic pharmaceuticals, including five types of capsules and 18 types of eye drops. Our hospital-made pharmaceuticals are designed to treat a wide range of conditions, and can be used for myopia control, ocular fundus diseases, anti-infection and anti-allergic purposes. Taking advantage of our rich clinical experience, we are able to fully understand, and combine our research and development capabilities with our clinical knowledge to satisfy, our patients' needs. Our hospital-made traditional Chinese medicine products, including our Eyebright Capsule (明目膠囊), Anti-congestion Capsule (化瘀膠囊), Anti-virus Capsule (抗病毒膠囊), Sanqi Hemostasis Capsule (三七止血膠囊), Baineiqing Capsule (白內清膠囊) and Shuanghuang Eye Drops (雙黃滴眼液), are widely acclaimed over their 21 years of clinical application, further enhancing our brand image. In addition, we are also one of the first medical institutions in the industry to use hospital-made pharmaceuticals in clinical practice.

Our strengths in the above areas are supported by our continued dedication and investment in research and development. We strive to maintain a competitive position in the ophthalmic industry in terms of academic and technology capabilities. Our research and development efforts have been fruitful in recent years. During the Track Record Period and up to the Latest Practicable Date, we have undertaken seven major research projects, participated in the edition of seven monographs and one textbook and the translation of one book, and published 146 papers.

Benefiting from our comprehensive strengths described above, we have maintained an industry-leading patient satisfaction rate. According to our customer surveys, our patient satisfaction rate in 2020 reached 97.9%.

We have garnered significant support from our experienced management team as well as our Shareholders

We believe that our success is also attributable to our experienced management team. Mr. Zhang Bozhou, the chairman of our Board, executive Director and chief executive officer, has over 30 years of clinical experience in the ophthalmic services industry, and has made valuable contributions to ophthalmology clinical research and development, international cooperation on blindness prevention and treatment as well as the advancement of China's ophthalmology. Mr. Zhang Bozhou enjoys high prestige in the ophthalmology medical industry, and serves as a member of the Ophthalmology Committee of the Chinese Non-public Medical Institutions Association (中國非公立醫療機構協會眼科專業委員會委員), a standing committee member of the Ophthalmology Branch of the Inner Mongolia Medical Association (內蒙古自治區醫學會眼科專科分會). Our executive Director, Ms. Zhang Xiaoli, has over 30 years of management experience in the ophthalmology industry. Our chief medical officer, Ms. Yang Yajun, and our chief operating officer, Mr. Liu Hongyan, both have approximately 20 years of experience in the medical and ophthalmology industry. Ms. Yang Yajun was also repeatedly awarded as Advanced Individuals (先進個人) for her participation in the Mobile Ophthalmic Surgical Vehicle Project for Sight Restoration and Poverty Alleviation in China (中國復明扶貧流動眼科手術車項目) from 2016 to 2019. Our professional management team have continuously improved the medical service quality of our hospitals. With an average of over 20 years of experience in the ophthalmic industry or in business administration, our senior management team have rich industry knowledge and deep insights of the ophthalmology market in China. We believe that the extensive experience and expertise of our management team will continue to drive our future growth.

Our Shareholders include prominent investors such as Highlight Capital, Orchid Asia and Sunshine Insurance. In addition to financial support, we also draw on their rich experience in the medical services industry in formulating our growth strategies.

OUR BUSINESS STRATEGIES

We plan to implement the following strategies.

Continuing to reinforce our leading position in Inner Mongolia and the surrounding regions, enhancing our market position in Zhejiang Province, Jiangsu Province and other key regions, in the meantime developing our featured ophthalmic hospitals

Leveraging our proven track record of success, we plan to continuously expand our operational network through our clustered expansion model, enhance our brand awareness and strengthen our leading position in the ophthalmic services market in China through the following measures.

- ***Continuing to reinforce our leading position in Inner Mongolia and the surrounding regions***: We have established a leading brand in the core urban circles and the surrounding areas in western Inner Mongolia, eastern Inner Mongolia and their adjacent regions. In addition to continuously growing our existing business in pursue of a rapid growth in our consumer ophthalmic business, we intend to further develop our hospital clusters in the above regions. In particular, we plan to expand into cities with populations of over 300,000 and without or with little presence of private ophthalmic hospitals, either by establishing new hospitals of our own or by acquiring existing hospitals. We plan to achieve breakeven and improve profitability for our new hospitals by deploying our own management personnel and superintendents for the overall planning and management and increasing the multi-site practice of our highly skilled physicians within the region. According to the Frost & Sullivan Report, the ophthalmic medical services market in Inner Mongolia is expected to see a sustained growth. The size of the ophthalmic medical services market in Inner Mongolia increased from RMB1.1 billion in 2015 to RMB2.0 billion in 2019, representing a CAGR of 15.6%, and is expected to further grow to RMB3.3 billion in 2024. We believe that our continuous dedication in Inner Mongolia and surrounding regions will bring us sustainable growth.

- ***Continuing to enhance our market position and brand awareness in the northern Zhejiang, eastern Zhejiang and northern Jiangsu regions, which we have already tapped into***: We plan to continue our expansion in the northern Zhejiang, eastern Zhejiang and northern Jiangsu regions into second-tier and third-tier cities and certain other cities with populations of 10 million to 20 million with relatively low penetration rate for ophthalmic medical services. We plan to leverage on existing local resources to strengthen our hospital network layout in these regions, through acquisitions of existing hospitals and establishment of new hospitals in collaboration with local medical service providers. After acquiring local hospitals, we plan to share and exchange information with the acquired hospitals, and assign designated management personnel for the operation and management of such hospitals, to achieve synergies among our hospitals within the same region as soon as possible and enhance our market share and brand awareness in these regions. We may consider a variety of factors when selecting acquisition targets, including the current customer base, supply of qualified medical professionals on the target market, as well as the transportation infrastructure within relevant urban circles such as networks of high-speed railway. We also plan to further enhance our brand influence in these economically developed regions through our consumer ophthalmic services, which include refractive correction (including presbyopia correction), myopia control and optometry services, thus gradually transforming Chaoju into a leading private ophthalmic brand in these regions.

- ***Strategically expanding into new regions with growth potential***: In addition to our current network layout, we may also expand into other densely populated and economically developed markets as we see fit, either through establishing featured hospitals of our own or through acquiring existing local hospitals. We believe that China's ophthalmic medical services market has great growth potential and will bring us enormous growth opportunities, and, with our highly scalable business model, we will be able to continue to replicate our successful experience in such market.

Please see "— Our Expansion Plans" for more details about our new and upgrade projects.

Seizing opportunities in the consumer ophthalmic market to build a leading consumer ophthalmic brand in China

The continued evolution in ophthalmic technology, together with the increased time people tend to spend on electronic devices while demanding better eye conditions, resulted in a fast growth of the consumer ophthalmic market. According to the Frost & Sullivan Report, the market size of consumer ophthalmic medical services in China increased from RMB23.9 billion in 2015 to RMB51.0 billion in 2019, representing a CAGR of 20.8%, and is expected to further increase to RMB109.3 billion in 2024. However, the huge market demand remain underserved, as public hospitals usually have limited resources in refraction and optometry services, thus bringing great opportunities for private ophthalmic hospitals in the consumer ophthalmic era.

Our consumer ophthalmic services include refractive correction (including presbyopia correction), myopia control and provision of optical products and services, the costs for which are generally borne by the customers. In addition, we expect that periocular cosmetic plastic surgery and treatment of dry eyes to be two promising areas in the field of consumer ophthalmic, which we plan to grow in a prudent manner in the future based on our existing business model. We intend to actively promote our consumer ophthalmic services by integrating our existing consumer ophthalmic business and upgrading our services and brand to an array of comprehensive consumer ophthalmic services with a full coverage of refraction surgery, myopia control and optical products. In addition, we also plan to establish or upgrade regional consumer ophthalmic centers and introduce cutting-edge medical technology and equipment.

In contrast to basic ophthalmic services, consumer ophthalmic patients are more sensitive to brand and technical capabilities and less affected by geographic locations. As a result, we believe that we are able to effectively promote our brand in our target markets leveraging our rich experience and strengths in clinical ophthalmology together with our online and offline marketing strategies. We are one of the pioneers in the ophthalmic industry to cooperate with key opinion leaders to promote our brand and services on social platforms which are popular among our target customer groups, enabling us to break through geographic barriers and promote our brand nationwide. In addition, our dedicated, one-on-one services to our excimer laser surgery patients will continue to help us keep close contact with our customers and spread word-of-mouth among potential customers, which helps us acquire new customers.

We plan to establish specialized refractive surgery centers in cities that may reach a total population of approximately 50 million within 1.5 hours of high-speed railway travel from such cities in order to provide effective, swift and affordable consumer ophthalmic services. We believe that such optical centers can enable us to expand our consumer ophthalmic network while maintaining reasonable costs, and build a top consumer ophthalmic brand. We expect such refractive surgery centers to attract premium customers from a broad geographic range given the convenience brought by the high-speed railway for travelling within the metropolitan circle. We also plan to establish myopia control instruction centers in certain targeted regions, such as Hohhot, Ningbo and Hangzhou, to provide effective solutions for myopia control, including vision health examination, health profile management, follow-up services as well as vision health publicity and education for children and adolescents. In addition, we intend to utilize our professional knowledge and methods to provide patients with comprehensive vision healthcare services, including vision health examination, vision rehabilitation training, optometry correction and behavioral intervention, to further promote our business expansion across the nation.

In 2019, Zhejiang Province ranked fourth among all provinces in China in terms of per capita GDP. In line with the increased market demand brought by the economic growth in Zhejiang Province and leveraging on the medical resources and brand reputation of our existing four hospitals in the region, we plan to increase our strategic focus on our consumer ophthalmic services business and further expand our presence in Zhejiang Province and continuously enhance our market position.

Improving the utilization efficiency of our regional resources and strengthening our centralized management model with regional center hospitals as the core

Based on different features of each region, we endeavor to improve our overall operational efficiency by making full use of regional resources to achieve synergies. For example, we intend to start from the center hospitals in each region and establish differentiated specialties for our hospitals based on our strengths in different regions. For example, in western Inner Mongolia, we plan to establish an ocular fundus disease and maculopathy center in our flagship hospital in Hohhot, and an oculoplastic and orbital disease center in our flagship hospital in Baotou; in eastern Inner Mongolia and the adjacent region, we plan to establish an ocular fundus disease and refraction center in our flagship hospital in Chifeng, and a refractive collection and myopia control center in Ningbo. We expect these featured center hospitals, with their respective strengths, to drive the improvement in the overall capabilities of our other hospitals in their respective regions, thus providing quality services to local patients through all our hospitals. Through this method, we expect to forge a strong brand image featured with advanced technology and further strengthen our market position in the local markets.

In addition, as our business operations continue to expand, we believe that centralized management plays an increasingly significant role in improving our operational efficiency. We intend to further reinforce our centralized management in both our customer-facing functions and supporting and control functions, laying a solid foundation for our large-scale expansion from our regional centers:

- ***Customer-facing functions***: We plan to further unify our service offerings and quality control, including further improving the consistency of our brand image and the presentation of our services and developing and applying standardized service procedures and supporting information management systems across different hospitals. In addition, we intend to increase experience sharing and training at our regional center hospitals, and in the meantime strengthen the implementation of our centralized and standardized management at county- and prefectural-level hospitals and optical centers.

- ***Supporting and control functions***: We plan to optimize our centralized procurement of equipment, pharmaceuticals and medical consumables. In addition, we also expect to further upgrade our IT infrastructure by establishing an integrated platform that consolidates the current information, human resources and finance systems of our hospitals, refractive surgery centers and myopia control instruction centers, enabling real-time data monitoring at our headquarters to facilitate more informed decision-making by our management team.

Continuously improving patient satisfaction and brand awareness

We plan to reinforce our positioning as a safe, effective and patient-friendly medical service provider, and continuously improve our medical capabilities and patient satisfaction by introducing advanced technologies and equipment and expanding into the field of online medical care.

We have established long-term strategic cooperative relationships with a number of major suppliers of ophthalmic medical equipment. In the future, we will continue to keep up with the industry development trends and cutting-edge technology and introduce various advanced equipment, including new equipment for femtosecond cataract surgeries, cataract inspection, intraoperative navigation, innovative corneal refractive surgery and surgical robots, based on our patients' needs and local resources. Meanwhile, we will continue to diversify our product offerings and improve the quality of our services by continuously introducing new ophthalmic medical technologies worldwide to be deployed in conjunction with our equipment. We strive to provide patients with advanced and professional ophthalmic services.

We also intend to tap into the field of online medical care to further enhance our brand awareness and expand our service offerings. To keep up with the pace of online healthcare reform, we intend to build a smart eye health service platform, integrating the whole service chain of our medical services including before, during and after the treatment process. Leveraging innovative scientific and technological developments such as 5G, big data analytics and artificial intelligence, we expect to eliminate information barriers and formulate a closed loop of data management to realize the functions of health management, telemedicine, mobile payment, interactive marketing and intelligent analysis, enabling us to expand the coverage of our ophthalmic medical services in terms of both depth and width and further grow myopia control business.

We intend to cooperate with other online medical platforms to further improve our brand awareness and develop our customer acquisition channels. We also expect to cooperate with these platforms to establish a disease management system to provide patients with professional advice and manage their use of pharmaceuticals, further expanding our service offerings. As such, we expect to be able to provide end-to-end services and help our patients better manage their eye conditions.

In addition to online medical platforms, we also plan to increase our efforts in the management of social media publicity to further improve our online interaction with patients. We plan to continue devoting resources to online marketing activities and expand our dedicated online marketing team. We expect such efforts to enable us to provide existing and potential customers with convenient online ophthalmic services, including online booking system and online consultation services, thus breaking the geographical restrictions and expanding our coverage.

In addition to improving our comprehensive ophthalmic services, we plan to strengthen our customer relationship management system to maintain an eye health profile for each patient and provide continued customer service through designated personnel. Our customer service personnel are expected to provide patients with support and services throughout the whole medical process ranging from screening, prevention and early diagnosis of ophthalmic diseases to treatment and rehabilitation, and assist our customers in all stages of their medical experience, including preliminary consultation, appointment making, registration, consultation, payment, rehabilitation, follow-up visits and examinations. We believe our customer service will play a key role in enhancing our customer loyalty.

Actively attracting and recruiting talents by further refining our training programs, cultivating our unique corporate culture and offering fair incentives to our key employees

Talents are crucial to our long-term development. We believe that continuously cultivating, attracting and recruiting talents with rich industry experience and expertise will further improve our professional capabilities and service quality. Meanwhile, actively attracting and recruiting young talents will enrich our talent pool and provide assurance for our long-term development.

- ***Cultivating young medical professionals and broadening our sources of talents***: We plan to cultivate young talents and enrich our talent pool through cooperation with educational institutions, such as our collaborative relations with Baotou Medical College and Inner Mongolia Medical University. We may also seek to establish specialized medical schools or teaching hospitals through long-term collaboration with these educational institutions, thus securing stable sources of talents.

- ***Attracting and recruiting talents***: In line with our business expansion strategy, we actively recruit talents in our new markets. We also cooperate with prominent local physicians and leverage on their social influence to attract talents for local hospitals. Meanwhile, we intend to continue identifying and attracting experts in regions where we have already established a leading market position by leveraging our strong brand name and influence. We plan to continue to have external high-caliber physicians practice at our hospitals on a multi-site practice basis and recruit outstanding young talents through campus recruitment to further strengthen our local leading position.

- ***Further refining our training programs***: We plan to continue offering young talents with various types of training programs in conjunction with promotion schemes to provide them with clear career paths. We also offer our key professionals opportunities to become members of our management team. We expect to increase the practical opportunities provided to our young talents, which enables them to strengthen their theoretical knowledge, accumulate practical experience and improve their technical expertise. We also plan to strengthen our cooperation with colleges, universities and other hospitals to provide our physicians with opportunities to be trained at top-tier institutions. In addition, we expect to improve our resident physician training programs and continue to invest in our research and education bases.
- ***Further cultivating our unique corporate culture and offer fair incentives to our key employees***: We strive to cultivate a unique corporate culture where our professionals share their experience and expertise to promote the growth of all of our professionals. We plan to establish a knowledge and experience sharing mechanism for such purpose and offer our employees with opportunities to grow professionally and broaden their knowledge. We may also offer qualified employees with share incentive schemes and other forms of incentives in the future to attract and retain talents.

OUR SERVICES

During the Track Record Period, our revenue was primarily generated from (i) consumer ophthalmic services, and (ii) basic ophthalmic services. We classify our ophthalmic services primarily 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. Our 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. Our 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. The following table sets forth a breakdown of our revenue generated from our consumer ophthalmic services and basic ophthalmic services for the years indicated.

	Year ended December 31,					
	2018		2019		2020	
	Revenue	%	Revenue	%	Revenue	%
	(RMB millions, except for percentages)					
Consumer ophthalmic services	198.7	31.4	259.1	36.3	369.5	46.5
Basic ophthalmic services	408.0	64.5	445.9	62.4	422.2	53.2
Others[(1)]	26.0	4.1	9.7	1.3	2.6	0.3
Total revenue	**632.7**	**100.0**	**714.7**	**100.0**	**794.3**	**100.0**

Note:

(1) Primarily represents revenue of Tianjin Chaoju from sale of medical consumables to third parties. We have focused the operations of Tianjin Chaoju as our centralized procurement platform and gradually reduced Tianjin Chaoju's sale of medical consumables to third parties.

Consumer Ophthalmic Services

We offer a broad range of consumer ophthalmic services, which primarily include treatments for refractive correction (including presbyopia correction), myopia control and optical products and services. We strive to differentiate ourselves from our competitors by offering a broad range of consumer ophthalmic services to meet the diverse needs of our patients. Leveraging the skills of our ophthalmologists and our technologies, we believe we are able to capture enormous opportunities in the consumer ophthalmic market in the PRC. We plan to increase our strategic focus on our consumer ophthalmic services business and devote more efforts to pursue a continued rapid growth in the future, as consumer ophthalmic services are usually more profitable and not subject to price and quota control imposed by public health insurance programs.

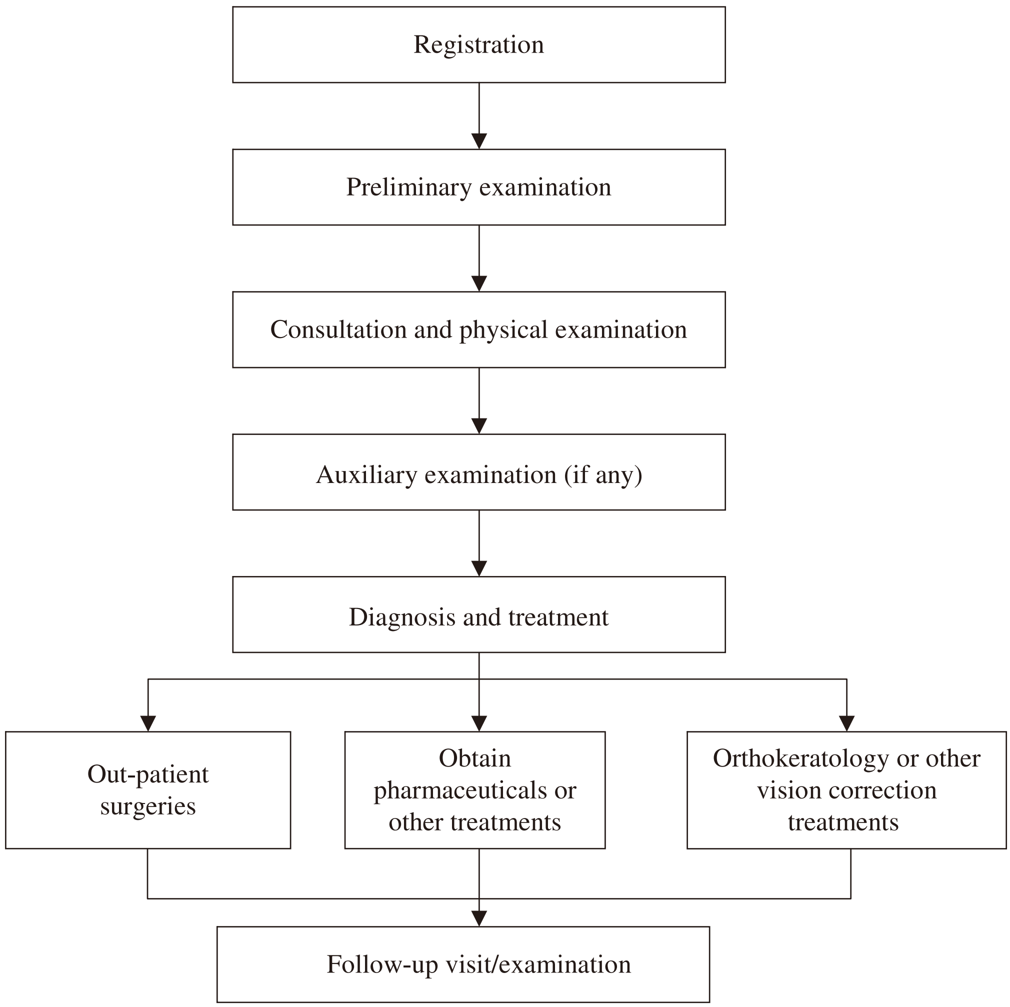
In 2018, 2019 and 2020, revenue from our consumer ophthalmic services was RMB198.7 million, RMB259.1 million and RMB369.5 million, respectively, representing approximately 31.4%, 36.3% and 46.5% of our total revenue for the respective years. In 2018, 2019 and 2020, revenue from our refractive correction services was RMB102.3 million, RMB134.4 million and RMB210.8 million, respectively.

Treatment Process

Based on years of industry experience and accumulated know-how, our hospitals have developed and implemented an easily accessible and streamlined registration and treatment process for our patients, which focuses on customized treatment and aims at providing our patients with the most appropriate treatments to optimize their prospects of recovery.

Treatment Process for Our Refractive Correction (including Presbyopia Correction) and Myopia Control Treatments

The following diagram sets forth an overview of the typical process for refractive correction, presbyopia correction and myopia control treatments.



Our treatment process begins with patient registration at our hospitals. Before meeting with our ophthalmologists, a preliminary examination is usually performed to check the patient's eye conditions. These preliminary examinations include, among others, visual acuity, eye pressure and optometry tests.

At the consultation session, our ophthalmologists will obtain the patient's basic medical history, chief complaints and related symptoms, while taking into account the results from the preliminary examination. Our ophthalmologists may conduct physical examinations during the consultation session, such as slit lamp examination and ocular fundus examination. Depending on the patient's particular medical condition, auxiliary examination may be required to assist our ophthalmologists in reaching a diagnosis and devising a treatment plan. Auxiliary examination generally involves assays and examinations, including taking photographic images of the retina and examining the fine details such as blood vessels, visual nerves and thickness of the retina. Auxiliary examinations are a prerequisite to undertake certain surgeries with us.

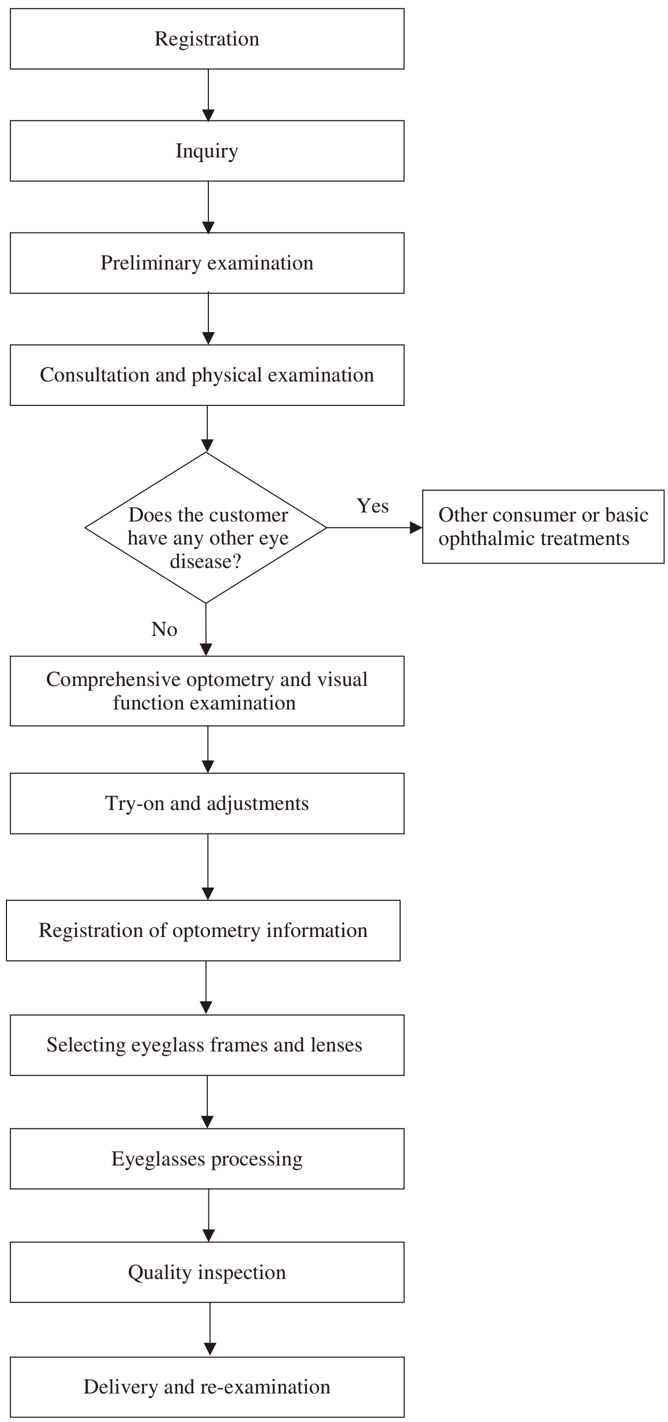
Having conducted the necessary examinations of the patient, our ophthalmologists will be able to recommend the appropriate type of treatment to the patient. Our ophthalmologists explain to the patient, among other things, the treatment plan, the goal and expected timetable and potential side effects. Based on the type and severity of a disease, our ophthalmologists may prescribe out-patient surgeries (such as refractive correction surgeries), pharmaceuticals, orthokeratology (also known as Ortho-k) or other treatments. For patients who wish to correct refractive errors associated with myopia, hyperopia and astigmatism in one go, we usually recommend refractive correction surgeries based on our comprehensive assessment of the patients. We provide oral and topical pharmaceuticals, including our hospital-made pharmaceuticals, to our patients pursuant to the prescriptions by our ophthalmologists. In addition, we also use Ortho-k and other non-surgical vision correction treatments to temporarily change the curvature of our patient's cornea and gradually slow the progression of myopia.

For refractive correction (including presbyopia correction) and myopia control services, substantially all of our revenue is generated from out-patient services. Patients do not check-in at our hospitals or stay for a lengthy period of time for out-patient services, which may improve our operational efficiency. As our refractive correction surgeries are usually operated under topical anesthesia, the recovery time from the anesthesia is short; post-operative care for our reflective correction surgeries is usually simple and can be carried out by the patient at home. Therefore, in-patient stay at our ophthalmic hospitals is generally not required for refractive correction surgeries.

Follow-up visits or examinations are generally required for our patients, especially for those who received surgeries or Ortho-k treatments.

Process for Our Optical Services

We have developed and implemented several integrated procedures for our optical services at both our hospitals and optical centers that allow for efficiency and ensure a high degree of quality control of our optical products. The following diagram sets forth an overview of the typical process of our optical services.



Our optical service usually begins with customers registering at any of our hospitals. Basic inquiries and preliminary examinations are conducted before we undertake detailed examinations for our customers, which enable us to know the customers' basic eye conditions. During the consultation session, our ophthalmologists will explain the results from the preliminary examinations to the customers, and prescribe comprehensive optometry and other visual functional examinations. Our ophthalmologists then assess the results of these examinations, and, if any other eye disease such as cataract or glaucoma is identified, we will first provide such customer with appropriate treatments for the eye diseases at our hospitals before we prescribe optical products. This screening process distinguishes us from other optical service providers who are incapable of providing sophisticated medical examinations and treatments, and generates synergies within our consumer ophthalmic business as well as between our consumer and basic ophthalmic business, enhancing the overall experience of our customers in the meantime. If no other eye disease is identified, our optometrists will assess the examination results and provide lens try-ons and adjustment services to our customers. Afterwards, we will register detailed optometry information of the customers in our system. Our sales personnel then help our customers select desired eyeglasses frames and lenses after which our optician would process the eyeglasses. Detailed quality inspection is conducted before the eyeglasses are delivered to the customer. While delivering eyeglasses to the customers, we also re-exam certain features of the eyeglasses, and notify the customers of precautions and other information relating to the use of the optical products, which helps us to sustain customer satisfaction.

Types of Treatments and Services

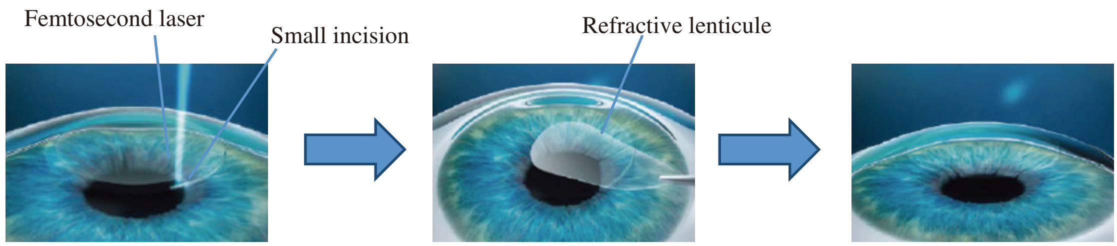
The following sets forth certain major treatments of our consumer ophthalmic services.

ReLEx SMILE

ReLEx SMILE is a form of surgery to correct refractive errors using a laser. ReLEx SMILE treats myopia up to -12.0 diopters, astigmatism up to 6.0 diopters and hyperopia up to +6.0 diopters. This operation is minimally invasive when compared with other types of refractive correction surgeries. Prior to the introduction of the ReLEx SMILE, LASIK or FS-LASIK was the mainstream surgical treatment to permanently correct refractive errors. ReLEx SMILE is an evolution of FS-LASIK, which can reduce side effects such as postoperative dry eyes and render better corneal biomechanical stability as compared with FS-LASIK treatment. We currently use it as the ideal treatment for correcting low and moderate myopia or hyperopia with or without astigmatism.

For ReLEx SMILE treatment, given that fewer nerves are severed by the smaller incision (around 2 mm), the majority of the upper corneal layers remains intact and there is a lower chance of dry eyes subsequent to the treatment. ReLEx SMILE also reduces the incidence of infection and epithelia ingrowth. Patients who have received ReLEx SMILE surgery generally have a shorter recovery time and experience fewer side-effects than those receiving other types of refractive laser surgeries. The total duration of this operation is within ten minutes for each pair of eyes.

The following diagram is a summary of the steps performed during a ReLEx SMILE treatment.



The femtosecond laser creates a refractive lenticule and small incision inside the intact cornea all in one step.

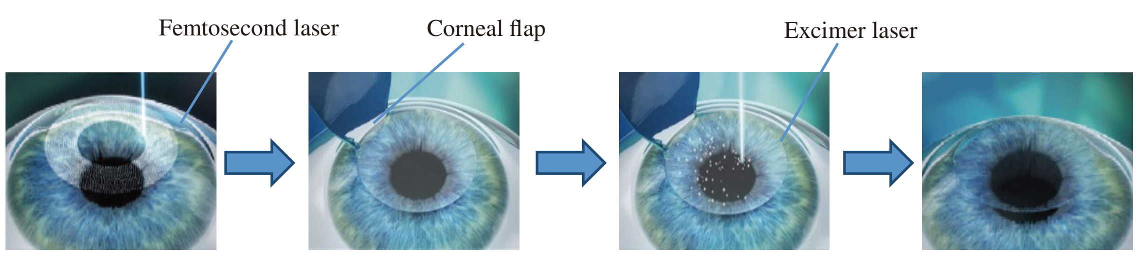
The refractive lenticule is subsequently removed through this small incision, leaving the remainder of the superficial cornea intact.

Removing the refractive lenticule changes the shape of the cornea, thereby achieving the desired refractive correction.

FS-LASIK

FS-LASIK is a refractive laser surgery which combines the use of the femtosecond laser and the excimer laser to treat myopia up to -12.0 diopters, astigmatism up to 6.0 diopters and hyperopia up to +6.0 diopters. This treatment outshines the conventional LASIK as the femtosecond laser replaces the use of the mechanical microkeratome for the creation of the flap, which enhances the preciseness of the incision with characteristics and dimensions that the surgeon selects. The total duration of this procedure is approximately 15 minutes for each pair of eyes.

This following diagram is a summary of the steps performed during a FS-LASIK treatment.



The femtosecond laser cuts a corneal flap.

The corneal flap layer is then gently lifted up to expose the inner layers of the cornea.

With the excimer laser, the cornea is ablated to a certain thickness on the basis of the measured values at relevant examinations.

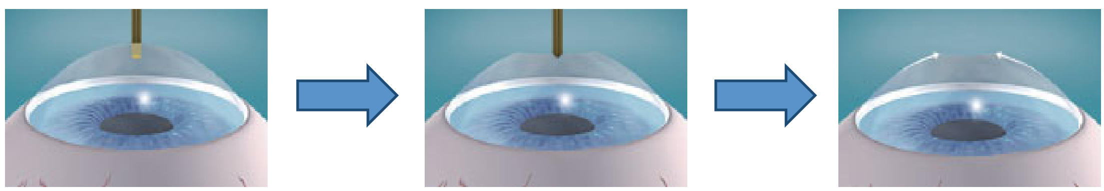
The flap is gently smoothed back onto the corneal surface.

Smart TransPRK

Smart TransPRK is a refractive laser surgery which combines the advantages of TransPRK surface ablation method and the revolutionary SmartPulse technology to treat myopia up to -8.0 diopters (and up to -12.0 diopters in certain circumstances), astigmatism up to 6.0 diopters and hyperopia up to +6.0 diopters. Smart TransPRK is also recommended to patients with special occupational needs, such as athletes and soldiers, as well as patients with special conditions such as thin cornea, small palpebral fissure or deep eye socket.

Smart TransPRK was introduced as an alternative to the conventional PRK to avoid the need for alcohol epithelial debridement or mechanical removal of the epithelium during the conventional PRK. Smart TransPRK requires only one-step removal of the epithelium and stroma, has no instrument contact with the cornea, takes less surgical time, and results in less postoperative pain, faster wound healing and faster visual recovery than the conventional PRK. Smart TransPRK minimizes the potential risk of keratectasia as there is no need to cut a cornea flap or create an incision on the corneal, which provides greater stability of postoperative corneal biomechanics than FS-LASIK or ReLEx SMILE. The total duration of this procedure is approximately five to ten minutes for each pair of eyes.

This following diagram is a summary of the steps performed during a Smart TransPRK treatment.



Excimer laser gently removes the cornea epithelium. A thin layer of cornea epithelium is remained.

With the excimer laser, the cornea is ablated to a certain thickness on the basis of the measured values at relevant examinations. The refractive power of the cornea is thereby changed, so that incoming light rays now bundle correctly on the retina.

The corneal epithelium would be completely healed without any incision.

The following diagram shows the incisions created during ReLEx SMILE, FS-LASIK and Smart TransPRK treatments.

ReLEx SMILE

A small incision of around 2 mm on the cornea.

FS-LASIK

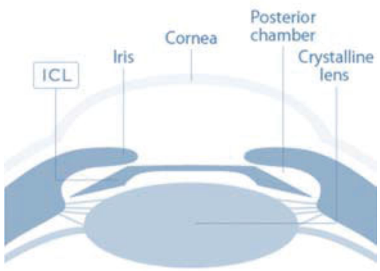
An incision of around 22 mm on the cornea.

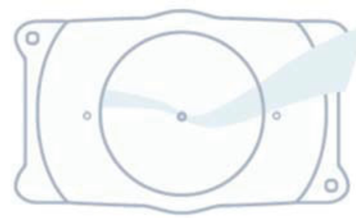
Smart TransPRK

Cornea is re-shaped directly with excimer laser. No incision would be created on the cornea.

Implantable Collamer Lens (ICL) Surgery

ICL surgery is a process where a collamer lens is implanted to the eye to treat high levels of myopia and astigmatism. It is usually used on patients aging from 18 to 45 years old. ICL surgery does not require creating a corneal flap and corneal tissue removal. This surgery instead consists of placing a prosthetic lens between the iris and the crystalline lens while retaining the eye's natural crystalline lens.





ICL lens

ICL surgery is ideal for patients who are not suitable for refractive laser surgeries due to thin or irregular corneas, dry eyes in severe cases or extreme levels of refractive errors. The total duration of this procedure is approximately 15 to 20 minutes for each pair of eyes.

This following diagram is a summary of the steps performed during an ICL surgery.

Create an incision of approximately 2.8 to 3 mm on the edge of the cornea.

The ICL, folded long and thin, is inserted into the incision through an injector.

The folded ICL will slowly open on its own in the anterior chamber of the eye. The surgeon may adjust the position of the ICL at this stage.

The lens is fixed in place. A postoperative observation of approximately two hours is usually required.

Femtosecond Laser-assisted Cataract Surgery (FLACS)

FLACS is a form of surgery that combines femtosecond laser technique with the conventional phacoemulsification surgery to treat cataract. During the procedure, femtosecond laser is used to create the surgical incision, create a round opening in the anterior capsule (namely the capsulotomy process) and to pre-fragmentize the cloudy lens. Compared to traditional phacoemulsification surgeries, where the incision and capsulorhexis processes are performed free-handed by surgeons, the introduction of femtosecond laser in FLACS can create more precise and regularly-shaped capsulorhexis with better concentration, and thus ensure better positioning and stability for the intraocular lens to be implanted. The use of femtosecond laser in FLACS to pre-fragmentize the cloudy lens also reduces the required time and power for the ultrasonic phacoemulsification, which may in turn reduce the heat damage to ocular tissues by ultrasound. This may translate into reduced endothelial cell loss, and, consequently, better outcomes in terms of visual acuity and safety. Using femtosecond laser to create arcade incisions reduces risks of surgery-related complications such as corneal perforation that can occur from manually created incisions. In addition, limbal relaxing incisions can also be created using femtosecond laser during the process to treat mild to moderate astigmatism.

Orthokeratology

Orthokeratology, or Ortho-K, is a type of specially designed rigid gas permeable contact lenses to change the curvature of the cornea to temporarily improve the patient's vision acuity and slow the progression of myopia for children. Ortho-k is typically made with oxygen-permeable polymers and can often be used for a long period of time with replacements required every one to 1.5 years. Most Ortho-k lenses are worn overnight to change the curvature of the cornea and then removed during the day. This treatment can be used as a non-surgical alternative to refractive correction surgeries, eyeglasses or for patients who prefer not to wear contact lenses during the day. Ortho-k is most often used to treat myopia up to -6.00 diopters. Ortho-k is recommended to correct children's vision as refractive correction surgeries are not suggested until their vision conditions are stable. Low-concentration atropine eye drops can be used in conjunction with Ortho-K to better slow down the progression of myopia.

The following diagram is a summary of the steps performed during an Ortho-k treatment.

Myopia eye profile without lens.

With Ortho-k lens fitted, the curvature of cornea will be changed.

After Ortho-k being worn overnight, cornea refractive power is now changed, thus reducing myopia.

Lens removed during day time and a clear vision can be achieved without wearing eyeglasses. Long-term use of Ortho-k also slows the progression of myopia for children.

Optical Products

Our optical centers provide multiple optical product categories, including eyeglasses frames, eyeglasses lenses, contact lenses, sunglasses and contact lens care products. The following sets forth a summary of our major optical products.

- *Eyeglass frames*. Eyeglass frames are generally available in a wide range of materials, styles, designs and brands. The most common materials used to manufacture frames include plastic, cellulose acetate and metal. For many customers, eyeglasses are not only a vision correction device but also a fashion accessory, and therefore brand and aesthetics are important factors in our customers' purchasing decisions.

- *Eyeglass lenses*. Eyeglass lenses are manufactured using a range of standard and proprietary organic and inorganic materials. Customers generally have the option of selecting individualized features such as lightweight designs, photochromatic capabilities and special coatings for ultraviolet protection, anti-reflection and anti-scratch protection. We also provide functional optical correction lenses for adolescent myopia control, corrective lenses for abnormal visual function as well as progressive lenses for presbyopia customers. In addition, we provide certain specialized lenses, including prismatic lenses used for strabismus correction and bifocal lenses used for primary cataract postoperative patients. We believe diversified lens options and our continuous upgrading of lenses will enable us to attract and retain more customers.

- *Soft contact lenses*. Soft contact lenses are typically made from hydrogels or silicone hydrogels and are often characterized by the period of use. We also provide multi-focal soft contact lens for adolescent myopia control. In addition, we provide contact lens care products as well, which are used by our customers for the cleaning, disinfection, washing, moisturizing and deproteinization of their reusable contact lenses.
- *Sunglasses*. Sunglasses can come with or without prescription lenses, and are worn both for fashion and protection of the eyes from ultraviolet rays. Sunglasses are more of a discretionary purchase than prescription eyewear, and sales of sunglasses are therefore more sensitive to the economic environment.

Operating Information Relating to Our Consumer Ophthalmic Services and Products

The following table sets forth a breakdown of our revenue from consumer ophthalmic services and products for the years indicated.

	For the year ended December 31,		
	2018	**2019**	**2020**
		(RMB millions)	
Treatments:			
ReLEx SMILE	29.8	58.4	99.0
FS-LASK	52.2	45.2	63.2
Smart TransPRK	6.0	7.5	8.7
ICL	6.6	10.4	22.4
FLACS	–	–	0.1
Ortho-K	37.9	57.6	69.5
Optical products[(1)]	42.1	52.2	56.5
Others[(2)]	24.1	27.8	50.1
Total	**198.7**	**259.1**	**369.5**

Notes:

(1) Including eyeglass frames, eyeglass lenses, soft contact lenses and sunglasses.

(2) Primarily including revenue from the provision of out-patient examinations for refractive correction and myopia control services at our hospitals and the sale of other optical products, such as contact lens care products, at our optical centers. The continued increase in such revenue was primarily due to an increase in the number of out-patient visits for our refractive correction and myopia control services and an increase in our sale of Ortho-K care products in line with the growth of our myopia control business. For details on the growth of our consumer ophthalmic business in 2020, please see "Financial Information — Results of Operations — 2020 Compared to 2019 — Revenue — Distribution of our Revenue by Business Segment — Consumer Ophthalmic Services."

The following table sets forth our revenue generated from our major consumer ophthalmic services and products, the amount and average price of the relevant consumer ophthalmic services and products, as well as our typical price range and the market price range for such products and services for the years indicated. Our typical price range represents the prices charged to customers for the respective products and services in most cases. Our typical price range may be different from the market price range, as the market price range reflects the prices typically charged by comparable ophthalmic hospitals and optical centers across China, which may be different from us in terms of types and complexity of services provided, equipment and technologies used and local market conditions where they operate.

	For the year ended December 31,		
	2018	2019	2020
ReLEx SMILE			
Revenue from ReLEx SMILE (RMB millions)	29.8	58.4	99.0
Number of ReLEx SMILE surgeries performed	1,557	3,053	5,186
Average price of ReLEx SMILE surgeries (RMB)	19,119	19,129	19,085
Our typical price range (RMB/pair of eyes)	14,400–20,800	14,400–20,800	14,400–20,800
Market price range (RMB/pair of eyes)	15,000–25,000	15,000–25,000	15,000–25,000
FS-LASIK			
Revenue from FS-LASIK (RMB millions)	52.2	45.2	63.2
Number of FS-LASIK surgeries performed	3,791	3,214	4,267
Average price of FS-LASIK surgeries (RMB)	13,772	14,051	14,814
Our typical price range (RMB/pair of eyes)	8,800–15,800	8,800–15,800	8,800–15,800
Market price range (RMB/pair of eyes)	13,000–16,000	13,000–16,000	13,000–16,000
Smart TransPRK			
Revenue from Smart TransPRK (RMB millions)	6.0	7.5	8.7
Number of Smart TransPRK surgeries performed	578	584	648
Average price of Smart TransPRK surgeries (RMB)	10,458	12,888	13,397
Our typical price range (RMB/pair of eyes)	5,500–10,800	5,800–13,800	6,000–13,800
Market price range (RMB/pair of eyes)	5,000–20,000	5,500–20,000	6,000–20,000
ICL			
Revenue from ICL surgeries (RMB millions)	6.6	10.4	22.4
Number of ICL surgeries performed	229	358	772
Average price of ICL surgeries (RMB)	28,852	28,955	28,983
Our typical price range (RMB/pair of eyes)	27,000–38,000	27,000–38,000	27,000–38,000
Market price range (RMB/pair of eyes)	30,000–40,000	30,000–40,000	30,000–40,000
FLACS			
Revenue from FLACS (RMB millions)	–	–	0.1
Number of FLACS performed	–	–	6
Average price of FLACS (RMB)	–	–	18,238
Our typical price range (RMB/pair of eyes)	–	–	16,000–36,000
Market price range (RMB/pair of eyes)	–	–	15,000–40,000
Ortho-K			
Revenue from Ortho-K (RMB millions)	37.9	57.6	69.5
Number of Ortho-K sold (pieces)	9,520	11,478	13,612
Average price of Ortho-K (RMB/piece)	3,983	5,019	5,105
Our typical price range (RMB/piece)	2,300–7,800	2,400–7,900	3,000–8,000
Market price range (RMB/piece)	2,000–15,000	2,000–15,000	3,000–15,000

	For the year ended December 31,		
	2018	2019	2020
Eyeglass frames			
Revenue from eyeglass frames (RMB millions)	11.9	12.6	13.5
Number of eyeglass frames sold (pairs)	50,297	49,049	52,281
Average price of eyeglass frames (RMB/pair)	236	257	258
Our typical price range (RMB/pair)	32–6,800	30–6,900	60–6,900
Market price range (RMB/pair)	30–5,000	30–5,000	50–5,000
Eyeglass lenses			
Revenue from eyeglass lenses (RMB millions)	29.4	38.9	42.3
Number of eyeglass lenses sold (pieces)	117,499	128,273	118,828
Average price of eyeglass lenses (RMB/piece)	250	303	356
Our typical price range (RMB/piece)	18–8,500	30–9,000	40–10,000
Market price range (RMB/piece)	20–10,000	30–10,000	50–10,000
Soft contact lenses			
Revenue from soft contact lenses (RMB millions)	0.3	0.4	0.5
Number of soft contact lenses sold (boxes)	3,839	3,450	4,172
Average price of soft contact lenses (RMB/box)	90	125	118
Our typical price range (RMB/box)	20–450	15–580	12–580
Market price range (RMB/box)	30–1,500	30–1,500	30–1,500
Sunglasses			
Revenue from sunglasses (RMB millions)	0.5	0.3	0.2
Number of sunglasses sold (pairs)	2,568	1,193	897
Average price of soft contact lenses/box (RMB/pair)	178	213	238
Our typical price range (RMB/pair)	55–1,800	55–1,900	50–2,000
Market price range (RMB/pair)	30–5,000	30–5,000	30–5,000

In 2018, 2019 and 2020, our revenue from ReLEx SMILE surgeries was RMB29.8 million, RMB58.4 million and RMB99.0 million, respectively. The continued increase in our revenue from ReLEx SMILE surgeries was primarily due to an increase in the number of ReLEx SMILE surgeries performed, reflecting our continued efforts to promote ReLEx SMILE services.

Our revenue from FS-LASIK surgeries decreased from RMB52.2 million in 2018 to RMB45.2 million in 2019, primarily due to a decrease in the number of FS-LASIK surgeries performed in 2019 as a result of our focus on the promotion of ReLEx SMILE services in 2019. Our revenue from FS-LASIK surgeries increased from RMB45.2 million in 2019 to RMB63.2 million in 2020, primarily due to an increase in the number of FS-LASIK surgeries performed in 2020 in line with the overall growth of our refractive correction business.

In 2018, 2019 and 2020, our revenue from ICL surgeries was RMB6.6 million, RMB10.4 million and RMB22.4 million, respectively. The continued increase in our revenue from ICL surgeries was primarily due to an increase in the number of ICL surgeries performed, reflecting our continued efforts to promote ICL surgeries, which is a more advanced treatment for refractive error, to patients suitable for ICL treatments or not suitable to receive refractive laser surgeries.

Our revenue from sale of Ortho-K increased from RMB37.9 million in 2018 to RMB57.6 million in 2019 as a result of increases in both the average selling price of Ortho-K and the number of Ortho-K sold. The increase in the average selling price of Ortho-K in 2019 was primarily due to an increase in our sale of high-end Ortho-K lenses, which are generally priced higher, to satisfy our customers' needs. The increase in the number of Ortho-K sold in 2019 primarily reflected our increased efforts to promote our myopia control services after the establishment of our myopia control center in September 2019. Our revenue from sale of Ortho-K increased from RMB57.6 million in 2019 to RMB69.5 million in 2020, primarily due to an increase in the number of Ortho-K sold, reflecting our continued efforts to promote our myopia control services after the establishment of our myopia control center in September 2019.

In 2018, 2019 and 2020, our revenue from sale of optical products, including eyeglass frames, eyeglass lenses, soft contact lenses and sunglasses, was RMB42.1 million, RMB52.2 million and RMB56.5 million, respectively. The continued increase in our revenue from sale of optical products was primarily attributable to the increase in our revenue from sale of eyeglass lenses as a result of the increase in their average selling price. The increase in the average selling price of our eyeglass lenses is primarily due to our increased offering of specialized lenses and high-end lenses, which are generally priced higher than the regular optical correction lenses, to satisfy our customers' needs.

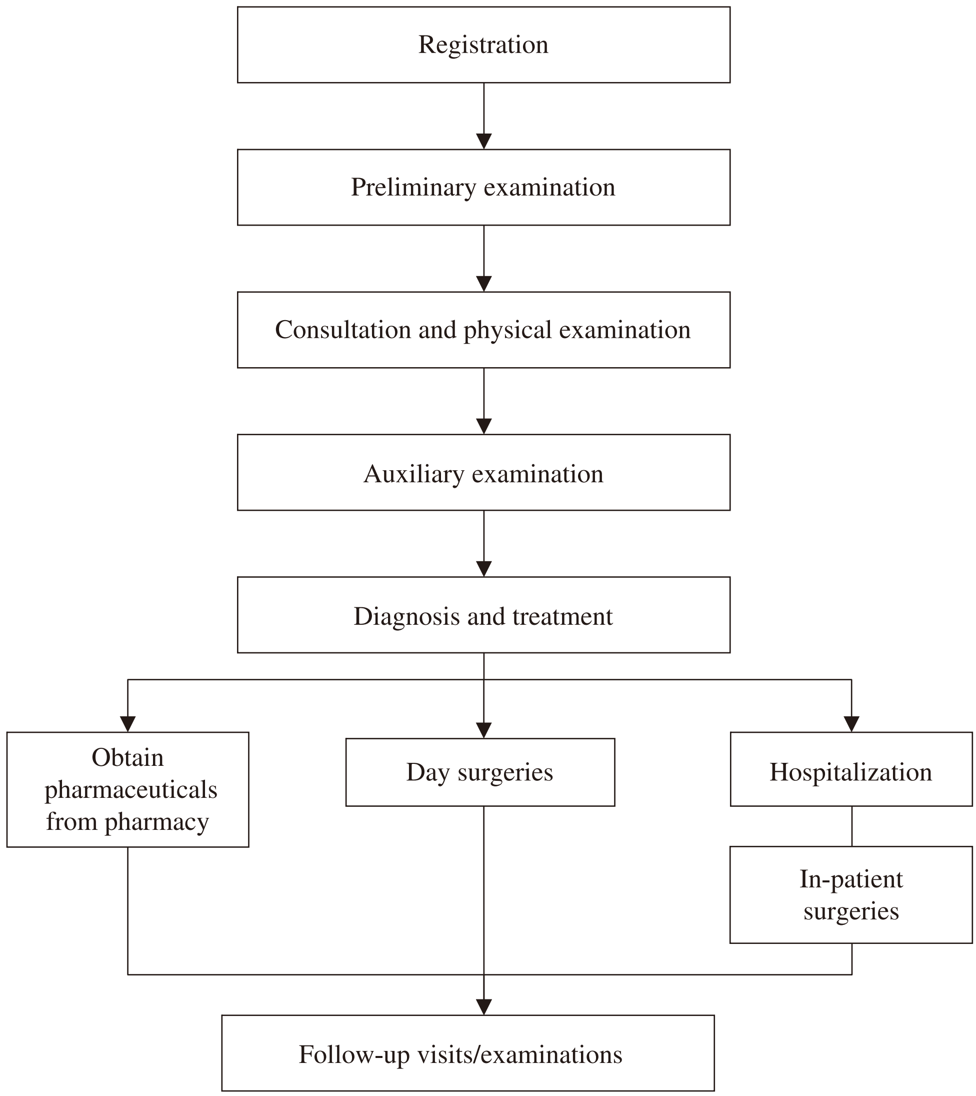
Basic Ophthalmic Services

Historically, a majority of our revenue was generated from basic ophthalmic services. Although we have been increasing our focus on the development of our consumer ophthalmic services in recent years, our basic ophthalmic services are expected to remain a stable growth area for our total revenue and is a key factor for us to maintain our market share and influence. Our basic ophthalmic services include treatments of a wide range of eye diseases, including cataract, glaucoma, squint, ocular fundus diseases, ocular surface diseases, orbital diseases and pediatric eye diseases. Leveraging our experience in ophthalmic services, we are also able to provide our patients with patient-oriented surgical plan and top services to fulfill their needs, creating market opportunities for us.

In 2018, 2019 and 2020, revenue from basic ophthalmic services amounted to RMB408.0 million, RMB445.9 million and RMB422.2 million, respectively, representing approximately 64.5%, 62.4% and 53.2% of our total revenue generated from ophthalmic services for the respective years.

Treatment Process

The following diagram sets forth an overview of the typical treatment process for our basic ophthalmic services.



Our treatment process for basic ophthalmic services is similar to that for our refractive correction (including presbyopia correction) and myopia control services, except that we generate our revenue primarily from in-patient services. In-patient services refer to treatments of patients who are hospitalized overnight or for an indeterminate period of time, usually several days, subject to their conditions and recovery. For details of each treatment process, please see "— Consumer Ophthalmic Services — Treatment Process."

Types of Treatments

The following table sets forth an overview of major medical and surgical treatments for basic ophthalmic services performed by us.

Condition	Treatments
Cataract	Lens removal surgeries in conjunction with artificial IOL implantation, or pharmaceutical treatment.
Glaucoma	Treatment by way of pharmaceuticals, laser or surgical interventions to lower the intraocular pressure to protect the optic nerve from damage.
Ocular fundus diseases	Pharmaceutical treatments, laser, intraocular injections and surgeries to treat choroid, retinal and macular diseases.
Ocular surface diseases	Physical therapies, pharmaceutical treatments, special treatments and surgeries.
Ocular muscle diseases and pediatric eye diseases	Pharmaceuticals treatments, surgeries and rehabilitation training for childhood amblyopia, strabismus and other eye diseases, and provision of optical products and services.
Oculoplastic and orbital diseases	Repair and reconstruction surgeries of orbits and eyelids from damages resulted from trauma, degeneration or other causes, as well as surgery for eye tumors.

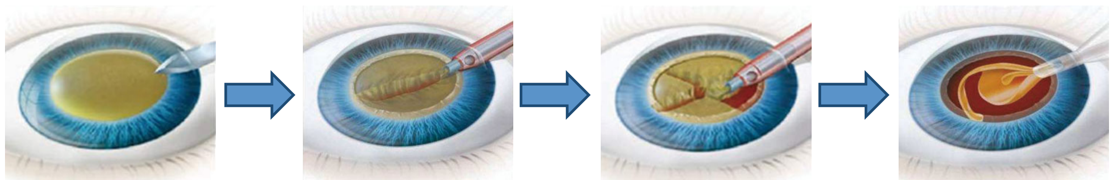
Our basic ophthalmic services are generally eligible to be covered by public health insurance programs. However, the percentage of the medical fees to be covered by public health insurance programs differs, depending on the type of medical procedures and treatments involved, the type of medical equipment, pharmaceuticals and medical consumables used, and the policies of the local public health insurance authorities where the basic ophthalmic services are rendered. The types of covered procedures, treatments, pharmaceuticals and consumables are listed in the public health insurance coverage catalogues maintained by local public health insurance authorities, with the detailed percentage of coverage determined by the local public health insurance authorities. As such, procedures, treatments, pharmaceuticals and consumables not listed in the public health insurance coverage catalogues are not covered by public health insurance programs. In addition, certain patients do not participate in any public health insurance program and therefore receive no coverage by public health insurance programs.

The following sets forth certain major treatments of our basic ophthalmic services.

Phacoemulsification with IOL Implantation

Phacoemulsification with IOL implantation operation is well recognized as the major treatment used to correct cataract. During the procedure, an ultrasonic phacoemulsification probe is used to ultrasonically fragmentize and remove the cloudy lens. An artificial IOL is then inserted to improve the patient's vision. We offer IOLs of various types and functions to our patients, including monofocal IOLs, toric IOLs, multifocal IOLs and accommodative IOLs. It is globally recognized as one of the most effective operations for cataract treatment.

This following diagram is a summary of the steps performed during a phacoemulsification with IOL implantation treatment.



A small surgical incision is created around the edge of the cornea.

An ultrasonic phacoemulsification probe is inserted in to the incision to break up the cloudy lens into tiny fragments using ultrasound.

An attachment on the probe tip is used for suction of cloudy lens fragment that haven been ultrasonically broken up.

An IOL is implanted in the lens capsule.

Minimally Invasive Vitrectomy Surgery (MIVS)

MIVS is a common procedure of ocular microsurgery used to remove the vitreous body to treat vitreous opacity, vitreous hemorrhage, retinal detachment and macular diseases. Very small gauge instruments are used in MIVS to penetrate the wall of the eye to access the vitreous cavity.

During a MIVS procedure, three incisions are usually made at 3.5 to 4 mm behind the corneal limbus to insert surgical instruments. Surgical operations are then performed inside the eye to remove vitreous body, restore retina, remove proliferative vitreoretinopathy or inner limiting membrane, thus restoring the structure and functions of the retina and macula. These incisions are small and do not require sutures. Therefore, the postoperative trauma is minor with a short recovery period.

Pterygium Excision Combined with Limbal Stem Cell Transplant

Pterygium is a common ocular surface disease, where a wing-shaped tissue grows from the conjunctiva onto the cornea. As the pterygium invades the cornea, it may cause irregular astigmatism, loss of visual acuity, chronic irritation, recurrent inflammation, double vision, and impaired eye motility. Surgical treatment is an ideal treatment for pterygium. Pterygium excision combined with limbal stem cell transplantation can decrease the recurrent rate and improve epithelial recovering time of corneal wound.

During the procedure, the pterygium tissue is separated and excised under the microscope, and a piece of conjunctival tissue with limbal stem cell is subsequently transplanted and sutured.

Compound Trabeculectomy

Glaucoma is a common eye disease, featured with atrophy of visual nerves, loss of visual field and vision impairment, which can eventually result in vision loss and blindness. The main treatment for glaucoma aims to reduce intraocular pressure in order to slow or prevent further vision loss, which can be achieved with medications and surgeries. Trabeculectomy is recognized as the most common surgical procedure to treat glaucoma. With the development of removable suture technology, antimetabolites, anterior chamber paracentesis technology as well as intraoperative pre-evaluation of postoperative filtration of aqueous humor, traditional trabeculectomy has gradually transformed into compound trabeculectomy with an aim to reduce postoperative complications and to better control intraocular pressure.

During the compound trabeculectomy procedure, a conjunctival peritomy is created to expose the superior bare sclera. A scleral flap is then created, and antimetabolites are applied to prevent scarring and fibrosis in the scleral flap. Tissue underneath the scleral flap and peripheral iris are then removed to provide a pathway for aqueous flow. Sutures are then used to close the scleral flap and conjunctival flap, and will be released within weeks.

Endoscopic Endonasal Dacryocystorhinostomy (EEDCR)

Dacryocystitis is a common infection disorder of the lacrimal sac resulting usually from nasolacrimal duct obstruction, with a typical symptom of tearing. Conservative treatments only achieve temporary relief of symptoms, thus surgery is the treatment of choice.

EEDCR is recognized as one of the most suitable treatments for patients with nasolacrimal duct obstruction. The main goal in EEDCR is to create a small hole in the bone to achieve a contact between the lacrimal sac and the nasal mucosa, and to unblock tear ducts, relieve the tearing symptom as well as prevent infections.

Compared to traditional surgical treatment of dacryocystitis, EEDCR is minimally invasive and leaves no skin scar, thus leading to a swifter recovery.

Operating Information Relating to Our Basic Ophthalmic Services

The following table sets forth a breakdown of our revenue from basic ophthalmic services for the years indicated.

	For the year ended December 31,		
	2018	**2019**	**2020**
		(RMB millions)	
In-patient treatments for:			
Cataract	213.5	230.0	205.8
Ocular fundus diseases	46.1	54.4	72.1
Ocular surface diseases	17.4	18.1	17.7
Glaucoma	9.1	11.0	11.6
Ocular muscle diseases and pediatric eye diseases	6.6	7.0	6.8
Oculoplastic and orbital diseases	1.3	1.3	0.4
Others	5.6	7.3	3.2
Subtotal	299.6	329.1	317.6
Out-patient treatments	108.4	116.8	104.6
Total	**408.0**	**445.9**	**422.2**

The following table sets forth a breakdown of our revenue generated from major basic ophthalmic treatments, the amount and average price of the relevant basic ophthalmic treatments, as well as our typical price range and the market price range for such treatments for the years indicated. Our typical price range represents the prices charged to customers for the respective products and services in most cases. Our typical price range may be different from the market price range, as the market price range reflects the prices typically charged by comparable ophthalmic hospitals across China, which may be different from us in terms of types and complexity of services provided, equipment and technologies used and local market conditions where they operate.

	For the year ended December 31,		
	2018	2019	2020
In-patient treatments under our basic ophthalmic services			
Cataract			
Revenue from in-patient treatments (RMB millions)	213.5	230.0	205.8
Number of in-patient visits	27,205	27,721	24,950
Average spending per in-patient visit (RMB)	7,847	8,297	8,247
Our typical price range (RMB/pair of eyes)	6,500–25,000	7,000–26,000	7,500–30,000
Market price range (RMB/pair of eyes)	5,000–25,000	5,000–25,000	5,000–25,000
Ocular fundus diseases			
Revenue from in-patient treatments (RMB millions)	46.1	54.4	72.1
Number of in-patient visits	5,693	6,705	8,612
Average spending per in-patient visit (RMB)	8,098	8,116	8,371
Our typical price range (RMB/eye)	5,000–12,000	5,000–13,000	5,000–14,000
Market price range (RMB/eye)	5,000–12,000	5,000–13,000	5,000–14,000
Ocular surface diseases			
Revenue from in-patient treatments (RMB millions)	17.4	18.1	17.7
Number of in-patient visits	7,405	7,683	7,250
Average spending per in-patient visit	2,346	2,352	2,435
Our typical price range (RMB/eye)	2,000–40,000	2,000–40,000	2,000–40,000
Market price range (RMB/eye)	2,000–40,000	2,000–40,000	2,000–40,000
Glaucoma			
Revenue from in-patient treatments (RMB millions)	9.1	11.0	11.6
Number of in-patient visits	1,110	1,324	1,406
Average spending per in-patient visit (RMB)[1]	8,176	8,277	8,246
Our typical price range (RMB/eye)	5,000–7,000	5,000–7,000	5,000–7,000
Market price range (RMB/eye)	5,000–10,000	5,000–10,000	5,000–10,000
Ocular muscle diseases and pediatric eye diseases			
Revenue from in-patient treatments (RMB millions)	6.6	7.0	6.8
Number of in-patient visits	1,334	1,429	1,214
Average spending per in-patient visit (RMB)	4,941	4,908	5,576
Our typical price range (RMB/eye)	2,000–6,000	2,200–6,200	2,200–7,000
Market price range (RMB/eye)	2,000–6,000	2,000–6,500	2,000–7,000
Oculoplastic and orbital diseases			
Revenue from in-patient treatments (RMB millions)	1.3	1.3	0.4
Number of in-patient visits	259	237	73
Average spending per in-patient visit (RMB)	5,142	5,314	5,298
Our typical price range (RMB/eye)	2,000–7,000	2,000–7,500	2,100–8,000
Market price range (RMB/eye)	2,000–20,000	2,000–20,000	2,000–20,000

	For the year ended December 31,		
	2018	**2019**	**2020**
Out-patient treatments under our basic ophthalmic services			
Total revenue from out-patient treatments (RMB millions)[2]	108.4	116.8	104.6
Number of out-patient visits	524,170	559,144	487,595
Cataract			
Our typical price range (RMB/visit)	60–450	100–500	100–500
Market price range (RMB/visit)	100–500	100–500	100–500
Ocular fundus diseases			
Our typical price range (RMB/visit)	150–700	150–750	180–800
Market price range (RMB/visit)	100–500	100–500	100–500
Ocular surface diseases			
Our typical price range (RMB/visit)	50–300	50–300	50–300
Market price range (RMB/visit)	100–500	100–500	100–500
Glaucoma			
Our typical price range (RMB/visit)	50–400	50–400	50–400
Market price range (RMB/visit)	100–500	100–500	100–500
Ocular muscle diseases and pediatric eye diseases			
Our typical price range (RMB/visit)	80–350	80–350	100–400
Market price range (RMB/visit)	100–500	100–500	100–500
Oculoplastic and orbital diseases			
Our typical price range (RMB/visit)	300–800	300–800	300–850
Market price range (RMB/visit)	100–500	100–500	100–500

Notes:

(1) Patients usually seek primary glaucoma treatment for both eyes during one single visit. Therefore the average spending per in-patient visit for glaucoma exceeds our typical price range for in-patient treatments of glaucoma for one eye.

(2) A breakdown of revenue derived from, and the number of out-patient visits for, each type of treatment under our basic ophthalmic services is unavailable, because (i) patients seeking out-patient treatments for eye diseases covered by our basic ophthalmic services generally register at the hospitals without knowing the exact type of diseases they have, and therefore such out-patient visits and revenue derived therefrom cannot be accurately categorized under each type of eye disease; and (ii) certain patients are diagnosed with multiple types of eye diseases after out-patient consultations and examinations, and therefore the medical fees arising from such consultations and examinations cannot be accurately categorized under each type of eye disease.

Revenue from in-patient treatment of cataract increased from RMB213.5 million in 2018 to RMB230.0 million in 2019, primarily due to an increase in the average price for our in-patient treatment as a result of the improved quality of our services and the increased use of specialized lenses, which are priced higher than ordinary lenses. Revenue from in-patient treatment of cataract decreased from RMB230.0 million in 2019 to RMB205.8 million in 2020, primarily due to a decrease in the number of in-patient visits, reflecting the reduced willingness for patients to seek cataract treatment, which is of a non-urgent nature, during the COVID-19 pandemic.

Revenue from in-patient treatment of ocular fundus diseases increased from RMB46.1 million in 2018 to RMB54.4 million in 2019, which further increased to RMB72.1 million in 2020, primarily due to a continued increase in the number of in-patient visits. In-patient visits for ocular fundus diseases increased from 5,693 in 2018 to 6,705 in 2019, primarily reflecting our improved brand awareness and improved capacity for the treatment of ocular fundus diseases, benefiting from the establishment of designated teams for ocular fundus disease treatment in certain of our hospitals in 2019. In-patient visits for ocular fundus diseases increased from 6,705 in 2019 to 8,612 in 2020, primarily reflecting increased demand from local patients for treatments of ocular fundus diseases, which often cause severe loss of sight and require immediate treatment, as the travel restrains during the COVID-19 pandemic caused difficulties for local patients to seek treatments from larger cities where we had no operations.

Revenue from in-patient treatment of ocular surface diseases increased from RMB17.4 million in 2018 to RMB18.1 million in 2019, primarily due to an increase in the number of in-patient visits in line with our overall business growth. Revenue from in-patient treatment of ocular surface diseases decreased from RMB18.1 million in 2019 to RMB17.7 million in 2020, primarily due to a decrease in the number of in-patient visits, reflecting the reduced willingness for patients to seek in-patient treatments for ocular surface diseases, which are often of a non-urgent nature, during the COVID-19 pandemic.

Revenue from in-patient treatment of glaucoma increased from RMB9.1 million in 2018 to RMB11.0 million in 2019, primarily due to an increase in the number of in-patient visits in line with our overall business growth. Revenue from in-patient treatment of glaucoma increased from RMB11.0 million in 2019 to RMB11.6 million in 2020, primarily due to an increase in the number of in-patient visits, which reflected increased demand from local patients for treatments of glaucoma, which often require immediate surgical treatment, as the travel restrains during the COVID-19 pandemic caused difficulties for local patients to seek treatments from larger cities where we had no operations.

Revenue from in-patient treatment of ocular muscle diseases and pediatric eye diseases increased from RMB6.6 million in 2018 to RMB7.0 million in 2019, primarily due to an increase in the number of in-patient visits in line with our overall business growth. Revenue from in-patient treatment of ocular muscle diseases and pediatric eye diseases decreased from RMB7.0 million in 2019 to RMB6.8 million in 2020, primarily due to a decrease in the number of in-patient visits as a result of the negative impact of the COVID-19 pandemic on our operations.

Revenue from out-patient treatments under our basic ophthalmic services increased from RMB108.4 million in 2018 to RMB116.8 million in 2019, primarily due to an increase in the number of out-patient visits in line with our overall business growth. Revenue from out-patient treatments under our basic ophthalmic services decreased from RMB116.8 million in 2019 to RMB104.6 million in 2020, primarily due to a decrease in the number of out-patient visits, which reflected the negative impact on our business operations by the COVID-19 pandemic.

OUR OPERATION NETWORK

Since we started our business in 1988, we have built a broad footprint of ophthalmic hospitals and optical centers through a combination of organic growth and strategic acquisitions, spanning across five provinces or autonomous region in the PRC, namely, Inner Mongolia, Zhejiang Province, Jiangsu Province, Shanxi Province and Hebei Province.

Our Hospitals

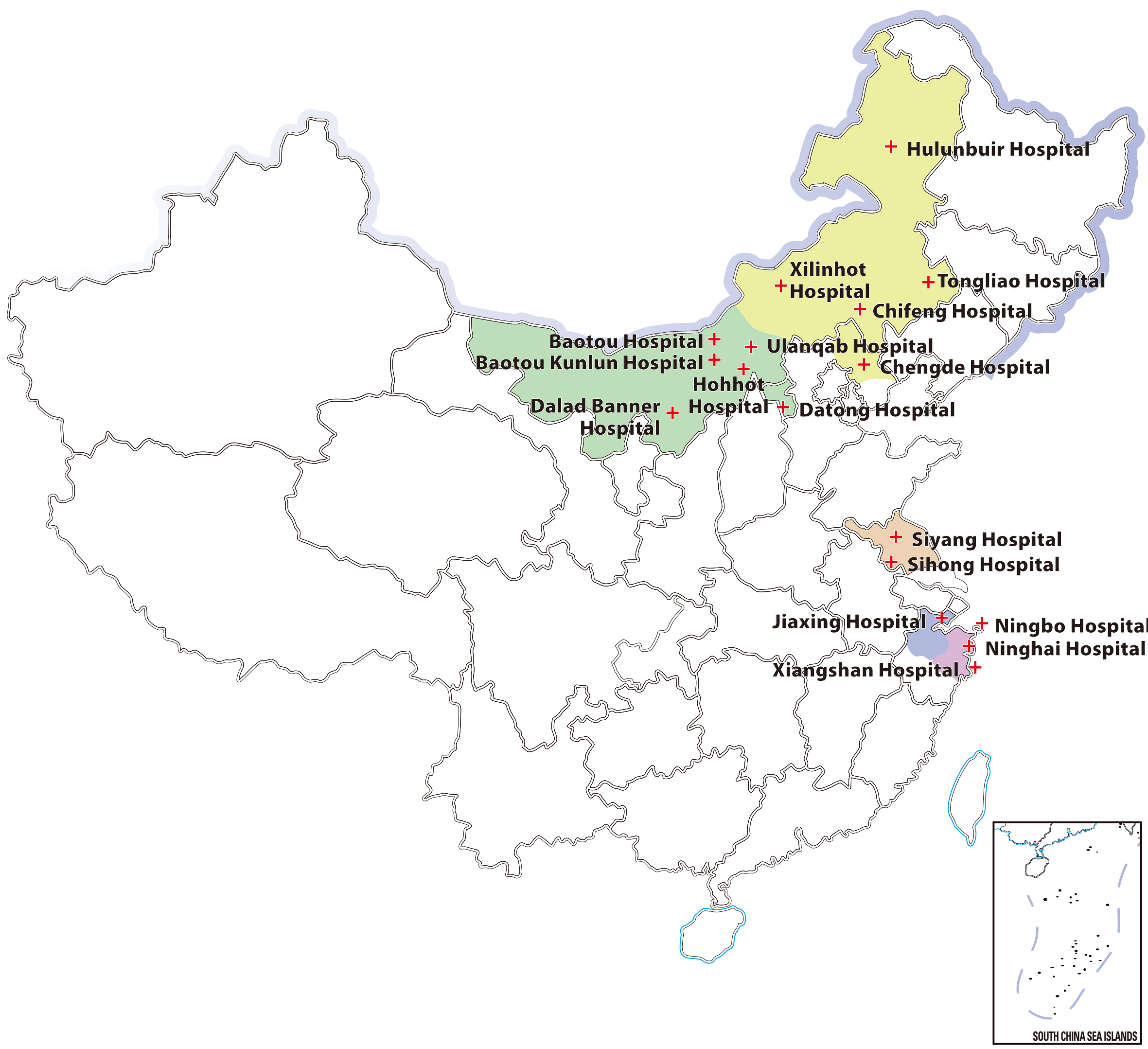
Our hospitals offer a full range of basic and consumer ophthalmic services including consultations, basic and functional examinations, prescriptions, hospitalization and surgeries as well as post-surgery care and follow-up examinations.

Our Hospital Network

As of the Latest Practicable Date, we 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, we also provide out-patient services through two clinics, namely the Tumb Right Banner branch of our Baotou Hospital and the Pingzhuang clinic of our Chifeng Hospital, which are branches of our Baotou Hospital and Chifeng Hospital, respectively. Our hospitals offer a wide range of ophthalmic services, including out-patient and in-patient treatments and surgeries. Our clinics only offer out-patient diagnosis and treatments for relatively simple ophthalmic diseases and disorders and do not perform any surgeries, and therefore contribute only an insignificant portion to our total revenue.

Except for three ophthalmic hospitals we acquired from third parties, all of our ophthalmic hospitals operate under our brand "Chaoju (朝聚)." According to the Frost & Sullivan Report, we ranked first in Inner Mongolia, second in North China and fifth in China among private ophthalmic hospitals in terms of total revenue in 2020. As a leading ophthalmic services provider with a history of over 30 years, we believe we are well-positioned to capture enormous opportunities in this underserved market.

Our hospitals are strategically located in five major regions, namely western Inner Mongolia and the adjacent region, eastern Inner Mongolia and the adjacent region, eastern Zhejiang, northern Zhejiang and northern Jiangsu. We have established a leading position in western Inner Mongolia and the adjacent region through our dense network layout of six hospitals as of the Latest Practicable Date. Leveraging our market presence and experience in such region as well as our highly standardized management and services models, we have successfully established and acquired 11 hospitals in other regions as of the Latest Practicable Date, consisting of five hospitals in eastern Inner Mongolia and the 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 our hospitals as of the Latest Practicable Date.



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 our hospitals as of the Latest Practicable Date.

	Hospital	Location	Class [(1)]	Date of Incorporation	GFA (sq.m.)	Facilities: Number of registered beds [(2)]	Facilities: Number of consultation rooms	Facilities: Number of optometry rooms	Facilities: Number of examination rooms	Facilities: Number of treatment rooms	Facilities: Number of operating theaters	Full time physicians[(3)]	Full time ophthalmologists[(4)]
1 . .	Baotou Hospital	Western Inner Mongolia	Class III	May 12, 2016	15,710	120	18	7	26	18	8	33	28
2 . .	Hohhot Hospital	Western Inner Mongolia	Class III	September 21, 2016	7,697	100	17	2	20	11	8	37	31
3 . .	Datong Hospital	Adjacent to western Inner Mongolia	Class II	March 24, 2015	4,319	50	7	2	12	7	7	9	8
4 . .	Ulanqab Hospital	Western Inner Mongolia	N/A	March 27, 2017	3,100	60	4	2	6	3	5	9	8
5 . .	Baotou Kunlun Hospital	Western Inner Mongolia	Class II	March 7, 2016	2,968	30	2	1	8	4	3	8	7
6 . .	Dalad Banner Hospital	Western Inner Mongolia	Class II	May 23, 2016	2,292	30	3	1	6	3	4	5	5
7 . .	Hulunbuir Hospital	Eastern Inner Mongolia	Class II	February 14, 2018	3,772	30	2	3	8	6	4	8	3
8 . .	Chifeng Hospital	Eastern Inner Mongolia	Class III	December 19, 2016	7,662	100	14	6	19	9	8	28	23
9 . .	Tongliao Hospital	Eastern Inner Mongolia	Class II	September 20, 2017	4,568	60	3	1	9	4	6	8	7
10 .	Chengde Hospital	Adjacent to eastern Inner Mongolia	Class II	December 2, 2016	7,579	80	7	4	12	6	6	8	6
11 .	Xilinhot Hospital	Eastern Inner Mongolia	Class II	December 16, 2014	1,070	30	3	–	4	3	1	3	3
12 .	Ningbo Hospital	Eastern Zhejiang	Class II	Acquired[(5)]	4,510	30	5	5	4	4	5	7	7
13 .	Ninghai Hospital	Eastern Zhejiang	Class II	Acquired[(6)]	2,798	20	4	2	3	4	4	4	4
14 .	Xiangshan Hospital	Eastern Zhejiang	Class III	Acquired[(7)]	2,763	47	5	3	5	3	2	4	4
15 .	Jiaxing Hospital	Northern Zhejiang	N/A	February 7, 2018	6,937	60	8	3	6	3	6	13	10
16 .	Siyang Hospital	Northern Jiangsu	N/A	July 21, 2016	4,200	30	3	–	6	4	3	6	5
17 .	Sihong Hospital	Northern Jiangsu	N/A	June 28, 2017	5,201	60	4	1	6	4	4	3	1
Total					**87,146**	**937**	**109**	**43**	**160**	**96**	**84**	**193**	**160**

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 the Latest Practicable Date, 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 the Latest Practicable Date.

(3) Represents the number of physicians that are our full-time employees (including retirees). In addition to our full-time employees, we also had 67 multi-site practice physicians as of the Latest Practicable Date, who were not full-time employees of our Group. In addition, we also have our full-time physicians practice at different hospitals of ours on a multi-site practice basis.

(4) Represents the number of ophthalmologists that are our full-time employees (including retirees). In addition to our full-time employees, we also had 46 multi-site practice ophthalmologists as of the Latest Practicable Date, who were not full-time employees of our Group. In addition, we also have our full-time ophthalmologists practice at different hospitals of ours on a multi-site practice basis.

(5) We acquired our Ningbo Hospital in December 2017.

(6) We acquired our Ninghai Hospital in June 2018.

(7) We acquired our Xiangshan Hospital in December 2017.

During the Track Record Period, we voluntarily dissolved certain hospitals after the termination of their operations due to business development considerations, including Qiqihar Chaoju Eye Hospital Co., Ltd. (齊齊哈爾朝聚眼科醫院有限公司) ("**Qiqihar Hospital**") dissolved in November 2018, Hangzhou Yuhang Chaoju Eye Hospital Co., Ltd. (杭州餘杭朝聚眼科醫院有限公司) ("**Yuhang Hospital**") dissolved in December 2019 and certain other hospitals and clinics that did not engage any business activities during the Track Record Period.

We dissolved our Qiqihar Hospital primarily due to (i) failure by our partner in establishing our Qiqihar Hospital, Qiqihar Medical University (齊齊哈爾醫學院), to perform its contractual obligation to obtain the land use rights and planning approvals for the intended location of Qiqihar Hospital next to Qiqihar Medical University, (ii) failure of the basic ophthalmic business of our Qiqihar Hospital to grow as we expected due to restrains from local public health insurance programs, and (iii) a shift of our overall development strategy for eastern Inner Mongolia and the adjacent region, as the geographic distance between Qiqihar Hospital and our other hospitals in the eastern Inner Mongolia region made it difficult for Qiqihar Hospital to achieve synergies with these other hospitals. As Qiqihar Medical University did not obtain the necessary land use rights and planning approvals, our Qiqihar Hospital operated in a leased premises distant from Qiqihar Medical University, which made it difficult for Qiqihar Hospital to share medical and research facilities with Qiqihar Medical University. This defeated our objective for Qiqihar Hospital to become a teaching hospital operated in conjunction with Qiqihar Medical University and a talent reserve and professional training platform of ours. During the Track Record Period and up to the Latest Practicable Date, we did not have any dispute or disagreement with Qiqihar Medical University other than its failure to obtain the relevant land use rights and planning approvals. We have terminated our cooperation with Qiqihar Medical University by mutual agreement in July 2018.

We dissolved our Yuhang Hospital primarily due to (i) its ineligibility for public health insurance program coverage, as it did not meet the minimum scoring requirement in the relevant eligibility assessment as a result of, among others, its geographic proximity to other medical institutions with public health insurance coverage, and (ii) the lower than expected demand for new ophthalmic hospitals from the local market.

The following table sets forth a breakdown of our revenue from hospitals for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Revenue	% of total revenue from our hospitals	Revenue	% of total revenue from our hospitals	Revenue	% of total revenue from our hospitals
	(RMB millions, except for percentages)					
Baotou Hospital	153.2	27.5	170.3	26.2	179.1	24.7
Hohhot Hospital	149.0	26.7	167.0	25.7	187.2	25.9
Datong Hospital	23.3	4.2	25.7	4.0	27.5	3.8
Ulanqab Hospital	24.8	4.4	27.0	4.2	28.7	4.0
Baotou Kunlun Hospital	10.7	1.9	15.9	2.5	18.2	2.5
Dalad Banner Hospital	12.5	2.2	12.7	2.0	10.9	1.5
Hulunbuir Hospital	0.7	0.1	18.6	2.9	14.6	2.0
Chifeng Hospital	81.7	14.6	89.5	13.8	109.9	15.1
Tongliao Hospital	5.5	1.0	6.4	1.0	18.0	2.5
Chengde Hospital	19.2	3.4	27.3	4.2	27.2	3.7
Xilinhot Hospital	4.4	0.8	4.3	0.7	4.6	0.6
Ningbo Hospital	16.8	3.0	16.7	2.6	18.8	2.6
Ninghai Hospital	4.3	0.8	7.7	1.2	4.6	0.6
Xiangshan Hospital	20.0	3.6	17.4	2.7	17.0	2.3
Jiaxing Hospital(1)	–	–	17.9	2.8	38.2	5.3
Siyang Hospital	11.2	2.0	11.9	1.8	12.4	1.7
Sihong Hospital	13.3	2.4	10.0	1.5	9.0	1.2
Qiqihar Hospital(2)	3.1	0.5	–	–	–	–
Yuhang Hospital(3)	3.9	0.7	2.5	0.4	–	–
Total Revenue from our hospitals	**557.4**	**100.0**	**648.9**	**100.0**	**725.9**	**100.0**

Notes:

(1) Our Jiaxing Hospital was incorporated in February 2018. The business operations of our Jiaxing Hospital were transferred from its predecessor in August 2019. For further details on such transfer of business operations, please see "History, Reorganization and Corporate Structure — Certain Predecessors of Our Hospitals."

(2) Dissolved in November 2018.

(3) Dissolved in December 2019.

The following table sets forth a breakdown of our gross profit or loss from hospital for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Gross profit or loss	% of gross profit from our hospitals	Gross profit or loss	% of gross profit from our hospitals	Gross profit or loss	% of gross profit from our hospitals
	(RMB millions, except for percentages)					
Baotou Hospital	78.7	36.4	87.4	34.7	95.7	30.5
Hohhot Hospital	68.6	31.7	77.1	30.6	95.2	30.4
Datong Hospital	4.7	2.2	6.1	2.4	9.9	3.2
Ulanqab Hospital	10.4	4.8	10.2	4.1	13.3	4.2
Baotou Kunlun Hospital	1.8	0.8	4.2	1.7	6.9	2.2
Dalad Banner Hospital	3.5	1.6	4.5	1.8	2.7	0.9
Hulunbuir Hospital	(2.6)	(1.2)	3.7	1.4	1.7	0.5
Chifeng Hospital	42.5	19.6	40.3	16.0	54.7	17.4
Tongliao Hospital	–	–	(3.0)	(1.2)	4.9	1.6
Chengde Hospital	(1.9)	(0.9)	2.8	1.1	3.0	1.0
Xilinhot Hospital	0.8	0.4	0.9	0.3	1.3	0.4
Ningbo Hospital	3.6	1.7	2.8	1.1	4.5	1.4
Ninghai Hospital	(0.1)	–	0.6	0.2	(2.4)[1]	(0.8)
Xiangshan Hospital	2.7	1.3	3.7	1.5	3.9	1.2
Jiaxing Hospital[2]	–	–	6.7	2.7	13.6	4.3
Siyang Hospital	3.1	1.4	2.5	1.0	4.4	1.4
Sihong Hospital	3.7	1.7	0.8	0.3	0.7	0.2
Qiqihar Hospital[3]	(2.3)	(1.1)	–	–	–	–
Yuhang Hospital[4]	(1.0)	(0.5)	0.9	0.3	–	–
Total	**216.1**	**100.0**	**252.1**	**100.0**	**314.0**	**100.0**

Notes:

(1) Our Ninghai Hospital recorded a gross loss of RMB2.4 million in 2020, primarily due to a decrease in its revenue in 2020. The decrease in the revenue of our Ninghai Hospital in 2020 primarily reflected the negative impact on its operations by the COVID-19 pandemic, as the overall capabilities of our Ninghai Hospital for basic ophthalmic services was relatively weak compared to our more developed hospitals, and the consumer ophthalmic services business of our Ninghai Hospital was still developing. We have allocated internal resources, including assigning prestigious physicians from our other hospitals to Ninghai Hospital, to enhance the capabilities of our Ninghai Hospital.

(2) Our Jiaxing Hospital was incorporated in February 2018. The business operations of our Jiaxing Hospital were transferred from its predecessor in August 2019. For further details on such transfer of business operations, please see "History, Reorganization and Corporate Structure — Certain Predecessors of Our Hospitals."

(3) Dissolved in November 2018.

(4) Dissolved in December 2019.

Baotou Hospital

Our Baotou Hospital was incorporated in May 2016 and is located in western Inner Mongolia. As of the Latest Practicable Date, our Baotou Hospital had 120 registered beds and a leased GFA of approximately 15,710 sq.m. As of the Latest Practicable Date, our Baotou Hospital had 186 medical professionals, including 13 multi-site practice physicians who were also employees of our Group, and nine multi-site practice physicians who were employees of other medical institutions. As of the same date, our Baotou Hospital had 245 full-time employees.

The following table sets forth certain key operational and financial information of our Baotou Hospital as of the dates or for the years indicated.

	As of and for the year ended December 31,		
	2018	**2019**	**2020**
Out-patient services			
Number of out-patient visits	141,443	142,413	125,384
Average spending per visit (RMB)[1]	532	614	802
Number of out-patient surgeries performed	11,618	13,385	13,060
Revenue generated from out-patient services (RMB millions)	75.2	87.5	100.5
In-patient services			
Number of in-patient visits	9,667	10,104	8,540
Average spending per visit (RMB)[1]	8,058	8,195	9,204
Number of registered beds[2]	120	120	120
Effective service capacity[3]	43,800	43,800	43,920
In-patient bed-days[4]	48,135	43,553	37,894
Average length of stay (days)	5.0	4.3	4.4
Utilization rate (%)[5]	109.9[6]	99.4	86.3
Number of in-patient surgeries performed	8,736	9,578	8,708
Revenue generated from in-patient services (RMB millions)	77.9	82.8	78.6

Notes:

(1) Calculated by dividing the revenue generated from the particular category of service by the total number of patient visits under the same category.

(2) Represents the total number of beds registered in the practicing licenses of our Baotou Hospital as of the end of the relevant year.

(3) Calculated as the total number of registered beds on each day aggregated over the course of such year.

(4) Represents the actual number of beds occupied by our in-patients on each day aggregated over the course of the relevant year.

(5) Calculated by dividing the in-patient bed-days during such period by the effective service capacity during such year.

(6) Utilization rate of registered beds exceeded 100% due to the addition of temporary beds to satisfy demands from patients. We have been advised by our PRC Legal Advisors that the relevant PRC laws and regulations do not explicitly state that beds in operation exceeding registered beds constitutes a violation of the PRC law. The healthcare administrative authorities in Baotou has also confirmed with us that (i) we had not been imposed any administrative penalty for the overutilization of registered beds, nor will they impose any administrative penalty on us for such overutilization of our registered beds; and (ii) we are allowed to continue to operate in such manner.

In order to improve its operational efficiency, our Baotou Hospital promoted day surgeries (being in-patient surgeries that do not require overnight stay at our hospitals) for cataract and pterygium treatments in 2019. As a result, the total in-patient bed-days of our Baotou Hospital in 2019 decreased, whereas the Group saw an overall increase in total in-patient bed-days performed for the respective years. On the other hand, as our Baotou Hospital already enjoyed a relatively high local market share compared to our other hospitals, the growth rate of its refractive correction business was not as high as those for our other hospitals. The number of out-patient surgeries performed by our Baotou Hospital in 2020 decreased as compared to 2019, primarily as a result of the negative impact on our Baotou Hospital's business operations by the COVID-19 pandemic in the first half of 2020. However, our Group recorded an increase in the total number of out-patient surgeries performed in 2020, as the negative impact of the COVID-19 pandemic was offset by the relatively higher increase in the number of refractive correction surgeries performed.

In addition, our Baotou Hospital increased its treatment for both eyes of each patient during one single in-patient visit, compared to the prior practice of treating only one eye during each in-patient visit, in order to streamline our treatment procedures and improve patient experience. As a result, the average length of stays for in-patient visits to our Baotou Hospital increased slightly in 2020, whilst the overall average length of stays for in-patient visit at our Group decreased for the same year.

Hohhot Hospital

Hohhot Hospital was incorporated in the PRC in September 2016 and is located in western Inner Mongolia. As of the Latest Practicable Date, our Hohhot Hospital had 100 registered beds and a leased GFA of approximately 7,697 sq.m. As of the Latest Practicable Date, our Hohhot Hospital had 183 medical professionals, including six multi-site practice physicians who were also employees of our Group, and 22 multi-site practice physicians who were employees of other medical institutions. As of the same date, our Hohhot Hospital had 223 full-time employees.

The following table sets forth certain key operational and financial information of our Hohhot Hospital as of the dates or for the years indicated.

	As of and for the year ended December 31,		
	2018	2019	2020
Out-patient services			
Number of out-patient visits	132,125	148,171	147,630
Average spending per visit (RMB)(1)	571	606	784
Number of out-patient surgeries performed	7,693	9,714	10,485
Revenue generated from out-patient services (RMB millions)	75.5	89.8	115.7
In-patient services			
Number of in-patient visits	8,835	8,671	7,867
Average spending per visit (RMB)(1)	8,319	8,903	9,089
Number of registered beds(2)	100	100	100
Effective service capacity(3)	36,500	36,500	36,600
In-patient bed-days(4)	30,740	33,495	30,035
Average length of stay (days)	3.5	3.9	3.8
Utilization rate (%)(5)	84.2	91.8	82.1
Number of in-patient surgeries performed	7,664	8,120	7,589
Revenue generated from in-patient services (RMB millions)	73.5	77.2	71.5

Notes:

(1) Calculated by dividing the revenue generated from the particular category of service by the total number of patient visits under the same category.

(2) Represents the total number of beds registered in the practicing licenses of our Hohhot Hospital as of the end of the relevant year.

(3) Calculated as the total number of registered beds on each day aggregated over the course of such year.

(4) Represents the actual number of beds occupied by our in-patients on each day aggregated over the course of the relevant year.

(5) Calculated by dividing the in-patient bed-days during such year by the effective service capacity during such year.

Our Hohhot Hospital historically provided cataract surgeries to patients under certain social responsibility projects through surgical vehicles outside the hospital, which did not require the patients to stay at the hospital for such surgeries but contributed to the number of in-patient visits and in-patient surgeries performed. In 2019, our Hohhot Hospital reduced such surgeries performed under the social responsibility projects, as our other hospitals in Inner Mongolia, such as our Hulunbuir Hospital and Tongliao Hospital, started to participate in these projects to grow their customer base and local market share. As a result, the number of in-patient visits to our Hohhot Hospital decreased in 2019, while the number of in-patient visits of our Group increased in the same year. In addition, as such cataract surgeries performed on surgical vehicles contributed to the number of in-patient visits but not to the in-patient bed-days, the average length of in-patient stays for our Hohhot Hospital was relatively low in 2018. Our Hohhot Hospital discontinued providing such surgeries in 2019, and extended the in-patient observation periods before cataract surgeries in 2019 to prevent intraocular infections during surgeries. As a result, the average length of stays for in-patient visits to, and the utilization rate of the registered beds of, our Hohhot Hospital increased in 2019, whilst the overall average length of stay for in-patient visits and utilization rate for registered beds of our Group decreased in the same year.

Chifeng Hospital

Chifeng Hospital was incorporated in the PRC in December 2016 and is located in eastern Inner Mongolia. As of the Latest Practicable Date, our Chifeng Hospital had 100 registered beds and a leased GFA of approximately 7,662 sq.m. As of the Latest Practicable Date, our Chifeng Hospital had 121 medical professionals, including six multi-site practice physicians who were also employees of our Group, and seven multi-site practice physicians who were employees of other medical institutions. As of the same date, our Chifeng Hospital had 166 full-time employees.

The following table sets forth certain key operational and financial information of our Chifeng Hospital as of the dates or for the years indicated.

	As of and for the year ended December 31,		
	2018	2019	2020
Out-patient services			
Number of out-patient visits	77,108	81,733	78,351
Average spending per visit (RMB)[(1)]	610	717	947
Number of out-patient surgeries performed	4,987	5,305	6,939
Revenue generated from out-patient services (RMB millions)	47.0	58.6	74.2
In-patient services			
Number of in-patient visits	4,931	4,518	5,283
Average spending per visit (RMB)[(1)]	7,037	6,839	6,758
Number of registered beds[(2)]	100	100	100
Effective service capacity[(3)]	36,500	36,500	36,600
In-patient bed-days[(4)]	19,751	21,252	19,360
Average length of stay (days)	4.0	4.7	3.7
Utilization rate (%)[(5)]	54.1	58.2	52.9
Number of in-patient surgeries performed	5,612	5,198	5,451
Revenue generated from in-patient services (RMB millions)	34.7	30.9	35.7

Notes:

(1) Calculated by dividing the revenue generated from the particular category of service by the total number of patient visits under the same category.

(2) Represents the total number of beds registered in the practicing licenses of our Chifeng Hospital as of the end of the relevant year.

(3) Calculated as the total number of registered beds on each day aggregated over the course of such year.

(4) Represents the actual number of beds occupied by our in-patients on each day aggregated over the course of the relevant year.

(5) Calculated by dividing the in-patient bed-days during such period by the effective service capacity during such year.

Our Chifeng Hospital historically provided cataract surgeries to patients under certain social responsibility projects through surgical vehicles outside the hospital, which did not require the patients to stay at the hospital for such surgeries but contributed to the number of in-patients visits and in-patient surgeries performed. In 2019, our Chifeng Hospital reduced its surgeries performed under the social responsibility projects, as our other hospitals in Inner Mongolia, such as our Hulunbuir Hospital and Tongliao Hospital, started to participate in these projects to grow their customer base and local market share. As a result, the number of in-patient visits to, and in-patient surgeries performed by, our Chifeng Hospital decreased in 2019, while our Group saw an overall increase in the number of in-patient visits and in-patient surgeries for the same year. In addition, as such cataract surgeries performed on surgical vehicles contributed to the number of in-patient visits but not to the in-patient bed-days, the average length of in-patient stays for our Chifeng Hospital was relatively low in 2018. Our Chifeng Hospital discontinued providing such surgeries in 2019, which resulted in an increase in its average length of in-patient stays in 2019, while our Group's overall average length of stay of in-patient visits decreased in the same year. The utilization rate of the registered beds of our Chifeng Hospital increased in 2019 as a result of the increase in its total in-patient bed-days in line with the overall business growth of our Group. The overall utilization rate of registered beds of our Group decreased in the same year, primarily due to the increased number of registered beds at a higher speed than in-patient bed-days as a result of our opening of Jiaxing Hospital in 2019. Moreover, due to the lowered price ceiling imposed by the Chifeng public health insurance authorities for certain in-patient services, there was a decrease in the average spending of in-patient visits to our Chifeng Hospital in 2019, while our Group saw an overall increase in the average spending of in-patient visits for the same year. As such, our Chifeng Hospital's revenue from in-patient services decreased in 2019, while our Group experienced an increase in revenue from in-patient services.

Furthermore, as our Chifeng Hospital has developed a distinguished specialty in the treatment of ocular fundus diseases and established its ocular fundus disease center in late 2019, the number of in-patient visits to, the number of in-patient surgeries performed by, and the revenue generated from in-patient services provided by, our Chifeng Hospital increased in 2020, while our Group saw an overall decrease in the number of in-patient visits and in-patient surgeries performed and the revenue from in-patient services for the same year.

During the Track Record Period, the utilization rate of our Chifeng Hospital was lower than that of our Baotou Hospital and Hohhot Hospital, primarily due to a relatively lower number of in-patient visits to our Chifeng Hospital as compared to those of our Baotou Hospital and Hohhot Hospital, irrespective of the similar number of registered beds of these hospitals. This was primarily due to (i) the fact that the basic ophthalmic services capabilities of our Chifeng Hospital were not as strong as that of our Baotou Hospital and Hohhot Hospital, as all our in-patient stays are derived from basic ophthalmic services, and (ii) the scarcely distributed population in the urban area of Chifeng compared to Baotou and Hohhot.

Ulanqab Hospital

Our Ulanqab Hospital was incorporated in March 2017 and is located in western Inner Mongolia. As of the Latest Practicable Date, our Ulanqab Hospital had 60 registered beds and a leased GFA of approximately 3,100 sq.m. As of the Latest Practicable Date, our Ulanqab Hospital had 55 medical professionals, including eight multi-site practice physicians who were also employees of our Group. As of the same date, our Ulanqab Hospital had 84 full-time employees.

The following table sets forth certain key operational and financial information of our Ulanqab Hospital as of the dates or for the years indicated.

	As of and for the year ended December 31,		
	2018	2019	2020
Out-patient services			
Number of out-patient visits	35,410	38,021	35,612
Average spending per visit (RMB)(1)	228	259	323
Number of out-patient surgeries performed	418	733	1,246
Revenue generated from out-patient services (RMB millions)	8.1	9.8	11.5
In-patient services			
Number of in-patient visits	2,332	2,483	2,288
Average spending per visit (RMB)(1)	7,170	6,920	7,517
Number of registered beds(2)	60	60	60
Effective service capacity(3)	21,900	21,900	21,960
In-patient bed-days(4)	8,101	7,846	6,974
Average length of stay (days)	3.5	3.2	3.0
Utilization rate (%)(5)	37.0	35.8	31.8
Number of in-patient surgeries performed	2,113	2,245	2,115
Revenue generated from in-patient services (RMB millions)	16.7	17.2	17.2

Notes:

(1) Calculated by dividing the revenue generated from the particular category of service by the total number of patient visits under the same category.

(2) Represents the total number of beds registered in the practicing licenses of our Ulanqab Hospital as of the end of the relevant year.

(3) Calculated as the total number of registered beds on each day aggregated over the course of such year.

(4) Represents the actual number of beds occupied by our in-patients on each day aggregated over the course of the relevant year.

(5) Calculated by dividing the in-patient bed-days during such period by the effective service capacity during such year.

In view of the more stringent restrictions on the coverage of certain ophthalmic treatments imposed by the Ulanqab public health insurance authorities, there was a reduced preference by the local patients to choose high-end lenses for cataract surgeries during the Track Record Period. As a result, the average spending of in-patient visits to our Ulanqab Hospital decreased in 2019, while our Group saw an overall increase in the average spending of in-patient visits for the same year. In addition, our Ulanqab Hospital streamlined its medical procedures for cataract surgeries and improved the efficiency of its in-patient services in 2019. This resulted in a decrease in the in-patient bed-days of our Ulanqab Hospital in 2019, while the total in-patient bed-days of our Group increased in the same year.

The utilization rate of the registered beds of our Ulanqab Hospital in 2018, 2019 and 2020 was 37.0%, 35.8% and 31.8%, respectively. The relatively low utilization rate was primarily because the number of registered beds of Ulanqab Hospital was determined at a level to ensure that Ulanqab Hospital has sufficient capacity, including the number of registered beds, to support its future growth. Although the consumer ophthalmic services of Ulanqab Hospital recorded satisfactory growth during the Track Record Period, the growth of Ulanqab Hospital's basic ophthalmic services was lower than expected, thus resulting in a relatively low utilization rate of its registered beds as all our in-patient stays are derived from basic ophthalmic services. However, as the registered beds of Ulanqab Hospital were fully utilized during certain peak months, we did not reduce the number of registered beds of our Ulanqab Hospital. As we are still exploring the growth potential of our Ulanqab Hospital, we do not plan to establish or acquire any hospital in Ulanqab in the near future.

Chengde Hospital

Our Chengde Hospital was incorporated in December 2016 and is located in the adjacent region of eastern Inner Mongolia. As of the Latest Practicable Date, our Chengde Hospital had 80 registered beds and a leased GFA of approximately 7,579 sq.m. As of the Latest Practicable Date, our Chengde Hospital had 57 medical professionals, including one multi-site practice physician who was also an employee of our Group, and four multi-site practice physicians who were employees of other medical institutions. As of the same date, our Chengde Hospital had 79 full-time employees.

The following table sets forth certain key operational and financial information of our Chengde Hospital as of the dates or for the years indicated.

	As of and for the year ended December 31,		
	2018	2019	2020
Out-patient services			
Number of out-patient visits	15,591	17,390	16,068
Average spending per visit (RMB)[1]	544	828	1,097
Number of out-patient surgeries performed	1,331	2,181	2,076
Revenue generated from out-patient services (RMB millions)	8.5	14.4	17.6
In-patient services			
Number of in-patient visits	1,971	2,157	1,671
Average spending per visit (RMB)[1]	5,418	5,978	5,741
Number of registered beds[2]	80	80	80
Effective service capacity[3]	29,200	29,200	29,280
In-patient bed-days[4]	8,788	9,747	7,657
Average length of stay (days)	4.5	4.5	4.6
Utilization rate (%)[5]	30.1	33.4	26.2
Number of in-patient surgeries performed	1,820	1,968	1,483
Revenue generated from in-patient services (RMB millions)	10.7	12.9	9.6

Notes:

(1) Calculated by dividing the revenue generated from the particular category of service by the total number of patient visits under the same category.

(2) Represents the total number of beds registered in the practicing licenses of our Chengde Hospital as of the end of the relevant year.

(3) Calculated as the total number of registered beds on each day aggregated over the course of such year.

(4) Represents the actual number of beds occupied by our in-patients on each day aggregated over the course of the relevant year.

(5) Calculated by dividing the in-patient bed-days during such period by the effective service capacity during such year.

During the Track Record Period, our Chengde Hospital increased its promotion activities for treatments of ocular fundus diseases and certain other complex eye diseases, and experienced an increase in the number of patient visits for such treatments. As these treatments usually require longer period of hospitalization, our Chengde Hospital experienced an increase in the utilization rate for its registered beds in 2019, while the overall utilization rate for our Group's registered beds decreased in the same year. In 2020, the Chengde local government implemented relatively stringent pandemic control measures that caused substantial constraints on the sales and marketing activities of our Chengde Hospital, including activities at local communities to promote awareness for eye health and prevention of eye diseases, which is an effective source of patients for Chengde Hospital as its brand awareness on the local market was not as strong as that of our hospitals in Inner Mongolia. As such, the number of out-patient surgeries performed by our Chengde Hospital decreased in 2020, while our Group saw an overall increase in the number of out-patient surgeries performed in the same year.

In addition, certain local social organization in Chengde discontinued its payment to our Chengde Hospital in 2020 with respect to the cataract surgeries offered to indigent communities at discounted prices. However, our Chengde Hospital continued offering such surgeries at discounted prices in 2020 to further grow its local brand awareness and customer base. As a result, there was a decrease in the average spending of in-patient visits to our Chengde Hospital in 2020, while our Group saw an overall increase in the average spending of in-patient visits in the same year.

The utilization rate of the registered beds of our Chengde Hospital in 2018, 2019 and 2020 was 30.1%, 33.4% and 26.2%, respectively. The relatively low utilization rate was primarily because, as our first and only hospital in Hebei Province, Chengde Hospital was designed at its inception to have sufficient capacity, including the number of registered beds, to support our business growth in Hebei Province in terms of both basic ophthalmic services and consumer ophthalmic services. Although the consumer ophthalmic services of Chengde Hospital recorded satisfactory growth during the Track Record Period, the growth of Chengde Hospital's basic ophthalmic services was lower than expected, thus resulting in a relatively low utilization rate of its registered beds as all our in-patient stays are derived from basic ophthalmic services. As we are still exploring opportunities to grow our share in the ophthalmic services market in Hebei Province through our Chengde Hospital, we do not plan to establish or acquire any hospital in Chengde in the near future.

Jiaxing Hospital

Located in northern Zhejiang, our Jiaxing Hospital was incorporated in February 2018. As of the Latest Practicable Date, our Jiaxing Hospital had 60 registered beds and a leased GFA of approximately 6,937 sq.m. As of the Latest Practicable Date, our Jiaxing Hospital had 52 medical professionals, including six multi-site practice physicians who were also employees of our Group, and three multi-site practice physicians who were employees of other medical institutions. As of the same date, our Jiaxing Hospital had 74 full-time employees.

The following table sets forth certain key operational and financial information of our Jiaxing Hospital as of the dates or for the years indicated.

	As of and for the year ended December 31,	
	2019	2020
Out-patient services		
Number of out-patient visits	9,111	24,361
Average spending per visit (RMB)(1)	964	838
Number of out-patient surgeries performed	151	477
Revenue generated from out-patient services (RMB millions)	8.8	20.4
In-patient services		
Number of in-patient visits	1,128	2,604
Average spending per visit (RMB)(1)	8,104	6,845
Number of registered beds(2)	70	70
Effective service capacity(3)	25,550	25,620
In-patient bed-days(4)	3,267	5,746
Average length of stay (days)	2.9	2.2
Utilization rate (%)(5)	12.8	22.4
Number of in-patient surgeries performed	1,274	2,567
Revenue generated from in-patient services (RMB millions)	9.1	17.8

Notes:

(1) Calculated by dividing the revenue generated from the particular category of service by the total number of patient visits under the same category.

(2) Represents the total number of beds registered in the practicing licenses of our Jiaxing Hospital as of the end of the relevant year.

(3) Calculated as the total number of registered beds on each day aggregated over the course of such year. The effective service capacity for 2019 is calculated on an annualized basis.

(4) Represents the actual number of beds occupied by our in-patients on each day aggregated over the course of the relevant year.

(5) Calculated by dividing the in-patient bed-days during such period by the effective service capacity during such year.

As the business operations of our Jiaxing Hospital were only transferred from its predecessor in August 2019, the operational and financial data of our Jiaxing Hospital for 2019 only reflects the results of less than five months' operations. For further details on such transfer of business operations, please see "History, Reorganization and Corporate Structure — Certain Predecessors of Our Hospitals." As such, the operational and financial data of our Jiaxing Hospital for 2019 and 2020 are not directly comparable, and accordingly, the number of out-patient and in-patient visits, the number of out-patient and in-patient surgeries performed, the total in-patient bed-days, the utilization rate of registered beds, and revenue generated from out-patient and in-patient services of our Jiaxing Hospital increased significantly in 2020 compared to 2019.

In 2020, our Jiaxing Hospital increased the use of lenses with lower prices in light of the tightened control over the spending of single in-patient visits imposed by the public health insurance programs in Jiaxing. As a result, the average spending of in-patient visits to our Jiaxing Hospital decreased in 2020, while the overall average spending of in-patient visits increased for our Group in the same year.

The utilization rate of the registered beds of our Jiaxing Hospital in 2019 and 2020 was 12.8% and 22.4%, respectively. The relatively low utilization rate was primarily because the number of registered beds of Jiaxing Hospital was determined at a level comparable to Class II hospitals as required by the local medical authorities, being no less than 60 registered beds. Although the consumer ophthalmic services of Jiaxing Hospital recorded satisfactory growth during the Track Record Period, the growth of Jiaxing Hospital's basic ophthalmic services was lower than expected, thus resulting in a relatively low utilization rate of its registered beds as all our in-patient stays are derived from basic ophthalmic services. As we are still exploring the growth potential of our Jiaxing Hospital, we do not plan to establish or acquire any hospital in Jiaxing in the near future.

Datong Hospital

Our Datong Hospital was incorporated in March 2015 and is adjacent to the western Inner Mongolia region. As of the Latest Practicable Date, our Datong Hospital had 50 registered beds and a leased GFA of approximately 4,319 sq.m. As of the Latest Practicable Date, our Datong Hospital had 69 medical professionals, including ten multi-site practice physicians who were also employees of our Group, and 16 multi-site practice physicians who were employees of other medical institutions. As of the same date, our Datong Hospital had 72 full-time employees.

The following table sets forth certain key operational and financial information of our Datong Hospital as of the dates or for the years indicated.

	As of and for the year ended December 31,		
	2018	2019	2020
Out-patient services			
Number of out-patient visits	25,560	26,460	27,661
Average spending per visit (RMB)(1)	313	402	475
Number of out-patient surgeries performed	1,373	1,614	1,554
Revenue generated from out-patient services (RMB millions)	8.0	10.6	13.1
In-patient services			
Number of in-patient visits	3,088	2,136	1,931
Average spending per visit (RMB)(1)	4,957	7,040	7,447
Number of registered beds(2)	75	75	75
Effective service capacity(3)	27,375	27,375	27,450
In-patient bed-days(4)	11,601	8,786	7,840
Average length of stay (days)	3.8	4.1	4.1
Utilization rate (%)(5)	42.4	32.1	28.6
Number of in-patient surgeries performed	2,910	2,032	1,928
Revenue generated from in-patient services (RMB millions)	15.3	15.0	14.4

Notes:

(1) Calculated by dividing the revenue generated from the particular category of service by the total number of patient visits under the same category.

(2) Represents the total number of beds registered in the practicing licenses of our Datong Hospital as of the end of the relevant year.

(3) Calculated as the total number of registered beds on each day aggregated over the course of such year.

(4) Represents the actual number of beds occupied by our in-patients on each day aggregated over the course of the relevant year.

(5) Calculated by dividing the in-patient bed-days during such period by the effective service capacity during such year.

Our Datong Hospital had historically provided in-patient cataract treatments and surgeries to indigent communities under certain local social responsibility projects to enhance its brand awareness and expand its customer base on the local market. Our Datong Hospital reduced such treatments and surgeries provided under the local social responsibility projects in 2019 to focused its resources on providing services to its own customers. As a result, the number of in-patient visits to, the number of in-patient surgeries performed by, the total in-patient bed-days of, and revenue from in-patient services provided by, our Datong Hospital decreased in 2019, while our Group saw an overall increase in these numbers for the same period. In addition, in light of its enhanced medical capacity brought by new senior professional members, our Datong Hospital increased its offerings of in-patient treatments of complex eye diseases, which are usually priced higher and require longer periods of hospitalization compared with other in-patient treatments. As a result, there was an increase in the average length of stays for in-patient visits to our Datong Hospital in 2019, while the overall average length of stays for in-patient visit at our Group decreased in the same year.

In 2020, the Datong local government implemented relatively stringent pandemic control measures that caused substantial constraints on the sales and marketing activities of our Datong Hospital, including activities at local communities to promote awareness for eye health and prevention of eye diseases, which is an effective source of patients for Datong Hospital as its brand awareness at the local market was not as strong as that of our hospitals in Inner Mongolia at their local markets. As such, the number of out-patient surgeries performed by our Datong Hospital decreased in 2020, while our Group saw an overall increase in the number of out-patient surgeries performed in the same year. Our Datong Hospital collaborated with certain local social organizations in 2020 to provide eye health screening services to veterans. As a result, the number of out-patient visits to our Datong Hospital increased in 2020, while the total number of out-patient visits of our Group remained relatively stable in the same year.

The utilization rate of the registered beds of our Datong Hospital in 2018, 2019 and 2020 was 42.4%, 32.1% and 28.6%, respectively. The relatively low utilization rate was primarily because, as our first and only hospital in Shanxi Province, Datong Hospital was designed at its inception to have sufficient capacity, including the number of registered beds, to support our business growth in Shanxi Province in terms of both basic ophthalmic services and consumer ophthalmic services. Although the consumer ophthalmic services of Datong Hospital recorded satisfactory growth during the Track Record Period, the growth of Datong Hospital's basic ophthalmic services was lower than expected, thus resulting in a relatively low utilization rate of its registered beds as all our in-patient stays are derived from basic ophthalmic services. As we are still exploring opportunities to grow our share in the ophthalmic services market in Shanxi Province through our Datong Hospital, we do not plan to establish or acquire any hospital in Datong in the near future.

Our Professional Team

The qualification and expertise of physicians and other medical professionals practicing at our hospitals are vital to the quality of services provided by our hospitals and our competitiveness. We believe our professional team is testament to our ability to provide ophthalmic services to treat diverse conditions of patients through individualized treatment options, which is critical to our success in attracting and retaining patients.

The professional team at our hospitals comprises physicians (including ophthalmologists), nurses, medical technicians (including inspectors, optometrists, imaging technicians and pharmacists) and medical assistants. Our physicians are required to be registered in accordance with the relevant healthcare administrative authorities in the PRC. As of the Latest Practicable Date, our medical professional team consisted of 261 physicians (including 67 multi-site practice physicians who were not our full-time employees). As of the same date, 207 of our physicians (including 46 multi-site practice physicians who were not our full-time employees) were registered as specialized ophthalmologists. During the Track Record Period, all of our physicians possessed their Medical Practitioner Certificates (執業醫師證), and all our nurses and medical assistants complied with the relevant registration and practicing requirements, which enabled them to carry out their medical practice in accordance with the applicable laws and regulations.

There are generally three types of physicians practicing at our hospitals: (i) physicians who are employees of our hospitals and practice at our hospitals on a full-time basis; (ii) multi-site practice physicians who are full-time employees of other hospitals and practice at our hospitals on a part-time basis; and (iii) physicians who are retirees (namely, a person who has reached the statutory retirement age in China but continues to work on a full-time basis) of our hospitals or other third-party hospitals and practice at our hospitals on a full-time basis. Multi-site practice physicians full-time employees of other hospitals are not our employees under the applicable laws and regulations and practice at our hospitals on a part-time basis. We believe the experience and expertise of these multi-site practice physicians can enhance the breadth of our services and reputation of our practice.

The following table sets forth the members of our professional team at our hospitals as of the Latest Practicable Date.

	As of the Latest Practicable Date
Physicians[1]	261
Nurses	422
Other professionals[2]	312
Total	**995**

Notes:

(1) Including 67 multi-site practice physicians who were not our full-time employees. As of the Latest Practicable Date, 207 of our physicians (including 46 multi-site practice physicians) were registered as specialized ophthalmologists.

(2) Consist of medical technicians (including inspectors, optometrists, imaging technicians and pharmacists) and medical assistants.

The smooth operation of our business is related to the provision of quality services by our ophthalmic professionals as a whole. In 2018, 2019 and 2020, our revenue attributable to our top ten physicians amounted to RMB105.9 million, RMB123.3 million and RMB144.5 million, respectively, representing approximately 16.9%, 17.2% and 18.1% of our total revenue for the respective years. All of these physicians are senior professionals with at least 15 years' experience in the field of medical services, substantially all of whom hold chief physician or associate chief physician qualifications. As of the Latest Practicable Date, all of the physicians were our full-time employees. In 2018, 2019 and 2020, the aggregate remuneration paid to our top ten physicians in terms of revenue contribution amounted to RMB5.5 million, RMB6.3 million and RMB7.9 million, respectively. We determine the level of the remuneration for our physicians based on, among others, their professional seniority and experience, education background, quality of services rendered, revenue contribution as well as their research and training contributions. Our Directors believe that the remuneration for our top ten physicians is in line with the industry practice.

The following tables set forth details on the revenue contribution and remuneration (including share-based payments) of our top ten physicians for the years indicated.

				For the year ended December 31, 2018		
Physicians	**Age**	**Years in Chaoju**	**Expiry date of the employment contract**	**Revenue contribution**	**% of our total revenue**	**Remuneration**
				(RMB millions, except percentages)		
Physician A[(1)]	62	16	May 17, 2024	15.6	2.5	0.8
Physician B	48	15	Non-fixed term	12.5	2.0	0.6
Physician C	46	21	Non-fixed term	12.4	2.0	0.6
Physician D	43	16	Non-fixed term	10.6	1.7	0.6
Physician E[(1)]	58	16	July 31, 2024	10.5	1.7	0.6
Physician F	41	16	Non-fixed term	9.5	1.5	0.5
Physician G	40	15	Non-fixed term	9.4	1.5	0.5
Physician H	44	16	Non-fixed term	9.3	1.5	0.5
Physician I	43	16	Non-fixed term	8.3	1.3	0.4
Physician J[(1)]	63	6[(2)]	December 31, 2023	7.8	1.2	0.4
Total				**105.9**	**16.9**	**5.5**

Notes:

(1) Retirees.

(2) Physician J is a senior physician with 40 years of experience in the field of medical services, who retired in 2013 and joined our Group as a retiree in 2015.

				For the year ended December 31, 2019		
Physicians	**Age**	**Years in Chaoju**	**Expiry date of employment contract**	**Revenue contribution**	**% of our total revenue**	**Remuneration**
				(RMB millions, except percentages)		
Physician A[(1)]	62	16	May 17, 2024	22.3	3.1	1.1
Physician C	46	21	Non-fixed term	17.1	2.4	1.2
Physician E[(1)]	58	16	July 31, 2024	15.0	2.1	0.6
Physician G	40	15	Non-fixed term	11.0	1.5	0.6
Physician F	41	16	Non-fixed term	10.2	1.4	0.5
Physician D	43	16	Non-fixed term	10.0	1.4	0.5
Physician H	44	16	Non-fixed term	10.0	1.4	0.5
Physician B	48	15	Non-fixed term	9.9	1.4	0.5
Physician I	43	16	Non-fixed term	9.8	1.4	0.5
Physician K	45	15	Non-fixed term	8.0	1.1	0.3
Total				**123.3**	**17.2**	**6.3**

Note:

(1) Retirees.

Physicians	Age	Years in Chaoju	Expiry date of employment contract	For the year ended December 31, 2020		
				Revenue contribution	% of our total revenue	Remuneration
				(RMB millions, except percentages)		
Physician A[(1)]	62	16	May 17, 2024	30.7	3.9	1.6
Physician E[(1)]	58	16	July 31, 2024	25.0	3.1	1.2
Physician C	46	21	Non-fixed term	16.5	2.1	1.2
Physician L	47	4[(2)]	December 31, 2025	12.9	1.6	0.9
Physician B	48	15	Non-fixed term	12.0	1.5	0.6
Physician G	40	15	Non-fixed term	11.1	1.4	0.6
Physician K	45	15	Non-fixed term	9.8	1.2	0.4
Physician D	43	16	Non-fixed term	9.1	1.1	0.5
Physician H	44	16	Non-fixed term	9.0	1.1	0.5
Physician I	43	16	Non-fixed term	8.4	1.1	0.4
Total				**144.5**	**18.1**	**7.9**

Notes:

(1) Retirees.

(2) Physician L is a senior physician with over 20 years of experience in the field of medical services, who joined our Group in 2016.

As of the Latest Practicable Date, our employment contracts with most of our top physicians above (except for retirees) were non-fixed term contracts, while our contracts with our top physicians who were retirees had fixed terms ranging from three to four years. The employment contracts with fixed terms can be renewed upon expiration through mutual agreement between the relevant physicians and us. Our employment contracts with these physicians can be terminated by either party by giving the other party one month's written notice in advance.

We offer competitive remuneration to our top physicians. Most of our top ten physicians during the Track Record Period have experiences in the ophthalmology medical services industry of 15 to 40 years. According to the Frost & Sullivan Report, the remunerations for well-known ophthalmologists with 20 to 40 years of experience who also take senior management roles typically range from RMB0.5 million to RMB1.5 million a year, and the remunerations for ophthalmologists with less than 20 years of experience but nevertheless holding attending physician or above qualifications and capable to perform surgeries independently typically exceed RMB0.2 million a year. As such, we believe that the remuneration packages of our top ten revenue contributing physicians of the Group during the Track Record Period were similar to those offered by our comparable companies and in line with the market norm.

Despite the important role of our physicians in our business operations, we did not have any material reliance on any specific or key physician or ophthalmologist during the Track Record Period, because (i) most of our top ten physicians in terms of revenue contribution practice at our different hospitals at different locations, and the likelihood for them to resign collectively is relatively low; (ii) our employment contracts with most of our top physicians above were non-fixed term and most of them have been with our hospitals for over 15 years and currently have no intention to leave; (iii) as most of our top ten physicians practice at our hospitals where we have established market presence and brand awareness, and taking into consideration the senior physicians available in these regions, we expect to be able to replace any single physician or ophthalmologist without causing material interruptions to our business operations; and (iv) the revenue attributable to our top ten physicians during the Track Record Period was less than 19% of our total revenue for the respective years, and no single physician contributed more than 4% of our total revenue for the respective years. For details, please see "Risk Factors — Risks Relating to

Our Business and Industry — Our operation is highly dependent on the provision of quality services by our ophthalmic professionals, and we incur significant costs in retaining them. We cannot guarantee that we will be able to continue to attract, recruit and retain sufficient qualified ophthalmic professionals, or at all."

Our Facilities

As of the Latest Practicable Date, our hospitals had a total GFA of approximately 87,146 sq.m. In 2018, 2019 and 2020, the average number of surgeries performed at our hospitals each day was 206.6, 243.0 and 248.3, respectively. The following table shows the details of the facilities within our hospitals as of the Latest Practicable Date.

	As of the Latest Practicable Date
Number of hospitals in total	17
Total GFA (sq.m.)	87,146
Facilities	
Total number of registered beds[(1)]	937
Total number of consultation rooms	109
Total number of optometry rooms	43
Total number of examination rooms	160
Total number of treatment rooms	96
Total number of operating theatres	84

Note:

(1) Represents the total number of beds that were registered in the hospitals' practicing licenses as of the Latest Practicable Date.

For detailed information of each of our hospitals as of the Latest Practicable Date, please see "— Our Hospital Network" above.

Our Optical Centers

Our optical centers offer a wide range of optical products and services to satisfy our customers' diverse needs.

Our Optical Center Network

As of the Latest Practicable Date, we operated a network of 23 optical centers spanning across five provinces or autonomous region under our brand "Chaoju (朝聚)." We locate our optical centers in areas with highly-desirable retail developments and surrounded by dense concentration of our target customers, and usually at locations inside or adjacent to our hospitals to facilitate the medical screening procedures for customers. We maintain a disciplined approach to open new optical centers and conduct market research before selecting a new site based on customer demographics and information from our existing customer database.

Our optical centers are strategically located in five major regions, namely the western Inner Mongolia and the adjacent region, eastern Inner Mongolia and the adjacent region, eastern Zhejiang, northern Zhejiang and northern Jiangsu. As of the Latest Practicable Date, we operated ten optical centers in western Inner Mongolia and the adjacent region, eight optical centers in eastern Inner Mongolia and the adjacent region, one optical center in eastern Zhejiang, two optical centers in northern Zhejiang and two optical centers in northern Jiangsu. In particular, our optical center, 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), also holds a medical institution practicing certificate and is licensed to operate as a clinic providing certain out-patient services, in order to satisfy the demand from local market for the diagnosis and treatment for relatively simple ophthalmic diseases and disorders. Such clinic only offers out-patient diagnosis and treatments for relatively simple ophthalmic diseases and disorders and does not perform any surgeries, and therefore contributes only an insignificant portion to our total revenue.

The table below sets forth a list of our optical centers as of the Latest Practicable Date and their locations.

	Optical center[1]	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 ...	Chengde Chaoju Trading Co., Ltd. (承德朝聚商貿有限公司)	Adjacent to eastern Inner Mongolia
12 ...	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)[2]	Eastern Inner Mongolia
13 ...	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
14 ...	Hulunbuir City Chaoju Optometry Co., Ltd. (呼倫貝爾市朝聚眼視光有限公司)	Eastern Inner Mongolia
15 ...	Tongliao City Chaoju Eyeglasses Co., Ltd. (通遼市朝聚眼鏡有限責任公司)	Eastern Inner Mongolia
16 ...	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
17 ...	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
18 ...	Chifeng Chaoju Eyeglasses Co., Ltd. (赤峰朝聚眼鏡有限責任公司)	Eastern Inner Mongolia

	Optical center(1)	Location
19 . . .	Zhoushan Chaoju Optical Glasses Co., Ltd. (舟山朝聚光學眼鏡有限公司)	Eastern Zhejiang
20 . . .	Hangzhou Chaoju Optical Eyeglasses Co., Ltd. (杭州朝聚光學眼鏡有限公司)	Northern Zhejiang
21 . . .	Jiaxing City Chaoju Optical Glasses Co., Ltd. (嘉興市朝聚光學眼鏡有限公司)	Northern Zhejiang
22 . . .	Siyang Chaoju Eyeglasses Co., Ltd. (泗陽朝聚眼鏡有限公司)	Northern Jiangsu
23 . . .	Sihong County Chaoju Optical Optometry Eyeglasses Co., Ltd. (泗洪縣朝聚視光配鏡有限公司)	Northern Jiangsu

Notes:

(1) During the Track Record Period, we voluntarily dissolved certain optical centers after the termination of their operations due to business development considerations, including Qiqihar Chaoju Eyeglasses Co., Ltd. (齊齊哈爾朝聚眼鏡有限公司) dissolved in May 2019, Hangzhou Chaoju Optician Co., Ltd. (杭州朝聚眼視光眼鏡有限公司) dissolved in December 2019 and certain other optical centers that did not engage any business activities during the Track Record Period.

(2) With a medical institution practicing certificate and licensed to operate as a clinic to provide certain out-patient services.

Our Professional Team

The professional team at our optical centers mainly comprises optometrists and opticians. Our optometrists are qualified to prescribe and perform vision tests, as well as prescribe and dispense vision correction devices such as eyeglasses and contact lenses. Our opticians are technicians who process and dispense corrective eyeglasses and contact lenses pursuant to the prescriptions written by optometrists. As of the Latest Practicable Date, all of our optometrists were qualified to provide optometry services in accordance with the applicable laws and regulations.

As of the Latest Practicable Date, our professional team at our optical centers consisted of 85 qualified optometrists (46 of whom were also qualified opticians) and 50 qualified opticians. During the Track Record Period, all our optometrists complied with the applicable practicing requirements, which enabled them to carry out their medical practice in accordance with the applicable laws and regulations.

Our Facilities

As of the Latest Practicable Date, our optical centers had a total GFA of approximately 10,329 sq.m. The following table sets forth the details of the facilities within our optical centers as of the Latest Practicable Date.

	As of the Latest Practicable Date
Number of optical centers in total	23
Total GFA (sq.m.)	10,329
Number of optometry rooms in total	26

Operational Information

Geographic Distribution of Our Revenue

Historically, a significant percentage of our revenue has been generated from western Inner Mongolia and the adjacent region. In 2018, 2019 and 2020, revenue generated from our operations in such region was RMB401.2 million, RMB454.1 million and RMB494.1 million, respectively, representing 63.4%, 63.6% and 62.1% of our total revenue for the respective years.

The following table sets forth a breakdown of our revenue by geographic location for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Revenue	% of total	Revenue	% of total	Revenue	% of total
	(RMB millions, except for percentages)					
Western Inner Mongolia and adjacent region	401.2	63.4	454.1	63.6	494.1	62.1
Eastern Inner Mongolia and adjacent region	125.7	19.9	158.6	22.2	189.5	23.9
Eastern Zhejiang	46.3	7.3	45.2	6.3	43.5	5.5
Northern Zhejiang	6.4	1.0	23.0	3.2	40.9	5.1
Northern Jiangsu	27.1	4.3	24.1	3.4	23.7	3.0
Others(1)	26.0	4.1	9.7	1.3	2.6	0.4
Total revenue	**632.7**	**100.0**	**714.7**	**100.0**	**794.3**	**100.0**

Note:

(1) Primarily represents revenue of Tianjin Chaoju from sale of medical consumables to third parties. We have focused the operations of Tianjin Chaoju as our centralized procurement platform and gradually reduced Tianjin Chaoju's sale of medical consumables to third parties.

Distribution of Revenue by Type of Services

Our hospitals provide with both out-patient and in-patient services depending on the conditions and requests of patients. Substantially all of our revenue from provision of consumer ophthalmic services provided at our hospitals are out-patient services; basic ophthalmic treatments may be provided on an out-patient or in-patient basis depending on the patients' conditions. Our optical centers offer a wide range of optical products and services to satisfy our patients' diverse needs. The following table sets forth a breakdown of our revenue by type of services provided, together with certain other key operational information of our hospitals and optical centers as of the dates or for the years indicated.

	As of and for the year ended December 31,		
	2018	2019	2020
Our Hospitals			
Out-patient services			
Number of out-patient visits	594,296	655,325	651,954
Average spending per visit (RMB)(1)	434	488	626
Number of out-patient surgeries performed	32,443	41,973	47,453
Revenue generated from out-patient services (RMB millions)	257.8	319.8	408.3
In-patient services			
Number of in-patient visits	44,354	46,818	44,252
Average spending per visit (RMB)(1)	6,755	7,029	7,177
Number of registered beds(2)	892	932	932
Effective service capacity(3)	338,190	351,010	341,112
In-patient bed-days(4)	175,262	178,521	157,827
Average length of stay (days)	4.0	3.8	3.6
Utilization rate (%)(5)	51.8	50.9	46.3
Number of in-patient surgeries performed	42,971	46,716	43,414
Revenue generated from in-patient services (RMB millions)	299.6	329.1	317.6
Our Optical Centers			
Number of customer visits(6)	73,935	79,903	91,660
Average selling price (RMB)(7)	667	702	718
Revenue generated from our optical centers (RMB millions)	49.3	56.1	65.8

Notes:

(1) Calculated by dividing the revenue generated from the particular category of services by the total number of patient visits under the same category.

(2) Represents the total number of beds registered in the practicing licenses of our hospitals as of the end of the relevant year. Changes in the number of our registered beds during the Track Record Period were the result of the opening of our Jiaxing Hospital in August 2019 and the closure of Hangzhou Yuhang Chaoju Eye Hospital Co., Ltd. in November 2019.

(3) Calculated as the total number of registered beds on each day aggregated over the course of such year.

(4) Represents the actual number of beds occupied by our in-patients on each day aggregated over the course of the relevant year.

(5) Calculated by dividing the in-patient bed-days during such year by the effective service capacity during such year.

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

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

Distribution of Revenue from Our Hospitals by Source of Settlement

Certain services provided at our hospitals are covered by, and are settled through, the public health insurance programs of China. Services not covered by the public health insurance programs and medical costs exceeding the coverage limit of the public health insurance programs are paid by our patients directly. We also receive payments from certain social organizations for our medical services provided under the social responsibility programs we participate in. The following table sets forth a breakdown of the revenue generated from our hospitals by source of settlement for the years indicated.

	Year ended December 31,					
	2018		2019		2020	
	Revenue	% of total	Revenue	% of total	Revenue	% of total
	(RMB millions, except for percentages)					
Directly settled by patients	362.8	65.1	430.9	66.4	527.2	72.6
Settled by public health insurance programs	171.2	30.7	190.9	29.4	177.9	24.5
Settled by social organizations	23.4	4.2	27.1	4.2	20.8	2.9
Total revenue	**557.4**	**100.0**	**648.9**	**100.0**	**725.9**	**100.0**

Our Expansion Plans

We will continue to expand our network of hospitals and optical centers through both organic growth and strategic acquisitions of hospitals. We currently do not have any plan to acquire ophthalmic clinics, as clinics are only permitted to offer limited scope of services and treatments.

We plan to expand our operation network in regions where such expansion may further promote our clustered operational model, and therefore may strengthen our brand and market position, increase our market share and improve our operational efficiency. We primarily target to expand our operation network in metropolitan areas with a total population of over 10 million. Before entering into a new regional market, we usually assess the local market demand for our services based on: (i) the size of local population and the transportation network available within the region, which are highly associated with the traffic flow and expected number of patient visits for hospitals, (ii) the level of economic and social development of the region as an indicator for the expected average spending per visit by local patients, and (iii) the existing ophthalmic medical resources and competitors on the local market.

A key factor we take into consideration in determining the approach to expand our business is our market presence and brand awareness in the relevant regions. In regions where we have established market presence and brand awareness, we plan to expand our business operations primarily through establishing new hospitals to take advantage of the cluster effect of, and achieve synergies with, our existing hospitals in the region. In other regions where we have no or little market presence, we plan to expand our business operations primarily through acquisition of existing hospitals. We typically avoid new markets with existing market leaders in the ophthalmic services sector. However, we may expand our business into such markets through acquisitions of, or collaborations with, existing local hospitals.

Inner Mongolia has a fast growing market for ophthalmic medical services. According to the Frost & Sullivan Report, the size of the ophthalmic medical services market in Inner Mongolia increased from RMB1.1 billion in 2015 to RMB2.0 billion in 2019, representing a CAGR of 15.6%, and is expected to reach RMB3.3 billion in 2024, representing an expected CAGR of 11.0%. We intend to continue expanding our business in Inner Mongolia to capture the increasing demands for ophthalmic medical services, while continuing to reinforce our leading position in the region. In addition, there is strong growth in the market size for ophthalmic medical services in Zhejiang Province and Jiangsu Province, which grew from 2015 to 2019 with a CAGR of 15.8% and 15.5%, respectively, and is expected to reach RMB17.7 billion and RMB14.5 billion, respectively, by 2024, representing an expected CAGR of 10.5% and 10.2%, respectively. Our market share in Zhejiang Province and Jiangsu Province in terms of total revenue in 2019 was 0.6% and 0.2%, respectively. To meet such increasing market demand and to increase our market share in Zhejiang Province and Jiangsu Province, we also intend to devote more efforts to further expand our business layout in northern Jiangsu, eastern Zhejiang and northern Zhejiang. For a detailed description of our expansion plans, please see "— Our Business Strategies — Continuing to reinforce our leading position in Inner Mongolia and the surrounding regions, enhancing our market position in Zhejiang Province, Jiangsu Province and other key regions, in the meantime developing our featured ophthalmic hospitals."

Organic Growth

Leveraging our successful track record and highly scalable business model, we intend to continuously upgrade our existing hospitals and establish new hospitals.

We plan to selectively upgrade certain of our existing hospitals based on our assessment of the conditions of our existing facilities, the current demand from customers and the expected growth in the market demand for our ophthalmic services, especially consumer ophthalmic services. The upgrade of such hospitals primarily focus on improving the internal layout, increasing the number of consulting, treatment or examination rooms or operating theaters and creating designated areas for specialized services and treatments. We expect these upgrades will increase our service capacity, widen our service offerings and improve patient experience, thus enabling us to better meet our patients' needs and expectations. We plan to carry out such upgrade and renovations in a phased manner, while maintaining our operations by improving the utilization of existing facilities. Therefore, we do not expect that such upgrades will cause any material interruption to the business operation of the relevant hospitals.

In particular, we plan to relocate the following three hospitals to new premises to further improve their facilities.

- ***Hohhot Hospital:*** We plan to relocate our Hohhot Hospital to an upgraded facility located in the northwestern part of Hohhot in order to better cover the patients in the western part of Hohhot, and to improve the capacity and patient experience of our Hohhot Hospital, as the current premise of Hohhot Hospital is relatively obsolete.
- ***Baotou Kunlun Hospital:*** We plan to relocate our Baotou Kunlun Hospital to an upgraded facility, as the current facility of our Baotou Kunlun Hospital is relatively obsolete, which makes it difficult to implement our development plan for Baotou Kunlun Hospital, such as further growing its consumer ophthalmic services, and upgrading the existing facility would result in prolonged disruption to the operations of our Baotou Kunlun Hospital.
- ***Xilinhot Hospital:*** We plan to relocate our Xilinhot Hospital to an upgraded facility, because the current facility of our Xilinhot Hospital is relatively obsolete with relatively small floor area, which makes it difficult to implement our development plan for Xilinhot Hospital, such as further growing its consumer ophthalmic services, and upgrading the existing facility would result in prolonged disruption to the operations of our Xilinhot Hospital.

For these hospitals, we plan to complete the renovation of the new facilities, changes in the registered addresses and other necessary regulatory procedures before we relocate our business operations from the existing facilities. In order to promote the market awareness of our new locations, we plan to publish announcements prior to such relocations, and conduct publicity and introductory activities at the original locations after the commencement of operations at our new facilities. Therefore, we do not expect that such relocations will cause any material interruption to the business operation of the relevant hospitals. To implement these upgrade and relocation plans within the timeframe, we have formulated the preliminary renovation plans, and formed relevant designated working groups to execute the upgrade and relocation plans. We have also preliminary determined the relevant areas for the new locations of these hospitals to be relocated. For the upgrades and relocations that are partly funded by our internal financial resources, we have deployed certain financial resources to initiate the relevant upgrade or relocation process. Taking into consideration the relatively small amount of construction work required for these hospitals, we believe we will be able to complete the relocation and upgrade of most of our existing hospitals within 2021.

We expect to incur substantial capital expenditures for our upgrading plans during the upgrade and relocation of our hospitals, which may have a short-term impact on our liquidity, capital resources and financial performance. After the completion of the upgrade and relocation of our hospitals, we expect that the number of patient visits to the relevant hospitals will increase as a result of improvements in the overall patient experience and our service capacities, and therefore our revenue from the relevant hospitals would increase accordingly. On the other hand, our costs for the upgrade and relocation of hospitals are expected to be amortized over the years after the completion of the relevant relocations and upgrades, which may result in certain impact on our results of operations.

The following table sets forth the details of our current plans to upgrade existing hospitals, all of which are currently under planning and pending implementation.

Upgrading plans	Estimated scale	Expected time of completion	Expected investment
			(RMB millions)
Relocation and upgrade of our Hohhot Hospital(1)	GFA: 8,000 sq.m. 120 registered beds(2)	March 2024	85.0
Relocation and upgrade of our Baotou Kunlun Hospital	GFA: 2,000 sq.m. 30 registered beds(3)	September 2021	10.0
Relocation and upgrade of our Xilinhot Hospital	GFA: 2,000 sq.m. 30 registered beds(4)	December 2021	10.0
Upgrade and renovation of our Datong Hospital	N/A(5)	September 2021	5.0
Upgrade and renovation of our Baotou Hospital and Chifeng Hospital	N/A(5)	September 2021	30.0

Notes:

(1) Currently located in the northern part of Hohhot. We plan to relocate our Hohhot Hospital to upgraded facilities located in the northwestern part of Hohhot.

(2) After the completion of our new premises and the relocation of our Hohhot Hospital, the total GFA of our Hohhot Hospital is expected to increase from the current 7,697 sq.m. to 8,000 sq.m. and the number of its registered beds is expected to increase from the current 100 beds to 120 beds.

(3) After the completion of our new premise and the relocation of our Baotou Kunlun Hospital, the total GFA of our Baotou Kunlun Hospital is expected to be 2,000 sq.m., while the number of its registered beds is expected to remain 30 beds.

(4) After the completion of our new premise and the relocation of our Xilinhot Hospital, the total GFA of our Xilinhot Hospital is expected to be 2,000 sq.m., while the number of its registered beds is expected to remain unchanged.

(5) The upgrade primarily focuses on introducing new medical equipment and upgrading existing facilities, and is not expected to increase the total GFA or the number of registered beds for the hospital.

In addition, we plan to establish new hospitals in western Inner Mongolia, eastern Inner Mongolia, northern Zhejiang and northern Jiangsu.

Although the utilization rate for the registered beds of our hospitals decreased during the Track Record Period mainly as a result of our improved operational efficiency, we plan to establish new hospitals with an aggregate of 340 registered beds. This is primarily because the local medical regulatory authorities in most regions where we plan to expand our business require a minimum number of registered beds for the approval of new hospitals. Additionally, the decreased utilization rate of our registered beds may not be indicative of the increasing demands for our consumer ophthalmic services, which do not require in-patient stays or utilize the registered beds. Furthermore, we believe that the increased capability and capacity for our basic ophthalmic services resulted from these additional registered beds may further improve our brand awareness and reputation as a leading ophthalmic service provider, and help us acquire customers from local markets. We may apply for the relevant approval for changes in the number of our registered beds in the future in accordance with the actual demand for our in-patient services.

We expect the establishment of new hospitals to achieve synergies with our existing hospitals in the same city or within the same region. In particular, we expect to be able to make full use of our regional resources in western Inner Mongolia and northern Zhejiang, and achieve synergies among our new hospitals and refractive surgery center to be established in Hohhot and Hangzhou and our existing hospitals in the same regions. For details on our clustered operational model and our expansion plans, please see "— Our Competitive Strengths — Our clustered operation model helps to improve our market penetration, operational efficiency and profitability" and "— Our Business Strategies — Continuing to reinforce our leading position in Inner Mongolia and the surrounding regions, enhancing our market position in Zhejiang Province, Jiangsu Province and other key regions, in the meantime developing our featured ophthalmic hospitals."

The following table sets forth the details of our plans for the establishment of new hospitals, all of which are currently under planning and pending implementation.

Hospital	**Location**	**Estimated scale**	**Expected time of completion**	**Expected investment**
				(RMB millions)
Our second ophthalmic hospital in Hohhot(1)	Western Inner Mongolia	GFA: 5,800 sq.m. 80 registered beds	August 2021	45.0
Our third ophthalmic hospital in Hohhot(2)	Western Inner Mongolia	GFA: 3,200 sq.m. 50 registered beds	March 2024	10.0
Ophthalmic hospital in Hangzhou(3).	Northern Zhejiang	GFA: 1,000 to 1,500 sq.m. 20 registered beds	December 2021	30.0
Refractive surgery center in Hangzhou(4).	Northern Zhejiang	GFA: 2,000 sq.m.	December 2023	40.0
Ophthalmic hospital in Zhoushan	Eastern Zhejiang	GFA: 2,000 sq.m. 20 registered beds	December 2021	20.0
Ophthalmic hospital in eastern Inner Mongolia	Eastern Inner Mongolia	GFA: 2,500 sq.m. 30 registered beds	December 2023	30.0

Hospital	Location	Estimated scale	Expected time of completion	Expected investment
				(RMB millions)
County-level ophthalmic hospital .	Western Inner Mongolia	GFA: 1,500 sq.m. 20 registered beds	December 2021	10.0
Three county-level ophthalmic hospitals in different counties.	Eastern Inner Mongolia	GFA: 1,500 sq.m. each 20 registered beds each	July 2023	30.0
Ophthalmic hospital in northern Jiangsu	Northern Jiangsu	GFA: 4,000 sq.m. 60 registered beds	July 2023	50.0

Notes:

(1) A new ophthalmic hospital that we plan to establish in the eastern part of Hohhot, which primarily provides consumer ophthalmic services.

(2) A new ophthalmic hospital that we plan to establish at a location close to the current location of our Hohhot Hospital. As we also plan to relocate and upgrade our Hohhot Hospital, this new hospital is expected to retain our customers within the area and direct part of the patients to the new location of our Hohhot Hospital.

(3) A new ophthalmic hospital that we plan to establish in Shangcheng District (上城區), Hangzhou.

(4) A refractive surgery center that we plan to establish in Xiacheng District (下城區), Hangzhou.

Except for our planned new hospitals in Hohhot, none of the above hospitals that we plan to establish are in close proximity to our existing hospitals, and therefore we do not expect their establishment would have a material direct impact on the operations of our existing hospitals. We plan to establish new hospitals in Hohhot while relocating and upgrading our existing Hohhot Hospital, as we aim to further consolidate our leading market position in the area and to help retain and direct existing customer base of our Hohhot Hospital after its relocation.

For our newly established hospitals, we plan to deploy qualified personnel from our existing hospitals as superintendents and key professional personnel, and recruit qualified medical professionals and medical graduates from local markets. As our planned new hospitals are usually located in regions where we have established market presence and brand awareness, and taking into consideration the medical professionals including ophthalmologists available in these regions, we do not expect to experience material difficulties when recruiting for our new hospitals. In addition, we also cooperate with universities and medical schools to cultivate young medical professionals and enrich our talent reserve. For details, please see "— Our Competitive Strengths — High-caliber medical professionals and sound training system underpins the foundation of our growth." Aside from our cooperation with universities and medical schools, there are sufficient young ophthalmic graduates available in Inner Mongolia, Zhejiang Province and Jiangsu Province. According to the Frost & Sullivan Report, the aggregate number of ophthalmic graduates in these regions amounts to approximately 1,000 each year. Furthermore, we plan to satisfy the human resources needs of our new hospitals through multi-site practice arrangements for ophthalmologists at our hospitals within the same region. We believe that these arrangements will enable us to maintain the consistent quality of our services at these new hospitals.

We will cooperate with prominent local physicians and leverage on their social influence to attract talents for these hospitals. In addition, we do not expect to have a substantial increase of our physicians following the commencement of operations of our upgraded hospitals. To satisfy the increased service capacity of our upgraded hospitals, we plan to recruit more medical assistants and continue to improve our operational efficiency.

We expect to incur total investment of approximately RMB405.0 million for the above plans to upgrade existing hospitals and establish new hospitals, of which approximately RMB24.5 million will be funded by our internal financial resources and the remaining approximately RMB380.5 million to be funded by proceeds from the Global Offering. Please see "Future Plans and Use of Proceeds."

The opening of a new hospital generally involves a number of steps, including strategic planning, market research, site selection, feasibility study, environmental impact assessment, regulatory approval process, construction and decoration of premises, recruitment of necessary personnel, acquisition of equipment and supplies, and commencement of operations. According to our experience during the past three years, such process generally takes around eight to 13 months to complete.

Monthly breakeven of a new hospital is reached when it records monthly net profit for the first time. The payback period for a new hospital represents the time that it takes for the accumulated operating cash flow attributable to us from the relevant hospital to recover the initial investment. We estimate that the monthly breakeven period for our new hospitals to be two years, and the investment payback period for our new hospitals ranges from four to seven years from commencement of operations. However, the monthly breakeven periods and the investment payback periods may be further affected by the specific characteristics of a hospital, such as its size, initial investment, the coverage of its services and the competitive landscape.

Strategic Acquisitions

When appropriate opportunities arise, we will also consider acquiring hospitals in cities where we have little or no presence with sizable population and relatively high level of demand for ophthalmic services. We believe our previous operating experience will aid us in identifying potential acquisition opportunities and successfully integrating newly acquired hospitals' operations into our existing infrastructure. For detailed information of our strategic acquisition plans, please see "— Our Business Strategies" above.

We systematically review and screen potential hospital targets. We evaluate hospital targets based on a number of criteria, including:

- location of the target, including its proximity to prime commercial districts and transportation hubs mainly in Inner Mongolia and Zhejiang Province, as well as its distance from our existing hospitals so that it does not form material competition with our existing hospitals;
- potentials to achieve synergies with our existing hospitals, including whether it is practicable for the target to share administrative and human resources with our existing hospitals, as well as the existing influence of our brand and reputation in the market where the proposed target operates;
- the target's current operations and capacity including, among others, (i) a total GFA of over 3,000 sq.m., (ii) a total revenue of over RMB35.0 million in the most recent fiscal year and (iii) a total number of at least 60 registered beds;
- the target's historical medical performance and professional reputation, taking into consideration the quality and safety of the services provided by the target;
- experience, track record and stability of the medical professionals and staff of the target;
- estimated initial investment amount required to improve the target's infrastructure;
- estimated cost to integrate the acquired business into our operations;
- ongoing operating expenses and capital requirements;

- potential returns and estimated future value;
- required licenses and permits for operations and the target's historical compliance with applicable laws and regulations; and
- the target's compatibility with our corporate culture and existing hospitals.

According to the Frost & Sullivan Report, there were approximately 130 ophthalmic hospitals operating in Inner Mongolia, Zhejiang Province and Jiangsu Province as of December 31, 2019, among which there should be sufficient potential acquisition targets meeting the above criteria.

We plan to invest in acquired hospitals to bring them in line with our existing standards, and integrate the operation of the acquired hospitals through information sharing and our centralized management system. For more details, please see "— Our Business Strategies — Continuing to reinforce our leading position in Inner Mongolia and the surrounding regions, enhancing our market position in Zhejiang Province, Jiangsu Province and other key regions, in the meantime developing our featured ophthalmic hospitals." Subject to further business negotiation with relevant sellers and target hospitals, we plan to integrate the acquired hospitals under our brand "Chaoju (朝聚)."

We plan to finance the above intended acquisitions with our proprietary funds, in collaboration with external acquisition funds and with the proceeds from the Global Offering. Our primary target areas currently include Inner Mongolia and Zhejiang Province. As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to acquisitions or had identified any definite acquisition targets.

We may face a number of challenges in implementing our expansion plans, such as recruiting experienced physicians and other medical professionals, obtaining the requisite licenses and permits, and maintaining our competitive advantages. To this end, we intend to continue to attract and retain seasoned medical professionals to join us by offering competitive benefits, sound internal training and promising career opportunities. In addition, we will, in accordance with all applicable laws, regulations and rules, apply for the necessary approvals, permits and licenses for our expansion plans. Our expansion plans are inevitably subject to our operations and the market conditions from time to time and we may make adjustments accordingly for our best interests. Please see "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to successfully execute our growth strategy or manage our growth."

PRICING AND SETTLEMENT

As all of our hospitals are for-profit private hospitals, we are generally permitted to set our own pricing standards for our consumer ophthalmic services. For details on the differences between for-profit hospitals and not-for-profit hospitals, please see "Regulation Overview — Regulations on the Classification of Medical Institutions — Opinions on Implementing Classification Administration of Urban Medical Institutions" and "Regulation Overview — Regulations on the Management of Medical Institutions — The Administrative Measures on Medical Institutions and its Implementation Measures." However, some of our basic ophthalmic services and certain pharmaceuticals and medical consumables are covered by public health insurance programs and are therefore subject to pricing guidelines promulgated by the relevant government authorities. For medical products and services covered by the public health insurance programs, our customers may be required to pay a part of the medical costs as required by the public health insurance authorities, with the remaining costs to be settled with us by the public health insurance programs. However, the customers may also choose to use medical consumables or pharmaceuticals that are not covered by the public health insurance programs. In such case, the customers may be required to pay the costs for such medical consumables or pharmaceuticals on their own.

We generally determine the prices of our ophthalmic services based on a number of factors, including the type of services sought and pharmaceuticals involved, the complexity of the services, the seniority of our ophthalmologists and optometrists, the qualification of our hospitals, the operating cost, market price range charged by our competitors, and the level of competition in local markets. We believe that our high-quality medical services have enabled us to set our prices at desirable levels. For consumer ophthalmic services, we carry out market research and keep ourselves up to date on the market changes to ensure our pricing remains at a competitive level. Depending on the level of competition in the local market and our market position, we price our consumer ophthalmic services differently in different regions. We may also carry out marketing campaigns and offer our customers preferential prices within a limited time. For basic ophthalmic services covered by the public health insurance programs, we are subject to the pricing guidance prescribed by national and local government authorities. In the event where there is an increase in the price of supplies and other consumables, we are generally able to adjust our service prices accordingly.

For the medical services, pharmaceuticals and medical consumables covered by public health insurance programs, patients enrolled in the public health insurance programs may choose to rely on such public health insurance programs to settle their medical costs. For the out-patient services and the related pharmaceuticals and medical consumables, patients are generally required, before receiving such services, to pay the medical costs through public health insurance programs and out-of-pocket payments; for in-patient services and the related pharmaceuticals and medical consumables, patients are usually required to pay a deposit prior to admission to our hospitals, and settle their medical costs upon discharge through public health insurance programs and out-of-pocket payments. The percentage of the medical costs to be borne by the patient through out-of-pocket payments differs depending on the coverage by the applicable public health insurance programs, which may vary based on the type of the public health insurance program, type of treatment involved and pharmaceuticals used.

Local public health insurance authorities may impose price ceilings for the medical services, pharmaceuticals and medical consumables covered by the relevant public health insurance programs. Our medical fees receivable each year is subject to an annual quota, which is determined based on various factors, including the relevant public health insurance programs' spending in the past and the anticipated funds available next year. Our medical fees exceeding the above quota are generally settled in the following year, the amount of which is generally determined based on funding available to the relevant public health insurance authorities and their assessment about the performance of the relevant medical institution.

For the portion of the medical fees covered by the public health insurance programs, our hospitals typically receive regular payments from local public health insurance authorities within the government-approved annual quota. For medical fees covered by the public health insurance programs but exceeding the annual quota for public health insurance payment, we usually communicate with the relevant public health insurance authorities for the settlement and recovery of such medical fees in the following years. In 2018, 2019 and 2020, our revenue received from settlement by public health insurance programs accounted for 30.7%, 29.4% and 24.5% of the total revenue generated from our hospitals, respectively.

SALES AND MARKETING

We believe our brand recognition in the PRC is established through word-of-mouth among the patients' community and our high ranking in the patient satisfaction ratings. We will continue to focus on the word-of-mouth marketing approach and shape our brand "Chaoju (朝聚)" as a high quality ophthalmic and optical services provider.

We apply stringent rules in the budgeting and planning of our sales and marketing efforts to ensure that such efforts will generate satisfying returns in terms of patient visits and surgeries performed. We have also set strict standards for our sales and marketing activities to ensure compliance with applicable laws and regulations and to protect the interests of patients. In 2018, 2019 and 2020, our selling and distribution expenses amounted to approximately RMB35.9 million, RMB34.5 million and RMB32.9 million, respectively, representing approximately 5.7%, 4.8% and 4.1% of our total revenue for the respective years.

Our sales and marketing team is responsible for formulating and implementing our Group's marketing strategies and collecting and analyzing market data. Our marketing efforts are integrated into all stages of our ophthalmic services, including before, during and after our treatment process, and play a crucial role in our business operations. Our marketing strategies include the following.

- We regularly promote our brand awareness and influence through online campaigns targeting younger generations, such as promotion via our WeChat public account and live-broadcasting of refractive correction surgeries performed for frontline medical personnel. We also seek to increase general awareness of eye diseases among potential customers through offline activities such as patient education sessions, on-campus myopia screenings and conferences with our ophthalmic experts. We also proactively reach out to patients via social media and phone communications, which is expected to promote the patients' willingness to make appointments for treatments at our hospitals.

- We constantly improve our treatment plans and services to acquire word-of-mouth reputation. We also provide educational information through multiple channels in our hospitals to promote the awareness of eye diseases and related treatments, thus establishing close relations with our patients and their family and friends.

- We continuously provide follow-up care and services after the completion of our treatment and discharge of patients. We provide reminders and alerts to our patients on regular follow-up examinations and medication arrangements via phone calls, text messages and social media communications. We also conduct customer satisfaction surveys on our patients and manage our existing patients with our customer management system. This enables us to better understand customers' needs, to enhance customer satisfaction and loyalty, which is expected to increase referrals among existing and potential patients.

We have formulated strict policies for the publication of advertisements, which set out the internal review and approval procedures of advertisements before publication. All advertisements must be reviewed and approved at our hospitals and headquarters before publication. We have in place a multi-layered review mechanism for medical advertisements to ensure that they are in full compliance with applicable laws and regulations and do not contain prohibited contents. We are also required to obtain Medical Advertisement Examination Certificates (醫療廣告審查證明) from local medical administration authorities before publishing medical advertisements. For details on the legal and regulatory requirements on medical advertisement, please see "Regulatory Overview — Regulations on Medical Advertisement."

BRANDING

We believe we have established a satisfying brand name and word-of-mouth reputation among patients. We have formulated strict quality control and services standards for our ophthalmic medical services to ensure the patients receive effective and safe treatments. We have also developed and implemented a unified brand visual system to reinforce our brand name and further promote our brand awareness.

As a key ophthalmic service provider in the regions where we operate, we have sponsored or held a number of regional academic conferences on ophthalmology and related nursing technologies, which have promoted advanced technologies and attracted physicians of lower-tier hospitals to visit and train with our hospitals. We believe these events can help shape our brand "Chaoju (朝聚)" as a high quality ophthalmic and optical services provider.

Social Responsibility Activities

We provide charitable medical aid and free medical consultations to public institutions and disadvantaged communities from time to time. We also maintain good relationships with government authorities and agencies to promote our ophthalmic and optical services. These events not only benefit the disadvantaged communities, but also promote our brand awareness and reputation. For example, in 2020, we entered into a cooperation plan with Inner Mongolia Health Commission, the Education Department of Inner Mongolia and the Inner Mongolia Autonomous Region Foundation for the Welfare of the Disabled for the examination and treatment of eye diseases for children; we participated in the "Morning Star" campaign (啟明行動) organized by Inner Mongolia Disabled Persons' Federation for the examination and treatment of amblyopic children. For further details, please see "— Awards, Recognitions and Social Responsibility" below.

International Collaborations

We also collaborate with domestic and international government agencies and organizations. In 2020, we implemented the project of "Belt and Road: Bright Trip" in conjunction with the Red Cross Society of Inner Mongolia, the Red Cross Society of Mongolia and the Ministry of Health of Mongolia, and signed a cooperation agreement on the training of the ophthalmologist and optometrist system in Mongolia.

OUR CUSTOMERS

During the Track Record Period, substantially all of our customer base consisted of individual customers, and none of these individual customers accounted for more than 5% of our total revenue.

We have not entered into any long-term agreements with our individual customers. Our customers are required to make payments prior to or at the time of the provision of services and they generally pay for their treatment by cash or credit cards, except for those services covered by the public health insurance programs, for which the medical bills are settled by local public health insurance authorities on a regular basis. In such cases, our customers may make partial payments if the medical bill is not entirely covered by the public health insurance program, with the remaining fees payable to be settled between us and the relevant public health insurance authorities.

To the best knowledge and belief of our Directors, our five largest customers during the Track Record Period were Independent Third Parties and none of our Directors or their close associates or any of our Shareholders (which to the best knowledge of our Directors beneficially own more than 5% of our shares) had any interest in any of our five largest customers during the Track Record Period.

OUR SUPPLIERS

Our suppliers primarily include manufacturers of medical equipment, pharmaceuticals, medical consumables and optical products and their distributors, as well as third-party medical testing and examination service providers. These are specific to our business and are required on a frequent basis.

We have a centralized procurement management department, which is responsible for selecting supply channels and negotiating the terms for our procurements. Each of our hospitals and optical centers consolidates and regularly reports its procurement needs to our centralized procurement department, which then aggregates all procurement needs and selects quality suppliers with favorable pricing and terms, and places purchase orders with the selected suppliers in accordance with the procurement needs submitted by our hospitals and optical centers and distribute the supplies to our hospitals and optical centers as they require. We believe our centralized procurement method allows us to achieve economies of scale, especially enhancing our bargaining power in terms of pricing, and to better control the quality of the medical equipment, pharmaceuticals, medical consumables and optical products.

Depending on the different types of supplies and our relationship with the suppliers, the procurement arrangements with our suppliers vary from supplier to supplier. We generally do not have long-term agreements with our suppliers. For the procurement of major pharmaceuticals and medical consumables, we normally enter into framework supply agreements with suppliers on an annual basis, which set out the specifications and prices for the suppliers' products, credit term, guidelines for the distribution of their products, the terms of any logistics services that may be provided, the payment method, quality warranties and products return clauses. These framework supply agreements may be renewed or extended upon mutual agreement in writing before its expiration date. For the procurement of medical equipment and other products, we generally do not enter into framework supply agreements with our suppliers and the orders are placed on an as-needed basis. Most of our procurements are paid on delivery, and our suppliers generally grant us credit terms from 30 to 90 days. We are entitled to return supplies that do not meet our standards upon inspection after delivery. During the Track Record Period, we had not experienced any significant return of supplies that did not meet our standards and had not suffered any significant loss or damage caused by quality problems with the supplies.

We select our suppliers based on stringent criteria and applicable laws and regulations to ensure the quality of our supplies. When selecting our suppliers, we perform assessment based on various criteria, including quality and source of products, reputations in the industry, price and delivery time. Due to the nature of business as well as suppliers, we maintain a short-list of qualified suppliers for main supplies and directly purchase from them. We may also examine and obtain copies of the suppliers' accreditation, qualifications and business licenses.

In 2018, 2019 and 2020, purchases from our five largest suppliers amounted to RMB71.8 million, RMB80.9 million and RMB94.7 million, respectively, representing approximately 33.6%, 36.1% and 38.9%, respectively, of our total purchases for the respective years. In 2018, 2019 and 2020, purchases from our largest supplier amounted to RMB34.1 million, RMB31.9 million and RMB43.1 million, respectively, representing approximately 16.0%, 14.3% and 17.7%, respectively, of our total purchases, for the respective years.

The tables below set forth the basic information of our top five suppliers during the Track Record Period.

For the Year Ended December 31, 2018

Rank	Supplier	Background of supplier	Principal place of business	Purchase amount	% of total purchases	Products purchased	Length of relationship with us
				(RMB millions)			
1	Supplier A	A supplier for pharmaceuticals, medical equipment and instruments	Shanghai, China	34.1	16.0	Medical consumables and equipment	Since 2008
2	Supplier B	A supplier for pharmaceuticals, medical equipment and instruments	Beijing, China	11.5	5.4	Medical consumables and equipment	Since 2017
3	Supplier C	A pharmaceutical supplier	Inner Mongolia, China	9.5	4.4	Pharmaceuticals	Since 2011
4	Supplier D	A medical equipment and instruments supplier	Beijing, China	9.0	4.2	Medical consumables and equipment	Since 2011
5	Supplier E	A pharmaceutical supplier	Shanghai, China	7.7	3.6	Pharmaceuticals	Since 2017
Total .				**71.8**	**33.6**		

For the Year Ended December 31, 2019

Rank	Supplier	Background of supplier	Principal place of business	Purchase amount	% of total purchases	Products purchased	Length of relationship with us
				(RMB millions)			
1	Supplier A	A supplier for pharmaceuticals, medical equipment and instruments	Shanghai, China	31.9	14.3	Medical consumables and equipment	Since 2008
2	Supplier B	A supplier for pharmaceuticals, medical equipment and instruments	Beijing, China	17.1	7.6	Medical consumables and equipment	Since 2017
3	Supplier C	A pharmaceutical supplier	Inner Mongolia, China	14.1	6.3	Pharmaceuticals	Since 2011
4	Supplier F	A medical equipment and instruments supplier	Jilin, China	11.7	5.2	Medical consumables	Since 2018
5	Supplier G	A medical equipment and instruments supplier	Beijing, China	6.1	2.7	Optical products	Since 2014
Total .				**80.9**	**36.1**		

For the Year Ended December 31, 2020

Rank	Supplier	Background of supplier	Principal place of business	Purchase amount	% of total purchases	Products purchased	Length of relationship with us
				(RMB millions)			
1	Supplier A	A supplier for pharmaceuticals, medical equipment and instruments	Shanghai, China	43.1	17.7	Medical consumables and equipment	Since 2008
2	Supplier H	A pharmaceutical supplier	Hubei, China	24.2	9.9	Pharmaceuticals	Since 2010
3	Supplier I	A medical equipment and instruments supplier	Beijing, China	12.7	5.2	Medical consumables	Since 2019
4	Supplier E	A pharmaceutical supplier	Shanghai, China	7.7	3.2	Pharmaceuticals	Since 2017
5	Supplier C	A pharmaceutical supplier	Inner Mongolia, China	7.0	2.9	Pharmaceuticals	Since 2011
Total .				**94.7**	**38.9**		

To the best knowledge and belief of our Directors, all of our five largest suppliers during the Track Record Period were Independent Third Parties and none of our Directors or their close associates or any Shareholder (which to the best knowledge of our Directors beneficially own more than 5% of our Shares) had any interests in any of our five largest suppliers during the Track Record Period. None of our five largest suppliers during the Track Record Period was also our customer. We have not experienced any material disruption in our relations with, or involved in any material disputes with, or experienced any material delay in the delivery of our supplies by our major suppliers during the Track Record Period and up to the Latest Practicable Date.

EMPLOYEES

We believe our success depends critically on our ability to attract, develop and retain our employees. We are committed to retaining renowned and influential ophthalmologists to consistently maintain the high quality of our ophthalmic services. As of the Latest Practicable Date, we had a total of 1,705 full-time employees, including 97 retirees (namely, a person who has reached the statutory retirement age in China, which ranges from 50 to 60 years old depending on the gender, professional qualification and length of experience of the retiree, but continues to work on a full-time basis). In addition, we also had 67 multi-site practice physicians who were full-time employees of other medical institutions.

We employ retired physicians and nurses as their rich professional experience may help us maintain the high quality of our services, improve the skills of our young professionals and attract customers with the reputations of our prestigious physicians. In addition, we retain retired specialists for certain supporting and ancillary positions. The employment of retirees also help reduce our personnel cost, as we are not required to pay the social insurance and housing provident fund contributions for these retirees. As advised by our PRC Legal Advisers, our employment of retirees is in compliance with all applicable laws and regulations in the PRC.

The following table sets forth a breakdown of our full-time employees by function as of the Latest Practicable Date. For detailed breakdown of our professionals at our hospitals and optical centers, please see "— Our Operational Network — Our Hospitals — Our Professional Team" and "— Our Operational Network — Our Optical Centers — Our Professional Team," respectively.

	As of the Latest Practicable Date
Professionals at our hospitals	
Physicians[1]	194
Nurses	422
Other professionals	312
Professionals at our optical centers	89
Administrative, finance and other employees at	
Our Headquarters	92
Our Hospitals	545
Our Optical centers	51
Total	**1,705**

Note:

(1) As of the Latest Practicable Date, 161 of our full-time physicians were registered as specialized ophthalmologists.

In 2018, 2019 and 2020, we incurred employee benefit expense of RMB185.4 million, RMB197.0 million and RMB204.3 million, respectively, representing 29.3%, 27.6% and 25.7% of our revenue for the respective years. We enter into employment contracts with all of our full-time employees (except for retirees). Remuneration packages for our employees primarily comprise one or more of the following elements: basic salary, performance-based incentive bonus and discretionary year-end bonus. We set performance targets for our employees based on their position and regularly review their performance, the results of which are used in their annual salary review and promotion appraisal. During the Track Record Period and up to the Latest Practicable Date, none of our employee had negotiated with us on the employment terms through the labor unions or in a way of collective bargaining and we had not experienced any major labor disputes or labor strikes that had interfered with our operations in any material respect. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any strikes, work stoppages or significant disputes with our employees and had not experienced any significant difficulties in recruiting or retaining qualified employees.

We provide structured training and education programs to enable our employees to consistently deliver high quality services. Our discipline development committees are responsible for training our 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. We also engage external consultants, experts and professors to provide trainings for our physicians with an aim to cultivate clinicians with extensive practical capabilities in a precise, standardized and high-quality manner. These programs aim to equip them with a sound foundation of the medical principles, ethics and knowledge as well as practical skills, and foster a high standard of practice. Regular internal and external mandatory online and on-site trainings are organized for our medical team to keep them abreast of the latest development in the ophthalmology industry. From time to time, we identify and sponsor our employees with high development potential to undertake further study and professional trainings in prestigious medical institutions. We also support our attending physicians to train at top-tier eye hospitals in China for a period of three to six months, such as Wenzhou Medical University Eye Hospital (溫州醫科大學附屬眼視光醫院). In addition, we also design and implement specialized trainings for our nurses and medical assistants to improve their respective professional skills and foster their professional career path.

We pay social insurance contributions for our employees (except for retirees) as required by applicable laws and regulations, including statutory pension insurance, health insurance, work-related injury insurance, maternity insurance and unemployment insurance. We also pay contributions to the statutory housing provident funds for our employees (except for retirees) as required by applicable laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we did not pay social insurance and housing provident fund contributions in full for certain employees based on such employees' actual wages in accordance with applicable PRC laws and regulations, which was primarily due to (i) our local staff responsible for ensuring compliance at the relevant time being unfamiliar with the relevant regulatory requirements; (ii) relevant employees' preference not to pay their parts of social insurance and housing provident funds; and (iii) inconsistent interpretation by PRC local authorities of the relevant laws and regulations. As of December 31, 2020, the total underpaid amount of our social insurance and housing provident fund contributions was approximately RMB6.7 million.

As advised by our PRC Legal Advisors, if the PRC Government is of the view that our contributions to employees' social insurance or provident housing fund do not comply with the requirements under the relevant PRC laws and regulations, we may be ordered by the competent PRC Government authority to pay the underpaid amount and may be required to pay a late payment fee of up to 0.05% of our underpaid social insurance contribution for each day of delay, and may be imposed fines in an aggregate amount ranging from one to three times of the underpaid social insurance contribution.

As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed against us by relevant authorities with respect to our under-contribution to employees' social insurance or provident housing fund, nor have we received any order to make up for the underpaid amount. As such, our PRC Legal Advisors are of the view that the likelihood of us being imposed fines for our historical underpayment of social insurance contribution is low, provided that, once required by the relevant social insurance or housing provident fund authorities, we pay the underpaid contribution and the related late payment fees within the time limit prescribed by the relevant authorities.

We have reviewed our internal control policy and designated our human resources department to closely monitor our on-going compliance with the social insurance and housing provident fund contribution requirements and oversee the implementation of any necessary measures. We have made provisions of RMB2.7 million, RMB3.5 million and RMB0.5 million, respectively, for the underpaid social insurance and housing provident funds contributions in 2018, 2019 and 2020.

Therefore, based on the foregoing, our Directors are of the view that the maximum amount of our liabilities under these underpaid social insurance and housing provident fund contributions has no material impact on our operations.

AWARDS, RECOGNITIONS AND SOCIAL RESPONSIBILITY

We have historically received a number of major awards and recognitions, including the following.

Year	Award or recognition	Issuing organization
2020	Advanced Group (先進集體) for the Inner Mongolia Autonomous Region "Bright Tour" social welfare campaign	General Office of the Organizing Committee of the Inner Mongolia Autonomous Region "Bright Tour" social welfare campaign
2019	Medal of Honor for "Belt and Road: Provision of Brightness to Mongolia" project, where we were a major participant	Mongolia Red Cross Society
2019	China's Northern Frontier Model (北疆楷模) awarded to the participants of the "Bright Tour", including us	Publicity Division of the Inner Mongolia Autonomous Region Committee of the Chinese Communist Party
2018 and 2019	Our "Fuming No. 24" Surgical Vehicle was rated as "No.1 in the Number of Surgeries in China's Poverty Alleviation Operations" for the year of 2017-2018 and for the year of 2018-2019	Asian Foundation for the Prevention of Blindness
2018	The tenth "China Charity Award" (中華慈善獎) awarded to the Inner Mongolia Autonomous Region for its social welfare campaign "Bright Tour", where we were a key participant	Ministry of Civil Affairs of the People's Republic of China
2017	The Only Special Contribution Award (唯一特別貢獻獎) at the Commendation Conference for "Bright Tour" social welfare campaign	Organizing Committee of the Inner Mongolia Autonomous Region "Bright Tour" social welfare campaign

Year	Award or recognition	Issuing organization
2016	Our "Fuming No. 24" Surgical Vehicle was awarded "No.1 in the Number of Surgeries in China's Poverty Alleviation Operations" for the year of 2015-2016	Asian Foundation for the Prevention of Blindness
	Special Contribution Award (特別貢獻獎) in the Mobile Ophthalmic Surgical Vehicle Project in Inner Mongolia Autonomous Region, where we were a key participant	Asian Foundation for the Prevention of Blindness
2009 and 2014	National Advanced Group for Poverty Alleviation and Disability (全國扶貧助殘先進集體)	Working Committee for the Disabled Person of the State Council

We are also committed to contributing to the community through charitable and pro-bono work. Social responsibility programs we have participated in include the following.

Year	Events
2020	In conjunction with the Red Cross Society of the Inner Mongolia Autonomous Region, the Red Cross Society of Mongolia, and the Ministry of Health of Mongolia, we implemented the project of "Belt and Road: Bright Tour" and signed a strategic cooperation agreement on the training of the ophthalmologist and optometrists system in Mongolian.
	We entered into cooperation agreements with Inner Mongolia Medical University and Baotou Medical College, respectively, to establish teaching hospitals.
2015 to 2020	We participated in the "Belt and Road: Bright Tour" project and successfully carried out 310 cases of cataract recovery operations in both the Inner Mongolia Autonomous Region and Mongolia.
2013-2018	We jointly conducted the "Chaoju Brightness Campaign Tour" project with the Hohhot Charity Federation for six consecutive years, and successfully implemented 700 cases of rehabilitating operations.
2010-2013	We cooperated with Australia's Fred Hollows Foundation and Standard Chartered Bank to carry out the "Visible Hope" China Project for three consecutive years.
2011	We participated in the "Canadian Red Cross Assistance Cataract Recovery Poverty Alleviation Project" (加拿大紅十字會援助白內障復明扶貧項目) and successfully carried out 134 cases of cataract recovery operations.

LICENSES, PERMITS AND APPROVALS

According to the relevant laws and regulations, we are required to obtain and maintain various certificates, licenses, permits (and in the absence of such licenses, permits or certificates, the necessary exemptions or concessions) in relation to our business operations. During the Track Record Period, we have obtained all necessary certificates, licenses and permits from the relevant regulatory authorities which are material to our operations, and all of our certificates, licenses and permits were valid and in force as of the Latest Practicable Date. We are required to renew certain certificates, licenses and permits from time to time and we currently do not expect any difficulties in such renewals as long as we meet the applicable requirements and conditions and adhere to procedures set out in relevant laws and regulations. As of the Latest Practicable Date, we did not experience any rejection on the renewal application of any material certificates, licenses and permits from the relevant regulatory authorities which are necessary for operations. For details, please see "Regulatory Overview."

The following table sets forth the major licenses, permits and certificates held by us as of the Latest Practicable Date.

Hospital	License/ Permit/Certificate	Granting authorities	Date of grant	Expiry Date
Baotou Hospital . .	Medical Institution Practicing Certificate (醫療機構執業許可證)	Health Commission of Inner Mongolia Autonomous Region (內蒙古自治區衛生健康委員會)	November 17, 2020	December 5, 2031
	Medical Institution Pharmaceutical Preparation Permit (醫療機構製劑許可證)	Medical Products Administration of Inner Mongolia Autonomous Region (內蒙古自治區藥品監督管理局) (formerly known as Food and Drug Administration of Inner Mongolia Autonomous Region (內蒙古自治區食品藥品監督管理局))	December 24, 2020	December 23, 2025
Hohhot Hospital . .	Medical Institution Practicing Certificate	Health Commission of Inner Mongolia Autonomous Region (formerly known as Health and Family Planning Commission of Inner Mongolia Autonomous Region (內蒙古自治區衛生和計劃生育委員會))	May 11, 2021	June 18, 2032
Datong Hospital . .	Medical Institution Practicing Certificate	Health Commission of Datong City (大同市衛生健康委員會)	December 11, 2019	April 30, 2024
Ulanqab Hospital .	Medical Institution Practicing Certificate	Health Commission of Ulanqab City (烏蘭察布市衛生健康委員會)	November 10, 2019	November 9, 2024

Hospital	License/ Permit/Certificate	Granting authorities	Date of grant	Expiry Date
Baotou Kunlun Hospital	Medical Institution Practicing Certificate	Health Commission of Baotou City (包頭市衛生健康委員會)	February 24, 2020	August 23, 2022
Dalad Banner Hospital	Medical Institution Practicing Certificate	Health Commission of Erdos City (鄂爾多斯市衛生健康委員會) (formerly known as Health and Family Planning Commission of Erdos City (鄂爾多斯市衛生和計劃生育委員會))	January 18, 2021	January 18, 2022
Hulunbuir Hospital	Medical Institution Practicing Certificate	Health Commission of Hulunbuir City (呼倫貝爾市衛生健康委員會)	March 9, 2020	October 23, 2023
Chifeng Hospital . .	Medical Institution Practicing Certificate(1)	Health Commission of Inner Mongolia Autonomous Region (formerly known as Health and Family Planning Commission of Inner Mongolia Autonomous Region)	May 11, 2021	June 19, 2032
Tongliao Hospital .	Medical Institution Practicing Certificate	Health Commission of Tongliao City (通遼市衛生健康委員會)	December 11, 2020	December 10, 2025
Chengde Hospital .	Medical Institution Practicing Certificate	Health Commission of Chengde City (承德市衛生健康委員會) (formerly known as Health and Family Planning Commission of Chengde City (承德市衛生和計劃生育委員會))	September 7, 2020	January 9, 2022
Xilinhot Hospital .	Medical Institution Practicing Certificate	Health Commission of Xilin Gol League (錫林郭勒盟衛生健康委員會)	April 20, 2021	May 21, 2024
Ningbo Hospital . .	Medical Institution Practicing Certificate	Health Bureau of Haishu District, Ningbo City (寧波市海曙區衛生健康局)	October 30, 2020	June 30, 2021(2)
Ninghai Hospital . .	Medical Institution Practicing Certificate	Health Bureau of Ninghai County (寧海縣衛生健康局)	November 24, 2020	June 28, 2023
Xiangshan Hospital	Medical Institution Practicing Certificate	Health Bureau of Xiangshan County (象山縣衛生健康局)	July 29, 2020	January 23, 2022
Jiaxing Hospital . .	Medical Institution Practicing Certificate	Health Commission of Jiaxing City (嘉興市衛生健康委員會)	March 4, 2021	August 26, 2022
Siyang Hospital. . .	Medical Institution Practicing Certificate	Health Commission of Suqian City (宿遷市衛生健康委員會)	December 8, 2020	August 29, 2024

Hospital	License/ Permit/Certificate	Granting authorities	Date of grant	Expiry Date
Sihong Hospital . .	Medical Institution Practicing Certificate	Health Bureau of Sihong County (泗洪縣衛生健康局)	November 2, 2020	December 30, 2023

Notes:

(1) With the qualification to provide online medical services.

(2) We are in the process of renewing Ningbo Hospital's Medical Institution Practicing Certificate. We do not expect any material difficulty in completing such renewal by the expiry date of the current Medical Institution Practicing Certificate.

QUALITY CONTROL AND COMPLAINT HANDLING

Quality Assurance

We are subject to various rules and regulations that regulate the qualifications and conduct of medical professionals and standards for ophthalmic services. For further details, please see "Regulatory Overview."

We are committed to complying with the relevant rules and regulations in the prevention and reduction of various risks and hazards associated with our operations. To ensure that we can provide consistent high quality services, we have put in place a quality control system which primarily includes the following measures.

- We have established a layered quality control framework to ensure the safety and quality of the medical services provided by our hospitals. We have established a medical quality and safety supervision group at each of our hospitals headed by the superintendents, to review detailed performance of our employees. Each of our hospitals are staffed with a vice superintendent designated for quality control and full-time quality control officers to oversee the practice of our hospitals. We have also established a medical quality department at our headquarters, headed by our chief medical officer, to oversee the medical practice of our Group.

- We have formulated and implemented various numerous medical quality control procedures and standardized clinical practice guidelines based on the features of ophthalmic hospitals in accordance with the statutory procedures promulgated by the National Health Commission and the safety targets promulgated by the Chinese Hospital Association. These procedures and guidelines cover all aspects of our medical practice, including consultation, pre-operation discussions and medical records keeping.

- We have implemented regular training for our medical professionals. Our discipline development committees are responsible for training our talents and maintaining a proper mix of different levels of professionals. For further details, please see "— Employees" above.

- We have established a remote consultation center for intractable eye diseases to diagnose eye diseases that are rare or difficult to ascertain. Our remote consultation center consists of senior and experienced ophthalmic experts of our own, as well as well-known external experts nationwide. Experts of our remote consultation center meets with each other via video conferences to discuss cases and diagnosis, as well as have remote consultation sessions with our patients via video conferences. Our remote consultation center helps us ensure that all patients are properly diagnosed and prescribed with appropriate treatments, thus ensuring the safety and quality of our medical practice and preventing misdiagnosis and medical malpractice events.

- We evaluate our services regularly, including regular inspection and monthly review meetings with our professionals to identify areas to be improved. We also conduct annual appraisal on the performance of our employees.
- We welcome and actively solicit our customers' feedback on our services. We conduct customer satisfaction surveys and keep a record of all of our customers' feedback and take follow-up actions to address their concerns when necessary.
- We have established detailed procedures governing the prescription and dispensing of pharmaceuticals to our patients. We ensure that prescriptions are properly recorded in the clinical notes and administered into the computer dispensary system. The packaging of the pharmaceuticals, the prescriptions and the patient's identity will be cross-checked before the medications are dispensed to our patients.

Complaint Handling

We place great emphasis on our customers' experience at our facilities. We have formulated specific policies and procedures on the handling of customer complaints. Such policies and procedures cover, among others, the complaint filing channels and methods available to customers, duties of our different departments and internal coordination mechanisms during the handling of customer complaints, the handling procedures of customer complaints, as well as the related remediation and accountability procedures. In particular, we require our staff who directly receives the customer complaint to be directly responsible for the handling of the relevant complaint, including communication with the complaining customer, internal reporting and coordination, and the final response to the complaining customer. We also have in place designated customer complaint coordinators at our hospitals, who are responsible for the overall management of customer complaint handling.

In addition, we have formulated specific policies and procedures on the handling of medical disputes covering, among others, the internal reporting and contingent response plans for medical disputes. Our medical quality assurance department (醫療質量部) at the headquarters level is responsible for the overall management and supervision of medical dispute handling. Our hospitals are required to form special task forces to review and assess each medical dispute, and may submit complex disputes for the review and assessment by our medical quality assurance department at the headquarters level. We generally encourage our hospitals to resolve medical disputes through rulings by medical dispute mediation committees or judicial authorities in order to avoid further disputes. Each medical dispute will be filed in our structured record-keeping system.

During the Track Record Period, we had experienced a total of 42 medical disputes with our patients, 41 of which have been resolved as of the Latest Practicable Date with an aggregate payment of RMB2.4 million made to the complaining patients.

As of the Latest Practicable Date, we had one unresolved medical dispute, where the patient alleged medical negligence and improper treatment. The patient was discharged from our Baotou Hospital after surgery, and subsequently contracted infection on the cornea. The patient then experienced loss of eye-sight due to such infection. The Inner Mongolia Medical Association adjudicated on January 14, 2021 that this incident was a class 3(D) medical incident resulting primarily from the patient's pre-existing conditions and disobedience during the treatments for such infection, and our Baotou Hospital is minimally responsible for such incident. As of the Latest Practicable Date, the patient had filed a complaint with the competent court against our Baotou Hospital claiming for damages of approximately RMB0.2 million, and the trial for this case for the first instance was yet to be held.

We will continue to monitor the development of our unresolved medical dispute and try to minimize any potential adverse effect on us. Our Directors are of the view that our unresolved medical dispute will not have any material adverse effect on our business, financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, except as described above, we did not receive any material complaints from our customers.

INVENTORY CONTROL

Our inventories consist of pharmaceuticals, medical consumables and optical products. Each of our hospitals and optical centers maintains its own inventory of supplies to satisfy its practical needs. Upon inspection after delivery, supplies are placed into storage areas with controlled temperature and humidity. As advised by our PRC Legal Advisors, the storage of certain pharmaceuticals is regulated. During the Track Record Period, we complied with the applicable rules and regulations in the PRC on the storage of our supplies and pharmaceuticals in all material aspects.

We regularly monitor the level of inventory through our ERP System to ensure that the inventories are adequate. We regularly carry out physical inventory stock-takes and assessments to reconcile our internal records. We keep approximately 30 to 90 days of inventories to meet the needs of our operations. Our inventories are reviewed periodically to identify slow-moving or obsolete inventories. Pharmaceutical expiry dates are closely monitored to ensure expired items are not administered and are safely disposed in accordance with applicable laws and regulations. When pharmaceuticals and medical consumables expire, we safely dispose them in accordance with the applicable laws and regulations, and the medical supplies will be written off accordingly. During the Track Record Period, we did not experience any significant write-offs of our inventories.

As at December 31, 2018, 2019 and 2020, we had inventories of RMB46.6 million, RMB36.1 million and RMB38.0 million, respectively, representing approximately 9.7%, 8.8% and 7.0% of our total current assets, respectively.

MARKET AND COMPETITION

The ophthalmic services market in the PRC has been competitive due to the abundance of hospitals and clinics. We primarily compete with public hospitals and other private specialty eye hospitals and clinics in the PRC. For further information on our market position and the competitive landscape of the markets, please see “Industry Overview.”

We believe the principal competitive factors are ophthalmic technology, price and quality of services, quality control, status as designated hospitals under public health insurance and/or commercial insurance programs, convenience and location in proximity to residential or business regions, brand recognition and reputation. To succeed in the markets we operate in, we believe we need to compete effectively with existing players in the market and new market entrants. We will continue to leverage our market position to compete effectively, capture growth opportunities and gain market share as our business growths.

INSURANCE

As of the Latest Practicable Date, we had purchased and maintained medical indemnity insurance to cover our hospitals and professionals. The table below sets forth details of medical indemnity insurance policies for each of our hospitals as of the Latest Practicable Date.

Hospital	Commencement date for current policy	Expiry date of current policy	Insurance premium	Maximum amount covered under current policy	Maximum amount covered under current policy per claim
			(RMB)	(RMB)	(RMB)
Baotou Hospital	January 1, 2021	December 31, 2021	115,200	1,000,000	280,000
Hohhot Hospital	December 27, 2020	December 26, 2021	51,162	3,000,000	500,000
Datong Hospital(1)	N/A	N/A	N/A	N/A	N/A
Ulanqab Hospital	September 2, 2020	September 1, 2021	14,000	600,000	300,000
Baotou Kunlun Hospital	January 1, 2021	December 31, 2021	12,000	1,000,000	420,000
Dalad Banner Hospital	January 15, 2021	January 14, 2022	14,520	1,000,000	200,000
Hulunbuir Hospital	April 14, 2021	April 13, 2022	22,834	1,000,000	280,000
Chifeng Hospital	May 5, 2021	May 4, 2022	57,312	3,000,000	500,000
Tongliao Hospital	June 30, 2020	June 29, 2021	31,160	3,000,000	500,000
Chengde Hospital	May 21, 2021	May 20, 2022	35,000	500,000	200,000
Xilinhot Hospital	September 29, 2020	September 28, 2021	12,000	500,000	200,000
Ningbo Hospital(2)	N/A	N/A	N/A	N/A	N/A
Ninghai Hospital	November 1, 2020	October 31, 2021	96,250	300,000	300,000
Xiangshan Hospital	January 1, 2021	December 31, 2021	33,150	300,000	300,000
Jiaxing Hospital(2)	N/A	N/A	N/A	N/A	N/A
Siyang Hospital	March 5, 2020	March 4, 2022	22,000	300,000	200,000
Sihong Hospital	July 11, 2020	July 10, 2021	19,300	989,605	200,000

Notes:

(1) We currently do not maintain any medical indemnity insurance policy for our Datong Hospital, because the local insurance companies do not offer such insurance products to private hospitals. We may consider purchasing medical indemnity insurance policy for our Datong Hospital if such insurance product becomes available for private hospitals in Datong.

(2) We currently do not maintain any medical indemnity insurance policy for our Ningbo Hospital and Jiaxing Hospital. Based on our assessment of the risks relating to their operations and the fee quotes obtained from local insurance companies, we have determined that it is commercially unreasonable to maintain medical indemnity insurance policy for such hospitals. We will assess the relevant risks against the fee quotes for the insurance products available to these hospitals on a continuous basis, and may purchase medical indemnity insurance for these hospitals in the future if the costs outweigh the insured risks.

Our current medical indemnity insurance policies primarily covers harm suffered by our patients arising from our clinical activities, including (i) failure by our medical professionals to properly inform our patients of their medical conditions and risks associated with our treatment procedures and obtain patients' consent; (ii) failure by our medical professionals to discharge their duties at a level consummate with the relevant medical standards; (iii) harm caused by defects in, or the improper use by our medical professionals of, pharmaceuticals or medical devices; and (iv) harm due to unintentional deviation from standard treatment protocols by our medical professionals. We believe our current medical indemnity insurance coverage is adequate taking into account the scale of our hospitals, historical medical indemnity claims against us and the complexity of our services. In 2018, 2019 and 2020, we made claims in an aggregate amount of RMB0.2 million, RMB0.2 million and RMB0.4 million, respectively, under our medical indemnity insurance policies, of which RMB0.1 million, RMB0.2 million and RMB0.2 million was reimbursed.

We do not maintain business interruption insurance or key person insurance. Our Directors are of the opinion that the insurance policies maintained are adequate for our existing business and operations and in line with the industry norm. We will review and procure the necessary additional insurance coverage as and when the need arises. During the Track Record Period and up to the Latest Practicable Date, we did not make any material claim under our insurance policies. Please see "Risk Factors — Risk Relating to Our Business and Industry — Insurance coverage may not sufficiently cover risks arising from our business operation."

RESEARCH AND DEVELOPMENT

Research and development is critical to the sustainable growth of our business operation, creating synergies with our ophthalmic services. We focus on clinical-need based and market oriented research and development, and our research and development team provides various types of support for our business operations and development, including the diagnosis and treatment of complex diseases, the development and promotion of our medical treatments and techniques, the training of our young professionals and the development of hospital-made pharmaceuticals. As of the Latest Practicable Date, our research and development team consisted of 36 full-time medical professionals, substantially all of whom also provided medical services to our patients.

As of the Latest Practicable Date, we had successfully developed 23 hospital-made pharmaceuticals, including five types of capsules and 18 types of eye drops, all of which are our trade secrets. Our hospital-made pharmaceuticals are designed to treat a wide range of conditions, and can be used for myopia control, ocular fundus diseases, anti-infection and anti-allergic purposes. We believe that our Baotou Hospital is the one-and-only ophthalmic hospital in Inner Mongolia with a preparation room to produce traditional Chinese medicine capsules and eye drops. We are 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.

Our research activities are conducted both in-house and through collaborations with external research partners, such as research institutes, universities and other institutions. For example, we have established an teaching hospital in collaboration with Baotou Medical College, thus establishing a talent base for the sustainable growth and research and development of our Group. During the Track Record Period and up to the Latest Practicable Date, our research and development personnel and medical professionals had published an aggregate of 146 papers, including three papers published in conjunction with the Zhongshan Ophthalmic Center of Sun Yat-sen University (中山大學中山眼科中心) and one paper published in conjunction with Peking University Third Hospital (北京大學第三醫院).

We enter into standard non-compete agreements with our core technical personnel. These non-compete agreements prohibit our core technical personnel from directly or indirectly competing with us or soliciting customers or employees from us during their employment and for up to 24 months after termination of their employment. Our core technical personnel also sign standard confidentiality agreements regarding the treatment of confidential information during and after the termination of their employment.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We are subject to various laws and regulations in the PRC in relation to environmental 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. For further details, please see "Regulatory Overview." We have established policy to ensure that we meet the statutory requirements in relation to environment matters and the disposal of clinical waste.

During the Track Record Period and up to the Latest Practicable Date, we had not received any notice or warning in relation to our operations, nor had we been subject to any fines, penalties or other legal actions by any government agencies resulting from any material non-compliance with any environmental protection laws. We believe that we are in compliance in all material respects with applicable environment regulations in the PRC.

In 2018, 2019 and 2020, our total costs of compliance with applicable environmental laws and regulations was RMB0.8 million, RMB0.6 million and RMB0.8 million, respectively, representing 0.1%, 0.1% and 0.1%, respectively, of our total revenue for the same years. We do not expect there to be substantial changes to our costs for compliance with the applicable environmental laws and regulations in the near future.

We have instituted occupational health and safety management procedures and policies for our employees. We have procedures and guidelines in place for health and safety-related requirements, including those on the handling of medical equipment and clinical waste. We provide training to our employees to ensure they are familiar with the relevant medical procedures and technology. We also carry out health examinations to our employees exposed to professional hazards imposed by special medical equipment to ensure occupational health and safety. During the Track Record Period, we did not experience any material accidents involving personal injury or property damage and we were not subject to any material claims, lawsuits, penalties or disciplinary actions as a result of any material accidents.

We have formulated policies on medical waste disposal to ensure the proper classification, sterilization and storage, and the proper and timely disposal of medical waste. We have also put in place policies and procedures to protect the health and safety of our staff handling medical wastes, and require each of our hospitals to formulate contingent response plans with respect to the leakage of medical waste or any exposure of our staff to medical waste.

INTELLECTUAL PROPERTY

We believe that intellectual property rights are critical to our continued success. We primarily rely on the applicable laws and regulations on trademarks, trade secrets as well as confidentiality agreements to protect our intellectual property rights. We have registered or applied for registration of certain trademarks in the PRC relating to the names and logos of our hospitals and optical centers. As of the Latest Practicable Date, we had (i) 39 trademarks registered in the PRC; (ii) two pending trademark application in the PRC; and (iii) 24 registered domain names in the PRC. For details, please see "Appendix IV — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual property rights of our Group."

As of the Latest Practicable Date, we were not aware of any material infringement of or dispute regarding our intellectual property rights and we believe that we have taken reasonable measures to prevent infringement of our own intellectual property rights.

PROPERTIES

We occupy properties in the PRC in connection with our business operations. We do not hold or develop properties for letting or retention as investments, nor do we purchase or develop properties for subsequent sale or for retention as investments.

According to Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong) and Chapter 5 of the Listing Rules, this prospectus is exempted from compliance with the requirements of Section 342(1)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all of our interests in land and in buildings, for the reason that, as of December 31, 2020, we had no property interest with a carrying amount of 15% or more of our total assets.

Owned Properties

As of the Latest Practicable Date, we owned nine properties in the PRC with an aggregate GFA of approximately 9,222 sq.m., which we held for self-use. As of the Latest Practicable Date, we had obtained the building title certificates for all the properties we own.

Leased Properties

As of the Latest Practicable Date, we leased 39 properties in the PRC with an aggregate GFA of approximately 96,342 sq.m., which were used primarily as premises of the hospitals, optical centers and offices. Our lease agreements have a term ranging from one to 20 years.

For the 28 leased properties with an aggregate GFA of approximately 59,695 sq.m., the relevant leasing agreements we entered into have not been registered with the relevant PRC governmental authorities as required by law. As advised by our PRC Legal Advisors, the relevant PRC governmental authorities may require us to register relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registration lease. Our PRC Legal Advisors further advised us that the failure to register the lease agreements will not affect the validity of such leasing agreements or have any material adverse effect on the normal operations of our Company. As of the Latest Practicable Date, we have not received any notice from any competent authority in relation to the non-registration of leasing agreements.

COMPLIANCE MATTERS

Our business is operated in medical industry which is heavily regulated in China. For a summary of the relevant PRC laws and regulations which our business operations are subject to, please see "Regulatory Overview."

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or systemic non-compliance incidents which we believe, taken as a whole, would likely to have a material adverse effect on our business or financial position. As advised by our PRC Legal Advisors, none of the predecessors of our hospitals as described in "History, Reorganization and Corporate Structure — Certain Predecessors of our Hospitals" experienced any material non-compliance incidents, or was a party to any material claims, litigation or legal proceedings, whether actual or threatened during the Track Record Period and up to the Latest Practicable Date.

LITIGATION

We are subject to the laws, regulations and supervision of the regulatory authorities in the PRC and are required to maintain certain licenses, permits and approvals in order to operate our business. For a summary of the relevant PRC laws and regulations which our business operations are subject to, please see "Regulatory Overview."

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. As part of our risk management and internal control procedures, we have fully informed our patients of the inherent medical risks and obtained their consents before conducting the relevant treatment or surgical procedures. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any legal proceedings which, if determined adversely to us, in our opinion, was likely to have a material adverse effect on our business, financial condition or results of operations. As of the Latest Practicable Date, there were no pending legal, arbitration or administrative proceedings against us or any of our Directors which in our opinion were likely to have a material adverse effect on our financial condition or results of operations, and we are not aware of any such proceedings contemplated or threatened against us.

DATA PRIVACY AND PROTECTION

We have formulated strict policies to govern the collection, handling, storage, retrieval and access of personal data and medical records of our customers. Our hospitals use secured IT systems to manage our patients' personal information and medical records. Access to such systems is subject to clearance control and authorization. In addition, in order to protect patient data against unauthorized physical access, files that include such data are stored in lockable cabinets, which can only be accessed by designated personnel of our hospitals. For medical records of our patients that are kept manually, we have designated personnel at our hospitals responsible for the safekeeping of such medical records.

During the Track Record Period, we did not experience any breach of patient confidential information or any other patient information related incidents which could cause a material adverse effect on our business, financial condition or results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks in our operations, including the various risks relating to our business and industry and market risks in the ordinary course of our business. For further details, please see the section headed "Risk Factors" in this prospectus. Our risk management and internal control system and procedures are designed to meet our specific business needs and minimize our risk exposure. We have adopted various internal guidelines, along with policies and procedures to monitor and reduce the impact of risks which are relevant to our business, control our daily business operations, improve our corporate governance and ensure compliance with the applicable laws and regulations.

Our Board and senior management are responsible for identifying and analyzing risks associated with our operations, preparing risk mitigation plans and assessing and reporting its effectiveness. In particular, we have established an Audit Committee under our Board, whose primary duties are to assist the Board in providing an independent view on the effectiveness of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. The Audit Committee is chaired by Mr. Li Jianbin, our independent non-executive Director.

The Audit Committee has the authority to (i) conduct investigations on all members of our senior management in line with the internal control policies. Simultaneously, we have permitted and are willing to pay for the relevant expenses, as reasonable, associated with the Audit Committee in obtaining external legal or other professional advice, and inviting Directors, relevant senior management personnel and relevant departments heads who are not Audit Committee members to participate in meetings and investigations; (ii) report directly to the Board of any suspicious fraudulent activities or misconducts found within our Group or suspected infringements of relevant laws and regulations which they believe are of adequate importance to their attention; (iii) express their opinions in the corporate governance report section of our annual report in the event of the Board disagreeing with the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditors, and explain the reason for such disagreement; and (iv) obtain sufficient resources as necessary to properly perform its duties.

In order to improve our corporate governance, we have adopted, or expect to adopt before the Listing, a series of internal control measures and policies designed to provide reasonable assurance for achieving objectives such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control include the following:

- we have improved the existing internal control framework by adopting a set of internal control manual and policies, which cover corporate governance, risk management, operation and legal matters;
- our Directors have received trainings conducted by our legal adviser as to Hong Kong law on the continuing obligations, duties and responsibilities of directors of publicly listed companies under the applicable laws of Hong Kong;
- each of our Directors is aware of the fiduciary duties as a director which require, among other things, that he or she must act for the benefit and in the best interest of the Company and must now allow any conflict between his duties as a director and his personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Company and the Directors or their respective associates, any interested Director will be abstained from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum;
- we have appointed Wang Weichao as our chief financial officer and board secretary to ensure our compliance with relevant laws and regulations. For his biographical details, please see "Directors and Senior Management — Senior Management;"
- we have appointed Haitong International Capital Limited as our compliance adviser to advise us on compliance with the Listing Rules; for further information, please see "Directors and Senior Management — Compliance Adviser;"
- we have appointed external legal adviser to advise us on the compliance requirements of the Listing Rules and ensure our compliance with relevant regulatory requirements and applicable laws, where necessary;
- we will assess and monitor the implementation of our internal control manual and policies by the relevant departments and companies in our Group through regular audits and inspections;
- we will provide internal training to employees as appropriate in order to enable them to follow the internal control and corporate governance procedures;
- we have implemented relevant policies to ensure future compliance with applicable laws and regulations; and
- we have adopted various policies to ensure compliance with the Listing Rules, including those in relation to risk management, continuing connected transactions and information disclosure.

In preparation for the Listing, we have further engaged an independent internal control consultant (the "**Internal Control Consultant**") to perform a comprehensive internal control review on our internal control system in relation to financial reporting, particularly in the aspects of revenue management, procurement management, inventory management, human resources management, fixed assets, cash and treasury management, insurance management, financial reporting management, taxes management, general IT controls, compliance management, construction in progress management and investment management. The internal control review was conducted based on the information provided by our

Company and no assurance or opinion on internal controls was expressed by the Internal Control Consultant. Subsequently, the Internal Control Consultant recommended certain rectification and improvement measures in our internal control system based on its findings and we have implemented respective rectification and improvement measures in response to these findings and recommendations accordingly.

Furthermore, in order to better ensure our compliance with the applicable laws and regulations, we have taken the initiative to adopt the following additional anti-bribery and anti-corruption precautionary measures:

- We have adopted policies on anti-bribery and anti-corruption including (i) the Measures for the Management of Anti-Corruption (反舞弊管理辦法) which prohibits corruption and bribery acts of our employees to ensure due compliance with the applicable laws and regulations. It also prohibits our employees from engaging in bribes, kickbacks, improper or illegal inducements, or other unlawful payments to ensure compliance with the applicable laws and regulations;

- The policies on anti-bribery and anti-corruption include the features of (i) maintaining top level commitment to adopt ethical and anti-corruption business practices; (ii) policy statements against corruption in doing business; (iii) key integrity and conduct requirements for our personnel; (iv) activities that are considered as misconduct; and (v) whistle-blowing policy for violation of the policies on anti-bribery and anti-corruption;

- Our whistle-blowing policy encourages employees to report immediately when they recognize other employees engaging in suspicious activities in connection with bribery or corruption practices. If preferred, the whistle-blowing policy allows our employees to report bribery or corruption acts on an anonymous basis to our dedicated hotline and email address;

- We require all of our new employees to sign an anti-corruption confirmation that prevents them from engaging in corruption and fraudulent practices. Our existing employees are required to attend regular trainings and comply with our employee handbook in connection with the compliance and applicable laws and regulations. Such confirmation ensures the employee's compliance with the applicable anti-corruption laws; and

- Our enhanced internal control and financial management system includes the features of (i) a clear schedule of authorities on all finance matters; (ii) reasonable division of duties (such as avoiding the same person for initiating and approving payments); (iii) a computerized financial system integrated with our operational processes; (iv) all financial transactions and payments must be verified by our finance department; (v) conducting regular financial transactions reports and management accounting reports to facilitate management review and monitoring; and (vi) establishing financial report and filing system ensuring all report and filing are prepared by competent financial staff and subsequently reviewed and approved by authorized senior management.

Following the implementation of additional internal control measures and policies, the Internal Control Consultant has completed a follow-up review in relation to our enhanced internal control system, and we did not receive any additional recommendations from the internal control consultant as of the Latest Practicable Date. Taking into consideration of the above, our Directors and the Joint Sponsors are of the view that our enhanced internal control measures are adequate and effective for our current business environment.

The following discussion and analysis should be read in conjunction with the consolidated financial information together with the accompanying notes in the Accountants' Report included in Appendix I to this prospectus. Our historical financial information has been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Boards. You should read the whole Accountants' Report and not rely merely on the information contained in this section. The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depend on a number of risks and uncertainties over which we do not have control. Please also see the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus.

OVERVIEW

We are a leading ophthalmic medical service group in North China with a strong reputation nationwide. According to the Frost & Sullivan Report, we ranked first in Inner Mongolia, second in North China and fifth in China among private ophthalmic hospitals in terms of total revenue in 2020. China is a large and fast growing market for ophthalmic medical services. According to the Frost & Sullivan Report, the size of the ophthalmic medical services market in China increased from RMB73.0 billion in 2015 to RMB127.5 billion in 2019, representing a CAGR of 15.0%, and is expected to further grow to RMB223.1 billion in 2024; the size of the 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 in 2024; the size of the ophthalmic medical services market in Inner Mongolia increased from RMB1.1 billion in 2015 to RMB2.0 billion in 2019, representing a CAGR of 15.6%, and is expected to further grow to RMB3.3 billion in 2024. With an increasing population with high demands for ophthalmic medical services, it is expected that the ophthalmic medical services market in China has great potential for further growth. Leveraging our experience in ophthalmic services and market leading position, we believe we are well-positioned to capture the growing opportunities and benefit from the rapid expansion of the ophthalmic services market in the PRC.

With a deep root in North China, we have built a broad network of ophthalmic hospitals and optical centers spanning across five provinces or autonomous region in China, namely, Inner Mongolia, Zhejiang Province, Jiangsu Province, Shanxi Province and Hebei Province. As of the Latest Practicable Date, we operated a network of 17 ophthalmic hospitals and 23 optical centers. In addition, as of the Latest Practicable Date, we also operated two clinics as branches of our hospitals, and one of our optical centers also held a medical institution practicing certificate and was licensed to operate as a clinic providing certain out-patient services.

We generate revenue primarily from (i) consumer ophthalmic services and (ii) basic ophthalmic services. We classify our ophthalmic services primarily 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. Our 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. Our 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. There is no overlap in the scope of the services provided and the diseases and corresponding treatments covered by our basic ophthalmic services and consumer ophthalmic services. In light of upgraded social consumption in China over the recent years, we plan to increase our strategic focus on our consumer ophthalmic services business and devote more efforts to pursue a continued rapid growth, while maintaining the fundamental strength of our basic ophthalmic business.

We experienced a rapid growth during the Track Record Period. Our revenue increased by 13.0% from RMB632.7 million in 2018 to RMB714.7 million in 2019, and further increased by 11.1% to RMB794.3 million in 2020. Our net profit also increased significantly from RMB29.2 million in 2018 to RMB70.8 million in 2019, which further increased by 70.2% to RMB120.5 million in 2020.

BASIS OF PRESENTATION

Pursuant to the Reorganization, our Company became the holding company of the companies now comprising our Group in July 2020. For further details, please see "History, Reorganization and Corporate Structure — Corporate Reorganization."

The Reorganization is merely a restructuring of our business with no change in management of such business and the ultimate owners of our business remain the same. Accordingly, our Group resulting from the Reorganization is regarded as a continuance of our business under the subsidiaries, and the financial information has been prepared and presented as a continuance of the consolidated financial statements of our business with the assets and liabilities of our Group recognized and measured at the carrying amount of our business under the consolidated financial statements of our business for the Track Record Period.

The historical financial information of our Group has been prepared in accordance with IFRS. Details regarding the basis of presentation and preparation of the historical financial information of our Group are set out in notes 2.1 and 2.2 to the historical financial information set forth in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition have been, or are expected to be in the future, significantly affected by a number of factors. A discussion of certain of the key factors is set out below.

Market Conditions and Competition in the Ophthalmic Services Industry in China

We derive substantially all of our revenue from the provision of ophthalmic services through our hospitals and optical centers in China. As a result, our results of operations and financial condition are generally affected by the overall market conditions and competition in the ophthalmic services industry in China.

Due to the continued economic growth as well as an increasingly affluent and rapidly aging population, China's ophthalmic medical services market has grown steadily in recent years. According to the Frost & Sullivan Report, the size of the ophthalmic medical services in China increased from RMB73.0 billion in 2015 to RMB127.5 billion in 2019, representing a CAGR of 15.0%, and is expected to reach RMB223.1 billion in 2024; the share of private medical institutions in China's ophthalmic medical services market has increased from RMB14.6 billion in 2015 to RMB31.4 billion in 2019, representing a CAGR of 21.1%, and is expected to reach RMB70.7 billion in 2024. Please see "Industry Overview — Ophthalmic Medical Services Market in China — Overview of the Ophthalmic Medical Services Market in China" for further details.

However, the ophthalmic medical services market is highly competitive. We primarily compete with public hospitals and other private ophthalmic hospitals and clinics in China. Due to the fast growing number of private ophthalmic hospitals in the PRC, we may face increasingly fierce competition. According to the Frost & Sullivan Report, the number of private ophthalmic hospitals has experienced rapid growth in recent years, growing from 347 in 2014 to 709 in 2018, representing a CAGR of 19.6%. In addition, ophthalmic treatment technology has advanced quickly and may continue to evolve in the future. Our ability to adopt the latest technological improvements in a timely and cost-effective manner directly impacts our financial condition and results of operations. If we were not able to maintain our competitive edge, attract quality medical professionals and continue to offer advanced and specialized ophthalmic services to differentiate ourselves from our competitors, we may not be able to sustain a stable growth in our business and our results of operations may be adversely affected. We believe that we are well-positioned to compete on the market and capture the growing opportunities in the ophthalmic medical services market. Please see "Business — Our Competitive Strengths — As a leading ophthalmic medical service group in North China, we are well-positioned to capture significant demands from a vast market for ophthalmic services" for further details.

Public Health Insurance Policies Relating to the Ophthalmic Service Industry and Healthcare Reforms

In recent years, increases in coverage and funding for the public health insurance programs in China have significantly improved patients' ability to pay for medical treatment, leading to considerable growth in both patient visits and average spending of patients. According to the Frost & Sullivan Report, PRC public health insurance coverage for urban and rural residents as well as urban employees combined covered approximately 1.4 billion people in 2019, representing a coverage rate of 96.7%, and the expenditure for public health insurance programs increased from RMB931 billion in 2015 to RMB1,995 billion in 2019, representing a CAGR of 21.0%. We have benefited from the increasing coverage of public health insurance programs and other favorable policies enacted by the PRC Government, which has contributed to the historical increase in the total number of patient visits to our hospitals.

However, while we are generally permitted to set our own pricing standards for our consumer ophthalmic services, some of our basic ophthalmic services, certain pharmaceuticals and medical consumables are covered by the public health insurance programs and are subject to price ceiling guidelines promulgated by the relevant government authorities. Please see "Business — Pricing and Settlement" for further details. Additionally, payment from public health insurance programs are also subject to annual quota as determined by the local public health insurance authorities. We may not be able to recover the medical costs incurred that exceed such pre-determined annual quota.

Furthermore, our financial condition is also affected by the payment schedule of the public health insurance programs as we have historically received, and expect to continue to receive, a considerable percentage of our revenue through the settlement by public health insurance programs. In 2018, 2019 and 2020, our revenue received from settlement by the public health insurance programs was RMB171.2 million, RMB190.9 million and RMB177.9 million, respectively, representing 30.7%, 29.4% and 24.5% of the total revenue generated from our hospitals for the respective years. Therefore, policies on the coverage, funding and payment quota of public health insurance policies will continue to have a significant impact on our pricing, financial conditions and results of operations. See "Risk Factors — Risks Relating to Our Business and Industry — Pricing controls and coverage limits under public health insurance programs may affect the pricing of our services and products" for further details.

Moreover, the PRC Government has, as part of the healthcare reform in China, introduced various policies aiming to reduce the costs for pharmaceuticals and medical consumables. For example, the PRC Government has required that, starting 2016, pharmaceutical manufacturers may only sell pharmaceuticals to public hospitals through one layer of distributors as compared to multiple layers of distributors that were previously more common in the distribution process of pharmaceuticals. Additionally, starting 2019, the PRC Government has required that a significant percentage of the pharmaceuticals and medical consumables used by the designated public hospitals be procured through a national centralized tendering and bidding process and at prices and amounts determined through such process. These measures, although not directly applicable to us as a private hospital, are expected to lower the market prices of various pharmaceuticals and medical consumables in general. As such, our procurement costs and selling prices of pharmaceuticals and medical consumables are both expected to decrease, thus affecting our financial condition and results of operations.

Our Investment Strategies

Our financial results are affected by our strategy to expand our operational network. We plan to expand our operational network by acquiring additional hospitals, upgrading our existing hospitals or establishing new hospitals. These expansion plans involve significant capital expenditure, and we will incur substantial costs before the commencement of operations of new or upgraded hospitals. Please see "Risk Factors — Risks Relating to our Business and Industry — Opening new hospitals or optical centers could result in fluctuations in our short-term financial performance." In addition, a significant amount of working capital will be required even after the commencement of operations of our new or upgraded hospitals to meet the initial liquidity needs, until they can reach the breakeven point on their own. This breakeven period may be further affected by the specific characteristics of a hospital, such as its size, initial investment, the coverage of its services and the competitive landscape. As a result, our profitability may fluctuate from period to period. Additionally, expansion into new markets may result in an increase in our operational costs and bring uncertainties to our financial performance, as we may be unfamiliar with the new markets. The foregoing factors may have a short-term negative impact on our liquidity and profitability.

In addition, we rely heavily on offering quality services to our customers by using the latest technology and equipment, and value technology and equipment as a key factor to underpin our market leadership. However, acquiring new equipment and introducing new technology may require significant expenditure, which may adversely affect our liquidity in the short term. Please see "Risk Factors — Risks Relating to Our Business and Industry — If we are unable to keep abreast of the latest developments in technology to meet our customers' changing needs, our competitive edge may be materially and adversely affected."

Seasonality

We experience seasonal fluctuations in our revenue and profitability. We typically see more patient visits and record higher revenue in the third quarter of a year, as more students, being a key customer base for our consumer ophthalmic services, schedule refractive correction surgeries in summer holidays. As such, our operating results have fluctuated and are expected to continue to vary from period to period, and our financial performance for any period of less than a year may not reflect our annual financial results.

Our Ability to Control Costs

Costs of medical consumables, employee compensation and costs of pharmaceuticals have historically been, and are expected to continue to be, our most significant costs. Our ability to control such costs and expenses may significantly affect our profitability.

Set forth below is a sensitivity analysis on the fluctuations in the (i) costs of medical consumables and pharmaceuticals, and (ii) employee compensation directly related to our provision of medical services, which illustrates the hypothetical impact on our profit before tax with 5%, 10% and 15% increase or decrease in the respective items. Due to a number of assumptions applied, the sensitivity analysis is for illustrative purpose only and the actual results may differ from the illustration below.

	Change in profit before tax for changes in costs of medical consumables and pharmaceuticals by		
	+/-5%	**+/-10%**	**+/-15%**
		(RMB millions)	
For the year ended December 31, 2018	10.3	20.7	31.0
For the year ended December 31, 2019	11.7	23.4	35.2
For the year ended December 31, 2020	12.1	24.1	36.2

	Change in profit before tax for changes in employee compensation directly related to our provision of medical services by		
	+/-5%	**+/-10%**	**+/-15%**
		(RMB millions)	
For the year ended December 31, 2018	5.3	10.6	15.9
For the year ended December 31, 2019	6.2	12.4	18.5
For the year ended December 31, 2020	6.0	11.9	17.9

IMPACT OF THE COVID-19 PANDEMIC

In December 2019, a respiratory illness known as COVID-19 caused by a novel strain of coronavirus emerged and has spread globally since then, which has adversely affected the global economy. In order to contain the COVID-19 pandemic, the PRC Government has implemented a series of measures, including travel restrictions, quarantines and business shutdowns. In line with the PRC Government's measures and requirements to contain the pandemic, and to protect our employees and customers from infection, we have taken various precautionary measures at our hospitals and optical centers in response to the COVID-19 outbreak, including (i) setting up strict entrance registration and temperature screening procedures for our patients and customers; (ii) limiting the number of patients and customers received at the same time; (iii) reducing the density of personnel in our hospitals and optical centers; and (iv) requiring coronavirus testing for our patients before they receive surgeries or other in-patient services. Our costs incurred for such precautionary measures amounted to RMB3.1 million in 2020.

The COVID-19 pandemic materially and adversely affected our business, financial condition and results of operations. The operation of most of our hospitals (other than our Baotou Hospital, Hohhot Hospital, Chifeng Hospital, Datong Hospital, Hulunbuir Hospital and Chengde Hospital) were suspended in February 2020, and all of our hospitals and optical centers experienced a significant decrease in the number of patient and customer visits in February and March 2020 as compared to the same period in 2019. This was primarily due to the limitations on our business activities imposed by the PRC Government as part of its efforts to contain the COVID-19 pandemic, as well as our customers' hesitation to seek ophthalmic medical services or obtain optical products, most of which are of a non-urgent nature, during the pandemic. As a result, the operation of our hospitals and optical centers was severely affected, and our revenue for February and March 2020 decreased by 78.2% and 33.4%, respectively, compared to the same periods in 2019. Meanwhile, in response to the uncertainties in market supplies brought by the COVID-19 pandemic, we increased our procurement of certain pharmaceuticals. The operation of our hospitals gradually resumed in late February and early March 2020, and we witnessed a bounce-back in the number of patient visits since April 2020, and our revenue in April 2020 increased by 13.1% compared to the same period in 2019. However, certain pandemic containment measures remain effective in light of the on-going COVID-19 situation. As of the Latest Practicable Date, all our hospitals and optical centers had resumed normal operations.

We did not experience any material delay or failure by our suppliers to deliver our orders, or the inability of our hospitals or optical centers to provide services or deliver products as agreed with patients and customers during such period. To our knowledge, our major suppliers in 2020 had all resumed normal operations as of the Latest Practicable Date. We believe that the COVID-19 pandemic will neither have a significant on-going impact on our ability to provide services or deliver products as agreed with our patients and customers nor disrupt the operation of our major suppliers.

It is uncertain when and whether COVID-19 could be contained globally. There is no assurance that the COVID-19 pandemic will not escalate significantly or continue to have a material adverse effect on our financial condition, results of operations or prospects. For further details, please see "Risk Factors — Risks relating to Our Business and Industry — Our business may be affected by natural disasters, epidemics and other acts of God."

At April 30, 2021, we had cash and cash equivalents of RMB469.4 million. Given the financial resources currently available to us, in the extreme scenario and based on the assumptions, which nevertheless are unlikely to happen, that (i) our business operations are suspended entirely due to the impact of the COVID-19 pandemic and no revenue is generated, (ii) approximately 98% of the outstanding trade receivables will be recovered in accordance with their respective payment terms, in line with our historical recovery record, (iii) all our outstanding payables and loans will be paid when they fall due, (iv) compensation of our personnel will be reduced by 50% of their usual level, (v) only minimal administrative expenses will be incurred during such operational suspension to maintain our business operations at a minimum level, (vi) 10% of the net proceeds from the Global Offering, being calculated based on the low-end of the Offer Price range, will be available for our working capital and other general corporate purpose, (vii) our expansion plan will be suspended, (viii) no further dividend will be declared or paid, except for the dividend of RMB43.0 million declared in May 2021, and (ix) we will obtain no further external financing, we believe that we will remain financially viable for over 22 months from April 30, 2021.

CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our historical financial information in accordance with IFRS. We have also made certain accounting judgments and assumptions in the process of applying our accounting policies. Our significant accounting policies, judgments and estimates, which are important for an understanding of our results of operation and financial position, are set out in notes 2.4 and 3 to the historical financial information set forth in Appendix I to this prospectus.

Revenue Recognition

Our revenue is primarily derived from provision of in-patient services and out-patient services and sale of optical products. Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

For medical fees to be settled by public health insurance programs, we estimate, when preparing our financial statements, the quota approved by the public health insurance authorities and assigned to our hospitals, and recognize revenue with respect to such medical fees to the extent that they are estimated to be within such quota and therefore likely to be recovered from the relevant public health insurance programs. Our estimation of such quota and recoverable amount is made based on (i) the historical quotas assigned to our hospitals and the amounts settled by the public health insurance authorities; (ii) the relevant polices of local public health insurance programs and our communication with the relevant public health insurance authorities; and (iii) other relevant information available to us at the time. If any amount is originally estimated to be exceeding such quota and unrecoverable and therefore not recognized as revenue, but we subsequently receive payment from public health insurance programs in the subsequent financial period, such amount will be recognized as revenue in the financial period when it is received.

Provision of In-patient Services

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

Provision of Out-patient Services

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

Sale of Optical Products

Revenue from sale of optical products is recognized at the point in time when control of the optical products is transferred to the customer, generally upon delivery of the optical products.

Leases

We assess 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.

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

Right-of-use Assets

Right-of-use assets are recognized 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 recognized, 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.

Lease Liabilities

Lease liabilities are recognized 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.

In calculating the present value of lease payments, we use the 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.

Short-term Leases and Leases of Low-value Assets

We apply the short-term lease recognition exemption to our short-term leases of office buildings and motor vehicles, which refers to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. We also apply the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value.

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

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized 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 we operate.

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 recognized for all taxable temporary differences, except (i) 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 (ii) 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 recognized for all deductible temporary differences, and the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry-forward of unused tax credits and unused tax losses can be utilized, except (i) 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 (ii) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized 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 utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized 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 realized 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 our 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 realize 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.

DESCRIPTION OF KEY COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth our consolidated statements of profit or loss for the years indicated, which is extracted from the Accountants' Report in Appendix I to this prospectus.

	For the year ended December 31,		
	2018	2019	2020
	(RMB millions)		
Revenue	632.7	714.7	794.3
Cost of sales	(387.7)	(436.6)	(444.8)
Gross profit	245.0	278.1	349.5
Other income and gains	8.0	12.9	7.4
Selling and distribution expenses	(35.9)	(34.5)	(32.9)
Administrative expenses	(129.3)	(118.1)	(133.5)
Other expenses	(10.0)	(4.6)	(8.0)
Impairment losses on financial assets, net	(5.4)	(17.3)	(12.2)
Finance costs	(24.3)	(22.9)	(12.7)
Share of losses of associates	(0.7)	(1.5)	–
Profit before tax	47.4	92.1	157.6
Income tax expense	(18.2)	(21.3)	(37.1)
Profit for the year	**29.2**	**70.8**	**120.5**
Attributable to:			
Owners of the parent	38.7	75.7	124.1
Non-controlling interests	(9.5)	(4.9)	(3.6)

Revenue

Our revenue is primarily derived from provision of a wide range of ophthalmic care, diagnostic, medical and surgical treatment services as well as sale of optical products. In 2018, 2019 and 2020, our revenue was RMB632.7 million, RMB714.7 million and RMB794.3 million, respectively.

We generate revenue primarily from our two key business segments, namely (i) consumer ophthalmic services and (ii) basic ophthalmic services. The following table sets forth a breakdown of our revenue by business segment for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB millions, except for percentages)					
Consumer ophthalmic services	198.7	31.4	259.1	36.3	369.5	46.5
Basic ophthalmic services	408.0	64.5	445.9	62.4	422.2	53.2
Others[(1)]	26.0	4.1	9.7	1.3	2.6	0.3
Total	**632.7**	**100.0**	**714.7**	**100.0**	**794.3**	**100.0**

Note:

(1) Primarily represents revenue of Tianjin Chaoju from sale of medical consumables to third parties. We have focused the operations of Tianjin Chaoju as our centralized procurement platform and gradually reduced Tianjin Chaoju's sale of medical consumables to third parties.

Historically, a majority of our revenue has been generated from the provision of basic ophthalmic services. In 2018, 2019 and 2020, our revenue from consumer ophthalmic services represented 31.4%, 36.3% and 46.5%, respectively, of our total revenue for the same years, and our revenue from basic ophthalmic services represented 64.5%, 62.4% and 53.2%, respectively, of our total revenue for the same years. The increase in our revenue from consumer ophthalmic services and the decrease in our revenue from basic ophthalmic services as percentages of our total revenue primarily reflected (i) the continued strengthening of our brand in local markets benefiting from our continuous operations and well established local presence, our renowned physicians, and our continued efforts to improve patient experience through our customer management system, (ii) our increased allocation of resources to the development of our consumer ophthalmic services business through investments in new equipment for consumer ophthalmic services, increased training to our professionals on consumer ophthalmic techniques and related skills, as well as our adoption of more productive and cost-effective marketing initiatives, such as online campaigns targeting younger generations, including promotion via our WeChat public account and live-broadcasting of refractive correction surgeries performed for frontline medical personnel, (iii) the increased efficiency of our allocation of human resources based on the fluctuations in the market demand for our services, where we devoted more resources to marketing, customer development and internal training during off seasons, and (iv) the rapid growth of the consumer ophthalmic medical services market in China driven by the increased acceptance of refractive correction surgeries by the younger generation and the continued upgrade and advancement of relevant ophthalmology technologies. For a description of our consumer ophthalmic services and basic ophthalmic services, please see "Business — Our Services."

We provide both out-patient and in-patient treatments to our patients and customers. The following table sets forth a breakdown of our revenue by type of services provided for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB millions, except for percentages)					
Out-patient services	257.8	40.7	319.8	44.8	408.3	51.4
In-patient services	299.6	47.4	329.1	46.0	317.6	40.0
Sale of optical products	49.3	7.8	56.1	7.8	65.8	8.3
Others[(1)]	26.0	4.1	9.7	1.4	2.6	0.3
Total	**632.7**	**100.0**	**714.7**	**100.0**	**794.3**	**100.0**

Note:

(1) Primarily represents revenue of Tianjin Chaoju from sale of medical consumables to third parties. We have focused the operations of Tianjin Chaoju as our centralized procurement platform and gradually reduced Tianjin Chaoju's sale of medical consumables to third parties.

The following table sets forth a breakdown of certain operational information by type of services provided for the years indicated.

	Year ended December 31,		
	2018	2019	2020
Our hospitals			
Out-patient services			
Number of out-patient visits	594,296	655,325	651,954
Average spending per visit (RMB)	434	488	626
In-patient services			
Number of in-patient visits	44,354	46,818	44,252
Average spending per visit (RMB)	6,755	7,029	7,177
Our optical centers			
Number of customer visits[1]	73,935	79,903	91,660
Average selling price (RMB)[2]	667	702	718

Notes:

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

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

The following table sets forth a breakdown of our revenue by geographic location for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB millions, except for percentages)					
Western Inner Mongolia and the adjacent region	401.2	63.4	454.1	63.6	494.1	62.1
Eastern Inner Mongolia and the adjacent region	125.7	19.9	158.6	22.2	189.5	23.9
Eastern Zhejiang	46.3	7.3	45.2	6.3	43.5	5.5
Northern Zhejiang	6.4	1.0	23.0	3.2	40.9	5.1
Northern Jiangsu	27.1	4.3	24.1	3.4	23.7	3.0
Others[1]	26.0	4.1	9.7	1.3	2.6	0.4
Total	**632.7**	**100.0**	**714.7**	**100.0**	**794.3**	**100.0**

Note:

(1) Primarily represents revenue of Tianjin Chaoju from sale of medical consumables to third parties. We have focused the operations of Tianjin Chaoju as our centralized procurement platform and gradually reduced Tianjin Chaoju's sale of medical consumables to third parties.

We have historically generated a significant percentage of revenue in western Inner Mongolia and the adjacent region. In 2018, 2019 and 2020, revenue from our hospitals and optical centers in such region represented 63.4%, 63.6% and 62.1%, respectively, of our total revenue for the same years. For a description of our hospital and optical center network, please see "Business — Our Operation Network."

Cost of Sales

Our cost of sales consists primarily of costs of medical consumables and optical products, employee compensation directly related to our provision of medical services and cost of pharmaceuticals. In 2018, 2019 and 2020, our cost of sales was RMB387.7 million, RMB436.6 million, RMB444.8 million, respectively, representing approximately 61.3%, 61.1%, 56.0% of our total revenue for the same years.

The following table sets forth a breakdown of our cost of sales by nature for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB millions, except for percentages)					
Costs of medical consumables and optical products	154.1	39.7	172.4	39.5	179.3	40.3
Employee compensation	105.8	27.3	123.6	28.3	119.0	26.8
Costs of pharmaceuticals	52.6	13.6	62.0	14.2	61.9	13.9
Depreciation and amortization	27.6	7.1	27.2	6.2	31.4	7.1
Rental expenses	22.0	5.7	23.2	5.3	23.2	5.2
Others[1]	25.6	6.6	28.2	6.5	30.0	6.7
Total	**387.7**	**100.0**	**436.6**	**100.0**	**444.8**	**100.0**

Note:

(1) Consists primarily of utilities expenses and office expenses incurred during our provision of medical services.

Gross Profit and Gross Profit Margin

The gross profit represented our revenue net of the cost of sales. In 2018, 2019 and 2020, our gross profit was RMB245.0 million, RMB278.1 million and RMB349.5 million, respectively, representing a gross profit margin of 38.7%, 38.9% and 44.0% for the same years.

The following table sets forth a breakdown of our gross profit by business segment and the corresponding gross profit margin for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(RMB millions, except for percentages)					
Consumer ophthalmic services	94.5	47.6	123.0	47.5	186.5	50.5
Basic ophthalmic services	140.6	34.5	149.7	33.6	161.4	38.2
Others[(1)]	9.9	37.7	5.4	54.5	1.6	62.3
Total	**245.0**	**38.7**	**278.1**	**38.9**	**349.5**	**44.0**

Note:

(1) Consists primarily of gross profit from sale of medical consumables to third parties by Tianjin Chaoju.

Our consumer ophthalmic services have historically borne, and are expected to continue to bear, a higher gross profit margin than our basic ophthalmic services, as our consumer ophthalmic services are not subject to the pricing guidance imposed by public health insurance authorities and we are able to price our services at a satisfying level in accordance with the market demand and our market position.

The following table sets forth a breakdown of our gross profit by type of services provided and the corresponding gross profit margin for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
	(RMB millions, except for percentages)					
Out-patient services	113.4	44.0	142.9	44.7	191.1	46.8
In-patient services	102.7	34.3	109.2	33.2	123.0	38.7
Sale of optical products	19.0	38.7	20.6	36.9	33.8	51.4
Others[(1)]	9.9	37.7	5.4	54.5	1.6	62.3
Total	**245.0**	**38.7**	**278.1**	**38.9**	**349.5**	**44.0**

Note:

(1) Consists primarily of gross profit from sale of medical consumables to third parties by Tianjin Chaoju.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of the compensation of our sales and marketing personnel and advertising expenses. In 2018, 2019 and 2020, our selling and distribution expenses was RMB35.9 million, RMB34.5 million and RMB32.9 million, respectively, representing 5.7%, 4.8% and 4.1%, respectively, of our revenue for the same year.

The following table sets forth a breakdown of our selling and distribution expenses for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB millions, except for percentages)					
Employee compensation	17.2	47.9	16.7	48.4	18.1	55.0
Advertising expenses	11.2	31.2	10.7	31.0	8.2	24.9
Travel and transportation expenses	3.2	8.9	2.8	8.1	2.2	6.7
Depreciation and amortization	1.3	3.6	1.6	4.7	1.9	5.8
Office expenses	1.2	3.4	1.1	3.2	1.1	3.3
Others[1]	1.8	5.0	1.6	4.6	1.4	4.3
Total	**35.9**	**100.0**	**34.5**	**100.0**	**32.9**	**100.0**

Note:

(1) Consists primarily of utility expenses, entertainment expenses and certain other expenses.

Administrative Expenses

Our administrative expenses primarily consist of the compensation of and share-based payments to our administrative and management personnel, depreciation and amortization, rental expenses, fees paid for professional services and listing expenses incurred in connection with the Global Offering. In 2018, 2019 and 2020, our administrative expenses was RMB129.3 million, RMB118.1 million and RMB133.5 million, respectively, representing 20.4%, 16.5% and 16.8%, respectively, of our revenue for the same years.

The following table sets forth a breakdown of our administrative expenses for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB millions, except for percentages)					
Employee compensation	59.7	46.2	53.8	45.6	57.7	43.2
Depreciation and amortization	14.8	11.4	14.7	12.4	11.2	8.4
Rental expenses	14.7	11.4	13.6	11.5	11.7	8.8
Share-based payments	2.8	2.2	2.8	2.4	9.4	7.0
Listing expenses	0.5	0.4	1.5	1.3	14.7	11.0
Service fees[1]	7.2	5.6	7.2	6.1	6.3	4.7
Office and travel expenses	13.4	10.4	9.2	7.8	7.2	5.4
Others[2]	16.2	12.4	15.3	12.9	15.3	11.5
Total	**129.3**	**100.0**	**118.1**	**100.0**	**133.5**	**100.0**

Notes:

(1) Consists primarily of professional service fees paid in connection with our pre-IPO financing and our regular annual audits.

(2) Consists of renovation costs, entertainment expenses, security and maintenance expenses, IT service fees, bank charges and certain other expenses.

Other Income and Gains

In 2018, 2019 and 2020, we recorded other income and gains of RMB8.0 million, RMB12.9 million and RMB7.4 million, respectively.

The following table sets forth a breakdown of our other income and gains for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB millions, except for percentages)					
Interest income[1]	6.8	85.0	6.7	51.9	4.6	62.1
Government grants[2]	0.4	5.0	1.8	14.0	1.5	20.3
Gains on disposal of an associate	–	–	2.0	15.5	–	–
Rental income	0.4	5.0	1.2	9.3	0.8	10.8
Others	0.4	5.0	1.2	9.3	0.5	6.8
Total	**8.0**	**100.0**	**12.9**	**100.0**	**7.4**	**100.0**

Notes:

(1) Consists of interest come on loans to related parties and bank deposits.

(2) Represents government awards and subsidies we receive from time to time.

Impairment Losses on Financial Assets

Impairment losses on financial assets represents our provision for impairment losses on trade receivables, other receivables and amounts due from associates. In 2018, 2019 and 2020, we recorded impairment losses on financial assets of RMB5.4 million, RMB17.3 million and RMB12.2 million, respectively. Details of our accounting policies and judgments applied in the assessment of impairment losses on financial assets are set forth in note 2.4 to our historical financial information set forth in Appendix I to this prospectus.

The following table sets forth a breakdown of our impairment losses on financial assets for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB millions, except for percentages)					
Impairment losses on:						
Trade receivables	1.1	20.4	6.8	39.3	1.9	15.6
Other receivables	1.0	18.5	0.8	4.6	5.4	44.3
Amounts due from related parties	3.3	61.1	9.7	56.1	4.9	40.1
Total	**5.4**	**100.0**	**17.3**	**100.0**	**12.2**	**100.0**

In 2018, 2019 and 2020, our impairment losses on trade receivables amounted to RMB1.1 million, RMB6.8 million and RMB1.9 million, respectively. These impairment losses on trade receivables primarily arose from (i) certain medical fees which were estimated to be recoverable from public health insurance authorities but became unrecoverable in the subsequent year, and (ii) the failure of the local social organization in Chengde to pay the medical fees for our medical services provided in 2019 under social responsibility programs that we participated in. The following table sets forth the movements in our provision for impairment losses on trade receivables during the Track Record Period.

	At December 31,		
	2018	2019	2020
	(RMB millions)		
At the beginning of the year	**–**	**–**	**1.1**
Impairment losses, net(1)	1.1	6.8	1.9
Amount written off as uncollectible(2)	(1.1)	(5.7)	(0.5)
At the end of the year	**–**	**1.1**	**2.5**

Notes:

(1) Consisted of impairment losses of RMB1.1 million, RMB2.4 million and RMB1.0 million, respectively, on trade receivables due from public health insurance authorities, impairment losses of a negligible amount, RMB3.3 million and RMB0.6 million, respectively, on trade receivables due from social organizations, and impairment losses of nil, RMB1.0 million and RMB0.3 million, respectively, on trade receivables due from third parties for our sale of medical consumables, in 2018, 2019 and 2020.

(2) Consisted of write-off of RMB1.1 million, RMB2.4 million and RMB0.5 million, respectively, of trade receivables due from public health insurance authorities, write-off of nil, RMB3.3 million and a negligible amount, respectively, of trade receivables due from social organizations, and write-off of nil, nil and a negligible amount, respectively, of trade receivables due from third parties for our sale of medical consumables in 2018, 2019 and 2020.

Our impairment losses on other receivables primarily consisted of impairment losses on our loans to third parties and certain miscellaneous receivables. In 2018, 2019 and 2020, our impairment losses on other receivables amounted to RMB1.0 million, RMB0.8 million and RMB5.4 million, respectively. The significant increase in our impairment losses on other receivables in 2020 was primarily attributable to our impairment losses on amounts due form Nanjing Guze Medical Technology Co. Ltd. (南京顧澤醫療科技有限公司) ("**Nanjing Guze**") as a result of the failure by Nanjing Guze to repay the relevant amounts when due. For details on our amounts due form Nanjing Guze, please see "— Certain Items of Statements of Financial Position — Prepayments, Other Receivables and Other Assets."

The following table sets forth the movements in our provision for impairment losses on other receivables during the Track Record Period.

	At December 31,		
	2018	2019	2020
		(RMB millions)	
At the beginning of the year	**3.8**	**4.1**	**4.2**
Impairment losses, net	1.0	0.8	5.4
Amount written off as uncollectible	(0.7)	(0.7)	–
At the end of the year	**4.1**	**4.2**	**9.6**

Our impairment losses on amounts due from related parties primarily consisted of impairment losses on our loans to our related parties. In 2018, 2019 and 2020, our impairment losses on amounts due from related parties amounted to RMB3.3 million, RMB9.7 million and RMB4.8 million, respectively. During the Track Record Period, our impairment losses on amounts due from related parties consisted of impairment losses on our loans to Yancheng Guze Chaoju Eye Hospital Co., Ltd. (鹽城顧澤朝聚眼科醫院有限公司) ("**Yancheng Guze Chaoju**") and Ningxia Kaiming Eye Hospital Co., Ltd. (寧夏開明眼科醫院有限公司) (**"Ningxia Kaiming"**) as a result of the continued deterioration of their financial conditions and repayment abilities. For details on our loans to Yancheng Guze Chaoju and Ningxia Kaiming, please see "— Certain Items of Statements of Financial Position — Amounts Due from Related Parties." The following table sets forth the movements in our provision for impairment losses on amounts due from related parties during the Track Record Period.

	At December 31,		
	2018	2019	2020
		(RMB millions)	
At the beginning of the year	**14.5**	**17.8**	**10.2**
Impairment losses, net	3.3	9.7	4.8
Amount written off as uncollectible	–	(17.2)[(1)]	–
At the end of the year	**17.8**	**10.3**	**15.0**

Note:

(1) Primarily consisted of the write-off of our loans to Yancheng Guze Chaoju upon our transfer of such loans to Nanjing Guze at discount. For further details on our loans to Yancheng Guze Chaoju and our transfer of such loans to Nanjing Guze, please see "— Certain Items of Statements of Financial Position — Prepayments, Other Receivables and Other Assets."

Finance Costs

Finance costs represents the interest expenses on our borrowings and the accrued interest on our lease liabilities. In 2018, 2019 and 2020, our finance costs was RMB24.3 million, RMB22.9 million and RMB12.7 million, respectively.

The following table sets forth a breakdown of our finance costs for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB millions, except for percentages)					
Interest expenses on:						
Interest-bearing bank and other borrowings	10.7	44.0	9.6	41.9	2.1	16.5
Lease liabilities	11.8	48.6	12.4	54.2	10.6	83.5
Loans from related parties	1.8	7.4	0.9	3.9	–	–
Total	**24.3**	**100.0**	**22.9**	**100.0**	**12.7**	**100.0**

Income Tax Expenses

In 2018, 2019 and 2020, our income tax expenses was RMB18.2 million, RMB21.3 million and RMB37.1 million, respectively.

The income tax rate generally applicable to our subsidiaries in China is 25%. Certain of our subsidiaries are eligible for a preferential income tax rate of 15%. Certain other subsidiaries are eligible for a preferential income tax rate of 5% or 10% with respect to part of their taxable income. Details of preferential income tax treatments we received during the Track Record Period are set forth in note 11 to our historical financial information set forth in Appendix I to this prospectus. Pursuant to the laws of the Cayman Islands and the British Virgin Islands, neither our Company nor our subsidiary incorporated in the British Virgin Islands is subject to any income tax in the Cayman Islands or the British Virgin Islands. The following table sets forth a reconciliation between the income tax expenses calculated at the statutory income tax rate applicable to our profit before tax and our actual income tax expenses for the years indicated.

	For the year ended December 31,		
	2018	2019	2020
	(RMB millions, except percentages)		
Profit before tax	**47.4**	**92.1**	**157.6**
Tax at the statutory tax rate	11.9	23.0	39.4
Effect of lower tax rates	(11.8)	(13.0)	(18.4)
Effect of withholding tax on distributable profits	–	–	7.0
Expenses not deductible for tax purpose	5.1	3.4	6.0
Tax losses utilized from previous periods	(6.6)	(4.7)	(5.0)
Tax losses not recognized	18.0	8.4	5.6
Deductible temporary differences not recognized	1.6	4.2	2.5
Tax charge at our effective rate	**18.2**	**21.3**	**37.1**
Effective tax rate	**38.4%**	**23.1%**	**23.5%**

The following table sets forth a breakdown of our income tax expenses for the years indicated.

	For the year ended December 31,		
	2018	2019	2020
		(RMB millions)	
Current	21.9	22.4	31.1
Deferred	(3.7)	(1.1)	6.0
Total	**18.2**	**21.3**	**37.1**

RESULTS OF OPERATIONS

2020 Compared to 2019

Revenue

Our revenue increased by 11.1% from RMB714.7 million in 2019 to RMB794.3 million in 2020. Such increase was primarily attributable to an increase in our revenue generated from consumer ophthalmic services, which was partially offset by a decrease in our revenue generated from basic ophthalmic services.

Distribution of our Revenue by Business Segment

Consumer Ophthalmic Services

Revenue generated from our consumer ophthalmic services increased by 42.6% from RMB259.1 million in 2019 to RMB369.5 million in 2020, primarily due to an increase in the number of patients who received refractive correction services. Our consumer ophthalmic services were affected by the COVID-19 pandemic in the first quarter of 2020. Starting the second quarter of 2020, the number of refractive correction surgeries rebound significantly, recording a 10.5%, 132.2% and 72.3% increase, respectively, in the second, third and fourth quarter of 2020 compared to the same periods in 2019, primarily due to (i) the gradual containment of the pandemic and the partial lifting of the restrictions on our operations prior to the third quarter, being the peak season for our refractive correction services; (ii) stable demand for refractive correction surgeries from public examination candidates and those intended to enroll for military services, which was relatively insusceptible to the impact of the COVID-19 pandemic; (iii) increased demand for refractive correction surgeries from students as the temporary suspension of schools during the COVID-19 pandemic provided students with more opportunities to schedule refractive correction surgeries, and the increased screen time brought by the online courses during the COVID-19 pandemic resulted in an increase in refractive errors among students; (iv) our increased strategic focus on our consumer ophthalmic services through investments in new equipment for consumer ophthalmic services and increased training to our professionals on consumer ophthalmic techniques and related skills; and (v) the effect of our new marketing initiatives, such as promotion via our WeChat public account and live-broadcasting of refractive correction surgeries performed for frontline medical personnel, for consumer ophthalmic services in 2020, which enabled us to acquire consumers more efficiently.

Basic Ophthalmic Services

Revenue generated from our basic ophthalmic services decreased by 5.3% from RMB445.9 million in 2019 to RMB422.2 million in 2020, primarily due to a decrease in the number of patient seeking basic ophthalmic services. Such decrease in the number of patients was primarily due to the impact of the pandemic containment measures taken by the PRC Government in the first half of 2020 in response to the COVID-19 outbreak. As there is generally no material seasonal fluctuation to our basic ophthalmic business, the gradual recovery of our operations after the overall containment of the COVID-19 pandemic did not offset the adverse impact of the pandemic during the first quarter of 2020. In addition, the pandemic containment measures by the PRC government imposed more stringent restrictions on in-patient services than those on out-patient and optical services, and certain restrictions on in-patient services continued after the first quarter of 2020. As a majority of revenues from our basic ophthalmic services are derived from in-patient services, our basic ophthalmic business was more severely impacted by the COVID-19 pandemic in 2020 compared to our consumer ophthalmic business, which generates revenues from out-patient and optical services.

Distribution of our Revenue by Type of Services

Out-patient Services

Revenue generated from our out-patient services increased by 27.7% from RMB319.8 million in 2019 to RMB408.3 million in 2020, primarily due to an increase in the average spending of our out-patient customers. The increase in the average spending of our out-patient customers primarily reflected an increased portion of our out-patient customers seeking consumer ophthalmic services (refractive correction medical services in particular), which are generally priced higher than our basic ophthalmic services.

In-patient Services

Revenue generated from our in-patient services decreased by 3.5% from RMB329.1 million in 2019 to RMB317.6 million in 2020, primarily due to a decrease in the number of in-patient visits, which was partially offset by an increase in the average spending of our in-patient customers. The decrease in the number of in-patient visits primarily reflected the impact of the pandemic containment measures taken by the PRC Government in the first half of 2020 in response to the COVID-19 outbreak. The increase in the average spending of our in-patient customers was primarily due to the relaxation of pricing limits imposed by certain local public health insurance authorities on our basic ophthalmic services covered by public health insurance programs.

Sale of Optical Products

Revenue generated from sale of optical products increased by 17.3% from RMB56.1 million in 2019 to RMB65.8 million in 2020, primarily due to an increase in the number of customer visits. The increase in the number of customer visits primarily reflected the effect of our increased on-campus myopia screening activities in 2020 to acquire customers.

Cost of Sales

Despite the increase in our revenue, our cost of sales remained relatively stable at RMB436.6 million in 2019 and RMB444.8 million in 2020, primarily reflecting our increased cost control efforts through centralized procurement (the IOLs used in cataract surgeries, for instance), as well as our saving on employee compensation cost as a result of the waiver of our contribution to employees' social security payment of RMB12.6 million during the COVID-19 outbreak in 2020. In particular, our centralized practice reduced the number of our suppliers by over 20% in 2020, as we discontinued making procurement from suppliers with whom our historical procurement amounts were relatively low. In addition, we also increased our procurement from suppliers that offer us favorable terms and prices. For example, our procurement from our largest supplier increased from RMB31.9 million (representing 14.3% of our total procurement) in 2019 to RMB43.1 million (representing 17.7% of our total procurement) in 2020. This has improved our bargaining power against our suppliers as we purchased more from each of them. For example, the average procurement cost of certain types of our IOLs used in cataract surgeries decreased by 5% to 20% in 2020 as compared to 2019, and the average procurement cost of certain Ortho-K decreased by approximately 10% in 2020 as compared to 2019.

Gross Profit and Gross Profit Margin

As a result of the above, our gross profit increased by 25.7% from RMB278.1 million in 2019 to RMB349.5 million in 2020 representing an increase in our gross profit margin from 38.9% in 2019 to 44.0% in 2020. The increase in our gross profit and gross profit margin primarily reflected a larger portion of our revenue from our consumer ophthalmic services, which bore a higher gross profit margin of 47.5% and 50.5% in 2019 and 2020, respectively, compared to the gross profit margin of 33.6% and 38.2% for our basic ophthalmic services in 2019 and 2020, respectively, as well as our better operational efficiency resulting from (i) our centralized procurement practice, where we reduced the number of our suppliers and streamlined our procurement procedures, whereby strengthening our procurement efficiency and bargaining power and reducing the average procurement costs for certain medical consumables and pharmaceuticals, and (ii) our enhanced efficiency in deploying our human resources through sharing of physicians among different hospitals within the same region, which enabled us to serve more patients with employee compensation cost reasonably under control. The adoption of our centralized procurement practice resulted in reduction in the average procurement cost of certain types of our IOLs used in cataract surgeries and certain Ortho-K. While our revenue grew by 11.1% from RMB714.7 million in 2019 to RMB794.3 million in 2020, our costs of medical consumables, optical products and pharmaceuticals grew moderately by only 2.9% from RMB234.4 million in 2019 to RMB241.2 million in 2020, and the cost of medical consumables, optical products and pharmaceuticals decreased as a percentage to our total revenue from 32.8% in 2019 to 30.4% in 2020, representing a 2.4% increase in our gross profit margin. As a result of our increased efficiency in deploying our human resources, our employee compensation cost (excluding the impact of the social security contribution waiver in 2020) decreased as a percentage of our total revenue from 17.3% in 2019 to 16.6% in 2020. The increase in our gross profit and gross profit margin also reflected our saving in employee compensation cost as a result of the waiver of our contribution to employees' social security payment of RMB12.6 million during the COVID-19 pandemic. Had there not been such waiver of our social security contribution, our gross profit margin would be 42.4% in 2020.

Our gross profit margin for consumer ophthalmic services increased from 47.5% in 2019 to 50.5% in 2020, primarily due to an increase in the number of ReLEx SMILE and ICL surgeries performed in 2020, which are generally priced higher than other consumer ophthalmic treatments, as well as a decrease in our cost of sales resulted from our centralized procurement and our saving on employee compensation cost as a result of the waiver of our contribution to employees' social security payment during the COVID-19 pandemic. Our gross profit margin for basic ophthalmic services increased from 33.6% in 2019 to 38.2% in 2020, primarily due to a decrease in our procurement costs for certain IOLs used for cataract surgeries (being the largest source of revenue for our basic ophthalmic services) resulted from our centralized procurement and our increased use of such IOLs, as well as our saving on social security contribution for employees during the COVID-19 pandemic.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 4.6% from RMB34.5 million in 2019 to RMB32.9 million in 2020, primarily attributable to a decrease in advertising expenses. Such decrease in advertising expenses was primarily due to our reduced advertising activities as a result of our new marketing initiatives in 2020, where we focused on more cost-effective marketing strategies such as online marketing activities, social promotion campaigns and on-campus myopia screenings.

Administrative Expenses

Our administrative expenses increased by 13.0% from RMB118.1 million in 2019 to RMB133.5 million in 2020, primarily attributable to increases in listing expenses and share-based payments. The increase in listing expenses was primarily due to the professional services we received in connection with the Global Offering. The increase in share-based payments primarily represented the share-based compensation granted to certain employees under our share-based incentive plan adopted in December 2019.

Other Income and Gains

Our other income and gains decreased by 42.6% from RMB12.9 million in 2019 to RMB7.4 million in 2020, primarily attributable to decreases in interest income and gains on disposal of an associate. The decrease in interest income was primarily due to the repayment by our related parties of their loans borrowed from us. The decrease in gains on disposal from an associate primarily reflected our non-recurring gain upon the disposal of our equity interest in such associate in 2019 due to business development considerations.

Impairment Losses on Financial Assets

Our impairment losses on financial assets decreased by 29.5% from RMB17.3 million in 2019 to RMB12.2 million in 2020, primarily attributable to decreases in our impairment losses on amounts due from related parties and trade receivables, which was partially offset by an increase in impairment losses on other receivables. The continued incurrence of impairment losses on our amounts due from such related parties primarily reflected our continued assessment of their ability to repay the loans. The decrease in our impairment losses on trade receivables primarily reflected our non-recurring impairment loss incurred in 2019 as a result of the failure of the local social organization in Chengde to pay the medical fees for our medical services provided in 2019 under certain social responsibility program. The increase in our impairment losses on other receivables was primarily attributable to our provision of impairment losses on amounts due from Nanjing Guze. For details on our amounts due from Nanjing Guze, please see "— Certain Items of Statements of Financial Position — Prepayments, Other Receivables and Other Assets."

Finance Costs

Our finance costs decreased by 44.5% from RMB22.9 million in 2019 to RMB12.7 million in 2020, primarily due to our repayment of interest-bearing borrowings.

Income Tax Expenses

Our income tax expenses increased by 74.2% from RMB21.3 million in 2019 to RMB37.1 million in 2020, primarily due to an increase in our profit before tax. Our effective income tax rate remained relatively stable at 23.1% in 2019 and 23.5% in 2020.

Profit for the Year

As a result of the foregoing, our net profit increased by 70.2% from RMB70.8 million in 2019 to RMB120.5 million in 2020. Our net profit margin increased from 9.9% in 2019 to 15.2% in 2020.

2019 Compared to 2018

Revenue

Our revenue increased by 13.0% from RMB632.7 million in 2018 to RMB714.7 million in 2019. Such increase was primarily attributable to increase in our revenue generated from consumer ophthalmic services, and, to a lesser extent, an increase in our revenue generated from basic ophthalmic services.

Distribution of our Revenue by Business Segment

Consumer Ophthalmic Services

Revenue generated from our consumer ophthalmic services increased by 30.4% from RMB198.7 million in 2018 to RMB259.1 million in 2019, primarily due to (i) our continued efforts to provide high quality services and to improve overall patient experience; (ii) our new marketing initiatives, as described in "— Distribution of our Revenue by Types of Services — Out-patient Services" below, enabling us to attract customers in a more efficient manner; (iii) our increased strategic focus on our consumer ophthalmic services business; and (iv) an increase in the number of ReLEx SMILE surgeries, ICL surgeries and Ortho-K prescriptions in 2019, which are generally priced higher than other refractive correction surgeries or optical products. In 2019, the number of ReLEx SMILE surgeries performed by us increased to 3,053 as compared to 1,557 in 2018; the number of ICL surgeries performed by us increased to 358 as compared to 229 in 2018; the number of Ortho-K prescribed by us increased to 13,020 as compared to 10,933 in 2018. In particular, the increase in revenue generated from our consumer ophthalmic services was primarily attributable to increases in the consumer ophthalmic business of our Baotou Hospital, Hohhot Hospital and Chifeng Hospital.

Basic ophthalmic services

Revenue generated from our basic ophthalmic services increased by 9.3% from RMB408.0 million in 2018 to RMB445.9 million in 2019, reflecting the overall growth of our basic ophthalmic services business.

Distribution of our Revenue by Types of Services

Out-patient Services

Revenue generated from our out-patient services increased by 24.0% from RMB257.8 million in 2018 to RMB319.8 million in 2019, primarily due to an increase in the average spending of our out-patient customers and, to a lesser extent, an increase in the number of out-patient visits. The increase in the average spending of our out-patient customers primarily reflected an increased portion of our out-patient customers seeking consumer ophthalmic services (refractive correction medical services in particular), which are generally priced higher than our basic ophthalmic services. The increase in the number of out-patient visits was primarily attributable to the increased number of out-patient visits for refractive correction surgeries and myopia control services as a result of our increased promotion of these services. We strategically adjusted our advertising activities in 2019 based on our review of advertising activities in 2018. We reduced spending on certain conventional advertising channels, such as the broadcasted advertisement at railway stations, which did not render satisfying effects, and increased spending on online advertising activities and improved publicities in our hospitals. We also strategically adjusted the timing of our advertising activities to increase our promotion activities prior to the summer holidays, which are generally peak seasons of our refractive correction and myopia control services, and leveraged the synergies within our hospital clusters to carry out and maximize the effect of marketing campaigns. These initiatives have helped us acquire more customers while reducing advertising expenses.

In-patient Services

Revenue generated from our in-patient services increased by 9.8% from RMB299.6 million in 2018 to RMB329.1 million in 2019, primarily due to an increase in the number of in-patient visits and, to a lesser extent, an increase in the average spending of our in-patient customers. The increase in the number of in-patient visits primarily reflected our overall business growth. The increase in the average spending of our in-patient customers primarily reflected our increased efforts to improve patient experience by diversifying our product offerings and providing more advanced products tailored to patients' needs.

Sale of Optical Products

Revenue generated from sale of optical products increased by 13.8% from RMB49.3 million in 2018 to RMB56.1 million in 2019, primarily due to an increase in the number of customer visits to our optical centers and, to a lesser extent, an increase in the average spending of our customers seeking optical products. The increase in the number of customer visits to our optical centers primarily reflected our overall business growth. The increase in the average selling price to our customers seeking optical products was primarily due to an increased portion of our sale of specialized lenses, which are generally priced higher than regular optical correction lenses.

Cost of Sales

Our cost of sales increased by 12.6% from RMB387.7 million in 2018 to RMB436.6 million in 2019, primarily reflecting our business growth and increased sales.

Gross Profit and Gross Profit Margin

As a result of the above, our gross profit increased by 13.5% from RMB245.0 million in 2018 to RMB278.1 million in 2019. Our gross profit margin remained relatively stable at 38.7% and 38.9% for the respective years.

Our gross profit margin for the consumer ophthalmic services remained relatively stable at 47.6% in 2018 and 47.5% in 2019; our gross profit margin for the basic ophthalmic services decreased from 34.5% in 2018 to 33.6% in 2019.

Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at RMB35.9 million in 2018 and RMB34.5 million in 2019.

Administrative Expenses

Our administrative expenses decreased by 8.7% from RMB129.3 million in 2018 to RMB118.1 million in 2019, primarily attributable to decreases in compensation for our administrative and management personnel and office and travel expenses. Compensation for our administrative and management personnel decreased from RMB59.7 million in 2018 to RMB53.8 million in 2019, primarily due to our reduced allocation of resources to the administrative activities to Qiqihar Hospital and Tianjin

Wuqing Chaoju Eye Hospital Co., Ltd. (天津武清朝聚眼科醫院有限公司) ("**Tianjin Wuqing Hospital**", which did not engage in any business operation prior to its dissolution other than the incurrence of certain property management and heating expenses) during the second half of 2018 and the full year of 2019 as a part of our arrangement to close these hospitals. Our office and travel expenses decreased from RMB13.4 million in 2018 to RMB9.2 million in 2019, primarily due to (i) our enhancing cost control by minimizing unnecessary travel expenses and enhancing disbursement control, which resulted in a RMB3.3 million decrease in our office and travel expenses, and (ii) our reduced allocation of resources to the administrative activities to Qiqihar Hospital and Tianjin Wuqing Hospital during the second half of 2018 and the full year of 2019 as a part of our arrangement to close these hospitals, which resulted in a RMB0.9 million decrease in our office and travel expenses.

Other Income and Gains

Our other income and gains increased by 61.3% from RMB8.0 million in 2018 to RMB12.9 million in 2019, primarily attributable to our non-recurring gain upon the disposal of our equity interest in such associate in 2019 due to business development considerations and a significant increase in government grants received by Tianjin Chaoju in 2019.

Impairment Losses on Financial Assets

Our impairment losses on financial assets increased significantly from RMB5.4 million in 2018 to RMB17.3 million in 2019, primarily attributable to our increased provision for impairment losses on amounts due from related parties and trade receivables. The increase in impairment losses on amounts due from related parties was in line with our assessment of the related parties' ability to repay the relevant amounts. The increase in impairment losses on trade receivables was primarily due to our increased amounts due from public health insurance programs as a result of our business growth, and the failure of the local social organization in Chengde to pay the medical fees for our medical services provided in 2019 under certain social responsibility program.

Finance Costs

Our finance costs decreased by 5.8% from RMB24.3 million in 2018 to RMB22.9 million in 2019 as a result of a decrease in interest expenses on our interest-bearing bank and other borrowings and borrowings from related parties, which was partially offset by an increase in interest expenses on lease liabilities. The decrease in interest expenses on interest-bearing bank and other borrowings and borrowings from related parties was primarily due to our repayment of such borrowings. The increase in interest expenses on lease liabilities was primarily due to the new leasing agreements we entered into.

Income Tax Expenses

Our income tax expenses increased by 17.0% from RMB18.2 million in 2018 to RMB21.3 million in 2019, primarily due to an increase in our profit before tax. Our effective income tax rate decreased from 38.4% in 2018 to 23.1% in 2019, primarily reflecting the tax losses cumulated prior to 2018 that were not utilized due to the dissolution of certain members of our Group.

Profit for the Year

As a result of the foregoing, our net profit increased significantly from RMB29.2 million in 2018 to RMB70.8 million in 2019. Our net profit margin increased from 4.6% in 2018 to 9.9% in 2019.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are cash generated from our business operations, as well as debt and equity financing. At December 31, 2020, we had cash and cash equivalents of RMB413.2 million.

Cash Flows

The following table sets forth our consolidated statements of cash flows for the years indicated.

	For the year ended December 31,		
	2018	2019	2020
		(RMB millions)	
Net cash flows generated from operating activities	90.5	155.9	248.7
Net cash flows (used in)/generated from investing activities	(146.8)	94.7	(35.5)
Net cash flows generated from/(used in) financing activities	131.1	(165.9)	(39.6)
Net increase in cash and cash equivalents	74.8	84.7	173.6
Cash and cash equivalents at the beginning of the year	82.8	157.2	239.8
Effect of foreign exchange rate changes, net	(0.4)	(2.1)	(0.2)
Cash and cash equivalents at the end of the year	**157.2**	**239.8**	**413.2**

Cash Flows from Operating Activities

We derive our cash inflow from operating activities primarily from the provision of ophthalmic services and optical products and services. Our cash outflow from operating activities primarily comprises payments for procuring pharmaceuticals, medical consumables and optical products, employee benefit expenses and other operating expenses. Our cash flows from operating activities reflects our profit before tax, adjusted for non-cash items, such as accrued finance costs, depreciation of property, plant and equipment and depreciation of right-of-use assets, as well as changes in working capital, including increases or decreases in inventories, trade receivables, prepayments, other receivables and other assets and trade payables.

Our net cash generated from operating activities in 2020 was RMB248.7 million. This net cash inflow was primarily attributable to (i) profit before tax of RMB157.6 million, as adjusted to reflect non-cash items, which primarily included depreciation of property, plant and equipment of RMB39.8 million, depreciation of right-of-use assets of RMB32.6 million and finance costs of RMB12.7 million, and (ii) an increase in other payables and accruals of RMB13.9 million due to an increase in the accrued and unpaid bonus and performance-based compensation of our employees in line with our overall business growth, an increase in our service fee payables in connection with the Global Offering and an increase in our amounts received from patients for out-patient services yet to be rendered. This net cash inflow was partially offset by (i) income tax paid of RMB22.5 million, (ii) a decrease in trade payables of RMB11.2 million as a result of our increased control over the procurement and inventory of medical consumables, and (iii) interest payment of RMB10.6 million.

Our net cash generated from operating activities in 2019 was RMB155.9 million. This net cash inflow was primarily attributable to (i) profit before taxation of RMB92.1 million, as adjusted to reflect non-cash items, which primarily included depreciation of property, plant and equipment of RMB38.8 million, depreciation of right-of-use assets of RMB32.8 million, finance costs of RMB22.9 million and impairment of amounts due from related parties of RMB9.7 million, (ii) an increase in other payables and accruals of RMB10.5 million as a result of an increase in our rent payables and an increase in the average compensation of our employees, and (iii) a decrease in inventories of RMB10.5 million primarily due to our increased inventory management efforts. These net cash inflow was partially offset by (i) income tax paid of RMB29.3 million, (ii) an increase in trade receivables of RMB12.6 million in line with our business growth, (iii) interest payment of RMB12.4 million, and (iv) a decrease in trade payables of RMB12.3 million as a result of our decreased procurement amount of medical consumables and optical products as a result of our new procurement method for medical consumables and optical products.

Our net cash generated from operating activities in 2018 was RMB90.5 million. This net cash inflow was primarily attributable to (i) profit before taxation of RMB47.4 million, as adjusted to reflect non-cash items, which primarily included depreciation of property, plant and equipment of RMB39.4 million, depreciation of right-of-use assets of RMB28.2 million and finance costs of RMB24.3 million, (ii) a decrease in prepayments, other receivables and other assets of RMB28.4 million as a result of our new procurement method for medical consumables and optical products, and (iii) a decrease in amounts due from related parties of RMB9.4 million as a result of our collection of these amounts. These net cash inflow was partially offset by (i) an increase in trade receivables of RMB40.7 million in line with our overall business growth, (ii) a decrease in trade payables of RMB20.4 million as a result of our new procurement method for medical consumables and optical products, and (iii) income tax paid of RMB14.8 million.

Cash Flows from Investing Activities

Our cash inflows from investing activities primarily consist of our collection of amounts due from related parties. Our cash flows used in investing activities primarily consist of cash payments for acquisition of property, plant and equipment and acquisition of subsidiaries.

Our net cash used in investing activities in 2020 was RMB35.5 million. This net cash outflow was primarily attributable to cash payments for acquisition of property, plant and equipment of RMB50.4 million. This net cash outflow was partially offset by a decrease in amounts due from related parties of RMB15.4 million as a result of our collection of these amounts.

Our net cash generated from investing activities in 2019 was RMB94.7 million. This net cash inflow was primarily attributable to (i) a decrease in amounts due from related parties of RMB118.7 million as a result of our collection of these amounts, and (ii) interest received of RMB12.0 million. This net cash inflow was partially offset by cash payments for the acquisition of property, plant and equipment of RMB37.0 million.

Our net cash used in investing activities in 2018 was RMB146.8 million. This net cash outflow was primarily attributable to (i) cash payments of RMB96.8 million in connection with our construction projects and purchase of medical equipment as a part of our business expansion, and (ii) cash payments of RMB71.8 million for our acquisition of equity interest in Ningbo Hospital, Xiangshan Hospital and Ninghai Hospital. This net cash outflow was partially offset by a decrease in amounts due from related parties of RMB23.0 million as a result of our collection of these amounts.

Cash Flows from Financing Activities

Our cash inflow from financing activities primarily consists of proceeds from issuance of shares and new interest-bearing bank and other borrowings. Our cash outflow used in financing activities primarily consists of repayment of interest-bearing bank and other borrowings and payment of the principal of our lease liabilities.

Our net cash used in financing activities in 2020 was RMB39.6 million. This net cash outflow was primarily attributable to (i) our repayment of interest-bearing bank and other borrowings of RMB87.5 million, (ii) dividends payment of RMB34.0 million, and (iii) lease payments of RMB35.7 million. This net cash outflow was partially offset by (i) proceeds of RMB116.1 million from issuance of shares to certain of our Pre-IPO Investors, and (ii) proceeds of RMB21.9 million raised from new interest-bearing bank and other borrowings.

Our net cash used in financing activities in 2019 was RMB165.9 million. This net cash outflow was primarily attributable to (i) our repayment of interest-bearing bank and other borrowings of RMB201.8 million, (ii) cash payments of RMB34.8 million for the acquisition of 14% equity interest in Chifeng Hospital, 30% equity interest in Jiangsu Chaoju Investment Management Co., Ltd. and 8% equity interest in Ningbo Hospital, (iii) our repayment of amounts due to related parties of RMB29.6 million, and (iv) lease payments of RMB28.0 million. This net cash outflow was partially offset by (i) proceeds of RMB91.0 million from new interest-bearing bank and other borrowings, (ii) proceeds of RMB26.9 million from issuance of shares to certain of our Pre-IPO Investors, and (iii) a decrease in restricted deposits of RMB9.6 million due to the release of our deposits pledged to secure a bank loan after our repayment of such loan.

Our net cash generated from financing activities in 2018 was RMB131.1 million. This net cash inflow was primarily attributable to (i) proceeds of RMB158.8 million from new interest-bearing bank and other borrowings, and (ii) proceeds of RMB121.3 million from issues of shares to certain of our Pre-IPO Investors. This net cash inflow was partially offset by (i) our repayment of interest-bearing bank and other borrowings of RMB108.4 million, (ii) lease payments of RMB32.4 million, and (iii) an increase in restricted deposits of RMB9.6 million as a result of our pledge of such deposits to secure a bank loan.

Net Current Assets

The following table sets forth details of our current assets and liabilities and net current assets at the dates indicated.

	At December 31,			At April 30,
	2018	**2019**	**2020**	**2021**
	(RMB millions)			
				(unaudited)
Current assets				
Inventories	46.6	36.1	38.0	38.7
Trade receivables	65.8	71.8	62.0	78.7
Prepayments, other receivables and other assets	23.7	32.6	27.9	39.8
Due from related parties	175.9	24.9	0.3	0.3
Restricted deposits	9.6	7.2	–	–
Cash and cash equivalents	157.2	239.8	413.2	469.4
Total current assets	**478.8**	**412.4**	**541.4**	**626.9**
Current liabilities				
Trade payables	62.7	50.5	39.3	44.4
Other payables and accruals	96.2	95.2	105.4	111.2
Due to related parties	71.8	33.6	–	–
Interest-bearing bank and other borrowings	126.3	45.8	6.0	6.0
Lease liabilities	35.7	36.5	30.5	29.6
Tax payable	15.8	8.8	17.5	25.2
Dividends payable	–	–	–	70.0
Total current liabilities	**408.5**	**270.4**	**198.7**	**286.4**
Net current assets	**70.3**	**142.0**	**342.7**	**340.5**

We had net current assets of RMB340.5 million at April 30, 2021, being the latest practicable date for determining our net current assets. Our net current assets at April 30, 2021 consisted of current assets of RMB626.9 million and current liabilities of RMB286.4 million. Our net current assets at April 30, 2021 remained relatively stable compared to our net current assets of RMB342.7 million at December 31, 2020, primarily due to our dividends payable at April 30, 2021 being largely offset by an increase in our cash and cash equivalents.

We had net current assets of RMB342.7 million at December 31, 2020, consisting of current assets of RMB541.4 million and current liabilities of RMB198.7 million, and represented a significant increase from our net current assets of RMB142.0 million at December 31, 2019. This was primarily attributable to a significant increase in our cash and cash equivalents, and decreases in interest-bearing bank and other borrowings and amounts due to related parties as a result of our repayments of these borrowings and amounts. This was partially offset by a decrease in trade receivables as a result of our increased efforts to collect amounts due from relevant public health insurance programs.

We had net current assets of RMB142.0 million at December 31, 2019, consisting of current assets of RMB412.4 million and current liabilities of RMB270.4 million, and represented a significant increase from our net current assets of RMB70.3 million at December 31, 2018. This was primarily attributable to an increase in cash and cash equivalents, and decreases in interest-bearing bank and other borrowings and amounts due to related parties as a result our repayments of these borrowings and amounts. This was partially offset by a decrease in amounts due from related parties as a result of our collection of these amounts.

We had net current assets of RMB70.3 million at December 31, 2018, consisting of current assets of RMB478.8 million and current liabilities of RMB408.5 million.

Working Capital

Taking into account the financial resources available to us, including cash flow from our business operations, available banking facilities and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

CERTAIN ITEMS OF STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories primarily consist of medical consumables, pharmaceuticals and optical products. The following table sets forth a breakdown of our inventories at the dates indicated.

	At December 31,		
	2018	**2019**	**2020**
		(RMB millions)	
Medical consumables	30.4	24.1	24.2
Pharmaceuticals	9.3	9.0	10.4
Optical products	6.9	3.0	3.4
Total	**46.6**	**36.1**	**38.0**

Our inventory decreased by 22.5% from RMB46.6 million at December 31, 2018 to RMB36.1 million at December 31, 2019, primarily reflecting our inventory management efforts and changes in our procurement methods, where we only accepted the transfer of ownership of certain medical consumables from our suppliers immediately prior to our actual consumption of such medical consumables.

Our inventory increased by 5.3% from RMB36.1 million at December 31, 2019 to RMB38.0 million at December 31, 2020, primarily attributable to an increase in our inventory of pharmaceuticals in line with our overall business growth.

Our inventory turnover days in 2018, 2019 and 2020 were 79 days, 64 days and 56 days, respectively. The inventory turnover days are calculated as the average of the beginning and ending balance of inventories of the relevant year divided by the cost of inventories sold for that corresponding year and multiplied by 365 days. The continued decrease in our inventory turnover days primarily reflected our inventory management efforts and the change in our procurement method for medical consumables.

At April 30, 2021, RMB26.2 million (or 68.9%) of our inventories at December 31, 2020 had been utilized or sold.

Trade Receivables

Trade receivables primarily represents the balances due from public health insurance programs and social organizations for medical services provided by our hospitals in our ordinary course of business or under the social responsibility programs we participate in.

The following table sets forth a breakdown of our trade receivables at the dates indicated.

	At December 31,		
	2018	2019	2020
		(RMB millions)	
Trade receivables owed by:			
Public health insurance programs	46.6	48.9	39.2
Social organizations	15.6	17.8	18.3
Others[(1)]	3.6	5.1	4.5
Total	**65.8**	**71.8**	**62.0**

Note:

(1) Consists primarily of our trade receivables from sales of medical consumables to third parties.

Our trade receivables increased by 9.1% from RMB65.8 million at December 31, 2018 to RMB71.8 million at December 31, 2019, primarily reflecting our overall business growth. Our trade receivables decreased by 13.6% from RMB71.8 million at December 31, 2019 to RMB62.0 million at December 31, 2020, primarily attributable to a decrease in the trade receivables due from the local public health insurance authorities in Ulanqab as a result of our recovery of the amounts historically owed to our Ulanqab Hospital by such local public health insurance authorities.

The following table sets out the average turnover days of our trade receivables for the years indicated.

	For the year ended December 31,		
	2018	2019	2020
Average turnover days of our trade receivables[(1)]	27	36	31

Note:

(1) Calculated by dividing the average of the opening and closing balances of total trade receivables of the relevant year divided by the total revenue of the relevant year and multiplied by 365 days.

The average turnover days of our trade receivables increased from 27 days in 2018 to 36 days in 2019, primarily due to an increase in our trade receivables. The average turnover days of our trade receivables decreased from 36 days in 2019 to 31 days in 2020, primarily due to a decrease in our trade receivables at December 31, 2020 and an increase in our revenue in 2020.

The following table sets forth an aging analysis of our trade receivables at the dates indicated, based on the invoice date and net of loss allowance.

	At December 31,		
	2018	**2019**	**2020**
		(RMB millions)	
Within 3 months	46.5	36.1	26.9
4 to 6 months	11.7	16.4	12.4
7 to 12 months	4.6	10.2	7.5
Over 12 months	3.0	9.1	15.2
Total	**65.8**	**71.8**	**62.0**

Our trade receivables aging over 12 months increased significantly from RMB3.0 million at December 31, 2018 to RMB9.1 million at December 31, 2019, which further increased to RMB15.2 million at December 31, 2020, primarily due to delays in the payment of fees by certain social organizations in connection with the social responsibility programs we participated as a result of the multiple administrative approval procedures required for such payment.

We have made provisions for impairment losses on our trade receivables in accordance with the applicable accounting policies. At December 31, 2018, 2019 and 2020, our provision for impairment losses on trade receivables was a negligible amount, RMB1.1 million and RMB2.5 million, respectively. For details on our provisioning for impairment losses on trade receivables, please see notes 2.4 and 20 to our historical financial information set forth in Appendix I to this prospectus. In addition, we have assigned designated personnel to regularly communicate with the relevant public health insurance authorities and social organizations regarding the settlement of our trade receivables (the overdue amounts in particular), and to timely submit the medical records and other documents required by the relevant public health insurance authorities and social organizations for the settlement of such trade receivables. We have also established designated ledgers for our trade receivables due from social organizations, and periodically review the outstanding balance, aging and settlement of such trade receivables. Based on our historical settlement record with public health insurance authorities and local social organizations, we believe that our provisions for impairment losses on trade receivables are sufficient, and there is no recoverability issue in connection with our trading receivables, including those aged over 12 months as of December 31, 2020.

At April 30, 2021, RMB39.4 million (or 63.5%) of our trade receivables at December 31, 2020 had been settled. At April 30, 2021, RMB8.6 million (or 56.6%) of our trade receivables aged over 12 months at December 31, 2020 had been settled.

Prepayments, Other Receivables and Other Assets

At December 31, 2018, 2019 and 2020, our prepayments, other receivables and other assets was RMB25.8 million, RMB34.1 million and RMB39.4 million, respectively. The following table sets forth a breakdown of our prepayments, other receivables and other assets at the dates indicated.

	At December 31,		
	2018	**2019**	**2020**
		(RMB millions)	
Included in current assets			
Prepayments	10.5	10.6	9.9
Loans to third parties	4.9	17.1	16.9
Investment refunds(1)	3.5	3.5	2.7
Others(2)	8.9	5.6	8.0
Impairment allowance	(4.1)	(4.2)	(9.6)
Subtotal	**23.7**	**32.6**	**27.9**
Included in non-current assets			
Prepayments for property, plant and equipment	2.1	1.5	11.5
Total	**25.8**	**34.1**	**39.4**

Notes:

(1) Represents the deposit of RMB3.5 million we paid for a proposed RMB35.0 million equity investment in a Beijing-based private general hospital with a pediatric physical examination center, as a part of our expansion plan to develop our pediatric ophthalmology business. Pursuant to the framework agreement between the seller and us, we would obtain controlling stake and operating and management rights in that hospital. Subsequently, we failed to reach agreement with the seller on the proposed transaction, and both the seller and us applied for court judgment to terminate the framework agreement and the settlement of such deposit. We received a final court ruling in September 2019 for the termination of the framework agreement and full refund of the deposit of RMB3.5 million by the seller. As at the Latest Practicable Date, we had recovered RMB1.0 million of such deposit, with the remaining RMB2.5 million to be recovered, and are in the course of recovering the outstanding balance through enforcement proceedings.

(2) Consists of advances to our staff, deposits received from patients, capitalized expenses in connection with the Global Offering and certain other receivables.

Our prepayments, other receivables and other assets increased by 32.2% from RMB25.8 million at December 31, 2018 to RMB34.1 million at December 31, 2019, primarily attributable to an increase in our loans to third parties. Such increase in loans to third parties was primarily due to our transfer of certain loans to Yancheng Guze Chaoju, a related party of ours, to Nanjing Guze, an Independent Third Party of ours, in 2019.

Our prepayments, other receivables and other assets increased by 15.5% from RMB34.1 million at December 31, 2019 to RMB39.4 million at December 31, 2020, primarily attributable to an increase in our prepayments for property, plant and equipment as a result of our procurement of certain medical equipment in 2020.

During the Track Record Period, our loans to third parties consisted of our lending to Zunhua Guangming Shijie Eye Hospital (遵化光明視界眼科醫院) (formerly known as Zunhua Guangming Eye Hospital (遵化光明眼科醫院), ("**Zunhua Guangming**")) and amounts due from Nanjing Guze. The following table sets forth a breakdown of our loans to third parties at the dates indicated.

	At December 31,		
	2018	**2019**	**2020**
	(RMB millions)		
Zunhua Guangming[(1)]	4.9	5.1	5.4
Nanjing Guze[(2)]	–	12.0	11.5
Total	**4.9**	**17.1**	**16.9**

Notes:

(1) A private non-enterprise organization and an Independent Third Party. As of the Latest Practicable Date, the sponsor and the members of its board of directors were all Independent Third Parties. Zunhua Guangming was introduced to us through personal connection of our Controlling Shareholder, Mr. Zhang Bozhou, and was a proposed acquisition target for our expansion plans. We provided loans to Zunhua Guangming to support the business operations after we entered into a non-binding framework agreement with it in 2016 regarding our proposed acquisition. However, as further assessment on Zunhua Guangming revealed that it did not meet the conditions specified in such framework agreement, we subsequently terminated the acquisition plan for Zunhua Guangming without entering into any legally binding agreements, and stopped extending loans to it in 2018. The increase in the balance of our loans to Zunhua Guangming reflects the accrued interest income on such loans. We have regularly communicated with Zunhua Guangming and assessed its operations, financial conditions and liquidity, based on which we believed that it was unable to repay such loans and made provision for impairment losses accordingly. We will continuously review and assess the operations and financial condition of Zunhua Guangming and will demand repayment as the financial condition of Zunhua Guangming may allow.

(2) Yancheng Guze Chaoju was an associate of ours by virtue of the 20% equity interest we held in it through Beijing Chaoju until we disposed of such equity interest in 2019. At the material time, Yancheng Guze Chaoju had been loss making and even after successive rounds of financing we provided, it still did not yield its intended results. Thus, we decided to dispose of our 20% equity interest in Yancheng Guze Chaoju to Nanjing Guze, which is owned by Ms. Gu Jing ("**Ms. Gu**") as to 99.8%. Ms. Gu Jing is also one of the founders and the existing shareholder of Yancheng Guze Chaoju, and was introduced to us by Mr. Zhang Bozhou, who became acquainted with her through their common friend. She is an Independent Third Party of the Company and has no past or present relationship with us or our Controlling Shareholders, other than having jointly operated Yancheng Guze Chaoju. To our best knowledge, Ms. Gu has practical experience in operating private medical service businesses in Jiangsu Province, in particular, medical aesthetics, and she considered the acquisition of further equity interest in Yancheng Guze Chaoju favorable as it provided her an existing medical platform to further expand her medical aesthetics businesses in Jiangsu Province. Pursuant to the equity transfer and loan assignment agreement dated September 26, 2019 (the "**Transfer Agreement**") entered into by Beijing Chaoju and another shareholder of Yancheng Guze Chaoju, Ms. Ao Yifan, as sellers, and Ms. Gu Jing and Nanjing Guze, as purchasers, Beijing Chaoju and Ms. Ao Yifan decided to dispose of their equity interest in Yancheng Guze Chaoju together to Nanjing Guze, such that upon completion of such disposals, Ms. Gu and Nanjing Guze will together hold 95% of the equity interest in Yancheng Guze Chaoju. In accordance with the Transfer Agreement, we disposed of our 20% equity interest in Yancheng Guze Chaoju to Nanjing Guze at a consideration of RMB2.0 million, which was determined with reference to the paid-up registered capital of Yancheng Guze Chaoju and settled in cash, and assigned to Nanjing Guze our rights with respect to the loans we previously granted to Yancheng Guze Chaoju at a consideration of RMB12.0 million (the "**Loan Assignment**"). As of the Latest Practicable Date, we had ceased to hold any equity interest in Yancheng Guze Chaoju and it was no longer our associate.

Our loans to Zunhua Guangming are repayable on demand and bear interest at a rate of 4.75% per annum. Our interest income in 2018, 2019 and 2020 from our loans to Zunhua Guangming was RMB0.2 million, RMB0.2 million and RMB0.2 million, respectively. Our amounts due from Nanjing Guze are interest free, as they represent the consideration for the Loan Assignment. Upon arm's length negotiation, we have reached an agreement with Nanjing Guze on the payment schedule for the outstanding balance, which shall be settled in installments by no later than December 31, 2022. As a security for the payment of the consideration for the Loan Assignment, Ms. Gu and Nanjing Guze pledged the 25% and 20% equity interest held by them in Yancheng Guze Chaoju in favor of Beijing Chaoju, and Yancheng Guze Chaoju executed a mortgage over its medical equipment and other assets in favor of Beijing Chaoju. As advised by our PRC legal advisors, in the event that the equity pledge becomes enforceable, Beijing Chaoju will be entitled to a forced sale of the pledged equity interest, and apply the proceeds from such sale towards settlement of the outstanding amounts due, but Beijing Chaoju will not be allowed to directly transfer the pledged equity interest to the name of Beijing Chaoju without arranging a sale. We are of the view that the terms of both the equity pledge and the mortgage are in line with the customary terms for security interests to safeguard the interest of the creditors. We have no intentions in taking over the pledged equity interest from Nanjing Guze and managing Yancheng Guze Chaoju, even if and when the share pledge is being enforced. As of the Latest Practicable Date, Nanjing Guze had paid us RMB2.2 million as partial settlement of the consideration for the Loan Assignment.

We have made provisions for impairment losses on such amount in accordance with the applicable accounting policies. At December 31, 2018, 2019 and 2020, our provision for impairment losses on loans to Zunhua Guangming was RMB4.0 million, RMB4.2 million and RMB5.4 million, respectively, which fully covered the outstanding amounts due from Zunhua Guangming at December 31, 2020. At December 31, 2019 and 2020, our provision for impairment losses on amounts due from Nanjing Guze was nil and RMB3.0 million, respectively, which was determined based on the aging of such amounts, our assessment of the willingness and ability of Nanjing Guze to pay such amounts based on our communication with Nanjing Guze and available information on its operations and financial conditions, and the value of the collaterals provided to secure the repayment of such amounts. We did not make any provision for impairment losses on our amounts due from Nanjing Guze at December 31, 2019, because we did not expect substantial risk of such amounts becoming unrecoverable as the value of collaterals we held was sufficient to fully cover the amounts due and payable at the time. Taking into account the abovementioned factors, we believe that our provisions for impairment losses on our loans to third parties are sufficient and there is no recoverability issue on our loans to third parties.

We periodically assess the recoverability of our loans to third parties. In particular, we regularly review the business performance of Yancheng Guze Chaoju. In addition, we have assigned designated personnel to regularly correspond with Nanjing Guze, enabling us to keep abreast of its financial conditions and actively collect the outstanding amount.

As advised by our PRC Legal Advisors, any financing arrangements or lending transactions between non-financial institutions is prohibited by Article 61 of the General Lending Provisions. Furthermore, pursuant to Article 73 of the General Lending Provisions, PBOC may impose a fine on the non-compliant lender of one to five times of the income received by the lender from such loans. Notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions under the Judicial Interpretations on Private Lending Cases. According to Article 10 of the Judicial Interpretations on Private Lending Cases, the Supreme People's Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of mandatory provisions of applicable laws and regulations. Our PRC Legal Advisors advised that, under the Judicial Interpretations on Private Lending Cases, PRC courts will support a non-financial institution's claim for interests on loans as long as the annual interest rate does not exceed four times of the loan prime rate, as published by the National Interbank Funding Center, for loans with maturities of one year applicable on the date of loan agreement, or other interest rate specified in the Judicial Interpretations on Private Lending Cases applicable on the date of such loan agreement.

During the Track Record Period and up to the Latest Practicable Date, we had not been imposed any administrative penalty by government authorities, or become subject to any investigation relating to the interest-bearing loans to third parties. The annual interest rates of loans we granted did not exceed the maximum interest rate allowed by the Supreme People's Court's interpretation. In addition, based on the search conducted by our PRC Legal Advisors, as of the Latest Practicable Date, there was no record of any administrative penalties imposed by the local offices of PBOC in Beijing and Hohhot, where our subsidiaries granting such loans are located, against any non-financial enterprise as a result of granting of interest-bearing loans. Based on the above, our PRC Legal Advisors are of the view that the risk that we become subject to any penalty with respect to our interest-bearing loans to third parties pursuant to the General Lending Provisions is low, and our interest-bearing loans to third parties do not constitute material non-compliance of any applicable laws or regulations.

Amounts Due from Related Parties

Our amounts due from related parties primarily consisted of loans granted to our related parties. Our amounts due from related parties decreased significantly from RMB175.9 million at December 31, 2018 to RMB24.9 million at December 31, 2019, and further decreased significantly to RMB0.3 million at December 31, 2020, primarily due to the our collection of our loans to related parties and our increased control over transactions with related parties.

At December 31, 2018, 2019 and 2020, the outstanding balance of our loans to related parties was RMB156.8 million, RMB24.3 million and nil, respectively. The following table sets forth a breakdown of the outstanding balance of our loans to related parties at the dates indicated.

	At December 31,		
	2018	**2019**	**2020**
		(RMB millions)	
Baotou City Chaoju Eye Medical Co. Ltd. (包頭市朝聚眼科醫療有限公司) ("**Baotou Chaoju**")(1)	17.3	18.1	–
Ningxia Kaiming(2)	10.2	4.2	–
Inner Mongolia Autonomous Region Red Cross Chifeng Chaoju Eye Hospital (內蒙古自治區紅十字會赤峰朝聚眼科醫院) ("**Chifeng Chaoju**")(3)	2.0	2.0	–
Hangzhou West Lake Chaoju Eye Hospital (杭州西湖朝聚眼科醫院) ("**Hangzhou West Lake**")(4)	98.7	–	–
Yancheng Guze Chaoju(5)	8.6	–	–
Jiaxing Chaoju(6)	20.0	–	–
Total	**156.8**	**24.3**	**–**

Notes:

(1) A company controlled by our Controlling Shareholders. Baotou Chaoju currently has no material business operations other than holding certain properties and leases, and does not possess any license relating to medical services and does not carry out any hospital business. For certain other transactions between Baotou Chaoju and us, please see "Relationship with Our Controlling Shareholders — Transactions Entered into before the Listing Which Would Otherwise Constitute Connected Transactions." We provided such loans to Baotou Chaoju primarily to satisfy its financial needs to repay its bank loans.

(2) An associate of us, in which we own 30% of the total equity interest. Our loans were provided to Ningxia Kaiming as shareholder support to satisfy its financial needs arising from its business operations.

(3) The predecessor of our Chifeng Hospital, which is in the process of dissolution. For certain other transactions between Chifeng Chaoju and us, please see "Relationship with Our Controlling Shareholders — Transactions Entered into Before the Listing Which Would Otherwise Constitute Connected Transactions." Our loans to Chifeng Chaoju at December 31, 2018 and 2019 represented the outstanding balance of the loans we previously granted to Chifeng Chaoju. We have fully collected such outstanding amount in 2020.

(4) A private non-enterprise organization, whose governing body, the management council (理事會), according to its articles of association, is controlled by our Controlling Shareholders, Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng and Mr. Zhang Fengsheng. As such, Hangzhou West Lake is controlled by, and is an associate of, our Controlling Shareholders, and therefore is a connected person of ours. As a non-profit organization, Hangzhou West Lake is not eligible to be consolidated as subsidiary of our Group as, pursuant to the relevant rules and regulations in the PRC, it may neither engage in profit-making operational activities nor distribute its profits without changing its classification to for-profit organization. Pursuant to the requirements of the local authorities in Xihu District, Hangzhou, which are not applicable in other places where we carry out our business, private non-enterprise organizations in Xihu District, Hangzhou are not allowed to change their classifications as for-profit organizations at their original locations. Therefore, we were unable to consolidate the business and financial performance of Hangzhou West Lake into our Group without undergoing a relocation process, which may be costly and time-consuming. As of the Latest Practicable Date, Hangzhou West Lake had ceased all its business operations and was in the process of dissolution, as it would otherwise constitute a competing business against us controlled by our Controlling Shareholders. For certain other transactions between Hangzhou West Lake and us, please see "Relationship with Our Controlling Shareholders — Transactions Entered into Before the Listing Which Would Otherwise Constitute Connected Transactions." Our loans to Hangzhou West Lake were provided to satisfy its financial needs arising from its business operations and to fund its capital expenditure incurred for the acquisition of certain properties.

(5) A former associate of us. During the Track Record Period, we held 20% of the total equity interest in Yancheng Guze Chaoju which was disposed of by us in December 2019. Therefore, as of the Latest Practicable Date, Yancheng Guze Chaoju was no longer a related party of us. Our loans were provided to Yancheng Guze Chaoju as shareholder support to satisfy its financial needs arising from its business operations.

(6) The predecessor of our Jiaxing Hospital, dissolved in February 2020. Our loans to Jiaxing Chaoju were provided to satisfy its working capital needs for its business operations.

Except for our loans to Yancheng Guze Chaoju, our loans to related parties were repayable on demand and bore interest at rates ranging from 4.35% to 4.75% per annum. Our loans to Yancheng Guze Chaoju were primarily provided as shareholder support at the early stage of Yancheng Guze Chaoju, when it was preparing for the commencement of its operations or had just commenced operations. Therefore, our loans to Yancheng Guze were interest free. Our interest income derived from our amounts due from related parties in 2018, 2019 and 2020 was RMB5.8 million, RMB3.6 million and RMB0.5 million, respectively.

As of the Latest Practicable Date, we had collected all our loans to related parties.

As advised by our PRC Legal Advisors, any financing arrangements or lending transactions between non-financial institutions is prohibited by Article 61 of the General Lending Provisions. Furthermore, pursuant to Article 73 of the General Lending Provisions, PBOC may impose a fine on the non-compliant lender of one to five times of the income received by the lender from such loans. Notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions under the Judicial Interpretations on Private Lending Cases. According to Article 10 of the Judicial Interpretations on Private Lending Cases, the Supreme People's Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of mandatory provisions of applicable laws and regulations. Our PRC Legal Advisors advised that, under the Judicial Interpretations on Private Lending Cases, PRC courts will support a non-financial institution's claim for interests on loans as long as the annual interest rate does not exceed four times of the loan prime rate, as published by the National Interbank Funding Center, for loans with maturities of one year applicable on the date of loan agreement, or other interest rate specified in the Judicial Interpretations on Private Lending Cases applicable on the date of such loan agreement.

As of the Latest Practicable Date, we had not been imposed any administrative penalty by government authorities, or become subject to any investigation relating to the interest-bearing loans to related parties. The annual interest rates of loans we granted did not exceed the maximum interest rate allowed by the Supreme People's Court's interpretation. In addition, based on the search conducted by our PRC Legal Advisors, as of the Latest Practicable Date, there was no record of any administrative penalties imposed by the local offices of PBOC in Beijing and Hohhot, where our subsidiaries granting such loans are located, against any non-financial enterprise as a result of granting of interest-bearing loans. Based on the above, our PRC Legal Advisors are of the view that the risk that we would become subject to any penalty with respect to our interest-bearing loans to related parties pursuant to the General Lending Provisions is low, and our interest-bearing loans to related parties do not constitute material non-compliance of any applicable laws and regulations.

Cash and Bank Balances

At December 31, 2018, 2019 and 2020, our cash and bank balances was RMB166.8 million, RMB247.0 million and RMB413.2 million, respectively. The following table sets forth a breakdown of our cash and bank balances at the dates indicated.

	At December 31,		
	2018	2019	2020
		(RMB millions)	
Cash and cash equivalents	157.2	239.8	413.2
Restricted deposits	9.6	7.2	–
Cash and bank balances	**166.8**	**247.0**	**413.2**

Our cash and bank balances increased by 48.1% from RMB166.8 million at December 31, 2018 to RMB247.0 million at December 31, 2019, which further increased by 67.3% to RMB413.2 million at December 31, 2020, primarily attributable to the continued cash flow generated from our operations and the proceeds from issue of shares to certain of our Pre-IPO Investors.

At December 31, 2018, our Group's restricted deposits with a carrying amount of RMB9.6 million were pledged to secure a bank loan of RMB32.0 million, which was subsequently repaid in 2019. At December 31, 2019, our Group's restricted deposits with a carrying amount of RMB7.2 million were frozen by the court due to legal disputes with the lessor of the business premises of our Chengde Hospital, Chengde Debai Hotel Co., Ltd. (承德德佰酒店有限公司) ("**Debai**"), an Independent Third Party. Our dispute with Debai was on the payment terms of the leasing agreement, which we believed to be unreasonable and proposed to re-negotiate with Debai. However, as we did not reach an agreement with Debai on the amendment of such terms, Debai filed a lawsuit with the court requesting us to pay the outstanding rent together with late payment fees in accordance with the original terms of the leasing agreement. The court ruled in favor of Debai. The said restricted deposits were subsequently unfrozen by the court when we paid the outstanding rent and late payment fees in an aggregate amount of RMB13.1 million in September 2020 in accordance with the court judgment.

The following table sets forth a breakdown of our cash and bank balances at the dates indicated by currency.

	At December 31,		
	2018	2019	2020
		(RMB millions)	
RMB	47.1	247.0	413.2
U.S. dollars[1]	119.7	–	–
Cash and bank balances	**166.8**	**247.0**	**413.2**

Note:

(1) Represents the proceeds from issue of shares to certain of our Pre-IPO Investors.

Intangible Assets

Our intangible assets represent our software and medical licenses. At December 31, 2018, 2019 and 2020, our intangible assets amounted to RMB62.1 million, RMB59.1 million and RMB56.5 million, respectively. The following table sets forth a breakdown of our intangible assets at the dates indicated.

	At December 31,		
	2018	2019	2020
		(RMB millions)	
Software	2.8	4.0	5.6
Medical licenses	59.3	55.1	50.9
Total intangible assets	**62.1**	**59.1**	**56.5**

The medical licenses recognized as intangible assets consisted of the medical institution practicing certificates of our hospitals. The value of the medical institution practicing certificates is determined based on the appraisal by an independent third party valuer based on the expected economic benefit derived from such medical institution practicing certificates. After initial recognition, these medical institution practicing certificates are amortized on a straight-line basis over their estimated useful life of 15 years, which is determined by our senior management based on their estimate of the period of time in which these medical institution practicing certificates can be utilized or renewed taking into account the information from industry peers. At December 31, 2018, 2019 and 2020, our medical licenses included in intangible assets amounted to RMB59.3 million, RMB55.1 million and RMB50.9 million, respectively. The continued decrease in the value of our medical licenses was due to the continued amortization of such intangible assets.

The following table sets forth a breakdown of our medical licenses recognized as intangible assets at the dates indicated:

	At December 31,		
	2018	**2019**	**2020**
		(RMB millions)	
Ningbo Hospital	14.9	13.9	12.8
Ninghai Hospital	8.0	7.4	6.9
Xiangshan Hospital	36.4	33.8	31.2
Total	**59.3**	**55.1**	**50.9**

Purchased software is recognized at cost less impairment losses, and is amortized on a straight-line basis over its estimated useful life of 10 years. At December 31, 2018, 2019 and 2020, our software included in intangible assets amounted to RMB2.8 million, RMB4.0 million and RMB5.6 million, respectively. The continued increase in our software recognized as intangible assets was primarily due to our procurement of new software as a part of our continued efforts to improve our IT systems.

Goodwill

We recognized goodwill during our acquisition of Ningbo Hospital, Ninghai Hospital and Xiangshan Hospital. Such goodwill represents the excess of the aggregate of the consideration transferred, the non-controlling interests in these hospitals after our acquisition and the fair value of our equity interests in these hospitals held prior to our acquisition (if any) over the identifiable net assets of these hospitals. At December 31, 2018, 2019 and 2020, our goodwill remained unchanged at RMB28.2 million.

We do not amortize goodwill, but we assess our goodwill for impairment at least on an annual basis, or more frequently if events or changes in circumstances indicate that our goodwill may be impaired. We allocate our goodwill to three separate cash-generating units for the purpose of impairment testing, namely Ningbo Hospital, Ninghai Hospital and Xiangshan Hospital, and assess the recoverable amount of each cash-generating unit with cash flow projections derived from the financial plans and budgets and the applicable pre-tax discount rates as determined by our senior management for the respective hospitals. Impairment losses on goodwill are recognized when the recoverable amount of any cash-generating unit is assessed to be less than its carrying value. We did not incur any impairment losses on goodwill during the Track Record Period.

For details on the impairment assessment methods for our goodwill, please see notes 2.4 and 16 to our historical financial information set forth in Appendix I to this prospectus.

The following table sets forth the carrying amount of our goodwill allocated to each of the cash-generating units at the dates indicated.

	At December 31,		
	2018	2019	2020
	(RMB millions)		
Ningbo Hospital	8.7	8.7	8.7
Ninghai Hospital	6.4	6.4	6.4
Xiangshan Hospital	13.1	13.1	13.1
Total	**28.2**	**28.2**	**28.2**

Ningbo Hospital

The recoverable amount of the Ningbo Hospital 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. At December 31, 2018, 2019 and 2020, the pre-tax discount rates applied to the cash flow projections were 16.80%, 16.88% and 17.28%, respectively. The growth rates used to extrapolate the cash flows of the Ningbo Hospital cash-generating unit beyond the five-year period are 3%, 3% and 3%, respectively.

The following table sets forth the recoverable amount and the carrying amount of the Ningbo Hospital cash-generating unit, and the headroom by which the recoverable amount exceeds the carrying amount at the dates indicated.

	At December 31,		
	2018	2019	2020
	(RMB millions)		
Recoverable amount	48.3	47.7	57.9
Less: carrying amount	43.0	40.4	45.4
Headroom	**5.3**	**7.3**	**12.5**

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, of goodwill impairment testing of Ningbo Hospital cash-generating unit at the dates indicated.

Possible changes in key assumptions	Headroom at December 31,		
	2018	2019	2020
	(RMB millions)		
Revenue (% compound growth rate) decrease by 1%	1.9	4.0	9.2
Discount rate increase by 1%	0.9	3.1	8.7

As demonstrated in the table above, a reasonably possible change in key assumptions would not lead to impairment on the Ningbo Hospital cash-generating unit in 2018, 2019 and 2020.

Ninghai Hospital

The recoverable amount of the Ninghai Hospital 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. At December 31, 2018, 2019 and 2020, the pre-tax discount rates applied to the cash flow projections were 16.59%, 16.59% and 16.76%, respectively. The growth rates used to extrapolate the cash flows of the Ninghai Hospital cash-generating unit beyond the five-year period are 3%, 3% and 3%, respectively.

The following table sets forth the recoverable amount and the carrying amount of the Ninghai Hospital cash-generating unit, and the headroom by which the recoverable amount exceeds the carrying amount at the dates indicated.

	At December 31,		
	2018	**2019**	**2020**
		(RMB millions)	
Recoverable amount	28.9	26.5	25.3
Less: carrying amount	25.2	23.5	21.9
Headroom	**3.7**	**3.0**	**3.4**

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, of goodwill impairment testing of Ninghai Hospital cash-generating unit at the dates indicated.

Possible changes in key assumptions	**Headroom at December 31,**		
	2018	**2019**	**2020**
		(RMB millions)	
Revenue (% compound growth rate) decrease by 1%	1.7	1.1	1.6
Discount rate increase by 1%	0.8	0.3	1.0

As demonstrated in the table above, a reasonably possible change in key assumptions would not lead to impairment on the Ninghai Hospital cash-generating unit in 2018, 2019 and 2020.

Xiangshan Hospital

The recoverable amount of the Xiangshan Hospital 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. At December 31, 2018, 2019 and 2020, the pre-tax discount rates applied to the cash flow projections were 17.08%, 16.98% and 17.32%, respectively. The growth rates used to extrapolate the cash flows of the Xiangshan Hospital cash-generating unit beyond the five-year period are 3%, 3% and 3%, respectively.

The following table sets forth the recoverable amount and the carrying amount of the Xiangshan Hospital cash-generating unit, and the headroom by which the recoverable amount exceeds the carrying amount at the dates indicated.

	At December 31,		
	2018	2019	2020
		(RMB millions)	
Recoverable amount	67.9	59.7	61.8
Less: carrying amount	56.8	53.1	50.7
Headroom	**11.1**	**6.6**	**11.1**

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, of goodwill impairment testing of Xiangshan Hospital cash-generating unit at the dates indicated.

Possible changes in key assumptions	Headroom at December 31,		
	2018	2019	2020
		(RMB millions)	
Revenue (% compound growth rate) decrease by 1%	7.6	3.3	7.8
Discount rate increase by 1%	5.7	1.5	6.4

As demonstrated in the table above, a reasonably possible change in key assumptions would not lead to impairment on the Xiangshan Hospital cash-generating unit in 2018, 2019 and 2020.

Trade Payables

Our trade payables primarily represented the amounts payable to our suppliers for our purchase of medical consumables, pharmaceuticals and optical products. The following table sets forth a breakdown of our trade payables at the dates indicated.

	At December 31,		
	2018	2019	2020
		(RMB millions)	
Trade payables relating to the purchase of:			
Medical consumables	47.3	40.8	29.0
Pharmaceuticals	7.1	8.5	7.8
Optical products	8.3	1.2	2.5
Total	**62.7**	**50.5**	**39.3**

Our trade payables decreased by 19.5% from RMB62.7 million at December 31, 2018 to RMB50.5 million at December 31, 2019, primarily attributable to decreases in trade payables relating to our purchase of medical consumables and optical products, which were partially offset by an increase in trade payables relating to our purchase of pharmaceuticals. Such decrease in trade payables relating to our purchase of medical consumables and optical products was primarily resulted from the change in our procurement methods, where we only accepted the transfer of ownership of certain medical consumables and optical products from suppliers immediately prior to our actual consumption of such medical consumables, thus reducing our trade payables and inventory level. The increase in trade payables relating to the purchase of pharmaceuticals reflected our overall business growth.

Our trade payables decreased by 22.2% from RMB50.5 million at December 31, 2019 to RMB39.3 million at December 31, 2020, primarily attributable to a decrease in trade payables relating to our purchase of medical consumables, reflecting our increased efforts to control our procurement and inventories.

The following table sets out the average turnover days of our trade payables for the years indicated.

	For the year ended December 31,		
	2018	2019	2020
Average turnover days of our trade payables(1)	128	88	68

Note:

(1) Calculated by dividing the average of the opening and closing balances of total trade payables of the relevant year divided by the total cost of medical consumables, pharmaceuticals and optical products of the relevant year and multiplied by 365 days.

The average turnover days of our trade payables decreased from 128 days in 2018 to 88 days in 2019, which further decreased to 68 days in 2020, primarily resulted from a decrease in our average trade payables as a result of the change in our procurement methods and our inventory control efforts.

At April 30, 2021, RMB37.1 million (or 94.4%) of our trade payables at December 31, 2020 had been settled.

Other Payables and Accruals

Other payables and accruals primarily consists of salary and welfare payables, rent payables, payables for purchases of property, plant and equipment and accrual taxes payables. The following table sets forth a breakdown of our other payables and accruals at the dates indicated.

	At December 31,		
	2018	2019	2020
		(RMB millions)	
Salary and welfare payables	24.4	32.3	39.4
Rent payables	13.9	27.8	24.5
Payables for purchases of property, plant and equipment	22.5	10.6	7.5
Accrual taxes payables	15.0	7.3	6.1
Contract liabilities(1)	1.7	1.5	7.3
Others(2)	18.7	16.4	21.4
Total	**96.2**	**95.9**	**106.2**

Notes:

(1) Consists of payments received for out-patient services yet to be rendered and certain other contract liabilities. Payments received for out-patient services yet to be rendered consisted primarily of prepayments from customers for Ortho-K prescriptions, and amounted to RMB1.2 million, RMB1.4 million and RMB6.6 million, respectively at December 31, 2018, 2019 and 2020. The significant increase in these payments received for out-patient services yet to be rendered was primarily due to the prolonged delivery time for made-to-order Ortho-K supplied by overseas suppliers as a result of the negative impact of the COVID-19 pandemic, as well as our increased prescription for Ortho-K in line with the growth of our myopia control business. Our other contract liabilities amounted to RMB0.5 million, a negligible amount and RMB0.8 million, respectively, at December 31, 2018, 2019 and 2020. These other contract liabilities consisted primarily of prepayments received in connection with our sale of medical consumables and the provision of medical services under certain social responsibility programs. The significant increase in these other contract liabilities at December 31, 2020 was primarily attributable to the prepayments to our Sihong Hospital by local public health insurance authorities in accordance with relevant local public health insurance policies. Such prepayment was not fully utilized and settled during our provision of medical services covered by public health insurance programs, primarily due to the decrease in the number of patient visits to our Sihong Hospital during the COVID-19 pandemic.

(2) Primarily includes service fee payables, payables for purchases of equity interests of subsidiaries and other payables.

Our other payables and accruals remained relatively stable at RMB96.2 million at December 31, 2018 and RMB95.9 million at December 31, 2019, primarily as a result of increases in salary and welfare payables and rent payables, which were largely offset by decreases in payables for purchases of property, plant and equipment and accrual taxes payables. The increase in rent payables resulted primarily from our new leases for business premises as a part of our expansion plan. The increase in salary and welfare payables was primarily due to an increase in the average compensation of our employees. The decrease in payables for purchases of property, plant and equipment primarily reflected our purchase of certain medical equipment in 2018, which we subsequently settled in early 2019. The decrease in accrual taxes payable primarily reflected our value-added tax payable at December 31, 2018, which was subsequently paid in early 2019.

Our other payables and accruals increased by 10.7% from RMB95.9 million at December 31, 2019 to RMB106.2 million at December 31, 2020, primarily attributable to increases in salary and welfare payables and contract liabilities. The increase in salary and welfare payables primarily reflected the accrued bonus and performance-based compensation for our employees. The increase in contract liabilities was primarily due to the increased amounts received from patients for Ortho-K prescriptions yet to be delivered, reflecting the growth of our myopia control business.

Interest-bearing Bank and Other Borrowings

We have historically borrowed from banks and other non-bank lenders to finance our operations and growth. Our interest-bearing bank and other borrowings decreased by 59.1% from RMB171.3 million at December 31, 2018 to RMB70.1 million at December 31, 2019, and further decreased significantly to RMB6.7 million at December 31, 2020, primarily due to our repayment of such borrowings, reflecting our abundant liquidity.

Historically, we have borrowed from both banks and non-bank lenders to meet our working capital needs and finance our capital expenditures arising from our business expansions, including those in connection with our acquisition of hospitals and purchase of medical equipment and properties. These non-bank borrowings had maturities ranging between five months to three years. As of December 31, 2018, our non-bank borrowings bore interest at rates ranging from 5.00% to 11.50% per annum. Certain of these loans from non-bank lenders bore interest rates higher than those of our bank borrowings with similar maturities. We borrowed such loans primarily because they were more expedient in terms of disbursement compared to bank borrowings and usually required no security to be provided, which in turn may better serve our expansion activities. We subsequently repaid these loans that bore relatively high interest rates in full as our liquidity improved in 2019. As of December 31, 2019 and 2020, our loans from non-bank lenders bore interest at rates ranging from 5.22% to 5.70%, which were comparable to those offered by commercial banks under similar terms. During the Track Record Period and up to the Latest Practicable Date, we did not encountered any difficulty in obtaining banks borrowing which is likely to have a material and adverse effect on our business operations.

The following table sets forth a breakdown of our other borrowings at the dates indicated.

Lender	Balance at December 31, 2018	2019	2020	Commencement date	Maturity date	Interest rate	Interest payment terms	Principal repayment terms
	(RMB millions)							
Nanjing Neovision Growth I Equity Investment LP (南京高科新浚成長一期股權投資合夥企業(有限合夥))[1]	51.4	–	–	August 22, 2018	January 30, 2019	8.00%	Payable in a lump sum upon maturity	Repayable in a lump sum upon maturity
He Jun (賀軍)[2]	4.2	–	–	May 8, 2018	May 7, 2019	8.30%	Payable in a lump sum upon maturity	Repayable in a lump sum upon maturity
Sun Lei (孫磊)[3]	2.1	–	–	May 10, 2018	May 9, 2019	8.30%	Payable in a lump sum upon maturity	Repayable in a lump sum upon maturity
Ma Xudong (馬序東)[4]	1.6	–	–	May 10, 2018	May 9, 2019	8.30%	Payable in a lump sum upon maturity	Repayable in a lump sum upon maturity
Xue Haifeng (薛海峰)[4]	0.5	–	–	May 17, 2018	May 16, 2019	8.30%	Payable in a lump sum upon maturity	Repayable in a lump sum upon maturity
Ningbo Liangjing Information Consultancy Co., Ltd. (寧波亮睛信息諮詢有限公司)[5]	1.8	–	–	October 31, 2018	October 30, 2019	5.00%	Payable in a lump sum upon maturity	Repayable in a lump sum upon maturity
	–	0.3	0.3	October 30, 2019	October 28, 2021	5.22%	Payable in a lump sum upon maturity	Repayable in a lump sum upon maturity
	–	–	0.6	July 25, 2020	July 24, 2023	5.70%	Payable in a lump sum upon maturity	Repayable in a lump sum upon maturity
	–	–	0.5	March 11, 2020	March 10, 2022	5.22%	Payable in a lump sum upon maturity	Repayable in a lump sum upon maturity
Ningbo Meishan Baoshuigang District Tiandirenhe Investment Consultancy Co., Ltd. (寧波梅山保税港區天地人和投資諮詢有限公司)[6]	0.8	0.8	0.8	February 5, 2018	February 4, 2022	5.70%	Payable in a lump sum upon maturity	Repayable in a lump sum upon maturity
	–	–	1.5	April 10, 2020	April 9, 2022	5.22%	Payable in a lump sum upon maturity	Repayable in a lump sum upon maturity
	–	–	3.0	April 14, 2020	April 13, 2022	5.22%	Payable in a lump sum upon maturity	Repayable in a lump sum upon maturity
Yuantai Financial Leasing (Tianjin) Co., Ltd. (元泰融資租賃(天津)有限公司)[8]	16.2	10.9	–[7]	October 24, 2018	October 22, 2021	5.23%	Payable quarterly	Repayable in installments
	14.1	9.7	–[7]	October 24, 2018	October 22, 2021	5.23%	Payable quarterly	Repayable in installments
Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司)[9]	1.7	–	–	June 30, 2018	June 30, 2019	11.50%	Payable quarterly	Repayable in installments
Ao Yifan (敖藝凡)[10]	9.9	–[7]	–	January 1, 2018	December 31, 2020	7.40%	Payable semi-annually	Repayable in installments
Total	**104.3**	**21.7**	**6.7**					

Notes:

(1) An investment management company independent from us, which was introduced to us by a former director of ours designated by our Shareholder, Highlight Capital. We borrowed from Nanjing Neovision Growth I Equity Investment LP, which intended to invest in us at the time, primarily to satisfy our working capital needs.

(2) The brother-in-law of Ms. Zhang Xiaoli, our executive Director and one of our Controlling Shareholders, and therefore a deemed connected person of ours. We borrowed from Mr. He Jun primarily because such borrowing was more expedient in terms of disbursement and can satisfy our needs for capital within the desired timeframe for the purchase.

(3) An individual and Independent Third Party introduced to us through Mr. Jin Qianfeng, the sole general partner of Hohhot Jiasheng Enterprise Management, a Pre-IPO Investor. Such borrowing was made to fund our purchase of certain property in Hohhot during our business expansion. We borrowed from Mr. Sun Lei primarily because such borrowing was more expedient in terms of disbursement and can satisfy our needs for capital within the desired timeframe for the purchase.

(4) An individual and Independent Third Party introduced to us through personal connections of our Controlling Shareholder, Mr. Zhang Bozhou. Such borrowings were made to fund our purchase of certain property in Hohhot during our business expansion. We borrowed from these individual lenders primarily because such borrowings were more expedient in terms of disbursement and can satisfy our needs for capital within the desired timeframe for the purchase.

(5) A minority shareholder of certain of our insignificant subsidiaries, which is independent from us. Such borrowings were provided as directed by Ningbo Meishan Baoshuigang District Tiandirenhe Investment Consultancy Co., Ltd. to Ningbo Hospital as a part of the shareholder support in proportion to their respective shareholding in Ningbo Hospital to satisfy its financial needs arising from business operations.

(6) A minority shareholder of our Ningbo Hospital, which is independent from us. Such borrowings were provided to Ningbo Hospital as a part of the support from its shareholders in proportion to their respective shareholding to satisfy the financial needs of Ningbo Hospital arising from its business operations.

(7) We repaid such borrowing prior to its maturity.

(8) A financial leasing company independent from us, which was introduced to us by its business personnel. Such borrowing was made primarily to satisfy our working capital needs.

(9) A financial leasing company independent from us, which was introduced to us by its business personnel. Such borrowing was made primarily to satisfy our need for capital expenditures in connection with our acquisition of certain hospitals in Ningbo and our purchase of medical equipment for our Tongliao Hospital. We borrowed from Far East Horizon (Tianjin) Financial Leasing Co., Ltd. primarily because such borrowing was more expedient in terms of disbursement compared to bank borrowings and can better satisfy our working capital needs within the desired timeframe. Such borrowing bore an interest rate of 8.60% per annum, and required us to pay a up front service fee upon disbursement. Taking into account such service fee, the effective interest rate of such borrowing was 11.50%.

(10) An individual and Independent Third Party introduced to us through personal connection of our Controlling Shareholder, Mr. Zhang Bozhou. Such borrowing was made primarily to fund our acquisition of certain hospitals in Ningbo and our purchase of medical equipment for our Tongliao Hospital. We borrowed from Ms. Ao Yifan primarily because such borrowing was more expedient in terms of disbursement compared to bank borrowings and can better satisfy our working capital needs within the desired timeframe.

Lease Liabilities

We recognize lease liabilities for our long-term leases. Our lease liabilities decreased by 8.2% from RMB191.0 million at December 31, 2018 to RMB175.3 million at December 31, 2019, which further decreased by 22.6% to RMB135.6 million at December 31, 2020, primarily due to our scheduled payment of the rent.

The following table sets forth a breakdown of our lease liabilities by remaining maturity at the dates indicated.

	At December 31,		
	2018	**2019**	**2020**
		(RMB millions)	
Current portion	35.7	36.5	30.5
Non-current portion	155.3	138.8	105.1
Total	**191.0**	**175.3**	**135.6**

Amounts due to Related Parties

Amounts due to related parties primarily represented borrowings from our related parties. Our amounts due to related parties decreased by 53.2% from RMB71.8 million at December 31, 2018 to RMB33.6 million at December 31, 2019, and further decreased significantly to nil at December 31, 2020, primarily due to our repayment of such amounts.

At December 31, 2018, 2019 and 2020, our borrowings from related parties amounted to RMB42.8 million, RMB14.1 million and nil, respectively. At the Latest Practicable Date, we did not have any outstanding borrowing from related parties, as we had repaid all such borrowings. The following table sets forth a breakdown of the outstanding balance of our borrowings from related parties at the dates indicated.

	At December 31,		
	2018	**2019**	**2020**
		(RMB millions)	
Baotou Chaoju[(1)]	8.1	1.8	–
Inner Mongolia Autonomous Region Red Cross Hohhot Chaoju Eye Hospital (內蒙古自治區紅十字會呼和浩特朝聚眼科醫院) ("**Hohhot Chaoju**")[(2)]	22.0	2.5	–
Inner Mongolia Autonomous Region Red Cross Chaoju Eye Hospital Group (內蒙古自治區紅十字會朝聚眼科醫院集團)[(3)]	0.6	0.6	–
Chifeng Chaoju[(4)]	8.8	9.2	–
Hangzhou West Lake[(5)]	2.2	–	–
Jiaxing Chaoju[(6)]	1.1	–	–
Total	**42.8**	**14.1**	**–**

Notes:

(1) A company controlled by our Controlling Shareholders. Baotou Chaoju currently has no material business operations other than holding certain properties and leases, and does not possess any license relating to medical services and does not carry out any hospital business. For certain other transactions between Baotou Chaoju and us, please see "Relationship with Our Controlling Shareholders — Transactions Entered into before the Listing Which Would Otherwise Constitute Connected Transactions."

(2) The predecessor of our Hohhot Hospital, dissolved in December 2020.

(3) A private non-enterprise organization, whose governing body, the management council, according to its articles of association, is controlled by our Controlling Shareholders, Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Zhang Fengsheng and Ms. Zhang Yumei. As such, it is controlled by our Controlling Shareholders and therefore a connected person of ours. It was subsequently renamed as Inner Mongolia Jujing Rehabilitation Services Centre (內蒙古聚睛康復服務中心) ("**Jujing Center**"), which is the sponsor of Hangzhou West Lake. As of the Latest Practicable Date, Jujing Center and Hangzhou West Lake had no business operations. For certain other transactions between Hangzhou West Lake and us, please see "Relationship with Our Controlling Shareholders — Transactions Entered into Before the Listing Which Would Otherwise Constitute Connected Transactions."

(4) The predecessor of our Chifeng Hospital, which is in the process of dissolution. For certain other transactions between Chifeng Chaoju and us, please see "Relationship with Our Controlling Shareholders — Transactions Entered into Before the Listing Which Would Otherwise Constitute Connected Transactions."

(5) A private non-enterprise organization, whose governing body, the management council, according to its articles of association, is controlled by our Controlling Shareholders, Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng and Mr. Zhang Fengsheng. As such, Hangzhou West Lake is controlled by, and is an associate of, our Controlling Shareholders, and therefore is a connected person of ours. As a non-profit organization, Hangzhou West Lake is not eligible to be consolidated as subsidiary of our Group as, pursuant to the relevant rules and regulations in the PRC, it may neither engage in profit-making operational activities nor distribute its profits without changing its classification to for-profit organization. Pursuant to the requirements of the local authorities in Xihu District, Hangzhou, which are not applicable in other places where we carry out our business, private non-enterprise organizations in Xihu District, Hangzhou are not allowed to change their classifications as for-profit organizations at their original locations. Therefore, we were unable to consolidate the business and financial performance of Hangzhou West Lake into our Group without undergoing a relocation process, which may be costly and time-consuming. As of the Latest Practicable Date, Hangzhou West Lake had ceased all its business operations and was in the process of dissolution, as it would otherwise constitute a competing business against us controlled by our Controlling Shareholders. For certain other transactions between Hangzhou West Lake and us, please see "Relationship with Our Controlling Shareholders — Transactions Entered into Before the Listing Which Would Otherwise Constitute Connected Transactions."

(6) The predecessor of our Jiaxing Hospital, dissolved in February 2020.

Our borrowings from the related party were primarily used to meet our working capital needs arising from our operations. These borrowings were repayable on demand and bore interest at rates ranging from 4.35% to 4.75% per annum, which were more favorable than the interest rates historically offered to us by the commercial banks in the PRC. Our interest expenses in 2018, 2019 and 2020 on these borrowings from related parties were RMB1.8 million, RMB0.9 million, and nil, respectively.

CAPITAL EXPENDITURES

Our capital expenditures in 2018, 2019 and 2020 were RMB169.2 million, RMB38.4 million and RMB56.6 million, respectively, which consists of expenditures on purchase of property, plant and equipment and purchase of intangible assets. The following table sets forth a breakdown of our capital expenditures for the years indicated.

	For the year ended December 31,		
	2018	2019	2020
		(RMB millions)	
Capital expenditures for:			
Purchase of property, plant and equipment[1]	96.8	37.0	50.4
Acquisition of subsidiaries[2]	71.8	(0.3)[3]	4.0
Purchase of intangible assets	0.6	1.7	2.2
Total	**169.2**	**38.4**	**56.6**

Notes:

(1) Primarily represents our cash payment for construction projects and purchase of medical equipment as a part of our business expansion.

(2) Primarily represents our cash payment for our acquisition of equity interest in Ningbo Hospital, Xiangshan Hospital and Ninghai Hospital.

(3) Represents the cash and cash equivalents that we acquired as a part of the identifiable assets and liabilities of Baotou Low Vision Rehabilitation Center as a result of our acquisition of Baotou Low Vision Rehabilitation Center.

For a description of our future capital expenditure plans, please see "Business — Our Operation Network — Our Expansion Plans."

CONTINGENT LIABILITIES

As of December 31, 2020, we did not have any material contingent liabilities, guarantees or any litigations or claims, pending or threatened against us that is likely to have a material and adverse effect on our business, financial condition or results of operations.

INDEBTEDNESS

Our indebtedness primarily consists of interest-bearing bank and other borrowings and lease liabilities. At April 30, 2021, being the latest practicable date for determining our indebtedness, our total indebtedness amounted to RMB135.9 million. The following table sets forth a breakdown of our indebtedness at the dates indicated.

	At December 31,			At April 30,
	2018	2019	2020	2021
	(RMB millions)			(unaudited)
Interest-bearing bank and other borrowings	171.3	70.1	6.7	6.7
Lease liabilities	191.0	175.3	135.6	129.2
Total	**362.3**	**245.4**	**142.3**	**135.9**

At April 30, 2021, we did not have any banking facilities. During the Track Record Period, no bank has withdrawn any bank facilities previously extended to us or has demanded early repayment.

Borrowings

Our interest-bearing bank and other borrowings consists primarily of bank loans and borrowings from non-bank lenders. The following table sets forth a breakdown of our borrowings at the dates indicated.

	At December 31,			At April 30,
	2018	2019	2020	2021
	(RMB millions)			(unaudited)
Bank loans	67.1	48.4	–	–
Other borrowings	104.2	21.7	6.7	6.7
Total	**171.3**	**70.1**	**6.7**	**6.7**

The following table sets forth the interest rates per annum on our borrowings at the dates indicated.

	At December 31,			At April 30,
	2018	2019	2020	2021
Interest rates	5.00% – 11.50%	5.17% – 6.18%	5.22% – 5.70%	5.22% – 5.70%

The following table sets forth the remaining maturity of our borrowings at the dates indicated.

	At December 31,			At April 30,
	2018	2019	2020	2021
	(RMB millions)			(unaudited)
Within 1 year	126.3	45.8	6.0	6.0
1 year or more, but within 2 years	26.7	22.3	–	–
2 year or more, but within 5 years	18.3	2.0	0.7	0.7
Total	**171.3**	**70.1**	**6.7**	**6.7**

Lease Liabilities

The following table sets forth a breakdown of our lease liabilities at the dates indicated by remaining maturity.

	At December 31,			At April 30,
	2018	2019	2020	2021
	(RMB millions)			(unaudited)
Current	35.7	36.5	30.5	29.6
Non-current	155.3	138.8	105.1	99.6
Total	**191.0**	**175.3**	**135.6**	**129.2**

Except as disclosed above, at April 30, 2021, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

At the Latest Practicable Date, we did not have any off-balance sheet commitments or arrangements.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain transactions with related parties, a summary of which is set forth below.

Sale of Goods

We sold medical consumables in an aggregate amount of RMB19.5 million and RMB9.0 million in 2018 and 2019, respectively, to certain hospitals controlled by our Shareholders and associates. These medical consumables were sold by Tianjin Chaoju in the ordinary course of its business on normal commercial terms. As we intend to focus the operations of Tianjin Chaoju as our centralized procurement platform, we have gradually reduced Tianjin Chaoju's sale of medical consumables to persons outside our Group.

The following table sets forth a breakdown of the total amount of such sale of goods to our related parties for the years indicated.

	For the year ended December 31,		
	2018	2019	2020
	(RMB millions)		
Sale of goods to:			
Hangzhou West Lake[(1)]	11.6	3.8	–
Jiaxing Chaoju[(2)]	5.1	3.9	–
Ningxia Kaiming[(3)]	1.5	–	–
Yancheng Guze Chaoju[(4)]	1.2	1.3	–
Total	**19.5**	**9.0**	**–**

Notes:

(1) A private non-enterprise organization, whose governing body, the management council, according to its articles of association, is controlled by our Controlling Shareholders, Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng and Mr. Zhang Fengsheng. As such, Hangzhou West Lake is controlled by, and is an associate of, our Controlling Shareholders, and therefore is a connected person of ours. As a non-profit organization, Hangzhou West Lake is not eligible to be consolidated as subsidiary of our Group as, pursuant to the relevant rules and regulations in the PRC, it may neither engage in profit-making operational activities nor distribute its profits without changing its classification to for-profit organization. Pursuant to the requirements of the local authorities in Xihu District, Hangzhou, which are not applicable in other places where we carry out our business, private non-enterprise organizations in Xihu District, Hangzhou are not allowed to change their classifications as for-profit organizations at their original locations. Therefore, we were unable to consolidate the business and financial performance of Hangzhou West Lake into our Group without undergoing a relocation process, which may be costly and time-consuming. As of the Latest Practicable Date, Hangzhou West Lake had ceased all its business operations and was in the process of dissolution, as it would otherwise constitute a competing business against us controlled by our Controlling Shareholders. For certain other transactions between Hangzhou West Lake and us, please see "Relationship with Our Controlling Shareholders — Transactions Entered into Before the Listing Which Would Otherwise Constitute Connected Transactions."

(2) The predecessor of our Jiaxing Hospital, dissolved in February 2020.

(3) An associate of us, in which we own 30% of the total equity interest, while the remaining equity interest are owned by Independent Third Parties.

(4) A former associate of us. During the Track Record Period, we held 20% of the total equity interest in Yancheng Guze Chaoju which was disposed of by us in December 2019. Therefore, as of the Latest Practicable Date, Yancheng Guze Chaoju was no longer a related party of us.

Sale of Property, Plant and Equipment

We sold medical and office equipment to Hangzhou West Lake in a negligible amount in 2019. We sold medical equipment to Ningxia Kaiming in an aggregate amount of RMB0.1 million in 2020. The medical and office equipment sold were primarily idle equipment no longer required at our hospitals but may be utilized by our associates. These sales were non-recurring in nature and were made on normal commercial terms. We did not sell any medical equipment to these related parties in 2018.

Purchase of Property, Plant and Equipment

We purchased certain fixed assets in an aggregate amount of RMB0.8 million and RMB16.5 million in 2018 and 2019, respectively, from certain hospitals controlled by our Shareholders on normal commercial terms mutually agreed between the parties. Such purchases consisted primarily of fixed assets used in our provision of medical services and daily operations, such as medical and office equipment. We did not purchase any fixed asset from these related parties in 2020. These purchases were non-recurring in nature and were made primarily satisfy our actual needs for such fixed assets arising from our business operations and were made on arm's length basis.

The following table sets forth a breakdown of such purchases of property, plant and equipment for the years indicated.

	For the year ended December 31,		
	2018	2019	2020
	(RMB millions)		
Purchase of property, plant and equipment from:			
Jiaxing Chaoju[1]	–	15.9	–
Hohhot Chaoju[2]	0.8	–	–
Hangzhou West Lake[3]	–	0.6	–
Total	**0.8**	**16.5**	**–**

Notes:

(1) The predecessor of our Jiaxing Hospital, dissolved in February 2020.

(2) The predecessor of our Hohhot Hospital, dissolved in December 2020.

(3) A private non-enterprise organization, whose governing body, the management council, according to its articles of association, is controlled by our Controlling Shareholders, Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng and Mr. Zhang Fengsheng. As such, Hangzhou West Lake is controlled by, and is an associate of, our Controlling Shareholders, and therefore is a connected person of ours. As a non-profit organization, Hangzhou West Lake is not eligible to be consolidated as subsidiary of our Group as, pursuant to the relevant rules and regulations in the PRC, it may neither engage in profit-making operational activities nor distribute its profits without changing its classification to for-profit organization. Pursuant to the requirements of the local authorities in Xihu District, Hangzhou, which are not applicable in other places where we carry out our business, private non-enterprise organizations in Xihu District, Hangzhou are not allowed to change their classifications as for-profit organizations at their original locations. Therefore, we were unable to consolidate the business and financial performance of Hangzhou West Lake into our Group without undergoing a relocation process, which may be costly and time-consuming. As of the Latest Practicable Date, Hangzhou West Lake had ceased all its business operations and was in the process of dissolution, as it would otherwise constitute a competing business against us controlled by our Controlling Shareholders. For certain other transactions between Hangzhou West Lake and us, please see "Relationship with Our Controlling Shareholders — Transactions Entered into Before the Listing Which Would Otherwise Constitute Connected Transactions."

Loans

We granted loans to certain related parties during the Track Record Period, and generated interest income from these loans in an aggregate amount of RMB5.8 million, RMB3.6 million and RMB0.5 million in 2018, 2019 and 2020, respectively. For details on our loans to related parties, please see "— Certain Items of Statements of Financial Position — Amounts Due from Related Parties." Such loans bore interest on rates based on the benchmark interest rate of loans announced by the People's Bank of China, being 4.35% (for borrowings within one year) or 4.75% (for borrowings more than one year) per annum, except for those with capital pooling nature, which bear interest at a rate of 0.35% per annum. As of the Latest Practicable Date, we had collected all our loans to related parties.

Borrowings

We have historically borrowed from certain related parties controlled by our Shareholders, and incurred interest expenses in an aggregate amount of RMB1.8 million and RMB0.9 million in 2018 and 2019, respectively. For details on our borrowings from related parties, please see "— Certain Items of Statements of Financial Position — Amounts Due to Related Parties." Such borrowings bore interest in the same manner as our loans and advances to related parties. We did not incur any interest expenses on borrowing from related parties in 2020. As of the Latest Practicable Date, we did not have any borrowings from related parties.

Leasing of Property

We rented property from certain of our Shareholders and certain related parties controlled by our Shareholders during the Track Record Period, and incurred rental expenses in an aggregate amount of RMB12.2 million, RMB12.5 million and RMB12.0 million in 2018, 2019 and 2020, respectively. The prices of these leases with related parties were on normal commercial terms determined after arm's length negotiations based on the prevailing market rates no less favorable to those offered by Independent Third Parties for similar properties at comparable locations.

Purchase of Equity Interests of Subsidiaries

In 2019, we acquired certain equity interest in certain of our subsidiaries from our Shareholder, Mr. Zhang Fengsheng, with an aggregate consideration of RMB27.8 million. Such consideration was determined based on valuation by external experts. In 2020, we acquired certain equity interest in a subsidiary of us with a consideration of a negligible amount.

Guarantee

We have received guarantees from our shareholders for certain of our bank loans in an aggregate amount of RMB67.0 million and RMB48.0 million as at December 31, 2018 and 2019, respectively. Among these loans guaranteed by our shareholders, RMB32.0 million at December 31, 2018 was jointly guaranteed by several shareholders and their associates, while the other loans were guaranteed by our Controlling Shareholder, Mr. Zhang Bozhou. As of the Latest Practicable Date, all these guarantees had been released as a result of our repayment of the relevant loans.

As most of the related parties controlled by the Controlling Shareholders who had transactions with us during the Track Record Period had been dissolved or had terminated their business operation as of the Latest Practicable Date, we do not, and do not expect to, face any direct or indirect competition with such related parties. Except for (i) the financial assistance we provide to and received from our related parties as disclosed in "— Certain Items of Statements of Financial Position — Amounts Due from Related Parties" and "— Certain Items of Statements of Financial Position — Amounts Due to Related Parties," and (ii) our Controlling Shareholders who also served on the management councils and supervisory boards of certain related parties controlled by such Controlling Shareholders, there was no other sharing of material resources between our Group and our related parties during the Track Record Period. The remaining transactions with our related parties as described above are bona fide commercial arrangements conducted on an arm's length basis.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis. Details of our transactions with related parties are set forth in note 36 to our historical financial information set forth in Appendix I to this prospectus. For details on the amount of and changes in our balances with related parties, please see "— Certain Items of Statements of Financial Position — Amounts Due from Related Parties" and "— Certain Items of Statements of Financial Position — Amounts Due to Related Parties."

SUMMARY OF KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the years or at the dates indicated.

	At or for the year ended December 31,		
	2018	2019	2020
Net profit margin(1)	4.6%	9.9%	15.2%
Return on equity(2)	7.9%	14.1%	18.3%
Return on assets(3)	3.0%	6.8%	11.5%
Current ratio(4)	1.2	1.5	2.7
Quick ratio(5)	1.1	1.4	2.5
Debt to asset ratio(6)	0.6	0.4	0.3

Notes:

(1) Represents profit for the year divided by revenue for the same year.

(2) Represents profit for the year divided by the average of the beginning and ending balances of total equity for the year.

(3) Represents profit for the year divided by the average of the beginning and ending balances of total assets for the year.

(4) Represents total current assets divided by total current liabilities at the dates indicated.

(5) Represents total current assets, less inventories, divided by total current liabilities at the dates indicated.

(6) Represents total liabilities divided by total assets at dates indicated.

Net Profit Margin, Return on Equity and Return on Assets

We achieved significant improvement in our profitability during the Track Record Period. Our net profit margin increased from 4.6% in 2018 to 9.9% in 2019, and further increased to 15.2% in 2020. Our return on equity increased from 7.9% in 2018 to 14.1% in 2019, and further increased to 18.3% in 2020. Our return on assets increased from 3.0% in 2018 to 6.8% in 2019, and further increased to 11.5% in 2020. The continued increase in our profitability primarily reflected our increased strategic focus on consumer ophthalmic services business, which generated higher returns than basic ophthalmic services business, and our continued cost control efforts.

Current Ratio and Quick Ratio

Our current ratio increased from 1.2 at December 31, 2018 to 1.5 at December 31, 2019. Our quick ratio increased from 1.1 at December 31, 2018 to 1.4 at December 31, 2019. Increases in our current ratio and quick ratio in 2019 were primarily due to a decrease in our current liabilities, which was primarily attributable to (i) a decrease in our interest-bearing bank and other borrowings from RMB126.3 million at December 31, 2018 to RMB45.8 million at December 31, 2019; and (ii) a decrease in amounts due to related parties from RMB71.8 million at December 31, 2018 to RMB33.6 million at December 31, 2019.

Our current ratio increased from 1.5 at December 31, 2019 to 2.7 at December 31, 2020. Our quick ratio increased from 1.4 at December 31, 2019 to 2.5 at December 31, 2020 as a result of an increase in our current assets and a decrease in our current liabilities. The increase in our current assets in 2020 was primarily attributable to an increase in our cash and cash equivalents from RMB239.8 million at December 31, 2019 to RMB413.2 million at December 31, 2020. The decrease in our current liabilities in 2020 was primarily attributable to: (i) a decrease in our interest-bearing bank and other borrowings from RMB45.8 million at December 31, 2019 to RMB6.0 million at December 31, 2020; and (ii) a decrease in our amounts due to related parties from RMB33.6 million at December 31, 2019 to nil at December 31, 2020.

Debt to Asset Ratio

Our debt to asset ratio decreased from 0.6 at December 31, 2018 to 0.4 at December 31, 2019, and further decreased to 0.3 at December 31, 2020, primarily due to a decrease in our total liabilities as a result of our continued repayment of bank and other borrowings.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT FINANCIAL RISKS

We are exposed to various types of financial risks in the ordinary course of our business, including interest rate risk, credit risk and liquidity risk. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. Our exposure to these financial risks is described below.

Interest Rate Risk

Our exposure to the risk of changes in market interest rates relates primarily to our long term debt obligations with floating interest rates.

We regularly review and monitor the mix of fixed and floating interest rate borrowings in order to manage our interest rate risk. Our interest-bearing bank and other borrowings, pledged deposits and cash and cash equivalents are stated at amortized cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited or charged to profit or loss as earned or incurred.

If there would be a general increase or decrease in the market interest rates by 1%, with all other variables held constant, our consolidated pre-tax profit would have decreased or increased by approximately RMB140,000, RMB130,000 and nil, respectively, at December 31, 2018, 2019 and 2020, and there would be no impact on other components of the consolidated equity, except for our retained profits. The sensitivity analysis above has been determined assuming that the change in market interest rates had occurred at the end of the year and had applied the exposure to interest rate risk to those financial instruments in existence at that date.

Credit Risk

Credit risk is the risk regarding the loss arising from a counterparty’s inability to meet its obligations.

We trade only with recognized and creditworthy third parties. Our policy requires credit verification procedures for all customers who wish to trade on credit terms. In addition, receivable balances are monitored on an ongoing basis.

We recognizes an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss and finance lease receivables. The following tables set forth the credit quality and the maximum exposure to credit risk based on our 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 at the dates indicated. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

	At December 31, 2018				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
			(RMB millions)		
Trade receivables	–	–	–	65.8	65.8
Financial assets included in prepayments, deposits and other receivables	5.7	4.9	–	–	10.6
Due from related parties	146.8	35.9	0.6	10.3	193.6
Restricted deposits	9.6	–	–	–	9.6
Cash and cash equivalents	157.2	–	–	–	157.2
Total	**319.3**	**40.8**	**0.6**	**76.1**	**436.8**

	At December 31, 2019				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
			(RMB millions)		
Trade receivables	–	–	–	72.9	72.9
Financial assets included in prepayments, deposits and other receivables	9.2	14.4	–	–	23.6
Due from related parties	29.5	5.1	–	0.6	35.2
Restricted deposits	7.2	–	–	–	7.2
Cash and cash equivalents	239.8	–	–	–	239.8
Total	**285.7**	**19.5**	**–**	**73.5**	**378.7**

	At December 31, 2020				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	(RMB millions)				
Trade receivables	–	–	–	64.5	64.5
Financial assets included in prepayments, deposits and other receivables	1.0	11.5	6.6	–	19.1
Due from related parties	–	–	15.0	0.4	15.4
Cash and cash equivalents	413.2	–	–	–	413.2
Total	**414.2**	**11.5**	**21.6**	**64.9**	**512.2**

All of our cash and cash equivalents and restricted deposits are held in major financial institutions located in the PRC, which our management believes are of high credit quality.

For trade receivables to which we apply the simplified approach for impairment, information based on the provision matrix is set out in note 20 to the historical financial information set forth in Appendix I to this prospectus.

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 our exposure to credit risk arising from trade receivables are set out in note 20 to the historical financial information set forth Appendix I to this prospectus.

Liquidity Risk

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

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance the operation and mitigate the effects of fluctuations in cash flows.

The following tables set forth the maturity profile of our financial liabilities at the dates indicated, based on the contractual undiscounted payments.

	At December 31, 2018				
	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	(RMB millions)				
Trade payables	62.7	–	–	–	62.7
Financial liabilities included in other payables and accruals	50.0	–	–	–	50.0
Interest-bearing bank and other borrowings	129.2	28.7	19.2	–	177.1
Due to related parties	71.8	–	–	–	71.8
Lease liabilities	40.2	39.1	85.1	91.7	256.1
Total	**353.9**	**67.8**	**104.3**	**91.7**	**617.7**

	At December 31, 2019				
	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	(RMB millions)				
Trade payables	50.5	–	–	–	50.5
Financial liabilities included in other payables and accruals	50.2	–	–	–	50.2
Interest-bearing bank and other borrowings	47.6	23.2	2.1	–	72.9
Due to related parties	33.6	–	–	–	33.6
Lease liabilities	39.1	34.0	76.1	66.7	215.9
Total	**221.0**	**57.2**	**78.2**	**66.7**	**423.1**

	At December 31, 2020				
	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	(RMB millions)				
Trade payables	39.3	–	–	–	39.3
Financial liabilities included in other payables and accruals	52.7	–	–	–	52.7
Interest-bearing bank and other borrowings	6.4	–	0.8	–	7.2
Lease liabilities	34.0	30.4	63.2	49.2	176.8
Total	**132.4**	**30.4**	**64.0**	**49.2**	**276.0**

DIVIDENDS

We do not currently have a formal dividend policy or a fixed dividend distribution ratio.

Future dividend payments will depend on the availability of dividends received from our subsidiary companies in the PRC. PRC laws require that dividends be paid only out of the net profit calculated in accordance with PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require our subsidiaries in China to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants under bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

The amount of any dividend actually distributed to our Shareholders will depend on our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and may be subject to approval of our Shareholders. Our Board has an absolute discretion to recommend any dividend for any year. There is no assurance that dividends of any amount will be declared or distributed in any year.

We declared a dividend of RMB34.0 million in June 2020 and a dividend of RMB70.0 million with respect to the year of 2020 in February 2021. As of the Latest Practicable Date, such dividends were paid in full. In May, 2021, we declared a dividend of RMB43.0 million with respect to the four months ended April 30, 2021, and have made provisions for withholding tax accordingly. We expect to pay such dividend by October 2021.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisors and the Reporting Accountant for their services rendered in relation to the Listing and the Global Offering. Assuming that the Over-allotment Option is not exercised, the listing expenses are estimated to be RMB80.7 million, representing approximately 7.0% of the gross proceeds to be received by our Company from the Global Offering (based on the mid-point of the indicative price range for the Global Offering), of which an amount of approximately RMB16.4 million has been charged to our consolidated statements of profit or loss up to December 31, 2020. We expect that an additional amount of approximately RMB11.8 million will be charged to the consolidated statements of profit or loss for the year ending December 31, 2021 and RMB52.5 million will be accounted for as a deduction from equity upon Listing.

The Selling Shareholders are responsible for the underwriting commission of 3%, and a discretionary incentive fee of up to 1%, of the aggregate Offer Price of the Sale Shares, translating to an aggregate amount of approximately RMB11.1 million (based on the mid-point of the indicative price range for the Global Offering). Such underwriting commission and incentive fee are not included in the listing expenses of the Group.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the Listing of the Shares on the Stock Exchange.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Since December 31, 2020, our business operations saw a significant growth compared to the same period in the previous year as the COVID-19 pandemic had been gradually contained in China. As a result, our revenue more than doubled from RMB109.4 million for the three months ended March 31, 2020 to RMB253.7 million for the three months ended March 31, 2021, and our cost of sales increased significantly from RMB71.6 million for the three months ended March 31, 2020 to RMB135.0 million for the three months ended March 31, 2021. This resulted in a significant increase in our gross profit from RMB37.7 million for the three months ended March 31, 2020 to RMB118.7 million for the three months ended March 31, 2021. As our business operations returned to the usual level after the containment of the COVID-19 pandemic, our selling and distribution expenses increased by 68.4% from RMB5.7 million for the three months ended March 31, 2020 to RMB9.6 million for the three months ended March 31, 2021, and our administrative expenses increased by 62.2% from RMB24.1 million for the three months ended March 31, 2020 to RMB39.1 million for the three months ended March 31, 2021. As such, we recorded a profit before tax of RMB67.5 million for the three months ended March 31, 2021, compared to the loss before tax of RMB7.5 million for the three months ended March 31, 2020.

Our total assets increased by 5.7% from RMB1,089.0 million at December 31, 2020 to RMB1,150.6 million at March 31, 2021, primarily attributable to: (i) an increase in our cash and cash equivalents from RMB413.2 million at December 31, 2020 to RMB475.6 million at March 31, 2021, (ii) an increase in our trade receivables from RMB62.0 million at December 31, 2020 to RMB65.7 million at March 31, 2021, and (iii) an increase in our property, plant and equipment from RMB294.8 million at December 31, 2020 to RMB300.4 million at March 31, 2021. Such increases were partially offset by a decrease in our prepayments, other receivables and other assets from RMB39.4 million at December 31, 2020 to RMB33.6 million at March 31, 2021 and a decrease in our right-of-use assets from RMB151.8 million at December 31, 2020 to RMB149.2 million at March 31, 2021.

Our total liabilities increased by 23.6% from RMB325.5 million at December 31, 2020 to RMB402.2 million at March 31, 2021, primarily attributable to an increase in our dividends payable from nil at December 31, 2020 to RMB70.0 million at March 31, 2021, and an increase in our trade payables from RMB39.3 million at December 31, 2020 to RMB51.0 million at March 31, 2021.

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2020, being the date of our latest audited financial statements, and up to the date of this prospectus, and there had been no event since December 31, 2020 which would materially affect the information shown in the Accountants' Report set forth in Appendix I to this prospectus.

As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to acquisitions or had identified any definite acquisition targets.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets, which has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants, is to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to the owners of our Company as at December 31, 2020 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to the owners of our Company had the Global Offering been completed as at December 31, 2020 or any future date.

	Unaudited consolidated net tangible assets attributable to the owners of our Company at December 31, 2020[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share[3][4]	
		(RMB millions)		RMB	HK$[5]
Based on the minimum indicative Offer Price of HK$9.48 per Share	652.5	1,018.8	1,671.3	2.43	2.93
Based on the maximum indicative Offer Price of HK$10.60 per Share	652.5	1,141.4	1,793.9	2.61	3.15

Notes:

(1) The unaudited consolidated net tangible assets attributable to the owners of our Company at December 31, 2020 is extracted from the Accountants' Report set forth in Appendix I to this prospectus, and is derived from the total equity attributable to the owner of our Company of RMB737.2 million after deducting goodwill of RMB28.2 million and intangible assets of RMB56.5 million.

(2) The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$9.48 or HK$10.60 per Share after deduction of the underwriting fees and other related expenses payable by us and do not take into account any Share which may be sold and offered upon exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 687,500,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions that we entered into subsequent to December 31, 2020.

(5) We declared a dividend of RMB70.0 million in February 2021 and a dividend of RMB43.0 million in May 2021. If such dividends were taken into account, our unaudited pro forma adjusted consolidated net tangible assets would decrease by RMB113.0 million to RMB1,558.4 million (based on the Offer Price of HK$9.48 per Offer Share) or RMB1,680.9 million (based on the Offer Price of HK$10.60 per Offer Share), and our unaudited pro forma adjusted consolidated net tangible assets per share would decrease to RMB2.27 (equivalent to HK$2.74) (based on the Offer Price of HK$9.48 per Offer Share) or RMB2.44 (equivalent to HK$2.94) (based on the Offer Price of HK$10.60 per Offer Share).

(6) The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.82893 to HK$1.

The table below sets forth information regarding our current Directors:

DIRECTORS

Name	Age	Date of appointment as Director	Time of joining our Group	Current Position in our Company	Roles and Responsibilities	Relationship with other Directors and Senior Management
Mr. Zhang Bozhou (張波洲)	59	May 19, 2020	September 1990	Chairman of our Board, executive Director and chief executive officer	Formulating development strategies and investment plans, setting annual business objectives and making decisions on the operations and management of our Group	Father of Mr. Zhang Guangdi and brother of Ms. Zhang Xiaoli and Mr. Zhang Junfeng
Ms. Zhang Xiaoli (張小利)	60	May 19, 2020	November 1988	Executive Director	Providing guidance on consultation of complicated diseases, overseeing medical quality assurance and optimization of medical procedures	Sister of Mr. Zhang Bozhou and Mr. Zhang Junfeng, and aunt of Mr. Zhang Guangdi
Mr. Zhang Junfeng (張俊峰)	55	May 19, 2020	April 2004	Executive Director	Supervising and reviewing our Group's business development and supply chain management	Brother of Mr. Zhang Bozhou and Ms. Zhang Xiaoli, and uncle of Mr. Zhang Guangdi
Mr. Zhang Guangdi (張光弟)	28	May 19, 2020	July 2015	Executive Director	Assisting the facilitation of operation and related management plans of our Group	Son of Mr. Zhang Bozhou, and nephew of Ms. Zhang Xiaoli and Mr. Zhang Junfeng
Mr. Ke Xian (柯鍌)	31	May 19, 2020	September 2019	Non-executive Director	Providing professional advice and judgement to the Board	None
Mr. Richard Chen Mao	52	May 19, 2020	November 2018	Non-executive Director	Providing professional advice and judgement to the Board	None
Mr. Li Zhen (李甄) .	42	May 19, 2020	June 2019	Non-executive Director	Providing professional advice and judgement to the Board	None
Ms. Zhang Wenwen (張文雯)	38	May 19, 2020	May 2020	Non-executive Director	Providing professional advice and judgement to the Board	None
Mr. He Mingguang (何明光)	52	Listing Date	Listing Date	Independent non-executive Director	Supervising and providing independent judgement to our Board	None

Name	Age	Date of appointment as Director	Time of joining our Group	Current Position in our Company	Roles and Responsibilities	Relationship with other Directors and Senior Management
Ms. Guo Hongyan (郭紅岩).	57	Listing Date	Listing Date	Independent non-executive Director	Supervising and providing independent judgement to our Board	None
Mr. Li Jianbin (李建濱)	42	Listing Date	Listing Date	Independent non-executive Director	Supervising and providing independent judgement to our Board	None
Mr. Bao Shan (寶山)	50	Listing Date	Listing Date	Independent non-executive Director	Supervising and providing independent judgement to our Board	None

BOARD OF DIRECTORS

The Board currently consists of 12 Directors, comprising four executive Directors, four non-executive Directors and four independent non-executive Directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association. The term of the Board is three years subject to re-election. The appointment of any independent non-executive Director serving more than nine years should be subject to a separate resolution to be approved by shareholders.

Our Chairman

Mr. Zhang Bozhou (張波洲), aged 59, is the chairman of our Board, an executive Director and our chief executive officer, and his main responsibilities include formulating development strategies and investment plans, setting annual business objectives and making decisions on the operations and management of our Group. Currently, he also serves as a director of Chaoju Medical Technology, Baotou Hospital, Hohhot Hospital, Chifeng Hospital, Beijing Chaoju and Tianjin Chaoju among our principal subsidiaries along with a number of our other subsidiaries. Mr. Zhang Bozhou is a licensed ophthalmologist certified by the Personnel Department of Inner Mongolia.

Mr. Zhang Bozhou has over 30 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.

Our Other Executive Directors

Ms. Zhang Xiaoli (張小利), aged 60, 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 our principal subsidiaries along with a number of our other subsidiaries. Ms. Zhang Xiaoli is a licensed ophthalmologist certified by the Personnel Department of Inner Mongolia.

Ms. Zhang Xiaoli has over 32 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 55, is an executive Director and his primary responsibilities include supervising and reviewing our Group's business development and supply chain management. Currently, he also serves as a director of Chaoju Medical Technology among our principal subsidiaries along with a number of our other subsidiaries. Mr. Zhang Junfeng is a licensed ophthalmologist certified by the Personnel Department of Inner Mongolia.

Mr. Zhang Junfeng has approximately 31 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 28, is an executive Director and his main responsibilities include assisting the facilitation of operation and related management plans of our Group. Currently, he also serves as a director of Chaoju Medical Technology among our principal subsidiaries along with a number of our other subsidiaries.

Mr. Zhang Guangdi has been the director of operations at the refractive correction department at Hohhot Hospital since October 2019. 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 31, is a non-executive Director 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 our principal subsidiaries along with a number of our other subsidiaries.

Outside of our 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 our 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 52, is a non-executive Director 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 our principal subsidiaries along with a number of our other subsidiaries.

Mr. Richard Chen Mao has over 14 years of experience in finance and investment matters, with a focus in the medical industry. Outside of our 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 42, is a non-executive Director 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 our principal subsidiaries along with a number of our other subsidiaries.

Mr. Li Zhen has over 12 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) since February 2019. 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 38, is a non-executive Director 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 our principal subsidiaries along with a number of our other subsidiaries.

Ms. Zhang Wenwen has over 15 years of experience in financial management matters. Outside of our Group, Ms. Zhang Wenwen has been serving as the managing director and committee member of investment decision committee of Riverhead Capital Investment Management Co., Ltd. (陽光融匯資本投資管理有限公司) since October 2017, where she was responsible for the overall financial management and risk management. 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, is an independent non-executive Director and his main responsibilities include supervising and providing independent judgement to our Board.

Mr. He Mingguang has over 27 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 57, is an independent non-executive Director and her main responsibilities include supervising and providing independent judgment to our Board.

Ms. Guo Hongyan has over 28 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 Beijing Tiantai Law Firm (北京天馳君泰律師事務所) since May 2017. 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 42, is an independent non-executive Director and his main responsibilities include supervising and providing independent judgment to our Board.

Mr. Li Jianbin has over 19 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, is an independent non-executive Director and his main responsibilities include supervising and providing independent judgment to our Board.

Mr. Bao Shan has over 20 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.

We have entered into service contracts with each of our executive Directors and have issued letters of appointment to each of our non-executive Directors and independent non-executive Directors. Each of the service contracts with our executive Directors and appointment letters with our non-executive Directors and independent non-executive Directors is for the three years commencing from the Listing Date.

Save as disclosed above, none of our Directors holds or has held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus.

Save as disclosed above, each of our Directors has confirmed that there is no other information in respect of our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention to our Shareholders.

SENIOR MANAGEMENT

The table below sets forth information regarding our senior management members:

Name	Age	Date of appointment as Senior Management	Time of joining our Group	Current Position in our Company	Roles and Responsibilities	Relationship with our Directors and Senior Management
Mr. Zhang Bozhou (張波洲)	59	December 21, 2020	September 1990	Chairman of our Board, executive Director and chief executive officer	Responsible for formulating development strategies and investment plans, setting annual business objectives and making decisions on the operations and management of our Group	Father of Mr. Zhang Guangdi and brother of Ms. Zhang Xiaoli and Mr. Zhang Junfeng
Mr. Wang Weichao (王維超)	40	December 21, 2020	March 2018	Chief financial officer and board secretary	Responsible for the financial and legal management, investment and financing activities and investor relations management of our Group	None
Ms. Yang Yajun (楊亞軍)	50	December 21, 2020	June 2005	Chief medical officer	Responsible for the medical quality control, technology improvements, supply chain management, human resource management and information management of our Group	None
Mr. Liu Hongyan (劉洪雁)	51	December 21, 2020	January 2017	Chief operating officer	Responsible for the marketing and overall business development of our Group, establishing sales strategies and policies, organizing operational management, assisting the CEO in setting business development plans and evaluating our Group's business performance	None

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

Mr. Wang Weichao (王維超), aged 40, is the chief financial officer and joint company secretary of our Company, and his main responsibilities include financial and legal management, investment and financing activities and investor relations management of our Group. Mr. Wang Weichao joined our Group in March 2018 as the chief financial officer and was later also appointed as the secretary to the board in April 2019.

Mr. Wang Weichao has over 15 years of experience in the field of financial accounting, financing and investment. Prior to joining our 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 50, is our chief medical officer, and her main responsibilities include medical quality control, technology improvements, supply chain management, human resource management and information management of our Group. Ms. Yang was appointed as the chief medical officer of our 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 our hospitals. Ms. Yang Yajun is a licensed ophthalmologist as certified by the Personnel Department of Inner Mongolia.

Ms. Yang Yajun has over 28 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, business director and the medical superintendent of Chifeng Hospital. Outside of our 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 51, is our chief operating officer and his main responsibilities include marketing and overall business development of our Group, establishing sales strategies and policies, organizing operational management, assisting the CEO in setting business development plans and evaluating our Group's business performance. Mr. Liu was appointed as the chief operating officer of our 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 our 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 our 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.

JOINT COMPANY SECRETARIES

Mr. Wang Weichao (王維超) is the chief financial officer and one of the joint company secretaries of our Company. Please see " — Senior Management" for details of his background.

Mr. Cheng Ching Kit (鄭程傑), aged 33, was appointed as one of our joint company secretaries on December 21, 2020. He has more than eight years of experience in the company secretarial profession and currently works as a manager at SWCS Corporate Services Group (Hong Kong) Limited. Prior to that, from December 2012 to May 2015, Mr. Cheng Ching Kit worked at McCabe Secretarial Services Limited and his last position was senior associate.

Mr. Cheng Ching Kit graduated from the University of Queensland in Queensland, Australia with a bachelor's degree in commerce (finance) in December 2010. He has been an associate member of both the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom since June 2018.

BOARD COMMITTEE

Audit Committee

We established an audit committee on December 21, 2020 with effect from the Listing, with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. 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 our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The audit committee currently comprises Mr. Li Jianbin, Ms. Guo Hongyan and Mr, Bao Shan, our independent non-executive Directors. Mr. Li Jianbin is the chairman of the audit committee.

Remuneration Committee

We established a remuneration committee on December 21, 2020 with effect from the Listing, with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee include, among others, (i) making recommendations to the Board on the remuneration policy and structure for our Directors' and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) reviewing and approving our management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iii) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The remuneration committee currently comprises Mr. Bao Shan and Mr. Li Jianbin, our independent non-executive Directors, and Mr. Zhang Bozhou, our chairman and executive Director. Mr. Bao Shan is the chairman of the remuneration committee.

Nomination Committee

We established a nomination committee on December 21, 2020 with effect from the Listing, with written terms of reference in compliance with Code Provision A.5.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary responsibilities of the nomination committee include making recommendations to the Board on the appointment of members of our Board.

The nomination committee currently comprises Mr. Zhang Bozhou, our chairman and executive Director, Mr. Bao Shan and Mr. He Mingguang, our independent non-executive Directors. Mr. Zhang Bozhou is the chairman of the nomination committee.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries, allowances, benefits in kind, performance-related bonuses and pension scheme contributions for our executive Directors, in their capacity as employees, according to the laws of the relevant jurisdiction.

The aggregate amount of salaries, allowances, benefits in kind, performance-related bonuses and pension scheme contributions granted to our Directors for the years ended December 31, 2018, 2019 and 2020 were approximately RMB2.4 million, RMB4.6 million and RMB3.3 million, respectively.

The aggregate amount of remuneration (including salaries, allowances, benefits in kind, performance-related bonuses, equity-settled share based payment expenses, pension scheme contributions) which were paid by our Group to our five highest paid individuals for the years ended December 31, 2018, 2019 and 2020 were approximately RMB3.6 million, RMB5.0 million and RMB11.0 million, respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the years ended December 31, 2018, 2019 and 2020. No Director has waived or has agreed to waive any emoluments during the years ended December 31, 2018, 2019 and 2020.

Under the arrangements presently in force, the aggregate remuneration of the Directors for the year ending December 31, 2021, excluding discretionary bonus, is approximately RMB3.9 million.

Save as disclosed above and deferred payments of remuneration as required by applicable laws and regulations, no other payments have been paid or are payable, in the years ended December 31, 2018, 2019 and 2020 by us to the Directors.

For information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, see Note 9 and Note 10 of our consolidated financial statements included in the Accountants' Report set out in Appendix I to this prospectus and "Statutory and General Information" set out in Appendix IV to this prospectus.

BOARD DIVERSITY AND POLICY

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

Our Directors have a balanced mix of knowledge and skills, including in management, strategic development, business development, sales, research and development, investment management, finance and risk management. They obtained degrees in various areas including clinical medicine, public health, business administration, financial management, finance, economics, accounting and laws. Our Directors range from 28 to 60 years old, with both male and female representation.

Our Directors consider that the current composition of the Board satisfies the principles under the Board Diversity Policy. After the Listing, our 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. We will also disclose in our annual corporate governance report a summary of the Board Diversity Policy together with information regarding the implementation of the Board Diversity Policy.

WAIVER FROM RULE 8.12 OF THE LISTING RULES

We have applied to the Stock Exchange on Rule 8.12 of the Listing Rules, where an issuer must have sufficient management presence in Hong Kong, which normally means that at least two of our executive Directors must be ordinarily residents in Hong Kong. For more details, please refer to the section headed "Waivers From Strict Compliance With The Listing Rules" in this prospectus.

COMPLIANCE ADVISER

We have appointed Haitong International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from our compliance adviser on a timely basis in the following circumstances:

i. before the publication of any regulatory announcement, circular or financial report;

ii. where a transaction, which might be a notifiable or connected transaction, is contemplated, including Share issues and Share repurchases;

iii. where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

iv. where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

CORPORATE GOVERNANCE CODE

In addition to being an executive Director and our chief executive officer, Mr. Zhang Bozhou will continue to assume the responsibilities as the chairman of our Board upon Listing. Code provision A.2.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Our Board believes that vesting the roles of chairman and chief executive officer in Mr. Zhang Bozhou is beneficial to the management of our Group and will improve the efficiency of our decision making and execution process given his knowledge of our Group's affairs. Further, our Group has put in place an appropriate check-and-balance mechanism through our Board and our independent non-executive Directors. In light of the above, our Board considers that the deviation from code provision A.2.1 of the Corporate Governance Code is appropriate in the circumstances of our Group.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized and issued share capital in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the share subdivision, the Capitalization Issue and the Global Offering:

As of the date of this prospectus

	Number of Shares	HK$
Authorized Share capital	38,000,000 of HK$0.01 each	380,000
Issued Share capital	10,652,174 of HK$0.01 each	106,521.74

Immediately after completion of the share subdivision, the Capitalization Issue and the Global Offering

	Number of Shares	HK$
Authorized Share capital	1,520,000,000 of HK$0.00025 each	380,000
Issued Share capital	426,086,960 of HK$0.00025 each	106,521.74
Shares to be issued pursuant to the Capitalization Issue	123,913,040 of HK$0.00025 each	30,978.26
Shares to be issued under the Global Offering (assuming the Over-allotment Option is not exercised)	137,500,000 of HK$0.00025 each	34,375.0
Total issued Shares immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)	687,500,000 of HK$0.00025 each	171,875

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Capitalization Issue and Global Offering. The above does not take into account any shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

Pursuant to the Cayman Companies Act and the terms of our Company's Memorandum and Articles of Association, our Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce its share capital by shareholders' special resolution. For details, see "Summary of the Articles of Association and Cayman Companies Act — 2. Articles of Association — 2.1 Shares — (c) Alteration of capital" in Appendix III to this prospectus. Further, all or any of the special rights attached to our Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please refer to "Summary of Articles of Association and Cayman Companies Act — 2. Articles of Association — 2.1 Share Capital — (b) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

(a) a rights issue;

(b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;

(c) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

(i) 20% of the total nominal value of our share capital in issue immediately following the completion of the share subdivision, the Capitalization Issue and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

(ii) the total nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to in the sub-section headed "— General Mandate to Repurchase Shares" below.

This general mandate to issue Shares will expire:

(1) at the conclusion of our next annual general meeting; or

(2) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information — A. Further Information about Our Group — 3. Resolutions in writing of our Shareholders passed on June 12, 2021" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering", our Directors have been granted a general unconditional mandate to exercise all of our powers to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This general mandate relates only to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about Our Group — 6. Repurchases of our own securities" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire:

(i) at the conclusion of our next annual general meeting; or

(ii) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information — A. Further Information about Our Group — 3. Resolutions in writing of our Shareholders passed on June 12, 2021" in Appendix IV to this prospectus.

So far as our Directors are aware, immediately following the completion of the share subdivision, the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong 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 our Company:

Name of Shareholder	Nature of interest	Shares held as at the Latest Practicable Date		Shares held immediately following the completion of the share subdivision, the Capitalization Issue and the Global Offering	
		Number	**Percentage**	**Number**	**Percentage**
Mr. Zhang Bozhou (張波洲)(1)(2)	Interests held jointly with another person; interests of controlled corporation	6,187,562	58.09%	286,065,000	41.61%
Ms. Zhang Xiaoli (張小利)(1)(3)	Interests held jointly with another person; interests of controlled corporation	6,187,562	58.09%	286,065,000	41.61%
Mr. Zhang Junfeng (張俊峰)(1)(4)	Interests held jointly with another person; interests of controlled corporation	6,187,562	58.09%	286,065,000	41.61%
Mr. Zhang Fengsheng (張豐生)(1)(5)	Interests held jointly with another person; interests of controlled corporation	6,187,562	58.09%	286,065,000	41.61%
Ms. Zhang Yumei (張玉梅)(1)(6)	Interests held jointly with another person; interests of controlled corporation	6,187,562	58.09%	286,065,000	41.61%
Ms. Zhang Hongbo (張洪波)(7)	Interests of spouse	6,187,562	58.09%	286,065,000	41.61%
Mr. He Yong (賀勇)(8)	Interests of spouse	6,187,562	58.09%	286,065,000	41.61%
Ms. Su Yuqin (蘇玉琴)(9)	Interests of spouse	6,187,562	58.09%	286,065,000	41.61%
Ms. Li Furong (李芙蓉)(10)	Interests of spouse	6,187,562	58.09%	286,065,000	41.61%
Mr. Jin Longqi (金龍起)(11)	Interests of spouse	6,187,562	58.09%	286,065,000	41.61%

Name of Shareholder	Nature of interest	Shares held as at the Latest Practicable Date		Shares held immediately following the completion of the share subdivision, the Capitalization Issue and the Global Offering	
		Number	Percentage	Number	Percentage
Jutong Medical Management	Beneficial owner	1,535,320	14.41%	77,292,000	11.24%
Sihai Medical Management	Beneficial owner	1,673,003	15.71%	84,266,000	12.26%
Guangming Medical Management	Beneficial owner	1,191,053	11.18%	59,966,000	8.72%
Xiwang Medical Management	Beneficial owner	1,191,053	11.18%	33,686,000	4.90%
Xiamen Chaoxi	Beneficial owner	881,380	8.27%	45,485,000	6.62%
Mr. Wang Hui (王暉)(12)	Interests of controlled corporation	1,521,739	14.29%	78,540,000	11.42%
Ms. Liu Linan (劉立男)(13)	Interests of spouse	1,521,739	14.29%	78,540,000	11.42%
Orchid Asia VII	Beneficial owner	1,304,348	12.24%	67,320,000	9.79%
Ms. Lam Lai Ming(14)	Interest of a controlled corporation	1,304,348	12.24%	67,320,000	9.79%
Mr. Gabriel Li(14)	Interest of a controlled corporation	1,304,348	12.24%	67,320,000	9.79%
Ms. Zhang Wenwen (張文雯)(15)	Interests of controlled corporation	706,522	6.63%	36,465,000	5.30%
Mr. Xiao Feng (肖峰)(16)	Interests of spouse	706,522	6.63%	36,465,000	5.30%

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 our Group. For details, see "Relationship with Our Controlling Shareholders — Overview". 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 our Shares which each other has interest in.

(2) Mr. Zhang Bozhou wholly-owns Jutong Medical Management and controls Xiamen Juludazhou Equity Investment as its general partner, which will hold 77,292,000 and 21,945,000 Shares, respectively, upon completion of the share subdivision, the Capitalization Issue and the Global Offering.

(3) Ms. Zhang Xiaoli wholly-owns Sihai Medical Management, which will hold 84,266,000 Shares upon completion of the Global Offering.

(4) Mr. Zhang Junfeng wholly-owns Guangming Medical Management, which will hold 59,966,000 Shares upon completion of the share subdivision, the Capitalization Issue and the Global Offering.

(5) Mr. Zhang Fengsheng wholly-owns Xiwang Medical Management, which will hold 33,686,000 Shares upon completion of the share subdivision, the Capitalization Issue and the Global Offering.

(6) Ms. Zhang Yumei wholly-owns Sitong Medical Management, which will hold 8,910,000 Shares upon completion of the share subdivision, the Capitalization Issue and the Global Offering.

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

(12) Mr. Wang Hui controls Xiamen Chaoxi and Light Medical Limited, which will hold 45,485,000 and 33,055,000 Shares, respectively, upon completion of the share subdivision, the Capitalization Issue and Global Offering.

(13) Ms. Liu Linan is the spouse of Mr. Wang Hui and is deemed to be interested in Mr. Wang Hui's interests in our 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 will hold 22,440,000 and 14,025,000 Shares, respectively, upon completion of the share subdivision, the Capitalization Issue and Global Offering.

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

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the share subdivision, the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will 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.

OVERVIEW

Our Controlling Shareholders are Mr. Zhang Bozhou (together with Jutong Medical Management), Ms. Zhang Xiaoli (together with Sihai Medical Management), Mr. Zhang Junfeng (together with Guangming Medical Management), Mr. Zhang Fengsheng (together with Xiwang Medical Management), Ms. Zhang Yumei (together with Sitong Medical Management) and Xiamen Juludazhou Equity Investment (being controlled by Mr. Zhang Bozhou as the sole general partner), who are family members and inherited the business from our founder, Mr. Zhang Chaoju. As of the Latest Practicable Date, our Company was owned as to 14.41% by Jutong Medical Management, 15.71% by Sihai Medical Management, 11.18% by Guangming Medical Management, 11.18% by Xiwang Medical Management, 1.62% by Sitong Medical Management and 3.99% by Xiamen Juludazhou Equity Investment, respectively, which are holding companies wholly owned or controlled by Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Zhang Fengsheng and Ms. Zhang Yumei. Since they joined the Group and during the Track Record Period, Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Zhang Fengsheng and Ms. Zhang Yumei have jointly effected their control of our Group as a group of shareholders. Pursuant to the Acting-in-concert Agreement among Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Zhang Fengsheng and Ms. Zhang Yumei, they have confirmed that they had been parties-acting-in-concert since becoming our shareholders, and irrevocably entrusted Mr. Zhang Bozhou to exercise, at his discretion, their voting rights at the shareholders meetings of our Group. Accordingly, they are identified as a group of our controlling shareholders and together were entitled to exercise control over approximately 58.09% voting powers of our Company as of the Latest Practicable Date.

Immediately following the completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised, our Controlling Shareholders will be entitled to exercise control over approximately 41.61% voting powers of our issued share capital and thus, they will continue to be our controlling shareholders upon the Listing.

As of the Latest Practicable Date, save and except for their interests in our Company and its subsidiaries, neither our Controlling Shareholders, our Directors, nor any of their close associates had any interests in any other companies which may, directly or indirectly, compete with or is likely to compete with our business which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

On January 4, 2021, our Controlling Shareholders have entered into the Deed of Non-competition in favor of our Company (for itself and on behalf of its subsidiaries), pursuant to which each of our Controlling Shareholders has confirmed that he or she or it is not engaged in, or interested in any business which, directly or indirectly, competes or may compete with our business. In accordance with the non-competition undertakings set out in the Deed of Non-competition, each of our Controlling Shareholders has undertaken to our Company (for itself and on behalf of its subsidiaries) that during the period commencing from the date of signing of the deed and ending on the occurrence of the earliest of (i) the day on which our Shares cease to be listed on the Stock Exchange or other recognized stock exchange; (ii) the day on which our Controlling Shareholders, as a concerted group, ceases to hold or otherwise be interested in, whether directly or indirectly, 30% or more of the voting rights of our Company:

- except if he/she/it is offered or becomes aware of any potential business opportunity directly or indirectly to engage or become interested in a Restricted Business, which for the avoidance of doubt, competes with our principal business in Hong Kong, the PRC or such other places from time to time (the "**New Business Opportunity**"), he/she/it:

  (a) shall refer such business opportunity to our Company by giving written notice (the "**Offer Notice**") to the Company within 30 business days about all necessary and reasonably required information in respect of the New Business Opportunity (including, but not limited to, details of the nature and investment or acquisition cost of the New Business Opportunity) for the Company to consider (a) whether the relevant New Business Opportunity will compete with the business of the Group, and (b) whether taking up the New Business Opportunity is in the interest of our Company;

(b) shall not pursue such New Business Opportunity unless it has been rejected by our independent board in writing or if the independent board fails to respond within the 30 Business Days' period after receipt of the Offer Notice, and if there is any material change in the nature, terms of conditions of such New Business Opportunity pursued by the any of our Controlling Shareholders, the relevant Controlling Shareholders shall refer such revised New Business Opportunity to the Company again for consideration.

Each of our Controlling Shareholders have further undertaken, jointly and severally, to indemnify and keep indemnified our Company against any damage, loss or liability suffered by our Company arising out of or in connection with any breach of covenants and undertakings and/or any of the obligations of our Controlling Shareholders under the Deed of Non-competition, including any costs and expenses incurred as a result of such breach.

The implementation of the Deed of Non-competition will be governed and monitored as follows:

- our independent board which is comprised solely our independent non-executive Directors will be responsible for deciding, without attendance by any executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information but in no circumstances shall the participation of our executive Director(s) in such meeting(s) be counted towards the quorum should our executive Director(s) be allowed to vote in such meeting(s)), whether or not to take up a New Business Opportunity referred to us under the terms of the Deed of Non-competition;
- in the event that our independent non-executive Directors decide not to proceed with any particular New Business Opportunity and that our Controlling Shareholders decide to proceed with such New Business Opportunity, we will announce such decision by way of an announcement setting out therein the basis and reasons for arriving at the decisions for us not taking the project or the New Business Opportunity;
- our independent non-executive Directors will be granted full access of financial information and other information they request from the managers of our Company and Controlling Shareholders in order to make an informed decision. The independent non-executive Directors will make each decision based on any factors they consider appropriate and beneficial to our Group;
- our independent non-executive Directors may employ an independent financial advisor as they consider necessary to advise them on the terms of any New Business Opportunity;
- each of our Controlling Shareholders has undertaken to keep us informed of any New Business Opportunity and to provide all information reasonably required by the independent non-executive Directors to assist them in their consideration of any New Business Opportunity;
- our independent non-executive Directors will also review, on an annual basis, the implementation of the Deed of Non-competition and any decisions in relation to any New Business Opportunity referred to us, and state their basis and reasons for arriving at the decisions in our Company's annual report;
- after the Listing, our Directors will continue to disclose details of any potential competing interests (if any) in our annual reports to our Shareholders as per the relevant requirements under the Listing Rules; and

- in the event that any of our Directors and/or their respective close associates has material interest in any matter to be deliberated by our Board in relation to the compliance and enforcement of the Deed of Non-competition, he/she will abstain from voting on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the articles of association of our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that our Group is capable of conducting our business independently from our Controlling Shareholders and their respective associates (other than our Group) after the Global Offering for the following reasons:

Management Independence

We maintain an independent Board to oversee our Group's business. Our Board comprises four executive Directors, four non-executive Directors and four independent non-executive Directors. We consider that our Board will function independently from our Controlling Shareholders because:

- our Board comprises 12 Directors and four of them are independent non-executive Directors, which represents one-third of the members of the Board. Such composition is in line with the current corporate governance best practices in Hong Kong according to the requirement under the Listing Rules. The four independent non-executive Directors have extensive experience in different areas and have been appointed to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. As such, we believe our independent non-executive Directors are able to oversee the Board to ensure there is no potential conflict of interests or competition with our Controlling Shareholders;

- each Director is aware of his fiduciary duties as a director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. Further, we believe our independent non-executive Directors have the depth and breadth of experience which will enable them to bring sound, independent, and impartial judgment to the decision-making process of our Board. Our independent non-executive Directors have been appointed in accordance with the requirements of the Listing Rules to ensure there is no actual or potential conflict of interest with our Controlling Shareholders;

- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) is/are obliged to declare and fully disclose such potential conflict of interest and shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum;

- any connected transactions between our Group and our Controlling Shareholders or their respective associates are subject to the requirements under Chapter 14A of the Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval (if applicable) for a connected transaction as appropriate; and

- we have established an internal control mechanism to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions.

Operational Independence

As of the Latest Practicable Date, we had our own independent operation capabilities and independent management systems. We are also in possession of all necessary relevant licenses, approvals and certificates, to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate and manage independently. We do not rely on any operational or administration resources of our Controlling Shareholders or their respective associates for our business development, staffing, marketing or sales activities. We have independent access to our customers, suppliers and an independent management team to handle our day-to-day operations. During the Track Record Period, our Company concluded certain leasing of properties with a number of associates of our Controlling Shareholders which are counted as one-off in nature according to IFRS 16. For details of those, please refer to the section headed "— Transactions Entered Into Before the Listing Which Would Otherwise Constitute Connected Transactions" below. Such transactions are entered into in the ordinary and usual course of business of our Company and our Directors confirm that the terms of such transactions are determined at arm's length negotiations and are no less favourable to our Company than terms offered by Independent Third Parties. Our Directors believe that the continuing connected transactions between our Company and the associates of our Controlling Shareholders do not indicate any undue reliance by our Company on our Controlling Shareholders and are beneficial to our Company and our Shareholders as a whole.

Financial Independence

Our Board believe that we are able to operate financially independently from our Controlling Shareholders and their respective close associates as:

(a) we have our own accounting and financial department and an independent financial system and we make financial decisions independently according to our Group's own business and operation needs;

(b) we have sufficient capital to operate our business independently, and have adequate internal resources and credit profile to support our daily operations;

(c) all loans, advances and non-trade balances due to and from our Controlling Shareholders or their respective close associates had been fully settled as of the Latest Practicable Date;

(d) we have our own treasury function and we have independent access to third party financing on market terms and conditions for our business operations as and when required; and

(e) we have independent bank accounts and do not share any of our bank accounts, loan facilities or credit facilities with our Controlling Shareholders or their respective close associates.

With respect to any future financial assistance to be provided to, or received from, our connected persons, including our Controlling Shareholders, our Company shall comply with the requirements under Chapter 14A of the Listing Rules, including the requirements of reporting, announcement and independent Shareholders' approval as appropriate, and undertake to provide or receive such financial assistance on normal commercial terms or better.

Based on the above, our Directors are satisfied that we are capable of conducting our business independently from our Controlling Shareholders (including their respective close associates) after the Listing.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to manage any potential or actual conflict of interests that may arise between our Group and our Controlling Shareholders and to safeguard the interests of our independent Shareholders:

- in the event that connected transactions, if any, between our Group and other business in which any of our Directors or their respective associates has any interest are submitted to the Board for consideration, the relevant interested Director will not be counted in the quorum and will abstain from voting on such matters, and majority votes by non-conflicted Directors are required to decide on such connected transactions;
- our independent non-executive Directors will review any options, pre-emptive rights or rights of first refusal to be granted by our Controlling Shareholders and our Directors in favor of us over their future competing businesses and decide whether to exercise these rights, should such New Business Opportunity arises;
- our Controlling Shareholders and our Directors undertake to provide all information necessary for the enforcement of the options, pre-emptive rights or rights of first refusal over future New Business Opportunities which may, directly or indirectly, compete with or is likely to compete with our business;
- our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to the exercise or non-exercise of options, pre-emptive rights or rights of first refusal either through the annual report, or by way of announcements to the public;
- we have appointed Haitong International Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws, rules, codes, guidelines and the Listing Rules;
- our Directors operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested; and
- pursuant to the Corporate Governance Code, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's costs.

OUR CONTROLLING SHAREHOLDER TESTIFIED AS A WITNESS IN A TRIAL

Mr. Zhang Fengsheng, as one of the witnesses, gave testimony in the trial of the then administrator (the "**Administrator**") of an ophthalmic hospital in China which is not related to our Group, and the Administrator was convicted of bribery charges in 2008. According to the trial court judgment, Mr. Zhang Fengsheng, the then technical manager of a trading company (the "**Trading Company**", which is not related to our Group), paid an aggregate of RMB100,000 to the Administrator at his request for the purchase of certain medical equipment by the ophthalmic hospital around the end of 2003. Neither the Trading Company nor Mr. Zhang Fengsheng was convicted in this case.

Our Directors are of the view, and the Joint Sponsors concur, that neither did the above incident have any material impact, nor will Mr. Zhang Fengsheng exert any substantial influence, over our Group or its business and financial conditions for the reasons that:

(i) As of the Latest Practicable Date, Mr. Zhang Fengsheng indirectly held 11.18% shareholding interest in the Company through his investment vehicle, Xiwang Medical Management. Upon the Listing, his shareholding interest will be further decreased to 4.90% (assuming that the Over-allotment Option is not exercised) and such shareholding interest held by him is not significant enough to have any material influence on any resolutions to be proposed at the general meetings of the Company;

(ii) The Individual Shareholders inherited their shareholding interests in the Group according to the succession arrangement within the Zhang family. Mr. Zhang Bozhou, being the eldest son of Mr. Zhang Chaoju, is the leader of Zhang family. It has been the consensus among the Individual Shareholders that Mr. Zhang Bozhou will lead our Group's business after the death of his father. Therefore, the Individual Shareholders entered into the Acting-in-concert Agreement to acknowledge and confirm that they had been parties-acting-in-concert since becoming shareholders of our Group, and irrevocably entrusted Mr. Zhang Bozhou to exercise, at his discretion, their voting rights at the shareholders' meetings of our Group;

(iii) Although Mr. Zhang Fengsheng was formerly a director and the general manager of Chaoju Medical Technology, he was primarily responsible for the implementation of management policies and decisions formulated by the Board led by Mr. Zhang Bozhou, the leader of the Group, in respect of, among others, the Group's brand management and media coordination, and he directly reported to Mr. Zhang Bozhou; and

(iv) As of the Latest Practicable Date, he had ceased to hold any position within our Group and since his family had immigrated to the United States, he has plans to reunite with his family and devote himself to a new senior housing project in Houston, Texas as his business venture.

As Mr. Zhang Fengsheng is one of our Controlling Shareholders, we have further adopted and implemented, at different levels of management, a series of enhanced anti-bribery and anti-corruption policies to provide further assurance on effective and efficient operations, reliable financial reporting and compliance with the applicable laws and regulations. For details of the enhanced internal control policies, please see the section headed "Business — Risk Management and Internal Control" in the prospectus.

TRANSACTIONS ENTERED INTO BEFORE THE LISTING WHICH WOULD OTHERWISE CONSTITUTE CONNECTED TRANSACTIONS

We have entered into the following transactions with parties who will, upon the Listing, become our connected persons. These transactions were entered into before the Listing and are accounted as one-off in nature under IFRS 16. If these transactions continued after the Listing, such transactions would constitute connected transactions of our Group. Details of such transactions are set out below in order to facilitate potential investors to anticipate that we have, before the Listing, entered into transactions which would otherwise be considered as connected transactions should our Company be listed on the Stock Exchange at the time of the relevant transactions.

Connected Persons

We have entered into a number of tenancy agreements with our Individual Shareholders, namely, Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng and Mr. Zhang Fengsheng. In addition, upon the Listing, the following parties, which have entered into the following tenancy agreements with our Group, will become our connected persons:

- Baotou Chaoju is a company owned as to approximately 30% by Mr. Zhang Bozhou (being one of our Controlling Shareholders and an executive Director), Ms. Zhang Xiaoli (being one of our Controlling Shareholders and an executive Director), 20% by Mr. Zhang Fengsheng (being one of our Controlling Shareholders) and 20% by Mr. Zhang Junfeng (being one of our Controlling Shareholders and an executive Director), as at the Latest Practicable Date, hence an associate of our Controlling Shareholder and will therefore be a connected person of our Company upon the Listing; and
- Hangzhou West Lake is a private non-enterprise unit solely sponsored by Inner Mongolia Jujing Rehabilitation Services Centre (內蒙古聚睛康復服務中心) as at the Latest Practicable Date, hence an associate of our Controlling Shareholder and therefore be a connected person of our Company upon the Listing.

Tenancy Agreements

As at the Latest Practicable Date, our Group has leased certain properties from our connected persons under various tenancy agreements (the "**Tenancy Agreements**"), details of which are set out as follows:

	Date of tenancy agreement	Property address	Parties	Approximate GFA	Total annual rental	Term	Use of premises
				(sq.m.)	(RMB '000)		
1.	January 1, 2017	Shop 6, Wenming Road, Shahe Town, Jiuyuan District, Baotou City (包頭市九原區沙河鎮文明路6號商鋪)	**Landlord:** Baotou Chaoju **Tenant:** Baotou City Chaoju Eye Hospital Co., Ltd.	15,710.15	6,388	January 1, 2017 — December 31, 2021	Hospital
2.	January 1, 2018	Shop 6, Wenming Road, Shahe Town, Jiuyuan District, Baotou City (包頭市九原區沙河鎮文明路6號商鋪)	**Landlord:** Baotou Chaoju **Tenant:** Baotou City Chaoju Optometry Correction Eyeglasses Co.,Ltd.	927	220	January 1, 2018 — December 31, 2022	Optical Centre
3.	May 6, 2021	No.96, North Road, Middle Section of Hada Street, Hongshan District, Chifeng City (赤峰市紅山區哈達街中段路北96號)	**Sublessor:** Baotou Chaoju *(Note)* **Tenant:** Chifeng Hospital	7,662.12	2,880	May 6, 2021 — May 5, 2026	Hospital
4.	May 6, 2021	No.96, North Road, Middle Section of Hada Street, Hongshan District, Chifeng City (赤峰市紅山區哈達街中段路北96號)	**Sublessor:** Baotou Chaoju *(Note)* **Tenant:** Chifeng Chaoju Eyeglasses Co., Ltd.	650	223.2	May 6, 2021 — May 5, 2026	Optical Centre

	Date of tenancy agreement	Property address	Parties	Approximate GFA	Total annual rental	Term	Use of premises
				(sq.m.)	(RMB '000)		
5.	August 29, 2019	No.1629, Zhonghuan West Road, Jiaxing Economic and Technological Development Zone (嘉興市經濟技術開發區中環西路1629號)	**Landlord:** Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng and Mr. Zhang Fengsheng **Tenant:** Jiaxing Hospital	3,950.18	1,644	August 29, 2019 — August 28, 2024	Hospital
6.	January 1, 2018	Room 101, 1st Floor, 116 Wener Road, Xixi Street, Xihu District, Hangzhou (杭州市西湖區西溪街道文二路116號一樓101室)	**Landlord:** Hangzhou West Lake **Tenant:** Hangzhou Chaoju Optical Eyeglasses Co., Ltd.	290	670	January 1, 2018 — December 31, 2022	Optical Centre
7.	July 23, 2019	2nd Floor, No.18, South Row, Daxi Street, Saraqi Town, Tumote Right Banner, Baotou City, Inner Mongolia (內蒙古自治區包頭市土默特右旗薩拉齊鎮大西街南排18號底店二樓)	**Landlord:** Ms. Zhang Xiaoli **Tenant:** Tumb Right Banner Clinic of Baotou Hospital	106.24	36	July 23, 2019 — July 22, 2024	Clinic
8.	August 20, 2019	1st Floor, No.18, South Row, Daxi Street, Saraqi Town, Tumote Right Banner, Baotou City, Inner Mongolia (內蒙古自治區包頭市土默特右旗薩拉齊鎮大西街南排18號底店一樓)	**Landlord:** Ms. Zhang Xiaoli **Tenant:** Tumb Right Banner Chaoju Optometry Eyeglasses Co., Ltd.	106.24	36	August 20, 2019 — August 19, 2024	Optical Centre
9.	August 12, 2019	1st Floor, No.07 Base Shop, No. 5, Nanmenwai Street, Donghe District, Baotou City, Inner Mongolia (內蒙古自治區包頭市東河區南門外大街路西5號街坊07號底店一樓)	**Landlord:** Ms. Zhang Xiaoli **Tenant:** Baotou City Donghe District Chaoju Optometry Eyeglasses Co., Ltd.	155.22	130	August 12, 2019 — August 11, 2024	Optical Centre

Note:

On May 6, 2021, as part of its liquidation process, Chifeng Chaoju has disposed of its properties to Hongshan District Haohui Information Consulting Center (紅山區浩輝信息咨詢中心, "**Haohui**") and Hongshan District Tongde Domestic Services (紅山區同得家政服務部, "**Tongde**"), both of which are Independent Third Parties. Haohui and Tongde are sole proprietorships (個體工商戶) and are operated by (a) the brother-in-law of the spouse of one of our Controlling Shareholders, and (b) the cousin of the spouse of the same Controlling Shareholder, respectively. The purchase price for the disposal of the properties was determined based on the valuation of the relevant properties by an independent valuer and would be funded by the Controlling Shareholders. Haohui and Tongde then leased such properties to Baotou Chaoju which, as sublessor, entered into the tenancy agreement with Chifeng Hospital and Chifeng Chaoju Eyeglasses Co., Ltd., as lessees, in respect of such properties.

Basis in determining the rental payable

The rental rates were on normal commercial terms determined 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.

Reasons for the transactions

Our Group has historically been using the properties under the Tenancy Agreements as our hospitals, eye clinics, optical centers, office and other commercial premises. Having considered that the rent of the properties under the Tenancy Agreements are comparable to the prevailing market rates of comparable properties in the locality, and the additional renovation and associated costs which we may incur if we move out of the properties under the Tenancy Agreements and relocate to another premises, our Directors consider that it is desirable and in the interests of our Company and the Shareholders as a whole to continue using the properties under the Tenancy Agreements.

Accounting treatment of the Tenancy Agreements

Our Group has early adopted IFRS 16 in the preparation of the financial information of our Group during the Track Record Period, pursuant to which, at the commencement date of a lease, our Group as lessee shall be recognized as a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Accordingly, the lease transactions under the Tenancy Agreements would be regarded as acquisitions of assets by the tenant for the purpose of the Listing Rules.

Implication under the Listing Rules

The Tenancy Agreements were entered into for a term of five years since their respective commencement dates and are required to be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the aggregated value of the right-of-use of such premises under the relevant Tenancy Agreements was over 5% but less than 25%, the relevant transactions would have constituted (i) discloseable transactions for our Company under Chapter 14 of the Listing Rules; and (ii) connected transactions for our Company under Chapter 14A of the Listing Rules, and would be subject to the reporting, announcement, circular and independent shareholders' approval requirements should our Company be listed on the Stock Exchange at the time of the relevant transactions.

OVERVIEW

We have entered into the Contractual Arrangements with our connected persons (as defined under Chapter 14A of the Listing Rules and set out below) in our ordinary and usual course of business. Upon Listing, the Contractual Arrangements disclosed in this section will constitute continuing connected transactions under the Listing Rules.

Connected Persons

We have entered into the Contractual Arrangements with the following connected persons, which will constitute our continuing connected transactions upon Listing:

Connected Relationship	Name
An executive Director and our chief executive officer and one of our Controlling Shareholders	Mr. Zhang Bozhou
An executive Director and one of our Controlling Shareholders	Ms. Zhang Xiaoli
An executive Director and one of our Controlling Shareholders	Mr. Zhang Junfeng
One of our Controlling Shareholders	Mr. Zhang Fengsheng
One of our Controlling Shareholders	Ms. Zhang Yumei

Non-Exempt Continuing Connected Transactions

Contractual Arrangements

Background

As disclosed in the section headed "Contractual Arrangements" in this prospectus, in light of the Foreign Ownership Restriction, in order to obtain the 30% economic benefits of Xiamen Chaoju Hospital Management attributable to Xiamen Xinkangnuo, Xiamen Chaoju Group, Xiamen Xinkangnuo, Xiamen Chaoju Hospital Management and the Registered Shareholders have entered into the Contractual Arrangements. The Contractual Arrangements allow Xiamen Chaoju Group to control and consolidate economic benefits of Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management, as to the portion of interests in them not held by the Group.

See the section headed "Contractual Arrangements" in this prospectus for detailed terms of the Contractual Arrangements.

Listing Rules Implication

Mr. Zhang Bozhou, an executive Director, our chief executive officer and one of our Controlling Shareholders, Ms. Zhang Xiaoli, an executive Director and one of our Controlling Shareholders, Mr. Zhang Junfeng, an executive Director and one of our Controlling Shareholders, Mr. Zhang Fengsheng, one of our Controlling Shareholders, and Ms. Zhang Yumei, one of our Controlling Shareholders, are connected persons of our 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 our Company under the Listing Rules.

Our 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 our Group, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our 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 our Group (the "**New Intergroup Agreements**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our 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 our 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.

WAIVER GRANTED BY THE STOCK EXCHANGE

Application of waiver in respect of the Contractual Arrangements

In respect of the Contractual Arrangements, we have 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 our Shares are listed on the Stock Exchange, subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

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

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the independent Shareholders' approval. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by Xiamen Xinkangnuo through (i) our 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 our 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) our 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.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our 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 our Group which our 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. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year 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 holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) no dividends or other distributions have been made by Xiamen Chaoju Hospital Management to Xiamen Xinkangnuo which are not otherwise subsequently assigned or transferred to our Group; (iv) any new contracts entered into, renewed or reproduced between our Group and Xiamen Xinkangnuo during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

- Our Company's reporting accountants will carry out review procedures annually on the transactions, pursuant to the Contractual Arrangements, and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that (i) no dividends or other distributions have been made by Xiamen Xinkangnuo to the holders of its equity interest which are not otherwise subsequently assigned to our Group; and (ii) no dividends or other distributions have been made by Xiamen Chaoju Hospital Management to Xiamen Xinkangnuo which are not otherwise subsequently assigned or transferred to our Group. Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, except for those described above, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company will however continue to be applicable to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

- Xiamen Xinkangnuo will undertake 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.

(f) Application of Chapter 14A of the Listing Rules in respect of transactions other than the Contractual Arrangements

As long as the Contractual Arrangements subsist, Xiamen Xinkangnuo will be treated as our subsidiary and the directors, chief executive or substantial shareholders of Xiamen Xinkangnuo and its respective associates will be treated as connected persons of our Company (excluding for this purpose, Xiamen Xinkangnuo), and transactions between these connected persons and the Group (including for this purpose, Xiamen Xinkangnuo), other than those under the Contractual Arrangements, will be subject to the requirements under Chapter 14A of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

In addition, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent shareholders' approval in respect of the transactions contemplated under any New Intergroup Agreements (as defined above) pursuant to Rule 14A.105 of the Listing Rules, (ii) setting an annual cap for the transactions contemplated under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules, and (iii) limiting the term of any New Intergroup Agreements to three years or less under Rule 14A.52 of the Listing Rules, for so long as Shares are listed on the Stock Exchange. The waiver is subject to the conditions that the Contractual Arrangements subsist and Xiamen Xinkangnuo will continue to be treated as the Company's subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Xiamen Xinkangnuo and their respective associates will be treated as connected persons of the Company (excluding for this purpose, Xiamen Xinkangnuo), and transactions between these connected persons and the Group (including Xiamen Xinkangnuo), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. The Company will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

CORPORATE GOVERNANCE MEASURES

In order to ensure that the terms under relevant agreements for the continuing connected transaction are fair and reasonable, and no less favorable to us than terms available to or from Independent Third Parties, and the connected transactions are carried out under normal commercial terms or better, we will adopt the following internal control procedures upon Listing:

- our Board and various internal departments of our Company will be jointly responsible for evaluating the terms under relevant agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps;
- our Board and various internal departments of our Company will regularly monitor the fulfillment status and the transaction updates under the relevant agreements. In addition, the management of our Company will also regularly review the pricing policies of the relevant agreements; and
- our independent non-executive Directors and reporting accountants will conduct annual review of the continuing connected transactions under the agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms or better and in accordance with the pricing policy.

CONFIRMATION BY OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the Non-exempt Continuing Connected Transactions, and for which waivers have been sought, have been entered into and will continue to be carried out in the ordinary and usual course of business of our Group and on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and the duration of the Contractual Arrangements is in line with normal business practice.

CONFIRMATION BY THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents prepared and provided by the Company in relation to the above Non-exempt Continuing Connected Transactions; (ii) obtained necessary representations and confirmations from the Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group and the legal advisors of our Company. Based on the above, the Joint Sponsors are of the view that such transactions have been and will be entered into in the ordinary and usual course of our Company's business, on normal commercial terms or better, are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and the Joint Sponsors concur with our Directors' view that the duration of the Contractual Arrangements is in line with normal business practice.

BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

We primarily engage in the provision of ophthalmic services and eye care services through our hospitals and optical clinics in the PRC. According to 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 advised by our PRC Legal Advisors, medical institutions, such as our hospitals and clinics (but excluding our optical centers[1]), fall within the "restricted" investment category, and therefore may not be held 100% by foreign investors, and foreign investments in medical institutions are restricted to the form of sino-foreign equity joint venture. Furthermore, as advised by our PRC Legal Advisors, Xiamen Municipal Commerce Bureau and Xiamen Municipal Health Committee, which are competent authorities, are of the view that foreign investors shall not directly or indirectly hold more than 70% equity interest in the medical institutions in the PRC (the "**Foreign Ownership Restriction**"). See the section headed "Regulatory Overview — Regulations on Foreign Investment in China" in this prospectus for further details.

In light of the Foreign Ownership Restriction, and in order to comply with PRC laws and regulations and maintain full control over all of our operations, we entered into the Contractual Arrangements on September 30, 2020. Through our shareholdings and the Contractual Arrangements, Xiamen Chaoju Group has acquired full control over the financial and operational policies of Xiamen Chaoju Hospital Management, and has become entitled to all the economic benefits from its operations. Xiamen Chaoju Hospital Management was established under the laws of the PRC on June 5, 2020 and is currently held by Xiamen Chaoju Group as to 70% and Xiamen Xinkangnuo as to 30%, respectively. Xiamen Xinkangnuo is in turn currently held 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%.

As such, the Company, through Xiamen Chaoju Group, currently holds 70% equity interest in Xiamen Chaoju Hospital Management. Xiamen Xinkangnuo holds 30% equity interest in Xiamen Chaoju Hospital Management, the holding company of most of our hospitals and clinics[2] (the "**VIE Hospitals**"). We also derive revenue from our subsidiaries including hospitals other than the VIE Hospitals and our optical centers. For details, see the sections headed "Business" and "Financial Information" in this prospectus.

Notes

(1) Except for Hexigten Banner Clinic, which holds a medical institution practising certificate to allow it to provide relatively simple ophthalmic medical services to its customers which are in demand locally. Since Hexigten Banner Clinic holds a medical institution practising certificate, it falls into the remit of the 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 is prohibited from being owned over 70% by foreign investors. As of the Latest Practicable Date, Hexigten Banner Clinic is owned by us as to 70% and 30% by an Independent Third Party.

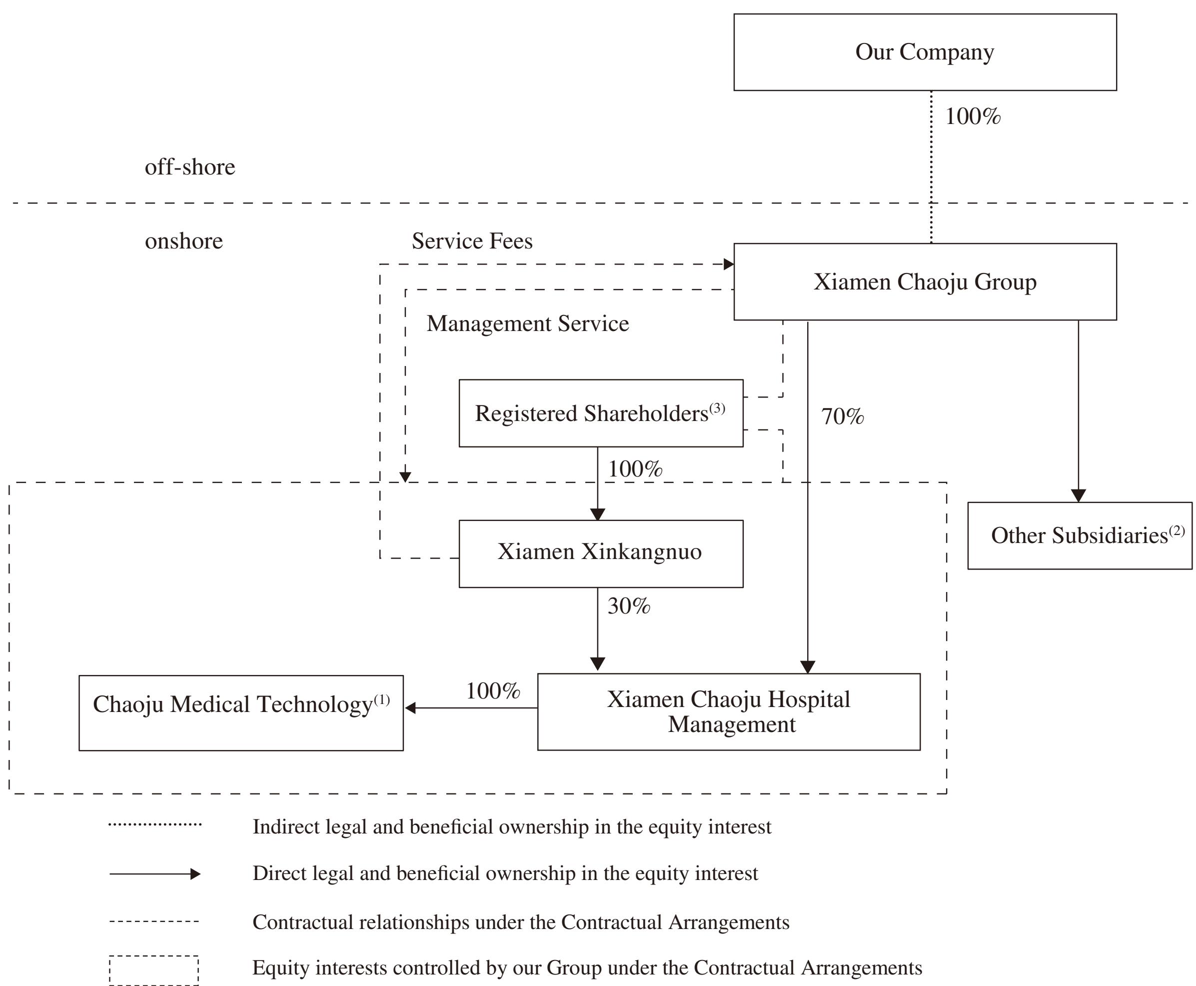
(2) As of the Latest Practicable Date, Hohhot Chaoju Eye Hospital Co., Ltd. and Hangzhou Chaoju Eye Optometry Hospital Co., Ltd. had not yet obtained the necessary licenses or commenced business and thus had not been included under the Contractual Arrangements. However, once we have obtained the necessary licenses and commenced business, the entire equity interests of these two hospitals 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 this prospectus.

Circumstances in which we will unwind the Contractual Arrangements

As regards the Contractual Arrangements, if and when MOFCOM and/or other relevant governmental departments promulgate any measures for the administration of foreign-invested enterprises engaging in ophthalmic care and eye care business or such entities invested by foreign investors, depending on the limit of the percentage equity interest permitted to be held by foreign investors (if any), we will partially unwind the Contractual Arrangements and hold (directly or indirectly) equity interest in Xiamen Chaoju Hospital Management up to the percentage limit prescribed by such measures; and if there is no prescribed limit of the percentage equity interest permitted to be held by foreign investors and that our Company would be allowed to directly hold 100% of the equity interests in Xiamen Chaoju Hospital Management, we will fully unwind the Contractual Arrangements and directly hold the entire equity interest in Xiamen Chaoju Hospital Management.

OUR CONTRACTUAL ARRANGEMENTS

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



Notes:

(1) Chaoju Medical Technology is the holding entity of our 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 us as of the Latest Practicable Date. The minority shareholders of Tongliao Hospital, Datong Hospital and Hulunbuir Hospital were Independent Third Parties as of the Latest Practicable Date. For the shareholding details and connected relationship of the minority shareholders of these entities with our Group, see note (3) in the section headed "History, Reorganization and Corporate Structure — Corporate Reorganization" under the simplified beneficial ownership structure of our business immediately prior to the Reorganization.

(2) As of the Latest Practicable Date, Hohhot Chaoju Eye Hospital Co., Ltd. and 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 we have obtained the necessary licenses and commenced business, the entire equity interests of these two hospitals 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 this 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 our PRC Legal Advisors, 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 the Latest Practicable Date. For the shareholding details and connected relationship of the minority shareholders of these entities with our Group, see section headed "History, Reorganization and Corporate Structure — Corporate Reorganization" under the simplified beneficial ownership structure of our business immediately prior to the Reorganization.

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

We believe that the Contractual Arrangements are narrowly tailored as they are used to enable our Group to conduct businesses in industries that are subject to foreign investment restrictions in the PRC. Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between Xiamen Chaoju Group (our wholly foreign owned enterprise), the Registered Shareholders, and Xiamen Chaoju Hospital Management, (ii) by entering into the Exclusive Operation Services Agreement as defined below with Xiamen Chaoju Group, Xiamen Chaoju Hospital Management will enjoy better economic and technical support from us, as well as a better market reputation after Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

(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 our 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 law, 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.

Our PRC Legal Advisors have advised us 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 we have 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.

Our PRC Legal Advisors are of the view that (i) the above arrangements provide protection to our 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 our Company can still enforce their right under the Contractual Arrangements against the Registered Shareholders and their successors.

Common Terms of the Contractual Arrangements

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules.

The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of Xiamen Chaoju Group or Xiamen Xinkangnuo or Xiamen Chaoju Hospital Management are located for interim remedies or injunctive relief.

However, our PRC Legal Advisors have advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that Xiamen Xinkangnuo, Xiamen Chaoju Hospital Management or the Registered Shareholders breach any terms of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert fully effective control over Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management and conduct our business could be materially and adversely affected. See the section headed "Risk Factors — Risks Relating to Our Corporate Structure and Contractual Arrangements" in this prospectus for further details.

Succession

As advised by our PRC Legal Advisors, the provisions set out in the Contractual Arrangements are also binding on any successor(s) of the Registered Shareholders as if such successors were a signing party to the Contractual Arrangements. As such, any breach by the successors would be deemed to be a breach of the Contractual Arrangements. Under the succession laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents. In the case of a breach, Xiamen Chaoju Group can enforce its rights against the successors. Pursuant to the Contractual Arrangements, in the event of changes in the shareholding of Xiamen Xinkangnuo, any successor(s) of Xiamen Xinkangnuo shall assume any and all rights and obligations of Xiamen Xinkangnuo under the Contractual Arrangements as if such successor were a signing party to the relevant contract.

Conflicts of Interests

Each of Registered Shareholders and Xiamen Xinkangnuo undertake that, during the period that the Contractual Arrangements remain effective, they shall not take or omit to take any action which may lead to a conflict of interest with Xiamen Chaoju Group or Xiamen Chaoju Group's direct or indirect shareholders. If there is any conflict of interest, Xiamen Chaoju Group shall have the right to decide in its sole discretion on how to deal with such conflict of interest in accordance with the applicable PRC laws. The Registered Shareholders and Xiamen Xinkangnuo will unconditionally follow the instructions of Xiamen Chaoju Group to take any action to eliminate such conflict of interest.

Loss Sharing

Under the relevant PRC laws and regulations, none of our Company or Xiamen Chaoju Group is legally required to share the losses of, or provide financial support to Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management. Further, Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management are limited liability companies and shall be solely liable for its own debts and losses with assets and properties owned by them. In addition, given that our Group conducts a substantial portion of its business operations in the PRC through Xiamen Chaoju Hospital Management and its subsidiaries operating in the PRC, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if Xiamen Chaoju Hospital Management and its subsidiaries operating in the PRC suffer losses.

Liquidation

Pursuant to the Equity Pledge Agreements, in the event of a mandatory liquidation required by the PRC laws, the shareholders of Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management shall, upon the request of Xiamen Chaoju Group, give the proceeds they received from liquidation as a gift to Xiamen Chaoju Group or its designee(s) to the extent permitted by the PRC laws. Accordingly, in the event a winding up of Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management, Xiamen Chaoju Group is entitled to liquidation proceeds of Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management based on the Contractual Arrangements for the benefit of our Company's creditors and shareholders.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through Xiamen Chaoju Hospital Management and its subsidiaries operating in the PRC under the Contractual Arrangements.

Legality of the Contractual Arrangements

As advised by our PRC Legal Advisors, pursuant to the requirements of the 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)) (the "**Negative List**"), except more preferential opening measures for qualified foreign service providers in accordance with the Mainland and Hong Kong Closer Economic Partnership Arrangement and subsequent supplements thereto, foreign investors' investment in medical institutions is limited to joint ventures. Furthermore, the Interim Measures on the Administration of Sino-foreign Invested and Sino-foreign Cooperative Medical Institutions (中外合資、合作醫療機構管理暫行辦法) (the "**Interim Measures**") further stipulates that the equity interest or interest of the Chinese side in Sino-foreign invested and Sino-foreign cooperative medical institutions shall not be less than 30%. However, none of the Negative List, the Interim Measures or current rules explicitly stipulates the equity interest or interest indirectly held by foreign investors in domestic medical institutions.

As disclosed in the section headed "Business — Our Operation Network — Our Expansion Plans", we intend to take steps to further increase our market share and increase our business layout in Jiangsu Province and Zhejiang Province. Therefore, we have established companies in Xiamen, Fujian Province since Fujian Province is the neighboring province of Zhejiang Province, and thus its location allows us to leverage administrative and logistical convenience by establishing companies in Xiamen, Fujian. Xiamen is also most commercially enticing and attractive to us in our plan to enter into the international capital markets. In addition, it is possible that our Group can benefit from tax incentives through favorable economic policies of Xiamen Special Economic Zone (which is the nearest special economic zone from Zhejiang) in relation to earnings of those companies in the future.

In respect of the proposed Contractual Arrangements entitling the Company to fully control Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management, our PRC Legal Advisors interviewed and obtained confirmations from Xiamen Municipal Commerce Bureau and its counterpart Xiamen Municipal Health Committee as Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management are based in Xiamen and were signatories to the relevant underlying agreements comprising the Contractual Arrangements. As advised by the PRC Legal Advisors, the Working Steering Group of China (Fujian) Pilot Free Trade Zone including its Xiamen Area was established by Fujian Province and the relevant workstream is administered by the department and/or bureau at provincial level, Xiamen Municipal Commerce Bureau can exercise the corresponding responsibilities at the provincial level and thus has administrative powers over foreign investment restriction matters, and therefore Xiamen Municipal Commerce Bureau and Xiamen Municipal Health Committee, at the counterpart level of Xiamen Municipal Commerce Bureau, are both competent authorities to interpret on the Foreign Ownership Restriction. According to our interviews, such competent authorities confirmed that: (1) since the implementation of the PRC Foreign Investment Law on January 1, 2020, if foreign directly-invested industry does not fall within the Negative List, the approval of or filing with commerce authorities is not required, as commerce authorities no longer exercise the function of examining and approving/filing for such foreign investment matters; (2) medical institutions shall not be held indirectly over 70% by foreign investors, according to the requirements of the Interim Measures on the Administration of Sino-foreign Invested and Sino-foreign Cooperative Medical Institutions (中外合資、合作醫療機構管理暫行辦法); (3) no approval, permission or filing is required for entering into the Contractual Arrangements by Xiamen Chaoju Group, Xiamen Xinkangnuo, founder shareholders and Xiamen Chaoju Hospital Management.

Our PRC Legal Advisors, following completion of reasonable due diligence steps, are of the following legal opinion:

(1) each of Xiamen Chaoju Group, Xiamen Chaoju Hospital Management and Xiamen Xinkangnuo is a company duly established and validly existing under the PRC laws, and has the qualification and capacity to enter into the Contractual Arrangements;

(2) the content of the Contractual Arrangements does not contravene the existing effective articles of association of Xiamen Chaoju Group, Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management;

(3) the Contractual Arrangements are legal, valid and binding on the parties thereto. Please also see "Risk Factors — Risks Relating to our Corporate Structure and Contractual Arrangements — Our Contractual Arrangements may not be as effective in securing full economic benefits from our ophthalmic medical services business as direct ownership, and relevant parties may fail to perform their obligations under our Contractual Arrangements" on the risks of not directly owning the entire equity interests in the VIE Entities;

(4) the Contractual Arrangements do not breach the laws formulated by the PRC National People's Congress and its Standing Committee and the administrative regulations formulated by the State Council, and it shall be valid, binding and enforceable on all parties except that (i) the temporary relief or other rulings of the Hong Kong Court and the court of the place where the issuer is incorporated on the matters under the Contractual Arrangements may not be recognized and enforced by the PRC laws; (ii) equity pledge does not have legal effect until the registration procedures for equity pledge are completed with SAMR at its competent local branch; and (iii) the arbitration award made by China International Economic and Trade Arbitration Commission under the dispute resolution provisions of the Contractual Arrangements shall be enforced only after the people's court has made a ruling consenting to the enforcement;

(5) equity pledges under the Contractual Arrangements have been registered with SAMR at its competent local branch;

(6) according to the interviews conducted by the PRC Legal Advisors with the competent authorities, no approval is required for entering into the Contractual Arrangements;

(7) as of the Latest Practicable Date, competent authorities of the PRC Government had not taken regulatory or effective legislative actions against any existing VIE structure of companies with public issuance and listing in the PRC. However, the PRC regulatory authorities may in the future take a view especially in relation to the regulations on the industrial policy of foreign investment) that is contrary to the opinion of our PRC Legal Advisors regarding the interpretation and application of current and future PRC laws and regulations. We also cannot rule out the possibility that the PRC legislature, executive authorities, court or arbitral tribunal may hold a contrary opinion, and such contrary determination, once made, shall cause the Contractual Arrangements to be adjusted accordingly in accordance with the laws and regulations.

We have been further advised by our PRC Legal Advisors that if the PRC Government finds that the Contractual Arrangements do not comply with PRC Government restrictions on foreign investment in the restricted businesses, we could be subject to severe penalties, which could include:

a) revoking the business and operating licenses of Xiamen Chaoju Group, Xiamen Xinkangnuo, Xiamen Chaoju Hospital Management and its subsidiaries operating in the PRC;

b) restricting or prohibiting the Contractual Arrangements between Xiamen Chaoju Group, Xiamen Xinkangnuo, Xiamen Chaoju Hospital Management and its subsidiaries operating in the PRC;

c) imposing fines or other requirements with which our Company, Xiamen Chaoju Group, Xiamen Xinkangnuo, Xiamen Chaoju Hospital Management and its subsidiaries operating in the PRC may find difficult or impossible to comply; and

d) requiring us, Xiamen Chaoju Group, Xiamen Xinkangnuo, Xiamen Chaoju Hospital Management and its subsidiaries operating in the PRC to restructure the relevant ownership structure or operations.

The imposition of any of these penalties could have a material adverse effect on our ability to conduct our business. Please refer to the section headed “Risk Factors — Risks Relating to Our Corporate Structure and Contractual Arrangements.”

Development in the PRC Legislation on Foreign Investment

The Foreign Investment Law

The FIL was adopted at the Second Session of the Thirteenth National People’s Congress of the PRC on March 15, 2019 and came into force on January 1, 2020. The FIL replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law (《外資企業法》), and became the legal foundation for foreign investment in the PRC. For further details, please see the section headed “Regulatory Overview — Regulations on Foreign Investment in China” in this prospectus.

The FIL stipulates the implementation of the management systems of pre-establishment national treatment and “negative list” for foreign investment. The “negative list,” issued by or upon approval by the State Council, refers to special administrative measures for access of foreign investment in specific fields in the PRC. A foreign investor shall not invest in any field in the “negative list” which is prohibited from foreign investment. A foreign investor shall meet the investment conditions stipulated under the “negative list” for any field in the “negative list” which is restricted from foreign investment. Concerning fields not mentioned in the "negative list," management shall be conducted under the principle of consistency between domestic and foreign investment. The FIL does not contain or quote the stipulation of the "negative list."

The definition of "foreign investors" in FIL includes foreign natural persons, enterprises and other organizations.

Moreover, the FIL does not stipulate that the "foreign investment" as defined thereunder shall include contractual arrangements. Instead, it adds a catch-all provision to the definition of foreign investment so that foreign investment, by its definition, includes "investments through other means stipulated under laws or administrative regulations or by the State Council" without elaboration on "other means."

Impact of FIL on Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to fully control of Xiamen Chaoju Hospital Management and its subsidiaries operating in the PRC, through which we operate the Restricted Businesses in the PRC. The FIL stipulates four forms of foreign investment, but does not mention concept "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 our Contractual Arrangements.

If the operation of the Restricted Businesses is not on the "negative list" and we can legally operate such businesses under PRC laws, Xiamen Chaoju Group will exercise the option under the Exclusive Option Agreement to acquire the equity interest of Xiamen Chaoju Hospital Management and unwind the contractual arrangements subject to re-approval by the relevant authorities.

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 us which may have a material adverse effect on the trading of our Shares. For further details, please see the section headed "Risk Factors — Risks Relating to Our Corporate Structure and Contractual Arrangements" in this prospectus.

Sustainability of the Restricted Businesses

If any ancillary regulations or implementation rules of the FIL and the negative list subsequently issued mandates further actions for us to retain the Contractual Arrangements, we will take all reasonable measures and actions to comply with the FIL or such ancillary regulations or implementation rules then in force and to minimize the adverse effect of such laws on our Company. However, there is no assurance that we can fully comply with such law. In the event that such measures are not complied with, the Stock

Exchange may take enforcement actions against us which may have material adverse effect on the trading of our Shares. If, after the Global Offering, we fail to comply with the new foreign investment law as finally promulgated, we may be required to dispose of the Restricted Businesses operated through Xiamen Chaoju Hospital Management under the Contractual Arrangements or make necessary corporate structure adjustments so as to comply with the new foreign investment law as finally promulgated.

In the worst case scenario, if any new foreign investment law subsequently promulgated is refined or deviates from the FIL, resulting in the Contractual Arrangements becoming invalid and illegal, we may not be able to operate the Restricted Businesses through the Contractual Arrangements and may lose our rights to receive the economic benefits of Xiamen Chaoju Hospital Management and the financial results of Xiamen Chaoju Hospital Management may no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If our Group does not receive any compensation, an investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing entities are operating under contractual arrangements and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely, if any ancillary regulations or implementation rules of the FIL is promulgated, that the relevant authorities will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. However, there is no guarantee that the PRC Government will not take a relatively cautious attitude towards the supervision of foreign investments and the enactment of laws and regulations impacting them and make decisions according to different situations in practice.

Our Company will, after the Global Offering, timely announce (i) any updates or material changes to any ancillary regulations or implementation rules of the FIL that will materially and adversely affect us as and when they occur and (ii) in the event that any ancillary regulations or implementation rules of the FIL or any new foreign investment law has been promulgated, a clear description and analysis of law, specific measures adopted by our Company to comply with the law (supported by advice from our PRC legal advisors), as well as its material impact on our business operation and financial position.

Compliance with the Contractual Arrangements

Our Group will adopt the following measures to ensure the effective operation of our Group with the implementation and compliance of the Contractual Arrangements:

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

b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

c) our Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports and interim reports to update our Shareholders and potential investors; and

d) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and the legal compliance of Xiamen Chaoju Group, Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, notwithstanding that three of our Directors, Mr. Zhang Bozhou, Ms. Zhang Xiaoli and Mr. Zhang Junfeng, are also three of the Registered Shareholders, our Company believes that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after Listing under the following measures:

a) the decision-making mechanism of our Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of our 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;

b) each of our Directors is aware of his or her fiduciary duties as a Director which requires, amongst other things, that he or she acts for the benefits and in the best interests of our Group;

c) our 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 our Company and the Shareholders as a whole; and

d) our 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 our 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 our Group and any other conflicts of interest which any such person has or may have with our Group.

Accounting Aspects of the Contractual Arrangements

Under the Exclusive Operation Services Agreement, it was agreed that, in consideration of the services provided by Xiamen Chaoju Group, Xiamen Xinkangnuo will pay service fees to Xiamen Chaoju Group. The annual service fees payable are determined with the services provided. The amount and payment deadline will be determined by Xiamen Chaoju Group and Xiamen Xinkangnuo through arm's length negotiations after considering (i) the complexity and difficulty of the services provided by Xiamen Chaoju Group, (ii) the title of and time consumed by employees of Xiamen Chaoju Group providing the services, (iii) the contents and value of the services provided by Xiamen Chaoju Group, (iv) the market price of the same type of services, (v) the operation conditions of the Registered Shareholders and Xiamen Xinkangnuo, and (vi) the essential cost, expenses, taxes and statutory reserve or retaining funds. Accordingly, through the Exclusive Operation Services Agreement, Xiamen Chaoju Group has the ability, at its sole discretion, to extract substantially 30% of the economic benefit of Xiamen Xinkangnuo derived from Xiamen Chaoju Hospital Management. Our Directors are of the view that the carrying out of the Contractual Arrangements in accordance with its terms will not cause any material increase in our Group's exposure of income tax after the Listing.

In addition, under the Exclusive Operation Services Agreement, Xiamen Chaoju Group has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management as Xiamen Chaoju Group's prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from Xiamen Xinkangnuo and Xiamen Xinkangnuo receive any profit distribution or dividend from Xiamen Chaoju Hospital Management, the Registered Shareholders and Xiamen Xinkangnuo must immediately pay or transfer all of such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to the Company.

Upon Listing, we own 70% equity interest in Xiamen Chaoju Hospital Management and as a result of the aforementioned Contractual Arrangements, our Company has obtained full control of our hospitals through Xiamen Chaoju Hospital Management and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by Xiamen Chaoju Hospital Management and the hospitals and subsidiaries it controls.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with the cornerstone investors ("**Cornerstone Investors**", and each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe, or cause their designated entities to subscribe, at the Offer Price for certain number of our Offer Shares (the "**Cornerstone Placing**").

The Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest board lot of 500 Shares) that may be subscribed for an aggregate amount of US$102 million, or approximately HK$791.56 million.

Based on the Offer Price of HK$10.60 per Offer Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 74,674,500, representing, assuming that the Over-allotment Option is not exercised, approximately 43.69% of the Offer Shares and approximately 10.86% of the total issued share capital immediately upon completion of the Global Offering.

Based on the Offer Price of HK$10.04 per Offer Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 78,839,500, representing, assuming that the Over-allotment Option is not exercised, approximately 46.12% of the Offer Shares and approximately 11.47% of the total issued share capital immediately upon completion of the Global Offering.

Based on the Offer Price of HK$9.48 per Offer Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 83,497,000 , representing, assuming that the Over-allotment Option is not exercised, approximately 48.85% of the Offer Shares and approximately 12.15% of the total issued share capital immediately upon completion of the Global Offering.

The Cornerstone Placing will form part of the International Offering and none of such Cornerstone Investors will subscribe any Offer Share under the Global Offering other than and pursuant to their respective cornerstone investment agreements. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in the Company. None of the Cornerstone Investors will become a substantial shareholder of the Company.

The Offer Shares to be subscribed by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus.

Our Company is of the view that the cornerstone investments signify the confidence of the Cornerstone Investors in our business and prospects. It also ensures a reasonable size of solid commitment at the beginning of the marketing period of the Global Offering which helps to raise the profile of our Group.

To the best of the knowledge of our Company, (i) each of the Cornerstone Investors is an Independent Third Party and not a connected person (as defined in the Listing Rules) or existing shareholder or close associate of the Company; (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, its Directors, chief executive, controlling shareholders, substantial shareholders or existing Shareholders or any of their respective close associates; (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, its Directors, chief executive, controlling shareholders, substantial shareholders or existing Shareholders or any of their respective close associates. Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or around July 6, 2021.

As confirmed by each of the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their own internal resources. There are no side agreements or arrangements between our Company and the Cornerstone Investors or any benefits, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price. There is no delayed settlement of the investment amounts or deferred delivery arrangement in respect of the Shares to be subscribed by the Cornerstone Investors in the respective Cornerstone Investment Agreements.

THE CORNERSTONE INVESTORS

The following tables set forth details of the Cornerstone Placing and approximate percentage of total number of Offer Shares and percentage of total issued share capital of our Company upon Listing, based on different Offer Price scenarios:

			Based on Offer Price of HK$10.60 (being the Maximum Offer Price)			
			Approximate percentage of total number of Offer Shares		Approximate percentage of total issued share capital of our Company immediately upon Listing	
Cornerstone Investor	Investment Amount[Note]	Number of Offer Shares to be subscribed (rounded down to nearest whole board lot of 500 Shares)	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Fullgoal Fund Management Co., Ltd	US$45 million	32,945,000	19.27%	17.20%	4.79%	4.65%
Gigantic Wealth Holdings Limited	US$20 million	14,642,000	8.57%	7.64%	2.13%	2.07%
The Valliance Fund	US$20 million	14,642,000	8.57%	7.64%	2.13%	2.07%
GT Cedar Capital (Hong Kong) Limited	US$17 million	12,445,500	7.28%	6.50%	1.81%	1.76%
Total	**US$102 million**	**74,674,500**	**43.69%**	**38.98%**	**10.86%**	**10.55%**

Note:

To be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus.

			Based on Offer Price of HK$10.04 (being the Mid-point of the Offer Price)			
			Approximate percentage of total number of Offer Shares		Approximate percentage of total issued share capital of our Company immediately upon Listing	
Cornerstone Investor	Investment Amount(Note)	Number of Offer Shares to be subscribed (rounded down to nearest whole board lot of 500 Shares)	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Fullgoal Fund Management Co., Ltd	US$45 million	34,782,500	20.35%	18.16%	5.06%	4.91%
Gigantic Wealth Holdings Limited	US$20 million	15,458,500	9.04%	8.07%	2.25%	2.18%
The Valliance Fund	US$20 million	15,458,500	9.04%	8.07%	2.25%	2.18%
GT Cedar Capital (Hong Kong) Limited	US$17 million	13,140,000	7.69%	6.86%	1.91%	1.86%
Total	**US$102 million**	**78,839,500**	**46.12%**	**41.16%**	**11.47%**	**11.13%**

Note:

To be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus.

			Based on Offer Price of HK$9.48 (being the Minimum Offer Price)			
			Approximate percentage of total number of Offer Shares		Approximate percentage of total issued share capital of our Company immediately upon Listing	
Cornerstone Investor	Investment Amount(Note)	Number of Offer Shares to be subscribed (rounded down to nearest whole board lot of 500 Shares)	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Fullgoal Fund Management Co., Ltd	US$45 million	36,837,000	21.55%	19.23%	5.36%	5.20%
Gigantic Wealth Holdings Limited	US$20 million	16,372,000	9.58%	8.55%	2.38%	2.31%
The Valliance Fund	US$20 million	16,372,000	9.58%	8.55%	2.38%	2.31%
GT Cedar Capital (Hong Kong) Limited	US$17 million	13,916,000	8.14%	7.26%	2.02%	1.97%
Total	**US$102 million**	**83,497,000**	**48.85%**	**43.59%**	**12.15%**	**11.79%**

Note:

To be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus.

Information about Fullgoal Fund Management Co., Ltd ("Fullgoal Fund")

Fullgoal Fund is a fund management company established in Shanghai, China in April 1999, and is one of the first ten fund management companies authorized by the China Securities Regulatory Commission and other regulatory authorities to receive full license to provide asset management services in the PRC. Fullgoal Fund has a registered capital of RMB520 million and its main scope of business includes the provision of traditional fund management services, fund raising, fund sale and asset management solutions to both domestic and overseas clients. Fullgoal Fund is also the first fund management company with foreign equity participation among the first 10 fund management companies in China. As of December 31, 2020, the scale of mutual funds under the management of Fullgoal Fund was approximately RMB588 billion. Both Fullgoal Fund and its wholly-owned subsidiary, Fullgoal Asset Management (HK) Limited ("**Fullgoal Hong Kong**"), will receive the Offer Shares pursuant to the cornerstone investment agreement entered into between Fullgoal Fund, the Joint Sponsors, the Joint Global Coordinators and our Company. Fullgoal Fund was introduced to our Company by Huatai Financial Holdings (Hong Kong) Limited.

The shareholders of Fullgoal Fund include (i) Haitong Securities Company Limited (海通證券股份有限公司) (listed on the Shanghai Stock Exchange with stock code 600837.SH), holding 27.775% in Fullgoal Fund; (ii) Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司), a wholly-owned subsidiary of Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司) (listed on the Shenzhen Stock Exchange with stock code 000166.SZ and Hong Kong Stock Exchange with stock code 6806.HK), holding 27.775% in Fullgoal Fund; (iii) Bank of Montreal (listed on the Toronto Stock Exchange with stock code BMO), holding 27.775% in Fullgoal Fund, and (iv) Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司) (listed on the Hong Kong Stock Exchange with stock code 01697.HK), holding 16.675% in Fullgoal Fund.

Given such relationship, Fullgoal Fund is considered a "connected client" of Haitong International Securities Company Limited under paragraph 13 of Appendix 6 to the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange has granted, its consent under paragraph 5(1) of Appendix 6 to the Listing Rules to permit Fullgoal Fund and Fullgoal Hong Kong to participate in the Global Offering as Cornerstone Investors. Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules" in this prospectus for further details.

It is expected Fullgoal Fund and Fullgoal Hong Kong will hold the Shares on behalf of six funds products managed by them, details of which are as follows:

Fund Name	富國中國中小盤(香港上市)混合型證券投資基金	富國藍籌精選股票型證券投資基金(QDII)	富國紅利精選混合型證券投資基金(QDII)	富國全球科技互聯網股票型證券投資基金(QDII)	富國全球健康生活主題混合型證券投資基金(QDII)	Fullgoal China Small-Mid Cap Growth Fund
Manager	Fullgoal Fund	Fullgoal Fund	Fullgoal Fund	Fullgoal Fund	Fullgoal Fund	Fullgoal Hong Kong
Values of assets under management as of March 31, 2021	Approximately RMB5.6 billion	Approximately RMB3.0 billion	Approximately RMB751.9 million	Approximately RMB271.2 million	Approximately RMB533.1 million	Approximately US$576.7 million

Information about Gigantic Wealth Holdings Limited ("Gigantic Wealth")

Gigantic Wealth is an investment management company incorporated in the British Virgin Islands in April 2013, which is ultimately controlled by Mr. Zhang Lijie, the son of Mr. Cheung Tak On.

Mr. Cheung Tak On is the founder and the controlling shareholder of China Yongda Automobile Services Holdings Limited (stock code: 03669.HK), leading passenger vehicle retailer and comprehensive service provider in China focused on luxury and ultra-luxury brands. In 2020, it generated a revenue of RMB68,534 million and a gross profit RMB6,365 million. Gigantic Wealth was introduced to our Company by the Haitong International Securities Company Limited.

Information about GT Cedar Capital (Hong Kong) Limited ("GT Cedar")

GT Cedar is incorporated in Hong Kong in 2018 and is owned by Genertec Investment Management Company Limited ("**Genertec Investment**") as to 80% and Genertec Hong Kong International Capital Limited as to 20%, which are ultimately owned by the State-owned Assets Supervision and Administration Commission of the State Council. Its business is principally engaged in overseas equity investment business and stock investment business.

Genertec Investment is incorporated in Shanghai, China in September 2004 and is owned by China General Technology (Group) Holdings Company Limited as to 99.7% ("**Genertec**"). Its principal business is in securities investment and equity investment management. Genertec was founded in 1998 and is a state-owned enterprise directly administered by the PRC government. Its core business is specialized in trade and engineering contracting, pharmaceutical and healthcare, technical services and consultancy and advanced manufacturing industries. GT Cedar was introduced to our Company by Haitong International Securities Company Limited.

Information about The Valliance Fund ("Valliance")

Valliance is an exempted company established under the laws of the Cayman Islands. Valliance Asset Management Limited ("**VAML**"), an asset management firm licensed by the Securities and Futures Commission of Hong Kong, serves as the investment manager of Valliance. VAML employs a deep value and bottom up investment approach, combining detailed research with a highly disciplined investment process to choose portfolio investments on behalf of a wide range of institutional clients globally across multiple funds. Mr. Li Lin, Lincoln (李琳) is the founder of VAML and its chief investment officer since inception and he has been an active investor in the Asian capital markets for nearly the past two decades. Valliance has approximately US$500 million of asset under management and its limited partners are leading global institutional investors (greater than 60%), Hong Kong family offices, high net-worth individuals and employees of Valliance. Valliance was introduced to our Company by the Joint Global Coordinators.

CONDITIONS PRECEDENT

The obligation of each Cornerstone Investor to subscribe, and the obligation of the Company to issue and deliver, the Offer Shares pursuant to the relevant cornerstone investment agreement is conditional upon the following:

(a) The Underwriting Agreements being entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements or as subsequently waived or varied by agreements of the parties thereto;

(b) Neither of the Underwriting Agreements have been terminated;

(c) No laws having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the subscription of the Offer Shares under the relevant cornerstone investment agreement and there being no order or injunction of a court of competent jurisdiction in effect which precludes or prohibits the consummation of such transactions;

(d) The Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(e) The representation, warranties, undertakings and confirmations of the relevant Cornerstone Investor in the relevant cornerstone investment agreement remaining true and accurate in all material respects and there being no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor; and

(f) the Offer Price having been agreed by, among others, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company in connection with the Global Offering.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that without the prior written consent of the Company, it will not, whether directly or indirectly, at any time during the period of six months commencing from and including the Listing Date, dispose of any of the Shares subscribed by it pursuant to the relevant cornerstone investment agreement and any interest in any Shares or any other securities of the Company which are derived therefrom (the "**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares.

Each Cornerstone Investor may transfer the Relevant Shares in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as a transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that prior to such transfer, such wholly-owned subsidiary undertakes to be bound by such Cornerstone Investor's obligations under the relevant cornerstone investment agreement and be subject to the restrictions on disposal of Relevant Shares imposed on such Cornerstone Investor.

FUTURE PLANS

See the section headed "Business — Our Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$10.04 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK$1,283.2 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 35.8% (or HK$459.0 million) will be used for the establishment of new hospitals and the relocation, upgrade and renovation of existing hospitals, including: (i) HK$306.0 million used for the establishment of new hospitals, consisting of two ophthalmic hospitals in Hohhot, an ophthalmic hospital and a refractive surgery center in Hangzhou, an ophthalmic hospital in Zhoushan, an ophthalmic hospital in eastern Inner Mongolia, four county-level ophthalmic hospitals in western Inner Mongolia and eastern Inner Mongolia, and an ophthalmic hospital in northern Jiangsu; and (ii) HK$153.0 million used for relocation and upgrade of our Hohhot Hospital, Baotou Kunlun Hospital and Xilinhot Hospital, as well as upgrade and renovation of our Datong Hospital, Baotou Hospital and Chifeng Hospital. For detailed breakdown on our use of the net proceeds of the Global Offering for the establishment of new hospitals and the relocation, upgrade and renovation of existing hospitals, please see "— Establishment of New Hospitals and Relocation, Upgrade and Renovation of Existing Hospitals."
- approximately 44.8% (or HK$575.3 million) for acquiring hospitals, when appropriate opportunities arise, in new markets with sizable population and relatively high level of demand for ophthalmic healthcare services. As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to acquisitions and had not identified any definite acquisition targets. Please see "Business — Our Operation Network — Our Expansion Plans — Strategic Acquisitions" for more details;
- approximately 9.4% (or HK$120.6 million) for upgrading our IT systems, including network security infrastructure, server leasing and procurement, server room construction, electronic medical record and optical management system transformation and artificial intelligence system projects, etc.; and
- approximately 10.0% (or HK$128.3 million) for working capital and other general corporate purposes.

The following table sets for an expected progress for our use of the net proceeds of the Global Offering, which is calculated based on an Offer Price of HK$10.04 per Offer Share (being the mid-end of the Offer Price range stated in this prospectus).

	From the completion of the Global Offering to December 31, 2021	For the six months ending June 30, 2022	December 31, 2022	June 30, 2023	December 31, 2023	June 30, 2024	Total
	(HK$ millions)						
Establishment of new hospitals, and relocation, upgrade and renovation of existing hospitals	163.5	47.0	3.4	34.1	164.0	47.0	**459.0**
Acquiring hospitals	156.1	90.1	90.1	119.5	119.5	–	**575.3**
Upgrading IT systems	36.6	21.6	21.6	20.4	20.4	–	**120.6**
Working capital and other general corporate purposes	51.5	19.2	19.2	19.2	19.2	–	**128.3**
Total	**407.7**	**177.9**	**134.3**	**193.2**	**323.1**	**47.0**	**1,283.2**

Establishment of New Hospitals and Relocation, Upgrade and Renovation of Existing Hospitals

We plan to establish new hospitals in western Inner Mongolia, eastern Inner Mongolia, northern Zhejiang and northern Jiangsu. In addition, we plan to selectively upgrade certain of our existing hospitals based on our assessment of the conditions of our existing facilities and demand from customers. In particular, we plan to relocate certain hospitals to new premises to further improve their facilities. For details on our plans to establish new hospitals and relocate, upgrade and renovate our existing hospitals, please see "Business — Our Operation Network — Our Expansion Plans — Organic Growth."

The estimated costs for the establishment of the new hospitals and the relocation, upgrade and renovation of existing hospitals are determined based on our assessment of the amount of work required and the prevailing price for such work to be completed.

	From the completion of the Global Offering to December 31, 2021	For the six months ending June 30, 2022	December 31, 2022	June 30, 2023	December 31, 2023	June 30, 2024	Total
				(HK$ millions)			
Relocation, upgrade and renovation of existing hospitals:							
Relocation and upgrade of our Hohhot Hospital	–	47.0	–	0.3	17.1	38.1	**102.5**
Relocation and upgrade of our Baotou Kunlun Hospital	3.5	–	–	–	–	–	**3.5**
Relocation and upgrade of our Xilinhot Hospital	10.4	–	–	–	–	–	**10.4**
Upgrade and renovation of our Datong Hospital	4.1	–	–	–	–	–	**4.1**
Upgrade and renovation of our Baotou Hospital and Chifeng Hospital	32.5	–	–	–	–	–	**32.5**
Subtotal	**50.5**	**47.0**	**–**	**0.3**	**17.1**	**38.1**	**153.0**
Establishment of new hospitals:							
Our second ophthalmic hospital in Hohhot	45.5	–	–	–	–	–	**45.5**
Our third ophthalmic hospital in Hohhot	–	–	–	–	3.1	8.9	**12.0**
Ophthalmic hospital in Hangzhou	33.3	–	–	–	–	–	**33.3**
Refractive surgery center in Hangzhou	–	–	–	–	48.2	–	**48.2**
Ophthalmic hospital in Zhoushan	22.4	–	–	–	–	–	**22.4**
Ophthalmic hospital in eastern Inner Mongolia	–	–	–	1.3	34.9	–	**36.2**
County-level ophthalmic hospital	11.8	–	–	–	–	–	**11.8**
Three county-level ophthalmic hospitals	–	–	–	14.8	21.4	–	**36.2**
Ophthalmic hospital in northern Jiangsu	–	–	3.4	17.7	39.3	–	**60.4**
Subtotal	**113.0**	**–**	**3.4**	**33.8**	**146.9**	**8.9**	**306.0**
Total	**163.5**	**47.0**	**3.4**	**34.1**	**164.0**	**47.0**	**459.0**

Acquiring Hospitals

As a part of our expansion plan, we plan to acquire hospitals, when appropriate opportunities arise, in cities where we have little or no presence with sizable population and relatively high level of demand for ophthalmic healthcare services. For details on our criteria for selecting potential targets, please see "Business — Our Operation Network — Our Expansion Plans — Strategic Acquisitions."

Subject to the availability of suitable targets and opportunities as well as market conditions, we plan to utilize the net proceeds of HK$156.1 million, HK$180.2 million and HK$239.0 million, respectively, to acquire two, three and four hospitals, respectively, for each of the years ending December 31, 2021, 2022 and 2023.

Upgrading Information Technology Systems

We plan to upgrade our IT systems, including our IT infrastructure, applications used in clinical and administrative activities, and data management and utilization systems. We plan to implement the upgrade of our IT systems primarily through procuring existing products and engaging external vendors for customized services and products. We also plan to introduce artificial intelligence technologies in the management and operation of our hospitals. Details of our plans for IT system upgrades and the expected benefits of such upgrades are set forth below.

- ***IT infrastructure:*** We plan to upgrade our IT infrastructure, including establishing and enhancing our internal network infrastructure, leasing and procuring servers, constructing server rooms, and developing network security systems and disaster recovery systems. We expect that such upgrade would lay a solid foundation for the deployment of various applications and systems to improve the operational efficiency and security of our internal network, prevent our core systems against cyber security threats and ensure the continuity of our core business.

- ***Applications used in clinical activities:*** We plan to leverage on high-speed networks and introduce new applications and upgrade the existing applications used in our clinical activities, such as our hospital information systems, online optical service system, remote consultation system, and the various systems used to manage the registration, consultation, operation and medication procedures for our patients. We expect that these new and upgraded applications may further improve the quality of our medical services and ensure the safety of our patients during the entire medical treatment process.

- ***Applications used in administrative activities:*** We plan to upgrade the applications used in our administrative activities to facilitate the digitalized and uniform management of our business. Such applications to be updated include the management applications for our procurement, supply chain, inventory, human resources and finance and accounting. We expect that such upgrade will further improve our overall management in a standardized, refined and advanced manner, which in turn would benefit our operation efficiency.

- ***Data management and utilization systems:*** We plan to upgrade our data management and utilization systems based on our operational and management needs, and establish a business intelligence system to provide data support for the decision-making process of our management team. We expect that such upgrade may provide our management team with accurate real-time data for their daily oversight and decision-making process, and further enhance the overall management of our operations.

- ***Artificial intelligence technologies:*** After the completion of the upgrade and optimization of the digitalized management of our business, we plan to introduce artificial intelligence technologies to further manage and utilize the data generated in our clinical activities and daily operations. We also plan to utilize artificial intelligence technologies in the examination and diagnose procedures at our hospitals, which is expected to reduce the time required for such procedures while maintaining the quality of our medical services. In particular, we plan to introduce artificial intelligence technologies for the examination and diagnosis of diabetic retinopathy, which has developed significantly in recent years. We also plan to work with external technology support teams to develop artificial intelligence technologies used for the predication and intervention of myopia progression in adolescents and for the measurement of

IOL implants for cataract treatments and the prediction of implantation results. As such, we expect that the introduction of artificial intelligence technologies will further improve our operational efficiency.

The following table sets forth an expected progress for our use of the net proceeds from the Global Offering for the upgrade of our IT systems.

	From the completion of the Global Offering to December 31, 2021	For the six months ending June 30, 2022	December 31, 2022	June 30, 2023	December 31, 2023	Total
	(HK$ millions)					
IT infrastructure	18.2	6.9	6.9	6.9	6.9	**45.8**
Applications used in clinical activities	13.0	10.4	10.4	10.1	10.1	**54.0**
Applications used in administrative activities	3.5	2.0	2.0	1.1	1.1	**9.7**
Data management and utilization systems	1.9	0.5	0.5	0.5	0.5	**3.9**
Artificial intelligence technologies	–	1.8	1.8	1.8	1.8	**7.2**
Total	**36.6**	**21.6**	**21.6**	**20.4**	**20.4**	**120.6**

If the Offer Price is fixed at HK$10.60 per Offer Share (being the high-end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK$73.9 million. If the Offer Price is fixed at HK$9.48 per Offer Share (being the low-end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK$73.9 million. The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-end of the estimated Offer Price range.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be (i) HK$209.9 million (assuming an Offer Price of HK$10.60 per Offer Share, being the high-end of the Offer Price range stated in this prospectus), (ii) HK$198.8 million (assuming an Offer Price of HK$10.04 per Offer Share, being the mid-end of the Offer Price range stated in this prospectus) and (iii) HK$187.7 million (assuming an Offer Price of HK$9.48 per Offer Share, being the low-end of the Offer Price range stated in this prospectus). Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis in the event that the Over-allotment Option is exercised.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to allocate part or all of the proceeds to short-term interest-bearing deposits with authorized financial institutions and/or licensed banks in Hong Kong and/or the PRC.

In the event of any material change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made.

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders in the Global Offering. The Selling Shareholders, after deduction of underwriting fees and discretionary incentive fees for the Sale Shares payable by them in the Global Offering (an aggregate amount of approximately RMB11.1 million (based on the mid-point of the indicative price range for the Global Offering)) and assuming an Offer Price of HK$10.04 per Share (being the mid-point of the indicative Offer Price range), will receive aggregate net proceeds from the Global Offering of approximately HK$322.2 million.

HONG KONG UNDERWRITERS

Haitong International Securities Company Limited
Huatai Financial Holdings (Hong Kong) Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis on the terms and conditions set out in this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed upon among the Joint Global Coordinators, our Company and the Selling Shareholders, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 17,093,000 Hong Kong Offer Shares and the International Offering of initially 153,837,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the Shares to be offered as mentioned in this prospectus (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option), and (ii) certain other conditions set forth in the Hong Kong Underwriting Agreement (including, among others, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), our Company and the Selling Shareholders agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable portions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among others, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If at any time prior to 8:00 a.m. on the Listing Date:

(1) there develops, occurs, exists or comes into force:

(a) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, the United States, the United Kingdom, the European Union (or any member thereof), Japan, the Cayman Islands, the British Virgin Islands (each a "**Relevant Jurisdiction**"); or

(b) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, the inter-bank markets and credit markets) in or affecting any Relevant Jurisdiction; or

(c) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, destruction of power plant, outbreak (in the case of COVID-19, escalation after the date of the Hong Kong Underwriting Agreement) of diseases or epidemics including, but not limited to, COVID-19, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) and such related/mutated forms, economic sanction, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis, in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or

(d) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities of generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(e) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Governmental Authority), New York (imposed at Federal or New York State level or other competent Governmental Authority), Russia, London, Singapore, the PRC, the European Union (or any member thereof), Japan or any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(f) any change or prospective change in or affecting Taxation, exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a change of the Hong Kong dollars or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any Relevant Jurisdiction; or

(g) the issue or requirement to issue by the Company of a supplemental or amendment to this prospectus, Application Forms, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the Shares pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC; or

(h) any change or development involving a prospective change which has the effect of materialisation of any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(i) any litigation or claim being threatened or instigated against any member of the Group, any Controlling Shareholder, or any Director; or

(j) a governmental authority or a regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or action or other proceedings, or announcing an intention to investigate or take other action or proceedings against any member of the Group, any Controlling Shareholders or any of the chairman, president, or the Directors; or

(k) any order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(l) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction on the Company, the Selling Shareholder, or any member of the Group,

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(i) is or will be or is likely to have a material adverse effect or any development involving a prospective material adverse effect on the assets, liabilities, business, general affairs, management, performance, shareholder's equity, profit, losses, position or condition (financial or otherwise), results of operation, or prospects of the Group, as a whole or to any present or prospective shareholder of the Company in its capacity as such; or

(ii) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or may make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or

(iii) makes or will make it or may make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice, the preliminary offering circular or the offering circular; or

(iv) would have or may have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(a) any of the chairman, chief executive officer, Directors vacating this office, or being charged with an indicatable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company; or

(b) any contravention by any member of the Group, any Controlling Shareholder, any Selling Shareholder, or any Director of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Cayman Companies Act, the Listing Rules or any other applicable Laws; or

(c) a prohibition on the Company, the Selling Shareholders, or the Controlling Shareholders for whatever reason from allotting, issuing, selling, or delivering any of the Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or

(d) any demand by creditors for repayment of indebtedness or payment of any indebtedness of any member of the Group or in respect of which any members of the Group is liable prior to its stated maturity which is likely to have a material adverse effect; or

(e) that any statement contained in the Hong Kong Public Offering documents and/or any notices, announcements, advertisements, communications issued or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, inaccurate, incorrect in any material respect or misleading, or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering documents and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

(f) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or

(g) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed, constitutes an material omission from any of the Hong Kong Public Offering documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(h) either (i) there has been a breach of any of the representations, warranties, undertakings, obligations or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by any parties (other than any of the Hong Kong Underwriters or the International Underwriters) or (ii) any of the representations, warranties and undertakings given by any parties (other than any of the Hong Kong Underwriters or the International Underwriters) in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading; or

(i) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties, as defined in the Hong Kong Underwriting Agreement, pursuant to Clause 9 thereof; or

(j) any adverse change or prospective adverse change or development involving a prospective change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of the Group, that have resulted in or could reasonably be expected to, individually or in the aggregate, result in a material adverse effect; or

(k) any material breach of any of the obligations of any warrantor under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(l) any breach of, or any event rendering any of the warranties untrue or incorrect or misleading in any material respect; or

(m) a material portion of the orders in the book-building process at the time of the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled; or

(n) any expert, whose consent is required for the issue of this prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent (other than the Joint Sponsors) prior to the issue of this prospectus; or

(o) any person (other than the Joint Sponsors) has withdrawn or is subject to withdrawal of its consent to being named in any of the offering documents or to the issue of any of the offering documents; or

(p) admission is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(q) the Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(r) the Stock Borrowing Agreement is not duly authorized, executed and delivered or it is terminated,

then the Joint Global Coordinators may (for themselves and on behalf of the Hong Kong Underwriters), in their sole and absolute discretion and upon giving notice orally or in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, we will not issue any further shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which our securities first commence dealing on the Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering, the exercise of Over-allotment Option or for the circumstances permitted under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, except pursuant to the Global Offering (including pursuant to the Stock Borrowing Agreement), he/she/it shall not and shall procure that none of his/her/its close associates will, without the prior written consent of the Stock Exchange or unless in compliance with the requirements of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in the Shares commence on the Stock Exchange (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; or

(b) in the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a Controlling Shareholder of our Company.

Note (2) to Rule 10.07(2) of the Listing Rules provides that Rule 10.07 does not prevent each of our Controlling Shareholders from using the Shares beneficially owned by it as security (including a charge or pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it shall:

(i) when he/she/it or the relevant registered holders pledge or charge any Shares beneficially owned by he/she/it in favor of an authorized institution (as defined in the Banking Ordinance, (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when he/she/it or the relevant registered holders receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company and the Stock Exchange in writing of such indications.

We will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time during the First Six-Month Period, we will not, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable or any interest in any of the forgoing), or deposit any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of such share capital or securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction described in clause (a) or (b) above; or

(d) offer to or contract to or agree to or announce or publicly disclose any intention to effect any transaction specified in clause (a), (b) or (c) above,

in each case, whether any of the foregoing transactions described in clause (a), (b) or (c) above is to be settled by delivery of Shares or such other securities or shares or such other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

In the event the Company enters into any of the transactions described in clause (a), (b) or (c) above or offers to or contracts to or agrees to or announces or publicly discloses any intention to effect any such transaction during the Second Six-Month Period, it shall take all reasonable steps to ensure that such transaction will not, create a disorderly or false market for any Shares or other securities of the Company. Each of the Controlling Shareholders hereby undertakes to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure the Company to comply with such undertakings.

(B) Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders has jointly and severally undertaken to each of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option or the Stock Borrowing Agreement, he/she/it will not, and will procure the relevant registered holder(s) will not, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with or otherwise permitted under the Listing Rules (including, but not limited to, note (2) to Rule 10.07(2) of the Listing Rules):

(a) at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) and (ii) above, or (iv) offer to or agree to or announce or publicly disclose any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any such transactions is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period); and

(b) at any time during the Second Six-Month Period, enter into any transaction described in paragraph (a) above or offers to or agrees or announces any intention to enter into any such transactions if, immediately following such transaction, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and

(c) until the expiry of the Second Six-Month Period, in the event that he/she/it enters into any of the transactions specified in clause (i), (ii) or (iii) of paragraph (a) above and paragraph (b) above or offers to or agrees to or announces any intention to enter into any such transactions, he/she/it will take all reasonable steps to ensure that he/she/it will not create a disorderly or false market in the securities of the Company.

Undertakings by the Pre-IPO Investors

Each of the Pre-IPO Investors has entered into a deed of lock-up undertaking, pursuant to which all of the Shares held by them shall be subject to a 180-day lock-up period commencing from the Listing Date.

Indemnity

We and our Controlling Shareholders have agreed to indemnify, among others, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in Our Company

Except for their obligations under the Hong Kong Underwriting Agreement and save as disclosed in this prospectus, the Hong Kong Underwriters do not have any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we, the Selling Shareholders and our Controlling Shareholders will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would, severally and not jointly, agree to purchase, or procure purchasers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, amongst others, any reallocation between the International Offering and the Hong Kong Public Offering, and excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at their sole and absolute discretion, the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 20,625,000 Shares, representing 15% of the New Shares and approximately 12% of the initial Offer Shares, at the Offer Price under the International Offering to, cover over-allocations in the International Offering, if any.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option). The Underwriters may also receive a discretionary incentive fee of up to 1.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering (in such proportion as the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their sole discretion consider appropriate), the underwriting commission regarding such Hong Kong Offer Shares shall be reallocated to the International Underwriters (in such proportion as may be agreed) at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters.

Assuming the Over-allotment Option is not exercised, the aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering, which are currently estimated to amount in aggregate to approximately HK$97.3 million (assuming an Offer Price of HK$10.04 per Offer Share, being the mid-point of the indicative Offering Price range stated in this prospectus), are payable and borne by our Company. The Selling Shareholders will bear the commissions, fees, together with Hong Kong Stock Exchange listing fees, SFC transaction levy and Hong Kong Stock Exchange trading fees with respect to the Shares sold by them in the Global Offering as well as certain other expenses as agreed or to be agreed in the Underwriting Agreements, as applicable.

INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering." Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 17,093,000 Shares (subject to reallocation) for subscription by the public in Hong Kong as described in the paragraph headed "— The Hong Kong Public Offering" below; and

(ii) the International Offering of 153,837,000 Shares (comprising 120,407,000 New Shares and 33,430,000 Sale Shares, and subject to reallocation and the Over-allotment Option), consisting of the offering of our Shares (i) in the United States only to QIBs in reliance on Rule 144A, and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S under the U.S. Securities Act or any other available exemption from registration under the U.S. Securities Act, as described in "— The International Offering" below.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 24.86% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option, if any. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 2.91% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "— The International Offering — Over-allotment Option."

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in the paragraph headed "— The Hong Kong Public Offering — Reallocation."

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares Initially Offered

We are initially offering 17,093,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Shares initially available under the Global Offering.

Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised, the Hong Kong Offer Shares will represent approximately 2.49% of our Company's issued share capital immediately after the completion of the Global Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in the paragraph headed "— Conditions of the Hong Kong Public Offering."

Allocation

The allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offering (after taking into account of any reallocation) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 8,546,500 and 8,546,500, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple applications or suspected multiple applications and any application for more than 8,546,500 Hong Kong Offer Shares (being 50% of the 17,093,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached ("**Mandatory Reallocation**") as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 51,279,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 68,372,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 85,465,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators and the Joint Sponsors deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B. If the Hong Kong Offer Shares are not fully subscribed, the Joint Global Coordinators and the Joint Sponsors have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators and the Joint Sponsors deem appropriate.

In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators and the Joint Sponsors may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, provided that the Offer Price would be set at HK$9.48 per Offer Share (being the low end of the indicative Offer Price range), up to 17,093,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the maximum total number of the Shares available under the Hong Kong Public Offer will be increased to 34,186,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators in their sole discretion consider appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he/she/it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$10.60 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph " — Pricing and Allocation," is less than the maximum price of HK$10.60 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For details, please see the section headed "How to Apply for the Hong Kong Offer Shares."

THE INTERNATIONAL OFFERING

Number of International Offer Shares Initially Offered

Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised, the International Offering will consist of an initial offering of 153,837,000 Offer Shares (comprising 120,407,000 New Shares and 33,430,000 Sale Shares), representing approximately 90% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "— Pricing and Allocation" and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the International Underwriters) may require any investor who has been offered the Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that he/she/it is excluded from any application of the Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of the Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "— The Hong Kong Public Offering — Reallocation" above or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue an aggregate of 20,625,000 additional Shares, representing 15% of the New Shares and approximately 12% of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 2.91% of our Company's enlarged issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, we will make an announcement in due course.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced may be discontinued at any time, and is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Should stabilizing transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilizing Manager or any person acting for it.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilizing Manager, or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;

(b) there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, or any person acting for it, will maintain such a long position;

(c) liquidation of any such long position by the Stabilizing Manager, or any person acting for it, may have an adverse impact on the market price of the Shares;

(d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

(e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

(f) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Joint Global Coordinators, or any person acting for it may cover such over-allocation by, using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangement mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued and/or sold pursuant to the exercise in full of the Over-allotment Option, being 20,625,000 Shares, representing 15% of the New Shares and approximately 12% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it may choose to borrow up to 20,625,000 Shares from Xiwang Medical Management to cover over-allocations (being the maximum number of additional Shares which may be allotted and issued upon exercise of the Over-allotment Option) pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement among our Company, the Selling Shareholders and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Tuesday, June 29, 2021 and in any event no later than Tuesday, July 6, 2021. The number of Offer Shares to be allocated under the various offerings will be determined shortly hereafter.

The Offer Price will not be more than HK$10.60 per Offer Share and is expected to be not less than HK$9.48 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

Announcement of Offer Price Reduction

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company and the Selling Shareholders, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price stated below in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.chaojueye.com**) notices of the reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, the Company will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change and, where appropriate, extend the period under which the Hong Kong Public Offering was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require investors who had applied for the Hong Kong Public Offer Shares to positively confirm their applications for Offer Shares in light of the change in the number of Offer Shares and/or the Offer Price. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters), our Company and Selling Shareholders, will be fixed within such revised offer price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company, and Selling Shareholders, and the Joint Global Coordinators, will under no circumstances be set outside the Offer Price range as stated in this prospectus. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of the initial Hong Kong Offer Shares shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions and other expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$1,357.1 million, assuming an Offer Price per Offer Share of HK$10.60, or approximately HK$1,209.3 million, assuming an Offer Price per Offer Share of HK$9.48 (or if the Over-allotment Option is exercised in full, approximately HK$1,567.0 million, assuming an Offer Price per Offer Share of HK$10.60, or approximately HK$1,397.0 million, assuming an Offer Price per Offer Share of HK$9.48).

The Offer Price under the Global Offering is expected to be announced on Tuesday, July 6, 2021. The indications of interest in the Global Offering, the results of applications and the basis of allotment of the Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Tuesday, July 6, 2021 on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.chaojueye.com**).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company, the Selling Shareholders and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting."

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptances of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn;

(ii) the Offer Price having been agreed between our Company, the Selling Shareholders and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company, the Selling Shareholders and the Joint Global Coordinators (for themselves on behalf of the Underwriters) on or before Tuesday, July 6, 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among others, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will as soon as possible publish or cause to be published a notice of the lapse of the Hong Kong Public Offering in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.chaojueye.com**). In such event, all application monies will be returned, without interest, on the terms set forth in the paragraph headed "How to Apply for the Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies." In the meantime, all application monies will be held in a separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, July 7, 2021, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, July 7, 2021. The Shares will be traded on the Main Board of the Stock Exchange in board lots of 500 Shares each and the stock code of the Shares will be 2219.

1. HOW TO APPLY

If you apply for the Hong Kong Offer Shares, then you may not apply for or indicate an interest for the International Offer Shares.

To apply for the Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act);
- are not an existing Shareholder and/or his/her/its close associate;
- are not a core connected person of the Company and will not become a core connected person of the Company immediately upon completion of the Global Offering; and
- have not been allocated and have not applied for or indicated interest in any Offer Share under the International Offering.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES WHICH APPLICATION CHANNEL TO USE

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, June 24, 2021 until 12:00 noon on Tuesday, June 29, 2021 from:

(i) any of the following offices of the Hong Kong Underwriters:

Haitong International Securities Company Limited	22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong
Huatai Financial Holdings (Hong Kong) Limited	62/F, The Center, 99 Queen's Road Central, Central, Hong Kong

(ii) any of the following branches of the receiving bank(s):

District	Branch Name	Address
Hong Kong Island	Central Branch	1/F., 9 Queen's Road Central, Hong Kong
	Wanchai Branch	117-123 Hennessy Road, Wanchai, Hong Kong
Kowloon.............	Tsim Sha Tsui Branch	Shop 1&2, G/F, No. 35-37 Hankow Road, Tsimshatsui, Kowloon
	Mongkok Branch	G/F, Belgian Bank Building, 721-725 Nathan Road, Mongkok, Kowloon
New Territories.......	Sha Tsui Road Branch	Shop 4, G/F Chung On Building, 297-313 Sha Tsui Road, Tsuen Wan, New Territories
	Tai Po Branch	Shop F, G/F, Mee Fat Building, No 34-38 Tai Wing Lane, Tai Po, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, June 24, 2021 until 12:00 noon on Tuesday, June 29, 2021 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited — Chaoju Eye Care Holdings Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank(s) listed above, at the following times:

- Thursday, June 24, 2021 — 9:00 a.m. to 5:00 p.m.
- Friday, June 25, 2021 — 9:00 a.m. to 5:30 p.m.
- Saturday, June 26, 2021 — 9:00 a.m. to 1:00 p.m.
- Monday, June 28, 2021 — 9:00 a.m. to 5:00 p.m.
- Tuesday, June 29, 2021 — 9:00 a.m. to 12:00 noon

The application lists for the Hong Kong Offer Shares will be open from 11:45 a.m. to 12:00 noon on Tuesday, June 29, 2021, the last application day or such later time as described in " — 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Cayman Companies Act, Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form, and the designated website under the **White Form eIPO** service and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, supervisors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, the Hong Kong Share Registrar, receiving bank(s), the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form, and the designated website under the **White Form eIPO** service;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the paragraph headed "— 15. Personal Collection" in this section to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Terms and Conditions for the YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "— 2. Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, June 24, 2021 until 11:30 a.m. on Tuesday, June 29, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, June 29, 2021 or such later time in "— 10. Effect of Bad Weather on the Opening of the Application Lists."

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Chaoju Eye Care Holdings Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, have not indicated or will not indicate an interest for, any Offer Shares under the International Offering nor otherwise participate in the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, the Hong Kong Share Registrar, receiving bank(s), the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum number of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Thursday, June 24, 2021 — 9:00 a.m. to 8:30 p.m.
- Friday, June 25, 2021 — 8:00 a.m. to 8:30 p.m.
- Monday, June 28, 2021 — 8:00 a.m. to 8:30 p.m.
- Tuesday, June 29, 2021 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, June 24, 2021 until 12:00 noon on Tuesday, June 29, 2021 (24 hours daily, except on Tuesday, June 29, 2021, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, June 29, 2021, the last application day or such later time as described in " — 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank(s), the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, June 29, 2021.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering — Pricing and Allocation."

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- an announcement of "extreme conditions" by the government of Hong Kong in accordance with the revised "Code of Practice in Times of Typhoons and Rainstorms" issued by the Hong Kong Labour Department in June 2019.

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, June 29, 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon. If the application lists do not open and close on Tuesday, June 29, 2021 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable," an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, July 6, 2021 in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on our Company's website at **www.chaojueye.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.chaojueye.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, July 6, 2021;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, July 6, 2021 to 12:00 midnight on Monday, July 12, 2021;
- by telephone enquiry line by calling 2862 8555 between 9:00 a.m. and 6:00 p.m. Tuesday, July 6, 2021, Wednesday, July 7, 2021, Thursday, July 8, 2021 and Friday, July 9, 2021;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, July 6, 2021 to Thursday, July 8, 2021 at all the receiving bank(s)' designated branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. See the section headed "Structure of the Global Offering" for further details.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$10.60 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Global Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, July 6, 2021.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Tuesday, July 6, 2021. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, July 7, 2021 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade the Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

15. PERSONAL COLLECTION

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, July 6, 2021 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, July 6, 2021, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Tuesday, July 6, 2021, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, July 6, 2021, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- ***If you apply through a designated CCASS participant (other than a CCASS investor participant)***

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- ***If you are applying as a CCASS investor participant***

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in " — 11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, July 6, 2021 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, July 6, 2021, or such other date as notified by the Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, July 6, 2021 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, July 6, 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in " — 11. Publication of Results" above on Tuesday, July 6, 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, July 6, 2021 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, July 6, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, July 6, 2021.

16. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

The Directors

Chaoju Eye Care Holdings Limited
Haitong International Capital Limited
Huatai Financial Holdings (Hong Kong) Limited

Dear Sirs,

We report on the historical financial information of Chaoju Eye Care Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-87, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2018, 2019 and 2020 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2018, 2019 and 2020 and the statements of financial position of the Company as at 31 December 2020 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-87 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 24 June 2021 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2018, 2019 and 2020 and the Company as at 31 December 2020, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
24 June 2021

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Section II Notes	Year ended 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
REVENUE	5	632,659	714,671	794,282
Cost of sales		(387,707)	(436,630)	(444,762)
Gross profit		244,952	278,041	349,520
Other income and gains	6	7,970	12,894	7,351
Selling and distribution expenses		(35,863)	(34,531)	(32,892)
Administrative expenses		(129,341)	(118,132)	(133,527)
Other expenses		(9,922)	(4,565)	(7,919)
Impairment losses on financial assets, net		(5,379)	(17,279)	(12,165)
Finance costs	8	(24,319)	(22,868)	(12,747)
Share of losses of associates		(696)	(1,496)	–
PROFIT BEFORE TAX	7	47,402	92,064	157,621
Income tax expenses	11	(18,196)	(21,240)	(37,090)
PROFIT FOR THE YEAR		29,206	70,824	120,531
Attributable to:				
Owners of the parent		38,709	75,651	124,139
Non-controlling interests		(9,503)	(4,827)	(3,608)
		29,206	70,824	120,531
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:				
Basic and diluted	13	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
PROFIT FOR THE YEAR	29,206	70,824	120,531
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	–	–	197
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	–	–	197
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	–	–	197
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	29,206	70,824	120,728
Attributable to:			
Owners of the parent	38,709	75,651	124,336
Non-controlling interests	(9,503)	(4,827)	(3,608)
	29,206	70,824	120,728

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section II Notes	As at 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	287,796	309,106	294,770
Right-of-use assets	15(a)	208,062	187,511	151,788
Goodwill	16	28,228	28,228	28,228
Intangible assets	17	62,119	59,132	56,476
Investments in associates	18	1,496	–	–
Deferred tax assets	26	4,788	4,812	4,762
Prepayments, other receivables and other assets	21	2,154	1,544	11,493
Total non-current assets		594,643	590,333	547,517
CURRENT ASSETS				
Inventories	19	46,553	36,058	37,999
Trade receivables	20	65,776	71,789	62,037
Prepayments, other receivables and other assets	21	23,656	32,622	27,928
Due from related parties	36	175,914	24,883	295
Restricted deposits	22	9,620	7,215	–
Cash and cash equivalents	22	157,234	239,815	413,246
Total current assets		478,753	412,382	541,505
CURRENT LIABILITIES				
Trade payables	23	62,655	50,538	39,291
Other payables and accruals	24	96,213	95,183	105,354
Due to related parties	36	71,777	33,584	–
Interest-bearing bank and other borrowings	25	126,344	45,786	6,000
Lease liabilities	15(b)	35,720	36,496	30,544
Tax payable		15,755	8,810	17,467
Total current liabilities		408,464	270,397	198,656
NET CURRENT ASSETS		70,289	141,985	342,849
TOTAL ASSETS LESS CURRENT LIABILITIES		664,932	732,318	890,366

	Section II Notes	As at 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	25	44,962	24,272	678
Lease liabilities	15(b)	155,263	138,766	105,139
Deferred tax liabilities	26	15,371	14,290	20,204
Other payables and accruals	24	–	703	800
Total non-current liabilities		215,596	178,031	126,821
Net assets		449,336	554,287	763,545
EQUITY				
Equity attributable to owners of the parent				
Share capital	27	–	–	93
Reserves	29	410,786	521,626	737,155
		410,786	521,626	737,248
Non-controlling interests		38,550	32,661	26,297
Total equity		449,336	554,287	763,545

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent						
	Share capital	Capital reserve	Share-based payment reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	–	293,800	6,509	(48,810)	251,499	38,400	289,899
Profit for the year	–	–	–	38,709	38,709	(9,503)	29,206
Total comprehensive income for the year	–	–	–	38,709	38,709	(9,503)	29,206
Issue of share capital	–	117,822	–	–	117,822	–	117,822
Share-based payments (note 28)	–	–	2,756	–	2,756	–	2,756
Acquisition of a subsidiary (note 30)	–	–	–	–	–	6,282	6,282
Contributions by non-controlling shareholders	–	–	–	–	–	3,371	3,371
At 31 December 2018	–	411,622*	9,265*	(10,101)*	410,786	38,550	449,336

	Attributable to owners of the parent						
	Share capital	Capital reserve	Share-based payment reserve	Retained profits/ Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2018 and 1 January 2019	–	411,622	9,265	(10,101)	410,786	38,550	449,336
Profit for the year	–	–	–	75,651	75,651	(4,827)	70,824
Total comprehensive income for the year	–	–	–	75,651	75,651	(4,827)	70,824
Issue of share capital	–	64,789	–	–	64,789	–	64,789
Share-based payments (note 28)	–	–	2,847	–	2,847	–	2,847
Acquisition of a subsidiary (note 30)	–	–	–	–	–	70	70
Acquisition of non-controlling interests (i)	–	(32,447)	–	–	(32,447)	(2,396)	(34,843)
Contributions by non-controlling shareholders	–	–	–	–	–	1,264	1,264
At 31 December 2019	–	443,964*	12,112*	65,550*	521,626	32,661	554,287

Notes:

(i) During the year ended 31 December 2019, the Group acquired the following non-controlling interests:

(a) On 16 December 2019, the Group acquired the remaining 14% interest in Chaoju (Chifeng) Eye Hospital Co., Ltd. ("Chifeng Hospital") from Mr. Zhang Fengsheng, one of the controlling shareholders of the Group at a consideration of RMB27,800,000. The difference between the net assets carrying value attributable to the 14% interest in Chifeng Hospital and the consideration amounting to RMB19,393,000 was debited to capital reserve.

(b) On 28 August 2019, the Group acquired the remaining 30% interest in Jiangsu Chaoju Investment Management Co., Ltd. ("Jiangsu Chaoju") at a consideration of RMB4,324,000. The difference between the net assets carrying value attributable to the 30% interest in Jiangsu Chaoju and the consideration amounting to RMB10,232,000 was debited to capital reserve.

(c) On 30 April 2019, the Group further acquired an 8% interest in Ningbo Boshi Eye Hospital Co., Ltd. ("Ningbo Boshi") at a consideration of RMB2,704,000. The difference between the net assets carrying value attributable to the 8% interest in Ningbo Boshi and the consideration amounting to RMB1,123,000 was debited to capital reserve.

(d) On 30 September 2019, the Group acquired an 18.55% interest in Hulunbuir Chaoju Eye Hospital Co. Ltd. ("Hulunbuir Hospital"), and a 27.40% interest in Hulunbuir City Chaoju Optometry Co. Ltd. ("Hulunbuir Optometry") at nil cash consideration. The differences between the net assets carrying value attributable to the above respective interest and the consideration amounting to RMB1,964,000 and RMB79,000 were debited to capital reserve, respectively.

(e) On 6 December 2019, the Group acquired a 14% interest in Chifeng Chaoju Eyeglasses Co., Ltd. ("Chifeng Eyeglasses") at a consideration of RMB14,000.The difference between the net assets carrying value attributable to the 14% interest in Chifeng Eyeglasses and the consideration amounting to RMB344,000 was credited to capital reserve.

	Attributable to owners of the parent							
	Share capital	Capital reserve	Share-based payment reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 28)	–	–	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 net assets carrying value attributable to the interest and the consideration amounting to RMB258,000 and RMB7,000 were debited to 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 net assets carrying value attributable to the 9.68% interest and the consideration amounting to RMB65,000 was credited to capital reserve.

* These reserve accounts represent the total reserves of RMB410,786,000, RMB521,626,000 and RMB737,155,000 in the consolidated statements of financial position as at 31 December 2018, 2019 and 2020, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Section II Notes	Year ended 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		47,402	92,064	157,621
Adjustments for:				
Finance costs	8	24,319	22,868	12,747
Share of losses of associates	18	696	1,496	–
Foreign exchange differences, net	7	282	2,135	247
Interest income	6	(6,798)	(6,706)	(4,595)
(Gain)/loss on disposal of items of property, plant and equipment, net	7	(160)	67	212
Gain on disposal of an associate	6	–	(2,000)	–
Loss on disposal of a subsidiary	7	–	–	390
Covid-19-related rent concessions from lessors	15	–	–	(702)
Gain on bargain purchase	6, 30(b)	–	(375)	–
Depreciation of property, plant and equipment	7, 14	39,397	38,797	39,805
Depreciation of right-of-use assets	7, 15	28,168	32,801	32,588
Amortisation of intangible assets	7, 17	4,256	4,642	4,858
Impairment of trade receivables	7, 20	1,137	6,796	1,948
Impairment of other receivables	7	958	778	5,379
Impairment of amounts due from related parties	7	3,284	9,705	4,838
Share-based payments	7, 28	2,756	2,847	9,435
		145,697	205,915	264,771
(Increase)/decrease in inventories		(3,130)	10,496	(1,958)
(Increase)/decrease in trade receivables		(40,688)	(12,584)	7,804
Decrease in prepayments, other receivables and other assets		28,371	2,765	2,426
(Decrease) in trade payables		(20,393)	(12,279)	(11,221)
(Decrease)/increase in other payables and accruals		(6,950)	10,531	13,898
Decrease in amounts due from related parties		9,385	2,725	216
Increase/(decrease) in amounts due to related parties		3,988	(5,623)	(5,192)
(Increase)/decrease in restricted deposits		–	(7,215)	7,215
Cash generated from operations		116,280	194,731	277,959
Interest received		769	2,871	3,842
Interest paid		(11,778)	(12,425)	(10,587)
Income tax paid		(14,838)	(29,290)	(22,469)
Net cash flows from operating activities		90,433	155,887	248,745

	Section II Notes	Year ended 31 December 2018	2019	2020
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		–	12,011	4,660
Payments for acquisition of items of property, plant and equipment		(96,801)	(36,981)	(50,382)
Payments for acquisition of intangible assets		(597)	(1,655)	(2,202)
Proceeds from disposal of items of property, plant and equipment		349	391	589
Proceeds from disposal of an associate	6	–	2,000	–
Acquisition of subsidiaries	30	(71,759)	324	(4,043)
Disposal of a subsidiary	31	–	–	(25)
Increase/(decrease) in prepayments, other receivables and other assets		(949)	–	500
Decrease in amounts due from related parties		22,955	118,655	15,449
Net cash flows (used in)/ from investing activities		(146,802)	94,745	(35,454)
CASH FLOWS FROM FINANCING ACTIVITIES				
Acquisition of non-controlling interests		–	(34,829)	(44)
Proceeds from issue of share capital		121,250	26,933	116,051
Repayment of non-controlling interests		–	–	(3,028)
Contributions by non-controlling shareholders		3,371	1,264	200
Increase in interest-bearing bank and other borrowings		158,817	91,000	21,929
Repayment of interest-bearing bank and other borrowings		(108,434)	(201,819)	(87,469)
Repayment of amounts due to related parties		(1,641)	(29,611)	(14,123)
(Increase)/decrease in restricted deposits		(9,620)	9,620	–
Principal portion of lease payments	15	(32,440)	(27,971)	(35,742)
Payments of listing expenses		(175)	(503)	(3,387)
Dividends paid		–	–	(34,000)
Net cash flows from/(used in) financing activities		131,128	(165,916)	(39,613)
NET INCREASE IN CASH AND CASH EQUIVALENTS		74,759	84,716	173,678
Cash and cash equivalents at beginning of the year		82,757	157,234	239,815
Effect of foreign exchange rate changes, net		(282)	(2,135)	(247)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		157,234	239,815	413,246

	Section II Notes	Year ended 31 December 2018	2019	2020
		RMB'000	RMB'000	RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		166,854	247,030	413,246
Less: Restricted deposits		(9,620)	(7,215)	–
Cash and cash equivalents as stated in the consolidated statements of financial position and statements of cash flows		157,234	239,815	413,246

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Section II Notes	As at 31 December 2020
		RMB'000
NON-CURRENT ASSETS		
Investments in a subsidiary		170,388
Total non-current assets		170,388
CURRENT ASSETS		
Cash and cash equivalents		51
Total current assets		51
CURRENT LIABILITIES		
Other payables and accruals	24	6,733
Total current liabilities		6,733
NET CURRENT LIABILITIES		6,682
TOTAL ASSETS LESS CURRENT LIABILITIES		163,706
Net assets		163,706
EQUITY		
Share capital	27	93
Reserves		163,613
Total equity		163,706

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

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 immediate shareholders of the Group include Jutong Medical Management Co. Ltd, Xiwang Medical Management Co. Ltd, Sihai Medical Management Co. Ltd, Guangming Medical Management Co. Ltd, Sitong Medical Management Co. Ltd and Xiamen Juludazhou Equity Investment Partnership (Limited Partnership). The controlling shareholders of the Group include Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Zhang Fengsheng and Mrs. Zhang Yumei who are the parties-acting-in-concert (collectively referred to as the "Controlling Shareholders").

The Company and its subsidiaries now comprising the Group underwent the reorganization as set out in the section headed "History, Reorganization and Corporate Structure" in the Prospectus (the "Reorganization"). Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, the particulars of which are as follows:

English name	Chinese name	Notes	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	(ii)	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	(ii)	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	(xi)	The PRC/ Mainland China	RMB200,000,000	–	100%	Investment holding company
Xiamen Xinkangnuo Management Consulting Co., Ltd	廈門信康諾管理諮詢有限公司	(ii)	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	(ii)	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	(ii)	The PRC/ Mainland China	RMB100,000,000	–	100%	Investment management

English name	Chinese name	Notes	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	
Xiamen Zhicheng Zhiyuan Medical Equipment Trading Co., Ltd.*	廈門至誠致遠醫療器械貿易有限公司	(i)	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	(ii)	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	(ii)	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	(xii)	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	(ii)	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	(iv), (vii), (ix)	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	(ii)	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	(ii)	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	(iii), (vi), (xii)	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	(ii)	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	(ii)	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	(ii)	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	(ii)	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	(ii)	The PRC/ Mainland China	RMB100,000	–	100%	Sale of eyewear and optical products
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	(ii)	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	(viii), (x)	The PRC/ Mainland China	RMB5,000,000	–	100%	Provision of ophthalmic service

English name	Chinese name	Notes	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	
Zhungeer Qi Chaoju Optometry Co., Ltd.*	准格爾旗朝聚驗光配鏡有限公司	(ii)	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	(ii)	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	(ii)	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	(ii)	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	(ii)	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	(ii)	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	(ii)	The PRC/ Mainland China	RMB3,000,000	–	100%	Sale of eyewear and optical products
Tongliao Chaoju Eyeglasses Co., Ltd.*	通遼市朝聚眼鏡有限責任公司	(ii)	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	(ii)	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	(ii)	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	(ii)	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	(v)	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	(ii)	The PRC/ Mainland China	RMB500,000	–	97.30%	Sale of eyewear and optical products
Dalate Qi Chaoju Optometry Co., Ltd.*	達拉特旗朝聚驗光配鏡有限公司	(ii)	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	(ii)	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	(ii)	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	(ii)	The PRC/ Mainland China	RMB1,000,000	–	100%	Sale of eyewear and optical products

English name	Chinese name	Notes	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	
Xilinhaote City Chaoju Eye Hospital Co., Ltd.*	錫林浩特市朝聚眼科醫院有限責任公司	(ii)	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	(ii)	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	(xiii)	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	(ii)	The PRC/ Mainland China	RMB10,000,000	–	100%	Provision of ophthalmic service
Zhoushan Chaoju Eye Hospital Co., Ltd.*	舟山朝聚光學眼鏡有限公司	(ii)	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	(ii)	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	(iii)	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	(ii)	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	(ii)	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	(ii)	The PRC/ Mainland China	RMB10,000,000	–	100%	Provision of ophthalmic service
Jiaxing City Chaoju Hospital Management Consulting Co., Ltd.*	嘉興市朝聚光學眼鏡有限公司	(ii)	The PRC/ Mainland China	RMB500,000	–	100%	Hospital management consulting
Jiangsu Chaoju Investment Management Co., Ltd.*	江蘇朝聚醫療管理有限公司	(ii)	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	(ii)	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	(ii)	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	(ii)	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	(ii)	The PRC/ Mainland China	RMB10,000,000	–	100%	Provision of ophthalmic service

* 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.

Note:

(i) Xiamen Zhicheng Zhiyuan Medical Equipment Trading Co., Ltd is registered as wholly-foreign-owned enterprise under PRC law. No audited statutory financial statements were prepared for the subsidiary for the Relevant Periods as the entity was newly established in 2020.

(ii) No audited statutory financial statements were prepared for these subsidiaries during the Relevant Periods as they are either newly incorporated or not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

(iii) The financial statements of these entities for the year ended 31 December 2018 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Inner Mongolia Tongren Accounting Firm (內蒙古同人會計師事務所), Certified Public Accountants.

(iv) The financial statements of the entity for the year ended 31 December 2018 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Inner Mongolia Xinrong Accounting Firm (內蒙古信榮會計師事務所), Certified Public Accountants.

(v) The financial statements of the entity for the year ended 31 December 2018 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Hulunbuir City Haixin Accounting Firm (呼倫貝爾市海信會計師事務所), Certified Public Accountants.

(vi) The financial statements of the entity for the year ended 31 December 2019 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Inner Mongolia Tongren Accounting Firm (內蒙古同人會計師事務所), Certified Public Accountants.

(vii) The financial statements of the entity for the year ended 31 December 2019 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Inner Mongolia Zhiyong Accounting Firm (內蒙古致永會計師事務所), Certified Public Accountants.

(viii) The financial statements of the entity for the year ended 31 December 2019 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Fengzhen City Xingfeng Accounting Firm (豐鎮興豐會計師事務所), Certified Public Accountants.

(ix) The financial statements of the entity for the year ended 31 December 2020 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Inner Mongolia Xinrong Accounting Firm (內蒙古信榮會計師事務所), Certified Public Accountants.

(x) The financial statements of the entity for the year ended 31 December 2020 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Fengzhen City Xingfeng Accounting Firm (豐鎮興豐會計師事務所), Certified Public Accountants.

(xi) The financial statements of the entity for the year ended 31 December 2020 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Fujian Xinlongyuan Accounting Firm (福建欣隆源會計師事務所), Certified Public Accountants.

(xii) The financial statements of these entities for the year ended 31 December 2020 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Inner Mongolia Tongren Accounting Firm (內蒙古同人會計師事務所), Certified Public Accountants.

(xiii) The financial statements of the entity for the year ended 31 December 2020 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Hangzhou Tianpu Accounting Firm (杭州天浦會計師事務所), Certified Public Accountants.

2.1 Basis of presentation

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Corporate Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 30 July 2020. The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganization. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods included the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2018, 2019 and 2020 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries held by parties other than the Controlling Shareholders, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2020, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention.

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 the Historical Financial Information.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-Current*[3, 5]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IAS 1, IFRS 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand* Clause was revised in October 2020 to align the corresponding wording with no change in conclusion

[6] 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.

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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: *Interest Rate Benchmark Reform — Phase 2*

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 RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount 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 are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

Amendments to IFRS 10 and IAS 28 (2011): ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

Amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) 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 (2011) 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.

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 IFRSs 2018-2020:* Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41**

Annual Improvements to IFRSs 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 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

Subsidiaries

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 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 in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The results of subsidiaries are included in the Company's statements of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

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.

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 net 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.

Fair value measurement

A fair value measurement of assets 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 Historical Financial Information 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 Historical Financial Information 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 of the Relevant Periods.

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.

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.

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.

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 of the Relevant Periods.

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.

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 of the Relevant Periods.

Software

The Group's software mainly includes Enterprise Resources Planning (ERP), Office Automation (OA) and Electronic Medical Record (EMR). The estimated useful lives of software are based on the management's best estimation of the useful lives of software with similar nature and functions.

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 licenses

The Group's medical licenses arose from the acquisition of Ningbo Boshi Eye Hospital Co., Ltd., Ninghai Eye Hospital Co., Ltd. and Xiangshan Ren Ming Eye Hospital Co., Ltd. The estimated useful lives of medical licenses are based on the following factors: (i) The recognition of medical licenses as intangible assets is based on the fifteen-year financial forecasts considering the expected lives of the economic benefits of the medical licenses for future developments, trends and conditions in the ophthalmic services industry and the market demand. Therefore, the useful lives of the medical licenses is in line with the expected lives of the economic benefits used in the recognition of intangible assets; (ii) The useful lives of similar medical licenses adopted by listed peers ranged from 5-30 years and the 15-year useful lives of the medical licenses adopted by the Group are within such range; (iii) The renewal of the medical licenses is the procedural arrangements and has no substantial obstacles considering the operation status of these related hospitals. The useful lives of the medical licenses is also based on the ability and intention of renewal of the medical licenses of the management.

Medical licenses acquired in a business combination are recognised at fair value at the acquisition date. These medical licenses 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.

(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.

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.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or 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.

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:

<u>Financial assets at amortised cost (debt instruments)</u>

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.

<u>Financial assets at fair value through profit or loss</u>

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.

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.

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 and finance lease 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, due to related parties and lease liabilities.

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.

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.

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 attached 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.

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 a 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 recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Other income

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

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.

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 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 28 to the Historical Financial Information.

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.

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.

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

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

The functional currency of an overseas subsidiary is currency other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of the entity are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and the statement of profit or loss is translated into RMB at the weighted average exchange rates for the year.

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 Historical Financial Information 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 Historical Financial Information:

Assessment of controls over not-for-profit hospitals 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 in which the Group obtains contractual rights to provide management services to the hospital for 15 years and is entitled to receive income-based management fees for the period. All three directors of the council and other main staff of the hospital 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 gives 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 the 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 and thus consolidate the hospital.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, 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 amounts of goodwill at 31 December 2018, 2019 and 2020 were RMB28,228,000, RMB28,228,000 and 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 healthcare 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 Historical Financial Information.

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 values of deferred tax assets relating to recognised tax losses at 31 December 2018, 2019 and 2020 were RMB380,000, RMB506,000 and RMB502,000. The amounts of unrecognised tax losses at 31 December 2018, 2019 and 2020 were RMB61,917,000, RMB79,413,000 and RMB88,970,000. Further details are contained in note 26 to the Historical Financial Information.

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. Estimating fair value requires determining 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 determining the most appropriate inputs to the valuation model including expected life, volatility and dividend yield of the equity awards and making assumptions about them. Details of share-based payments are contained in note 28 to the Historical Financial Information.

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.

Initial recognition of intangible assets in business combination

The recognition of medical licenses as intangible assets was related to a business combination in respect of the Group's acquisition of a 65% equity interest in Ninghai Eye Hospital Co., Ltd. as disclosed in note 30 to the Historical Financial Information.

As of the acquisition date, the purchase method of accounting for business combinations requires the Group to identify the assets acquired, the liabilities assumed and any non-controlling interest in the acquiree and estimate their fair values. The Group's application of the recognition principle and conditions resulted in recognising some assets and liabilities that the acquiree had not previously recognised as assets and liabilities in its financial statements. A medical license was separately identified and estimated a fair value of RMB8,300,000 in 2018 as disclosed in note 17 to the Historical Financial Information.

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 compound growth rate, long-term revenue growth rate, and the discount rate, financial forecast and useful lives of medical licenses valuation.

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 original by 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 these business 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:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Revenue from contracts with customers	632,659	714,671	794,282
Analysed into:			
Basic ophthalmic services	407,979	445,903	422,204
Consumer ophthalmic services	198,745	259,057	369,536
Others	25,935	9,711	2,542

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

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Type of goods or services			
In-patient services	299,634	329,052	317,604
Out-patient services	257,823	319,825	408,257
Sales of optical products	49,267	56,083	65,879
Others	25,935	9,711	2,542
Total revenue from contracts with customers	632,659	714,671	794,282

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Timing of revenue recognition			
Services and goods transferred at a point in time	333,025	385,619	476,678
Services transferred over time	299,634	329,052	317,604
Total revenue from contracts with customers	632,659	714,671	794,282

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

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the respective year:			
Out-patient services	578	627	811
Sales of optical products	296	550	637
Others	3,339	503	87
	4,213	1,680	1,535

(b) Performance obligations

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

In-patient services

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

Out-patient services

Revenue from the provision of out-patient services is recognised at a point in time, i.e. 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.

The Group has no revenue contract that has an original expected duration more than one year, thus management applied practical expedient under IFRS 15 and are not disclosing the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied as at the end of the Relevant Periods.

6. Other income and gains

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Interest income	6,798	6,706	4,595
Government grants	368	1,785	1,531
Gain on disposal of an associate	–	2,000	–
Rental income	359	1,221	762
Gain on bargain purchase (note 30(b))	–	375	–
Others	445	807	463
	7,970	12,894	7,351

7. Profit before tax

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

		Year ended 31 December		
	Notes	2018	2019	2020
		RMB'000	RMB'000	RMB'000
Cost of sales		387,707	436,630	444,762
Depreciation of property, plant and equipment	14	39,397	38,797	39,805
Depreciation of right-of-use assets	15(a)	28,168	32,801	32,588
Amortisation of intangible assets	17	4,256	4,642	4,858
Lease payments not included in the measurement of lease liabilities	15(c)	10,157	2,504	1,172
Auditor's remuneration		600	600	1,120
Employee benefit expenses (including directors' remuneration):				
Wages, salaries and allowances, social securities and benefits		182,630	194,155	194,818
Share-based payments	28	2,756	2,847	9,435
Total employee benefit expenses		185,386	197,002	204,253
Impairment of trade receivables, net	20	1,137	6,796	1,948
Impairment of other receivables, net		958	778	5,379
Impairment of amounts due from related parties, net	36	3,284	9,705	4,838
Interest income	6	(6,798)	(6,706)	(4,595)
Government grants	6	(368)	(1,785)	(1,531)
(Gain)/loss on disposal of items of property, plant and equipment, net		(160)	67	212
Gain on disposal of an associate	6	–	(2,000)	–
Loss on disposal of a subsidiary	31	–	–	390
Gain on bargain purchase	6	–	(375)	–
Foreign exchange differences, net		282	2,135	247

8. Finance costs

An analysis of finance costs is as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Interest on interest-bearing bank and other borrowings	10,714	9,571	2,160
Interest on loans from related parties	1,827	872	–
Interest on lease liabilities	11,778	12,425	10,587
	24,319	22,868	12,747

9. Directors' and chief executive's remuneration

The Company did not have any chief executive, executive directors, non-executive directors nor independent non-executive directors before 19 May 2020, the date of incorporation of the Company.

Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Zhang Guangdi, Mr. Ke Xian, Mr. Richard Chen Mao, Mr. Li Zhen and Ms. Zhang Wenwen have been appointed as directors of the Company since 19 May 2020.

The Company's directors received remuneration from the subsidiaries now comprising the Group for their appointments as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	1,952	3,021	2,617
Performance related bonuses	387	1,493	617
Pension scheme contributions	68	99	8
	2,407	4,613	3,242

Mr. He Mingguang, Ms. Guo Hongyan, Mr. Li Jianbin and Mr. Bao Shan have been appointed as independent non-executive directors of the Company commencing on the date of the listing of the Company's shares on the Main Board of the Hong Kong Stock Exchange. There was no emolument paid or payable to the independent non-executive directors during the Relevant Periods.

An analysis of the remuneration of the chief executive, executive directors and non-executive directors is as follows:

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2018				
Directors				
Mr. Zhang Bozhou (i)	473	130	–	603
Ms. Zhang Xiaoli	695	60	–	755
Mr. Zhang Junfeng	236	–	33	269
Mr. Zhang Fengsheng (iii)	548	197	35	780
Mr. Richard Chen Mao (iv)	–	–	–	–
	1,952	387	68	2,407

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2019				
Directors				
Mr. Zhang Bozhou (i)	475	530	–	1,005
Ms. Zhang Xiaoli	1,451	3	–	1,454
Mr. Zhang Junfeng	332	–	36	368
Mr. Zhang Guangdi (ii)	185	–	15	200
Mr. Zhang Fengsheng (iii)	578	960	48	1,586
Mr. Li Zhen (ii)	–	–	–	–
Mr. Richard Chen Mao (iv)	–	–	–	–
Mr. Ke Xian (v)	–	–	–	–
	3,021	1,493	99	4,613

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

(i) Mr. Zhang Bozhou was appointed as a director of the subsidiaries now comprising the Group in October 2014, and was appointed as the chief executive of the Company on 19 May 2020.

(ii) Mr. Li Zhen and Mr. Zhang Guangdi were appointed as directors of the subsidiaries now comprising the Group on 3 June 2019.

(iii) Mr. Zhang Fengsheng was appointed as a director of the subsidiaries now comprising the Group on 11 November 2015 and resigned from August 2020.

(iv) Mr. Richard Chen Mao was appointed as a director of the subsidiaries now comprising the Group on 29 November 2018.

(v) Mr. Ke Xian was appointed as a director of the subsidiaries now comprising the Group on 28 September 2019.

(vi) Ms. Zhang Wenwen was appointed as a director of the Company on 19 May 2020.

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

10. Five highest paid employees

The five highest paid employees during the years ended 31 December 2018, 2019 and 2020 included one director, two directors, and one director, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration for the Relevant Periods of the remaining four, three, and four highest paid employees who are not a director of the Company are as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	2,429	3,033	3,928
Performance related bonuses	794	1,757	1,412
Share-based payments	276	67	5,633
Pension scheme contributions	126	98	11
	3,625	4,955	10,984

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

	Year ended 31 December		
	2018	2019	2020
HK$500,000 to HK$1,000,000	2	–	–
HK$1,000,001 to HK$1,500,000	2	–	–
HK$1,500,001 to HK$2,000,000	–	2	1
HK$2,000,001 to HK$2,500,000	–	1	2
HK$5,500,001 to HK$6,000,000	–	–	1
	4	3	4

During the Relevant Periods, share-based payments were granted to two, three and 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 28 to the Historical Financial Information. The fair value of such 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 [2011] No.58 "Circular of the Ministry of Finance, the State Administration of Taxation, the General Administration of Customs on Issues Relating to Preferential Tax Policies for the Development of the Western Region" (財政部、國家稅務總局、海關總署關於西部大開發稅收優惠政策問題的通知), 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 70% of the total income of the subsidiaries.

Pursuant to Caishui [2019] No.13 "Circular of the Ministry of Finance, the State Administration of Taxation Issued on the Implementation of Preferential Tax Policies for Small Meagre-profit Enterprises" (財政部、國家稅務總局關於實施小微企業普惠性稅收減免政策的通知), certain subsidiaries whose annual taxable income does not exceed RMB1,000,000, reduced to 25% included in taxable income, subject to income tax at a rate of 20%; for the portion exceeding RMB1,000,000 but not exceeding RMB3,000,000, 50% is deducted from the taxable income, and the income tax is paid at the rate of 20%.

Under the relevant PRC Corporate Income Tax Law and 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 Relevant Periods.

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Current – Mainland China Charge for year	21,850	22,345	31,126
Deferred (note 26)	(3,654)	(1,105)	5,964
Total tax charge for the year	18,196	21,240	37,090

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:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Profit before tax	47,402	92,064	157,621
Tax at the statutory tax rate	11,851	23,016	39,405
Lower tax rates for specific provinces or enacted by local authority	(11,811)	(13,022)	(18,373)
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	–	–	7,000
Expenses not deductible for tax	5,095	3,490	5,975
Tax losses utilised from previous periods	(6,570)	(4,734)	(5,047)
Tax losses not recognised	18,016	8,318	5,606
Deductible temporary differences not recognised	1,615	4,172	2,524
Tax charge at the Group's effective rate	18,196	21,240	37,090

The share of tax attributable to associates was nil during the Relevant Periods.

12. Dividends

No dividends have been paid or declared by the Company during the Relevant Periods.

During the Relevant Periods, dividends declared and paid by the subsidiaries now comprising the Group to the then shareholders prior to the Reorganization are as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Dividends declared and paid to the then shareholders	–	–	34,000

13. Earnings per share attributable to ordinary equity holders of the parent

Earnings per share information is not presented as its inclusion, for the purpose of this report, is considered unmeaningful due to the Reorganization and the basis of preparation of the results of the Group for the Relevant Periods as further explained in note 2.1 to the Historical Financial Information.

14. Property, plant and equipment

As at 31 December 2018

	Leasehold improvements	Medical equipment	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018:						
Cost	80,822	153,811	8,285	10,542	–	253,460
Accumulated depreciation	(33,498)	(14,839)	(1,248)	(2,042)	–	(51,627)
Net carrying amount	47,324	138,972	7,037	8,500	–	201,833
At 1 January 2018, net of accumulated depreciation	47,324	138,972	7,037	8,500	–	201,833
Additions	28,641	32,390	2,513	4,084	47,613	115,241
Disposals	–	(17)	–	(172)	–	(189)
Acquisition of a subsidiary (note 30(a))	4,637	4,067	419	1,185	–	10,308
Depreciation provided during the year	(19,065)	(16,331)	(1,045)	(2,956)	–	(39,397)
At 31 December 2018, net of accumulated depreciation	61,537	159,081	8,924	10,641	47,613	287,796
At 31 December 2018:						
Cost	114,100	190,168	11,217	15,595	47,613	378,693
Accumulated depreciation	(52,563)	(31,087)	(2,293)	(4,954)	–	(90,897)
Net carrying amount	61,537	159,081	8,924	10,641	47,613	287,796

As at 31 December 2019

	Buildings	Leasehold improvements	Medical equipment	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019:							
Cost	–	114,100	190,168	11,217	15,595	47,613	378,693
Accumulated depreciation	–	(52,563)	(31,087)	(2,293)	(4,954)	–	(90,897)
Net carrying amount	–	61,537	159,081	8,924	10,641	47,613	287,796
At 1 January 2019, net of accumulated depreciation	–	61,537	159,081	8,924	10,641	47,613	287,796
Additions	39,259	8,218	11,327	1,399	122	174	60,499
Disposals	–	–	(158)	–	(300)	–	(458)
Acquisition of a subsidiary (note 30(b))	–	–	44	–	22	–	66
Depreciation provided during the year	(888)	(12,647)	(20,892)	(1,518)	(2,852)	–	(38,797)
At 31 December 2019, net of accumulated depreciation	38,371	57,108	149,402	8,805	7,633	47,787	309,106
At 31 December 2019:							
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

As at 31 December 2020

	Buildings	Leasehold improvement	Medical equipment	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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

At 31 December 2018, 2019 and 2020, certain of the Group's medical equipment with net carrying amounts of approximately RMB34,767,000, RMB29,229,000 and nil were pledged to secure certain interest-bearing bank and other borrowings granted to the Group (note 25).

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 Relevant Periods are as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Carrying amount as at the beginning of the year	165,450	208,062	187,511
Additions	66,401	12,250	1,362
Additions as a result of the acquisition of a subsidiary (note 30(a))	4,379	–	–
Depreciation charge	(28,168)	(32,801)	(32,588)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	–	(4,497)
Carrying amount as at the end of the year	208,062	187,511	151,788

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Carrying amount as at the beginning of the year	152,643	190,983	175,262
New leases	66,401	12,250	1,362
Additions as a result of acquisition of a subsidiary	4,379	–	–
Accretion of interest recognised during the year	11,778	12,425	10,587
Payments	(44,218)	(40,396)	(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	–	–	(4,497)
Carrying amount as at the end of the year	190,983	175,262	135,683
Analysed into:			
Current portion	35,720	36,496	30,544
Non-current portion	155,263	138,766	105,139

The maturity analysis of lease liabilities is disclosed in note 39 to the Historical Financial Information.

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

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Interest on lease liabilities	11,778	12,425	10,587
Depreciation charge of right-of-use assets	28,168	32,801	32,588
Expenses relating to short-term leases	10,157	2,504	1,172
Covid-19-related rent concessions from lessors	–	–	(702)
Amount recognised in profit or loss	50,103	47,730	43,645

16. Goodwill

	RMB'000
Cost and net carrying amount at 1 January 2018	21,868
Acquisition of a subsidiary (note 30(a))	6,360
At 31 December 2018	28,228
Cost and net carrying amount at 1 January 2019 and 31 December 2019	28,228
Cost and net carrying amount at 1 January 2020 and 31 December 2020	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 each of the Relevant Periods, the pre-tax discount rates applied to the cash flow projections were 16.80%, 16.88% and 17.28%, respectively. The growth rates used to extrapolate the cash flows of the Ningbo Boshi Eye Hospital Co., Ltd. cash-generating unit beyond the five-year period are 3%, 3% and 3%, respectively.

The respective recoverable amount of the CGU, carrying amount of the CGU and recoverable amount of the CGU exceeding its carrying amount at December 31, 2018, 2019 and 2020 are as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Recoverable amount of the CGU	48,274	47,705	57,933
Less: Carrying amount of the CGU	43,024	40,397	45,400
Recoverable amount of the CGU exceeding its carrying amount	5,250	7,308	12,533

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, of goodwill impairment testing of Ningbo Boshi Eye Hospital Co., Ltd. cash-generating unit at the dates indicated.

Possible changes of key assumptions	Recoverable amount of the CGU exceeding its carrying amount by		
	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue (% compound growth rate) decrease by 1%	1,877	4,047	9,175
Discount rate increase by 1%	946	3,126	8,702

Reasonably possible changes in key assumptions would not lead to impairment for the years ended December 31, 2018, 2019 and 2020.

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 each of the Relevant Periods, the pre-tax discount rates applied to the cash flow projections were 16.59%, 16.59% and 16.76%, respectively. The growth rates used to extrapolate the cash flows of the Ninghai Eye Hospital Co., Ltd. cash-generating units beyond the five-year period are 3%, 3% and 3%, respectively.

The respective recoverable amount of the CGU, carrying amount of the CGU and recoverable amount of the CGU exceeding its carrying amount at December 31, 2018, 2019 and 2020 are as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Recoverable amount of the CGU	28,925	26,533	25,311
Less: Carrying amount of the CGU	25,242	23,464	21,875
Recoverable amount of the CGU exceeding its carrying amount	3,683	3,069	3,436

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, of goodwill impairment testing of Ninghai Eye Hospital Co., Ltd. cash-generating unit at the dates indicated.

Possible changes of key assumptions	Recoverable amount of the CGU exceeding its carrying amount by		
	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue (% compound growth rate) decrease by 1%	1,745	1,099	1,578
Discount rate increase by 1%	789	319	1,045

Reasonably possible changes in key assumptions would not lead to impairment for the years ended December 31, 2018, 2019 and 2020.

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 the senior management. As at the end of each of the Relevant Periods, the pre-tax discount rates applied to the cash flow projections were 17.08%, 16.98% and 17.32%, respectively. The growth rates used to extrapolate the cash flows of the Xiangshan Ren Ming Eye Hospital Co., Ltd. cash-generating unit beyond the five-year period are 3%, 3% and 3%, respectively.

The respective recoverable amount of the CGU, carrying amount of the CGU and recoverable amount of the CGU exceeding its carrying amount at December 31, 2018, 2019 and 2020 are as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Recoverable amount of the CGU	67,915	59,742	61,822
Less: Carrying amount of the CGU	56,819	53,075	50,693
Recoverable amount of the CGU exceeding its carrying amount	11,096	6,667	11,129

The following table sets forth the impact of reasonable possible changes in each of the key assumptions, with all other variables held constant, of goodwill impairment testing of Xiangshan Ren Ming Eye Hospital Co., Ltd. cash-generating unit at the dates indicated.

Possible changes of key assumptions	Recoverable amount of the CGU exceeding its carrying amount by		
	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue (% compound growth rate) decrease by 1%	7,636	3,283	7,784
Discount rate increase by 1%	5,651	1,472	6,359

Reasonably possible changes in key assumptions would not lead to impairment for the years ended December 31, 2018, 2019 and 2020.

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

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Ningbo Boshi Eye Hospital Co., Ltd.	8,718	8,718	8,718
Ninghai Eye Hospital Co., Ltd.	6,360	6,360	6,360
Xiangshan Ren Ming Eye Hospital Co., Ltd.	13,150	13,150	13,150
	28,228	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 2018, 2019 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 2018

	Software	Medical licenses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2018:			
Cost	2,784	55,000	57,784
Accumulated amortisation and impairment	(296)	(10)	(306)
Net carrying amount	2,488	54,990	57,478
At 1 January 2018, net of accumulated amortisation	2,488	54,990	57,478
Additions	597	–	597
Acquisition of a subsidiary (note 30 (a))	–	8,300	8,300
Amortisation provided during the year	(277)	(3,979)	(4,256)
At 31 December 2018, net of accumulated amortisation	2,808	59,311	62,119
At 31 December 2018:			
Cost	3,381	63,300	66,681
Accumulated amortisation	(573)	(3,989)	(4,562)
Net carrying amount	2,808	59,311	62,119

As at 31 December 2019

	Software	Medical licenses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2019:			
Cost	3,381	63,300	66,681
Accumulated amortisation	(573)	(3,989)	(4,562)
Net carrying amount	2,808	59,311	62,119
At 1 January 2019, net of accumulated amortisation	2,808	59,311	62,119
Additions	1,655	–	1,655
Amortisation provided during the year	(422)	(4,220)	(4,642)
At 31 December 2019, net of accumulated amortisation	4,041	55,091	59,132
At 31 December 2019:			
Cost	5,036	63,300	68,336
Accumulated amortisation	(995)	(8,209)	(9,204)
Net carrying amount	4,041	55,091	59,132

As at 31 December 2020

	Software	Medical licenses	Total
	RMB'000	RMB'000	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

In 2018, the amount of medical licenses identified and derived from the acquisition of Ninghai Eye Hospital Co., Ltd. was RMB8,300,000. These medical licenses were recognised at fair value at the acquisition date and 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.

18. Investments in associates

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Share of net assets	1,496	–	–

The Group's transactions and balances with the associates are disclosed in note 36 to the Historical Financial Information.

Particulars of the Group's associates 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
Yancheng Guze Chaoju Eye Hospital Co., Ltd. ("Yancheng Guze Chaoju") ("鹽城顧澤朝聚眼科醫院有限公司")*	Registered capital of RMB10,000,000	PRC	20%	Provision of ophthalmic service
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

* During the Relevant Periods, Yancheng Guze Chaoju was an associate of the Group. Since the Group has disposed of its equity interest in Yancheng Guze Chaoju on 26 September 2019 to Nanjing Guze Medical Technology Co. Ltd. (南京顧澤醫療科技有限公司), Yancheng Guze Chaoju was no longer an associate of the Group thereafter. For further information on the said disposal, see the section headed "Financial Information — Certain Items of Statements of Financial Position — Prepayments, Other Receivables and Other Assets" in the Prospectus.

The Group has discontinued the further recognition of its share of losses of its associates, Yancheng Guze Chaoju and Ningxia Kaiming when the accumulative share of losses of such two associates exceeded the Group's interests in the associates because the Group has no obligation to take up further losses of such two associates. The following table illustrates the amounts of the Group's unrecognised share of losses of such two associates for the Relevant Periods:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Unrecognised share of losses for the year	(2,371)	(1,174)	(2,234)
Effect of disposal of Yancheng Guze Chaoju	–	2,371	–
Unrecognised share of losses cumulatively	(2,371)	(1,174)	(3,408)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Share of the associates' losses for the year	(696)	(1,496)	–
Share of the associates' total comprehensive income	(696)	(1,496)	–
Aggregate carrying amount of the Group's investments in associates	1,496	–	–

19. Inventories

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Medical consumables	30,403	24,095	24,244
Pharmaceuticals	9,252	8,987	10,403
Optical products	6,898	2,976	3,352
	46,553	36,058	37,999

20. Trade receivables

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Trade receivables	65,821	72,897	64,537
Impairment	(45)	(1,108)	(2,500)
	65,776	71,789	62,037

Trade receivables represent the balances due from public health insurance programs and social organization for 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 each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within 3 months	46,421	36,094	26,891
4 to 6 months	11,667	16,427	12,351
7 to 12 months	4,646	10,209	7,549
Over 12 months	3,042	9,059	15,246
	65,776	71,789	62,037

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

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
At the beginning of the year	18	45	1,108
Impairment losses, net (note 7)	1,137	6,796	1,948
Amount written off as uncollectible	(1,110)	(5,733)	(556)
At the end of the year	45	1,108	2,500

An impairment analysis is performed at the end of each of the Relevant Periods 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 each of the Relevant Periods 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 2018

	Within 3 months	4 to 6 months	7 to 12 months	Over 12 months	Total
Trade receivables from public health insurance programs and social organization:					
Expected credit loss rate	0.05%	0.05%	0.06%	0.46%	0.07%
Gross carrying amount (RMB'000)	45,229	10,721	3,204	3,056	62,210
Expected credit losses (RMB'000)	24	5	2	14	45
Trade receivables from sales of optical products:	–	–	–	–	–
Expected credit loss rate	–	–	–	–	–
Gross carrying amount (RMB'000)	1,216	951	1,444	–	3,611
Expected credit losses (RMB'000)	–	–	–	–	–

As at 31 December 2019

	Within 3 months	4 to 6 months	7 to 12 months	Over 12 months	Total
Trade receivables from public health insurance programs and social organization:					
Expected credit loss rate	0.06%	0.05%	0.06%	0.65%	0.13%
Gross carrying amount (RMB'000)	35,576	14,591	8,326	8,310	66,803
Expected credit losses (RMB'000)	21	7	5	54	87
Trade receivables from sales of optical products:					
Expected credit loss rate	–	–	20.37%	40.12%	16.75%
Gross carrying amount (RMB'000)	539	1,843	2,371	1,341	6,094
Expected credit losses (RMB'000)	–	–	483	538	1,021

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 organization:					
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

At each reporting date, the Group assesses whether the credit risk on trade receivables has increased significantly since initial recognition. The credit risk of trade receivables has increased significantly at December 31, 2020, primarily due to the significant increase in trade receivables aging.

21. Prepayments, other receivables and other assets

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Included in current assets			
Prepayments	10,507	10,557	9,925
Loans to third parties	4,908	17,144	16,867
Investment refunds	3,500	3,500	2,723
Staff advances	2,134	1,022	347
Deposits	1,277	1,506	909
Listing expenses	175	678	4,065
Other receivables	5,237	2,409	2,664
	27,738	36,816	37,500
Impairment allowance	(4,082)	(4,194)	(9,572)
	23,656	32,622	27,928
Included in non-current assets			
Prepayments for property, plant and equipment	2,154	1,544	11,493
	25,810	34,166	39,421

The balances of loans to third parties are non-interest-bearing and have no fixed terms of repayment, except for the loan to Zunhua Guangming Eye Hospital of RMB4,710,000 as at 31 December 2018, 2019 and 2020, which is interest-bearing at a rate of 4.75% per annum.

22. Cash and cash equivalents and restricted deposits

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Cash and bank balances	166,854	247,030	413,246
Less: Restricted deposits			
– Pledged deposits	(9,620)	–	–
– Frozen deposits	–	(7,215)	–
Cash and cash equivalents	157,234	239,815	413,246
Cash and bank balances denominated in:			
– RMB	47,103	247,030	413,238
– United States dollars	119,751	–	8
Cash and bank balances	166,854	247,030	413,246

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.

At 31 December 2018, the Group's pledged deposits with a carrying amount of RMB9,620,000 were pledged to secure a current bank loan of RMB32,000,000 granted to the Group (note 25).

At 31 December 2019, the Group's frozen deposits with a carrying amount of RMB7,215,000 were frozen by the court due to a legal dispute on a rental arrangement about Chengde Chaoju Eye Hospital Co., Ltd. and the court unfroze the Group's frozen deposits at 9 June 2020.

23. Trade payables

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

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within 1 year	56,051	47,934	36,267
1 to 2 years	6,595	1,530	2,203
2 to 3 years	9	1,074	584
Over 3 years	–	–	237
	62,655	50,538	39,291

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

24. Other payables and accruals

Group

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Salary and welfare payable	24,352	32,309	39,417
Payables for purchases of property, plant and equipment	22,506	10,611	7,474
Accrual taxes payables	14,971	7,278	6,134
Service fee payables	6,597	6,361	13,969
Rent payables	13,876	27,838	24,511
Payables for purchases of equity interests of subsidiaries	5,168	4,043	–
Contract liabilities (note(a))	1,680	1,535	7,330
Other payables	7,063	5,911	7,319
	96,213	95,886	106,154
Less: Portion classified as non-current liabilities	–	(703)	(800)
	96,213	95,183	105,354

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

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Out-patient services	1,177	1,448	6,561
Others	503	87	769
	1,680	1,535	7,330

Company

	As at 31 December
	2020
	RMB'000
Amounts due to a subsidiary	4,935
Service fee payables	1,798
	6,733

25. Interest-bearing bank and other borrowings

	As at 31 December								
	2018			2019			2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank loans- secured	5.66-6.50	2019	46,021	5.17-5.40	2020	24,123	–	–	–
Other loans- secured	8.00	2019	51,433	–	–	–	–	–	–
Other loans- unsecured	5.00-8.30	2019	10,591	5.22	2020	300	5.22	2021	5,250
Current portion of long term other loans- secured	5.23-11.50	2019	11,265	5.23	2020	10,085	–	–	–
Current portion of long term other loans- unsecured	–	–	–	–	–	–	5.70	2021	750
Current portion of long term bank loans- secured	6.18	2019	7,034	6.18	2020	11,278	–	–	–
			126,344			45,786			6,000
Non-current									
Long term other loans- secured	5.23-11.50	2020-2021	20,712	5.23	2021	10,522	–	–	–
Long term other loans- unsecured	5.70-7.40	2020-2021	10,250	5.70	2021	750	5.70	2023	678
Long term bank loans- secured	6.18	2020-2021	14,000	6.18	2021-2022	13,000	–	–	–
			44,962			24,272			678
Interest-bearing bank and other borrowings denominated in RMB			171,306			70,058			6,678

	As at 31 December		
	2018	2019	2020
	RMB’000	RMB’000	RMB’000
Analysed into:			
Interest-bearing bank loans repayable:			
Within one year	53,055	35,401	–
In the second year	7,000	11,000	–
In the third to fifth years, inclusive	7,000	2,000	–
	67,055	48,401	–
Other borrowings repayable:			
Within one year	73,289	10,385	6,000
In the second year	19,690	11,272	–
In the third to fifth years, inclusive	11,272	–	678
	104,251	21,657	6,678
	171,306	70,058	6,678

Details of the Group’s interest-bearing bank and other borrowings are as follows:

(a) As at 31 December 2018, the Group’s bank loans of RMB32,000,000 were secured by certain of the Group’s deposits of approximately RMB9,620,000 and were guaranteed by Mr. Zhang Bozhou, Ms. Zhang Hongbo, Ms. Zhang Xiaoli, Ms. Li Furong, Mr. Zhang Junfeng, Ms. Su Yuqin, Mr. Zhang Fengsheng and Mr. He Yong. All the securities had been released as a result of the repayment of the relevant loans during the Relevant Periods.

(b) As at 31 December 2018 and 2019, Mr. Zhang Bozhou has guaranteed certain of the Group’s bank loans of up to RMB35,000,000 and RMB48,000,000, respectively. All the securities had been released as a result of the repayment of the relevant loans during the Relevant Periods.

(c) As at 31 December 2018 and 2019, certain of the Group’s other loans of RMB31,976,000 and RMB20,607,000 were secured by certain of the Group’s medical equipment with net carrying amounts of approximately RMB34,767,000 and RMB29,229,000, respectively (note 14). All the securities had been released as a result of the repayment of the relevant loans during the Relevant Periods.

26. Deferred tax

The deferred tax assets and liabilities recognised by the Group, and the movements therein, during the Relevant Periods are as follows:

31 December 2018

Deferred tax liabilities

	Right-of-use assets	Fair value adjustments arising from acquisition of subsidiaries	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2018	18,901	13,750	32,651
Effect of acquisition of a subsidiary	437	2,179	2,616
Deferred tax charged/(credited) to the statement of profit or loss during the year	4,800	(1,010)	3,790
At 31 December 2018	24,138	14,919	39,057

Deferred tax assets

	Impairment of financial assets	Losses available for offsetting against future taxable profits	Lease liabilities	Unrealised gains and losses from intra-group transactions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	2	–	18,901	1,690	20,593
Effect of acquisition of a subsidiary	–	–	437	–	437
Deferred tax credited to the statement of profit or loss during the year	35	380	6,917	112	7,444
At 31 December 2018	37	380	26,255	1,802	28,474

31 December 2019

Deferred tax liabilities

	Right-of-use assets	Fair value adjustments arising from acquisition of subsidiaries	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2019	24,138	14,919	39,057
Deferred tax credited to the statement of profit or loss during the year	(2,773)	(1,076)	(3,849)
At 31 December 2019	21,365	13,843	35,208

Deferred tax assets

	Impairment of financial assets	Losses available for offsetting against future taxable profits	Lease liabilities	Unrealised gains and losses from intra-group transactions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	37	380	26,255	1,802	28,474
Deferred tax credited/(charged) to the statement of profit or loss during the year	253	126	(2,545)	(578)	(2,744)
At 31 December 2019	290	506	23,710	1,224	25,730

31 December 2020

Deferred tax liabilities

	Right-of-use assets	Fair value adjustments arising from acquisition of subsidiaries	Withholding taxes	Total
	RMB'000	RMB'000	RMB'000	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	Losses available for offsetting against future taxable profits	Lease liabilities	Unrealised gains and losses from intra-group transactions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	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

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

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	4,788	4,812	4,762
Net deferred tax liabilities recognised in the consolidated statements of financial position	15,371	14,290	20,204
Net deferred tax liabilities in respect of continuing operations	(10,583)	(9,478)	(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:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Tax losses	61,917	79,413	88,970
Deductible temporary differences	25,131	16,908	23,958
	87,048	96,321	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 and planned to be distributed therefore.

Deferred tax liabilities of RMB8,906,000 as at 31 December 2020,has not been provided in respect of withholding tax that would be that would be payable on the distribution of retained earnings of the Mainland China subsidiaries, which was determined based on the extent of retained earnings of such subsidiaries unlikely to be distributed of RMB89,058,000 as at 31 December 2020. This is because the Company controls the dividend policy of the Mainland China subsidiaries and the directors determined that such retained earnings are not likely to be distributed in the foreseeable future. As at 31 December 2018 and 2019, there were no unrecognized deferred tax liabilities in respect of dividend withholding tax as the then shareholders of Mainland China subsidiaries now comprising the Group were not foreign investors.

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

27. Share capital

The Company was incorporated in the Cayman Islands on 19 May 2020 with authorised share capital of HK$380,000 divided into 38,000,000 shares with a par value of HK$0.01 each.

	As at 31 December 2020
	HK$
Authorised	
38,000,000 shares of par value of HK$0.01 each	380,000
	RMB
Issued and fully paid	
10,652,174 shares of par value of HK$0.01 each	93,082

There was no authorised and issued capital as at 31 December 2018 and 2019 since the Company has not yet been incorporated as at 31 December 2018 and 2019.

28. 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 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 Hong Kong Stock Exchange (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 for employee incentive purpose, 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 (for chief financial officer of the Company Mr. Wang Weichao) 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.

On 10 April 2020, Juludazhou was incorporated as the shareholding platform for employee incentive which has subscribed for 425,000 shares issued by the Company as part of the Reorganization (representing the 1,996,976 shares and the 3,200,702 shares approved to be granted by Chaoju Medical Technology pursuant to the above resolutions), such that the eligible participants of the Group can enjoy the economic interest of the equity of the Group. Details of Juludazhou are set out in the section headed "History, Reorganization and Corporate Structure — Corporate Reorganization — 3. Incorporation of Chaoju Medical Investment and Chaoju Eye Care (HK)" in the Prospectus.

The following table discloses the movements of the Group's granted shares in the Relevant Periods:

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

			Number of shares granted			
Date of grant	**Fair value 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**	**Vesting period**
	RMB per share	**RMB per share**				
26 Dec 2019	11.82	5.21–11.00	–	3,200,702	3,200,702	6 – 30 months after the Listing

For the Relevant Periods, the Group recognised share-based payment expenses of RMB2,756,000, RMB2,847,000 and RMB9,435,000, respectively.

The fair value of the shares granted under the share-based incentive scheme at 26 December 2019 was estimated as at the date of grant, using the discounted cash flow method to determine the equity fair value of the Company and adopting 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. The following table lists the inputs to the model used:

	2019
Expected volatility (%)	45.84
Risk-free interest rate (%)	2.45

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

29. Reserves

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statement of changes in equity on pages 7 to 8 of this accountants' report.

Capital reserve

The capital reserve of the Group represents (i) any difference between 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 Reorganization, 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 statements of changes in equity.

Share-based payment reserve

The share-based payment reserve is used to recognise the value of the share-based incentive scheme provided to employees, including key management personnel, as part of their remuneration. Refer to note 28 to the Historical Financial Information for further details of these plans.

30. Business combinations

(a) Acquisition of Ninghai Eye Hospital Co., Ltd.

On 1 June 2018, the Group acquired a 65% equity interest in Ninghai Eye Hospital Co., Ltd. at a cash consideration of RMB18,028,000. The acquisition was made as part of the Group's strategy to expand its market share in the ophthalmology industry. The purchase consideration for the acquisition was in the form of cash, and was fully paid in 2018.

The Group has elected to measure the non-controlling interest in Ninghai Eye Hospital Co., Ltd at the non-controlling interest's proportionate share of Ninghai Eye Hospital Co., Ltd's identifiable net assets.

The fair values of the identifiable assets and liabilities of Ninghai Eye Hospital Co., Ltd. as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition
		RMB'000
Property, plant and equipment	14	10,308
Intangible assets	17	8,300
Right-of-use assets	15(a)	4,379
Deferred tax assets	26	437
Cash and cash equivalents		1,699
Trade receivables		442
Prepayments, other receivables and other assets		3,926
Inventories		158
Trade payables		(1,056)
Lease liabilities	15(b)	(4,379)
Other payables and accruals		(3,648)
Deferred tax liabilities	26	(2,616)
Total identifiable net assets at fair value		17,950
Non-controlling interests		(6,282)
Goodwill on acquisition	16	6,360
Satisfied by cash		18,028

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB442,000 and RMB252,000, respectively.The gross contractual amounts of trade receivables and other receivables were RMB442,000 and RMB252,000, respectively, and it is expected that the full contractual amounts can be collected.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid during 2018	18,028
Less: Cash and cash equivalents acquired	(1,699)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	16,329

The revenue and loss included in the consolidated statement of profit or loss from the acquisition date to 31 December 2018, contributed by Ninghai Eye Hospital Co., Ltd. were RMB4,369,000 and RMB2,493,000, respectively.

Had the combination taken place at the beginning of 2018, the revenue of the Group and the profit of the Group for the year would have been RMB634,948,000 and RMB26,163,000, respectively.

(b) Acquisition of Baotou Amblyopia Recovery Center

On 31 December 2019, the Group made a capital contribution of RMB280,000 to Baotou Amblyopia Recovery Center, a not-for-profit hospital founded by one of the ultimate shareholders, Mr. Zhang Bozhou, and has become the sponsor with a 90.32% equity interest.

The fair values of the identifiable assets and liabilities of Baotou Amblyopia Recovery Center as at the date of acquisition were as follows:

	Note	Fair value recognised on acquisition
		RMB'000
Property, plant and equipment	14	66
Cash and cash equivalents		324
Trade receivables		225
Prepayments, other receivables and other assets		287
Inventory		1
Trade payables		(162)
Other payables and accruals		(16)
Total identifiable net assets at fair value		725
Non-controlling interests		(70)
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss		(375)
Satisfied by cash		280

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid during 2019	–
Less: Cash and cash equivalents acquired	(324)
Net inflow of cash and cash equivalents included in cash flows used in investing activities	324

Since the acquisition of Baotou Amblyopia Recovery Center took place on 31 December 2019, the revenue and operating results of Baotou Amblyopia Recovery Center have not been included in the consolidated statement of profit or loss from the acquisition date to 31 December 2019.

Had the combination taken place at the beginning of 2019, the revenue of the Group and the profit of the Group for the year would have been RMB715,043,000 and RMB71,169,000, respectively.

During 2018, the Group also settled certain outstanding considerations amounting to RMB35,220,000 and RMB20,210,000 by cash in relation to the business acquisition of Xiangshan Renming Eye Diseases Hospital Co., Ltd. and Ningbo Boshi Eye Hospital Co., Ltd. for the year ended 31 December 2017. The cash outflow in acquisition of subsidiaries was RMB71,759,000 in 2018.

During 2020, the Group also settled certain outstanding considerations amounting to RMB4,043,000 by cash in relation to the business acquisition of Ningbo Boshi Eye Hospital Co., Ltd. for the year ended 31 December 2017.

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	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:

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

32. Notes to the consolidated statements of cash flows

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB66,401,000, RMB12,250,000 and RMB1,362,000, respectively, in respect of lease arrangements for buildings.

During 2019, Chaoju Medical Technology Co., Ltd. had received buildings as capital injection valued at RMB38,633,000 from the shareholders, thus had non-cash additions to property, plant and equipment and capital reserve.

During 2019, the Group transferred the amount due from Yancheng Guze Chaoju RMB12,000,000 to Nanjing Guze Chaoju at the price of RMB12,000,000, thus had non-cash additions to prepayments, other receivables and other assets and non-cash decreases to amounts due from related parties.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other loans	Lease liabilities	Due to related parties
	RMB'000	RMB'000	RMB'000
At 1 January 2018	110,209	152,643	67,799
Changes from financing cash flows	50,383	(32,440)	(1,641)
New leases	–	66,401	–
New lease arising from acquisition of a subsidiary	–	4,379	–
Interest expenses	10,714	11,778	1,827
Changes from non-financing cash flows	–	(11,778)	3,792
At 31 December 2018	171,306	190,983	71,777
At 1 January 2019	171,306	190,983	71,777
Changes from financing cash flows	(110,819)	(27,971)	(29,611)
New lease	–	12,250	–
Interest expenses	9,571	12,425	872
Changes from non-financing cash flows	–	(12,425)	(9,454)
At 31 December 2019	70,058	175,262	33,584
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:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within operating activities	21,935	14,929	11,759
Within financing activities	32,440	27,971	35,742
	54,375	42,900	47,501

33. Contingent liabilities

As at 31 December 2018, 2019 and 2020, 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

Details of the Group's assets and restricted deposits pledged for the Group's interest-bearing bank and other borrowings are included in notes 14, 22 and 25, respectively, to the Historical Financial Information.

35. Commitments

The Group had the following capital commitments as at 31 December 2018, 2019 and 2020:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Capital contributions for equity interest	10,280	10,280	–

36. Related party transactions and balances

(a) Related party transactions

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
Sales of goods to:	(i)			
Entities controlled by the Controlling Shareholders		16,730	7,725	–
Associates		2,733	1,303	–
		19,463	9,028	–
Purchase of property, plant and equipment from:	(ii)			
Entities controlled by the Controlling Shareholders		834	16,470	–
Sales of property, plant and equipment to:	(i)			
Entities controlled by the Controlling Shareholders		–	33	
Associates		–	–	137
		–	33	137

	Notes	Year ended 31 December 2018	2019	2020
		RMB'000	RMB'000	RMB'000
Purchase of equity interests of subsidiaries from:	(iii)			
Controlling Shareholders		–	27,814	30
Interest income from:	(iv)			
Entities controlled by the Controlling Shareholders		5,432	3,041	–
Associates		410	572	542
		5,842	3,613	542
Interest expenses to:	(iv)			
Entities controlled by the Controlling Shareholders		1,827	872	–
Rental expenses to:	(ii)			
Entities controlled by the Controlling Shareholders		11,758	11,427	10,839
Controlling Shareholders		487	1,069	1,136
		12,245	12,496	11,975

Notes:

(i) The sales with the associates and other related parties were made according to the bidding price of the customer's local government and conditions offered to the major customers of the Group.

(ii) The pricing for the purchase of property, plant and equipment and rental of other related parties was agreed based on the published price. The transactions were conducted in accordance with the terms mutually agreed between the parties.

(iii) During the year ended 31 December 2019, the Group acquired the 14% equity of two subsidiaries from Mr. Zhang Fengsheng who is one of the shareholders of the Group at considerations of RMB27,800,000 and RMB14,000, respectively. 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 above acquisition considerations are based on the valuations performed by external experts.

(iv) 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 borrowings is fund pooling, the interest rate is 0.35% per year.

(v) Mr. Zhang Bozhou has guaranteed certain bank loans made to the Group of RMB67,000,000 and RMB48,000,000, respectively, as at 31 December 2018 and 2019, as further detailed in note 25 to the Historical Financial Information. Among all the loans secured by the Company's ultimate holding controller, an amount of RMB32,000,000 was jointly guaranteed by several shareholders at 31 December 2018. All the guarantees had been released as a result of the repayment of the relevant loans during the Relevant Periods.

(b) Outstanding balances with related parties

Due from related parties

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Trade in nature:			
Entities controlled by the Controlling Shareholders	16,650	26	–
Associates	2,115	438	295
	18,765	464	295
Non-trade in nature:			
Entities controlled by the Controlling Shareholders	138,389	20,209	–
Associates	18,760	4,210	–
	157,149	24,419	–
	175,914	24,883	295

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

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
At the beginning of the year	14,467	17,751	10,302
Impairment losses, net (note 7)	3,284	9,705	4,838
Amount written off as uncollectible	–	(17,154)	–
At the end of the year	17,751	10,302	15,140

As at 31 December 2018, 2019 and 2020, except for the loan principals to related parties of RMB156,818,000, RMB24,319,000 and nil, respectively, the remaining part of the balances is interest-free and collectable on demand, and is denominated in RMB.

Due to related parties

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Trade in nature:			
Entities controlled by the Controlling Shareholders	24,898	18,670	–
Controlling Shareholders	366	482	–
	25,264	19,152	–
Non-trade in nature:			
Entities controlled by the Controlling Shareholders	46,275	14,395	–
Associates	230	–	–
Controlling Shareholders	8	37	–
	46,513	14,432	–
	71,777	33,584	–

As at 31 December 2018, 2019 and 2020, except for the borrowings from related parties, the remaining part of the balances is interest-free and collectable on demand, and is denominated in RMB, the amounts of the borrowings from related parties were RMB42,825,000, RMB14,123,000 and nil, respectively.

(c) Compensation of key management personnel of the Group

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Salaries, allowances and benefits in kind	2,147	2,786	2,418
Performance related bonuses	830	1,987	939
Pension scheme contributions	93	145	60
Share-based payments	130	204	5,542
	3,200	5,122	8,959

Further details of directors' and the chief executive's emoluments are included in note 9 to the Historical Financial Information.

(d) Financing arrangements

	Amounts due to related parties			Related interest expenses		
	As at 31 December			As at 31 December		
	2018	**2019**	**2020**	**2018**	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Lease liabilities due to related parties	31,442	27,942	17,610	2,375	2,216	1,870

The lease contract terms for related parties are about 2 to 5 years. The purpose is for the Group's continuous operation. During the Relevant Periods, the amounts of rents payable by the Group under the leases with related parties were RMB1,007,000 per month, RMB1,029,000 per month, RMB998,000 per month for the years ended December 31, 2018, 2019 and 2020, respectively, which were determined with reference to the amounts charged by the related parties to third parties. As at 31 December 2018, 2019 and 2020, the Group recognised right-of-use assets in respect of leases with related parties of RMB30,094,000, RMB28,649,000 and RMB18,511,000, respectively.

37. Financial instruments by category

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

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost:			
Trade receivables	65,776	71,789	62,037
Financial assets included in prepayments, other receivables and other assets	6,496	19,401	9,459
Due from related parties	175,914	24,883	295
Restricted deposits	9,620	7,215	–
Cash and cash equivalents	157,234	239,815	413,246
	415,040	363,103	485,037

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Financial liabilities at amortised cost:			
Trade payables	62,655	50,538	39,291
Financial liabilities included in other payables and accruals	49,982	50,215	52,734
Interest-bearing bank and other borrowings	171,306	70,058	6,678
Due to related parties	71,771	33,570	–
Lease liabilities	190,983	175,262	135,683
	546,697	379,643	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		
	As at 31 December			As at 31 December		
	2018	2019	2020	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities						
Interest-bearing bank and other borrowings, non-current portion	44,962	24,272	678	43,385	23,479	704

Management has assessed that the fair values of trade receivables, financial assets included in prepayments, other receivables and other assets, due from related parties, restricted deposits, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals, due to related parties, 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 interest-bearing bank and 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.

Fair value hierarchy

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

Liabilities for which fair values are disclosed:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Interest-bearing bank and other borrowings, non-current portion	–	43,385	–	43,385

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Interest-bearing bank and other borrowings, non-current portion	–	23,479	–	23,479

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Interest-bearing bank and 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, restricted deposits. 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, finance lease payables, other payables and long-term 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's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with floating interest rates.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank and other borrowings, pledged deposits and cash and cash equivalents are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

If there were a general increase/decrease in the market interest rates by one percentage point, with all other variables held constant, the Group's consolidated pre-tax profit would have decreased/increased by approximately RMB140,000, RMB130,000 and nil as at 31 December 2018, 2019 and 2020, and there would be no impact on other components of the consolidated equity, except for retained profits of the Group. The sensitivity analysis above has been determined assuming that the change in market interest rates had occurred at the end of the year and the exposure to interest rate risk had been applied to those financial instruments in existence at that date.

(b) 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 of the Relevant Periods.

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

	As at 31 December 2018				
	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	–	–	–	65,821	65,821
Financial assets included in prepayments, other receivables and other assets	5,670	4,908	–	–	10,578
Due from related parties	146,806	35,908	604	10,347	193,665
Restricted deposits	9,620	–	–	–	9,620
Cash and cash equivalents	157,234	–	–	–	157,234
	319,330	40,816	604	76,168	436,918

	As at 31 December 2019				
	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	–	–	–	72,897	72,897
Financial assets included in Prepayments, other receivables and other assets	9,181	14,414	–	–	23,595
Due from related parties	29,479	5,144	–	562	35,185
Restricted deposits	7,215	–	–	–	7,215
Cash and cash equivalents	239,815	–	–	–	239,815
	285,690	19,558	–	73,459	378,707

	As at 31 December 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	959	11,500	6,572	–	19,031
Due from related parties	–	–	14,988	447	15,435
Cash and cash equivalents	413,246	–	–	–	413,246
	414,205	11,500	21,560	64,984	512,249

All of the Group's cash and cash equivalents and restricted deposits are held in major financial institutions located in Mainland China, which management believes are of high credit quality.

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 Historical Financial Information.

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 Historical Financial Information.

(c) 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 each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2018				
	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	62,655	–	–	–	62,655
Financial liabilities included in other payables and accruals	49,982	–	–	–	49,982
Interest-bearing bank and other borrowings	129,210	28,700	19,240	–	177,150
Due to related parties	71,771	–	–	–	71,771
Lease liabilities	40,166	39,129	85,140	91,695	256,130
	353,784	67,829	104,380	91,695	617,688

	As at 31 December 2019				
	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	50,538	–	–	–	50,538
Financial liabilities included in other payables and accruals	50,215	–	–	–	50,215
Interest-bearing bank and other borrowings	47,619	23,196	2,061	–	72,876
Due to related parties	33,570	–	–	–	33,570
Lease liabilities	39,129	33,980	76,114	66,741	215,964
	221,071	57,176	78,175	66,741	423,163

	As at 31 December 2020				
	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	39,291	–	–	–	39,291
Financial liabilities included in other payables and accruals	52,734	–	–	–	52,734
Interest-bearing bank and other borrowings	6,418	31	794	–	7,243
Due to related parties	–	–	–	–	–
Lease liabilities	33,980	30,402	63,236	49,217	176,835
	132,423	30,433	64,030	49,217	276,103

(d) 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 Relevant Periods.

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, interest-bearing bank and other borrowings, financial liabilities included in other payables and accruals, trade payables, amounts due to related parties, and less cash and cash equivalents. Total capital includes the capital (including "equity" as shown in the consolidated statements of financial position plus net debt). The gearing ratios of the Group were as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Lease liabilities	190,983	175,262	135,683
Interest-bearing bank and other borrowings (note 25)	171,306	70,058	6,678
Financial liabilities included in other payables and accruals	49,982	50,215	52,734
Trade payables	62,655	50,538	39,291
Due to related parties	71,771	33,570	–
Less: Cash and cash equivalents (note 22)	157,234	239,815	413,246
Net debt	389,463	139,828	(178,860)
Total equity	449,336	554,287	763,545
Capital and net debt	838,799	694,115	584,685
Gearing ratio	46%	20%	N/A

40. Events after the Relevant Periods

As at the date of approval of the Historical Financial Information, apart from the events detailed elsewhere in this report, on 28 February 2021, the Board of Directors of the Company proposed a dividend of RMB70,000,000 to the shareholders for the year ended 31 December 2020 and the above dividend distribution has been approved by shareholders on the same date. On 31 May 2021, the Board of Directors of the Company proposed a dividend of RMB43,000,000 to the shareholders for the four months ended 30 April 2021 and the above dividend distribution has been approved by shareholders on the same date.

41. Subsequent financial statements

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries now comprising the Group in respect of any reporting period subsequent to 31 December 2020.

The following information does not form part of the Accountants' Report from Ernst &Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2020 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Global Offering been completed as at 31 December 2020 or any future date.

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2020	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per share	
	RMB'000	RMB'000	RMB'000	RMB	(HK$ equivalent)
	(Note 1)	(Note 2)		(Note 3)	(Note 4)
Based on an Offer Price of HK$9.48 per Offer Share .	652,544	1,018,841	1,671,385	2.43	2.93
Based on an Offer Price of HK$10.60 per Offer Share	652,544	1,141,380	1,793,924	2.61	3.15

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2020 is extracted from the Accountants' Report set out in Appendix I to this prospectus. The unaudited consolidated net tangible assets as at 31 December 2020 is derived from the equity attributable to owner of the parent of RMB737,248,000 after deducting goodwill of RMB28,228,000 and intangible assets of RMB56,476,000.
2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$9.48 or HK$10.60 per share after deduction of the underwriting fees and other related expenses payable by the Company and do not take into account any share which may be sold and offered upon exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 687,500,000 Shares in issue immediately following the completion of the Global Offering and does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2020.
5. The Company had declared dividend of RMB70,000,000 to the shareholders on 28 February 2021 and RMB43,000,000 to the shareholders on 31 May 2021 respectively. If such dividends are taken into account, the unaudited pro forma adjusted consolidated net tangible assets decreased by RMB113,000,000 to RMB1,558,385 (based on an Offer Price of HK$9.48 per Offer Share) or RMB1,680,924 (based on an Offer Price of HK$10.60 per Offer Share), and our unaudited pro forma adjusted consolidated net tangible assets per share would decrease to RMB2.27 (equivalent to HK$2.74) (based on the Offer Price of HK$9.48 per Offer Share) or RMB2.44 (equivalent to HK$2.94) (based on the Offer Price of HK$10.60 per Offer Share).

The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.82893 to HK$1.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Chaoju Eye Care Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Chaoju Eye Care Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2020, and related notes as set out on page II-1 of the prospectus dated 24 June 2021 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note Appendix II(A).

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Global Offering of shares of the Company on the Group's financial position as at 31 December 2020 as if the transaction had taken place at 31 December 2020. As part of this process, information about the Group's financial position, has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2020, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Global Offering of shares of the Company on the unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
24 June 2021

This Appendix contains a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Cayman Companies Act. As the information set out below is in a summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, a copy of our Memorandum and Articles of Association is available for inspection.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on May 19, 2020 under the Cayman Companies Act. The Company's constitutional documents consist of its Memorandum and Articles of Association.

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on June 12, 2021. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, provided that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Cayman Companies Act and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, 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.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the

Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(i) resigns;

(ii) dies;

(iii) is declared to be of unsound mind and the Board resolves that his office be vacated;

(iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) he is prohibited from being or ceases to be a director by operation of law;

(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Cayman Islands laws and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of members

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' (and not less than 20 clear business days') notice in writing, and any other general meeting of the Company shall be called by at least 14 days' (and not less than 10 clear business days') notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95 per cent of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(g) Members' requisition for meetings

Extraordinary general meetings shall be convened on the requisition of one or more members holding, as 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. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Act (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN COMPANIES ACT

The Company was incorporated in the Cayman Islands as an exempted company on May 19, 2020 subject to the Cayman Companies Act. Certain provisions of the Cayman Companies Act are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Cayman Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in section 37 of the Cayman Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2020 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2020 Revision) of the Cayman Islands.

3.15 Register of directors and officers

Pursuant to the Cayman Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75 per cent in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated, the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act, 2018, which became effective on January 1, 2019, together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from July 1, 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of the Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under the Cayman Companies Act as exempted company with limited liability on May 19, 2020. We have established a principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 21, 2020 under the same address. Mr. Cheng Ching Kit has been appointed as our agent for the acceptance of service of process and notices on our behalf in Hong Kong.

As we were incorporated in the Cayman Islands, our operations are subject to the Cayman Companies Act and to our constitution comprising our Memorandum and the Articles of Association. A summary of certain provisions of our constitution and relevant aspects of the Cayman Companies Act is set out in Appendix III to this prospectus.

2. Changes in our share capital

Upon the incorporation of our Company, our authorized share capital was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. On June 12, 2021, pursuant to the resolutions in writing of our Shareholders, each issued and unissued ordinary share of HK$0.01 par value will be subdivided into 40 Shares of HK$0.00025 par value each, effective immediately prior to the Listing. As such, immediately prior to the Listing and the Capitalization Issue, our authorized Share capital will be HK$380,000 divided into 1,520,000,000 Shares of HK$0.00025 each.

Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Offer Shares pursuant to the Global Offering, our Directors are authorized to allot and issue a total of 123,913,040 Shares credited as fully paid at par value to Sihai Medical Management, Jutong Medical Management, Xiwang Medical Management, Guangming Medical Management, Sitong Medical Management, Goodhope Capital Investment, Vilelarr Management, Ming Da Management, Xiamen Juludazhou Equity Investment, Xiamen Chaoxi, Riverhead Capital I, Riverhead Runfeng, FountainVest Chuangying, Light Medical Limited and Orchid Asia VII, each being a Shareholder whose name appears on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becomes unconditional (or as it may direct) by way of capitalization of the sum of HK$30,978 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares.

Immediately following completion of the share subdivision, the Capitalization Issue and the Global Offering but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, our issued share capital will be HK$171,875 divided into 687,500,000 Shares, or HK$178,284.75 divided into 713,139,000 Shares if the Over-allotment Option is exercised in full, all fully paid or credited as fully paid.

Save as disclosed above and as mentioned in the paragraph headed "Resolutions in writing of our Shareholders passed on June 12, 2021" below, there has been no alteration in our share capital within the two years immediately preceding the date of this prospectus.

3. Resolutions in writing of our Shareholders passed on June 12, 2021

Pursuant to the written resolutions passed by the Shareholders of our Company on June 12, 2021, the following resolutions, among others, were duly passed:

(a) Our Company approved and adopted the Memorandum and Articles of Association and authorized their filing with the Registrar of Companies in the Cayman Islands and thereby giving effect to the same upon filing;

(b) Conditional upon both (i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering and such listing permission not having been subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange; (ii) the Offer Price having been duly determined; (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and (iv) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) the Joint Global Coordinators on behalf of the Underwriters) and the Underwriting Agreements not being terminated in accordance with the terms of such agreements or otherwise in each case prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in the Shares commence on the Stock Exchange which is expected to be or about July 7, 2021 (fulfilment of all of the above conditions (i), (ii), (iii) and (iv), the "**Effective Time**"):

(i) the share subdivision, the Capitalization Issue and the Global Offering (including the Over-allotment Option) be approved and our Directors be authorized to allot and issue the new Shares pursuant to the Capitalization Issue and the Global Offering (including the Over-allotment Option);

(ii) the grant of the Over-allotment Option were approved and our Directors were authorized to effect the same and to allot and issue the Offer Shares pursuant to the Global Offering and the Over-allotment Option; and

(iii) the proposed Listing of the Shares on the Main Board of the Stock Exchange be approved and our Directors be authorized to implement such Listing;

(c) a general unconditional mandate was given to our Directors to allot, issue and otherwise deal with the Shares or convertible securities and to make or grant offers, agreements and options which would or might require the exercise of such powers (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue, the exercise of any subscription rights which may be granted under any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for shares under options and warrants or a special authority granted by the Shareholders) with an aggregate nominal value not exceeding the sum of (1) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering, excluding Shares which may be issued upon the exercise of the Over-allotment Option and (2) the aggregate nominal amount of the share capital of the Company which may be repurchased by the Company pursuant to the authority granted to the Directors as referred to in ordinary resolution (e) below and the said approval shall be limited accordingly;

(d) a general unconditional mandate was given to the Directors authorizing them to exercise all powers of our Company to repurchase the Shares representing up to 10% of its share capital in issue, immediately following completion of Global Offering, excluding Shares which may be issued upon the exercise of the Over-allotment Option;

(e) conditional upon ordinary resolutions (c) and (d) above being passed, general unconditional mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above; and

(f) each issued and unissued ordinary share then of HK$0.01 par value to be subdivided into 40 Shares of HK$0.00025 par value each.

Each of the general mandates referred to in paragraphs (c), (d) and (e) above will remain in effect until the earlier of (i) the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions; or (ii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

4. Corporate reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. For further details, see "History, Reorganization and Corporate Structure – Corporate Reorganization."

5. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are listed in the Accountants' Report as set out in Appendix I to this prospectus.

Save as disclosed in "History, Reorganization and Corporate Structure" and below, there has been no alteration in the share capital or the registered capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus:

Xiamen Chaoju Hospital Management

On September 28, 2020, the registered capital of Xiamen Chaoju Hospital Management increased from RMB135.29 million to RMB193.28 million.

Chaoju Medical Technology

On March 4, 2019, the registered capital Chaoju Medical Technology increased from RMB133.82 million to RMB135.29 million.

Ninghai Hospital

On August 14, 2020, the registered capital of Ninghai Hospital increased from RMB20 million to RMB23 million.

6. Repurchases of our own securities

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on June 12, 2021, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorizing any repurchase by us of Shares on the Hong Kong Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), at any time until the conclusion of the next annual general meeting, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appoint by it to effect a repurchase of securities disclose to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after insider information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for a listed company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of shares on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Hong Kong Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to the company on the Hong Kong Stock Exchange.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of us and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit us and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

Any payment for the repurchase of Shares will be drawn from the profits or share premium of our Company or from the proceeds of a fresh issue of shares made for the purpose of the repurchase or out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, under the circumstances, have a material adverse effect in the opinion of our Directors on the working capital requirements of our Company or our gearing levels. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in the prospectus in the event that the Repurchase Mandate is exercised in full.

(d) Share capital

The exercise in full of the Repurchase Mandate, on the basis of 687,500,000 Shares in issue immediately following the completion of the Global offering (assuming the Over-allotment Option is not exercised), could accordingly result in up to 68,750,000 Shares being repurchased by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held; or

(iii) the date on which the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands. We have not repurchased any Shares since our incorporation.

No connected person of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than a prescribed percentage of our Shares then in issue could only implemented with the approval of the Hong Kong Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

1. a share purchase agreement dated May 30, 2019 entered into by and between FountainVest Chuangying, Riverhead Runfeng, Ms. Zhang Xiaoli (張小利), Mr. Zhang Bozhou (張波洲), Mr. Zhang Junfeng (張俊峰), Mr. Zhang Fengsheng (張豐生), Ms. Zhang Yumei (張玉梅), pursuant to which FountainVest Chuangying agreed to purchase 8,823,529 shares of Chaoju Medical Technology at a total consideration of RMB120 million and Riverhead Runfeng agreed to purchase 3,676,471 shares of Chaoju Medical Technology at a total consideration of RMB50 million;

2. an equity transfer agreement dated August 23, 2019 entered into by and between Beijing Chaoju and Beijing Beiyi Hongye Investment Co., Ltd. (北京北誼宏業投資有限公司), pursuant to which Beijing Beiyi Hongye Investment Co., Ltd. has agreed to transfer its registered capital of RMB15 million in Jiangsu Chaoju (formerly known as Jiangsu Chaoju Investment Management Co., Ltd.* (江蘇朝聚投資管理有限公司)) to Beijing Chaoju at a consideration of RMB4,324,320;

3. an equity transfer agreement dated September 30, 2019 entered into by and between Beijing Chaoju and Wang Hongguang (王宏光), pursuant to which Wang Hongguang has agreed to transfer his 18.55% equity interest in Hulunbuir Hospital to Beijing Chaoju at nil consideration;

4. an equity transfer agreement dated September 30, 2019 entered into by and between Beijing Chaoju and Zhu Heping (祝和平), pursuant to which Zhu Heping has agreed to transfer his 2.95% equity interest in Hulunbuir Hospital to Beijing Chaoju at nil consideration;

5. an equity transfer agreement dated September 30, 2019 entered into by and between Beijing Chaoju and Wang Hongguang (王宏光), pursuant to which Wang Hongguang has agreed to transfer his 27.40% equity interest in Hulunbuir City Chaoju Optometry Co., Ltd. (呼倫貝爾市朝聚眼視光有限公司) to Beijing Chaoju at nil consideration;

6. an equity transfer agreement dated September 30, 2019 entered into by and between Beijing Chaoju and Zhu Heping (祝和平), pursuant to which Zhu Heping has agreed to transfer his 4.50% equity interest in Hulunbuir City Chaoju Optometry Co., Ltd. (呼倫貝爾市朝聚眼視光有限公司) to Beijing Chaoju at nil consideration;

7. a share purchase agreement dated November 28, 2019 entered into by and between Chaoju Medical Technology (formerly known as Chaoju Medical Technology Equity Co., Ltd.* (朝聚醫療科技股份有限公司)), Baotou Weilailuoer Enterprise Management, Hohhot Jiasheng Enterprise Management, Ms. Zhang Xiaoli (張小利), Mr. Zhang Bozhou (張波洲), Mr. Zhang Junfeng (張俊峰), Mr. Zhang Fengsheng (張豐生), Ms. Zhang Yumei (張玉梅), pursuant to which Baotou Weilailuoer Enterprise Management agreed to purchase 1,690,617 shares of Chaoju Medical Technology at a total consideration of RMB20 million and Hohhot Jiasheng Enterprise Management agreed to purchase 845,309 shares of Chaoju Medical Technology at a total consideration of RMB10 million;

8. an equity transfer agreement dated November 30, 2019 entered into by and between Mr. Zhang Fengsheng (張豐生) and Chaoju Medical Technology, pursuant to which Mr. Zhang Fengsheng has agreed to transfer his 14% equity interest in Chifeng Hospital to Chaoju Medical Technology at a consideration of RMB27,800,000;

9. an equity transfer agreement dated June 16, 2020 entered into by and between Beijing Chaoju and Tong Yanqiu (佟豔秋), pursuant to which Tong Yanqiu has agreed to transfer her 1.82% equity interest in Hulunbuir Hospital to Beijing Chaoju;

10. an equity transfer agreement dated June 16, 2020 entered into by and between Beijing Chaoju and Tong Yanqiu (佟豔秋), pursuant to which Tong Yanqiu has agreed to transfer her 2.7% equity interest in Hulunbuir City Chaoju Optometry Co., Ltd. (呼倫貝爾市朝聚眼視光有限公司) to Beijing Chaoju;

11. an equity transfer agreement dated July 1, 2020 entered into by and between Ms. Zhang Xiaoli (張小利), Mr. Zhang Bozhou (張波洲), Mr. Zhang Junfeng (張俊峰), Mr. Zhang Fengsheng (張豐生), Ms. Zhang Yumei (張玉梅), Ms. Zhang Yanmei (章豔梅), Shanghai Chaoxi, Light Medical Limited, Inner Mongolia Chaoda, Inner Mongolia Jutong Sihai, Orchid Asia VII, Riverhead Capital I, FountainVest Chuangying, Riverhead Runfeng, Baotou Weilailuoer Enterprise Management, Hohhot Jiasheng Enterprise Management, Xiamen Chaoju Hospital Management and Chaoju Medical Technology, pursuant to which Ms. Zhang Xiaoli, Mr. Zhang Bozhou, Mr. Zhang Junfeng, Mr. Zhang Fengsheng, Ms. Zhang Yumei, Ms. Zhang Yanmei, Shanghai Chaoxi, Light Medical Limited, Inner Mongolia Chaoda, Inner Mongolia Jutong Sihai, Orchid Asia VII, Riverhead Capital I, FountainVest Chuangying, Riverhead Runfeng, Baotou Weilailuoer Enterprise Management and Hohhot Jiasheng Enterprise Management agreed to transfer the aggregated 100% equity interest in Chaoju Medical Technology to Xiamen Chaoju Hospital Management;

12. a supplemental agreement dated July 1, 2020 entered into by and between our Company, Chaoju Medical Technology, Xiamen Chaoju Hospital Management, Ms. Zhang Xiaoli (張小利), Mr. Zhang Bozhou (張波洲), Mr. Zhang Junfeng (張俊峰), Mr. Zhang Fengsheng (張豐生), Ms. Zhang Yumei (張玉梅), Baotou Weilailuoer Enterprise Management and Hohhot Jiasheng Enterprise Management pursuant to which each of Ms. Zhang Xiaoli, Mr. Zhang Bozhou, Mr. Zhang Junfeng, Mr. Zhang Fengsheng, Ms. Zhang Yumei, Baotou Weilailuoer Enterprise Management and Hohhot Jiasheng Enterprise Management agreed to, among other things, terminate certain special rights they had in our Company;

13. a supplemental agreement dated July 1, 2020 entered into by and between our Company, Chaoju Medical Technology, Xiamen Chaoju Hospital Management, Ms. Zhang Xiaoli (張小利), Mr. Zhang Bozhou (張波洲), Mr. Zhang Junfeng (張俊峰), Mr. Zhang Fengsheng (張豐生), Ms. Zhang Yumei (張玉梅), FountainVest Chuangying, Riverhead Runfeng, Orchid Asia VII, Shanghai Chaoxi, Light Medical Limited, Riverhead Capital I, Inner Mongolia Chaoda, Inner Mongolia Jutong Sihai and Ms Zhang Yanmei (章豔梅) pursuant to which each of Ms. Zhang Xiaoli, Mr. Zhang Bozhou, Mr. Zhang Fengsheng, Mr. Zhang Junfeng, Ms. Zhang Yumei, FountainVest Chuangying, Riverhead Runfeng, Orchid Asia VII, Shanghai Chaoxi, Light Medical Limited, Riverhead Capital I, Inner Mongolia Chaoda, Inner Mongolia Jutong Sihai and Ms. Zhang Yanmei agreed to, among other things, terminate certain special rights they had in our Company;

14. an equity transfer agreement dated July 10, 2020 entered into by and between Chaoju Medical Technology and Mr. Zhang Fengsheng (張豐生), pursuant to which Mr. Zhang Fengsheng has agreed to transfer his 14% equity interest in Chifeng Chaoju Eyeglasses Co., Ltd. (赤峰朝聚眼鏡有限責任公司) to Chaoju Medical Technology at a consideration of RMB14,000;

15. an equity transfer agreement dated July 29, 2020 entered into by and between Ms. Zhang Xiaoli (張小利), Mr. Zhang Bozhou (張波洲), Mr. Zhang Junfeng (張俊峰), Mr. Zhang Fengsheng (張豐生), Ms. Zhang Yumei (張玉梅), Ms. Zhang Yanmei (章豔梅), Shanghai Chaoxi, Light Medical Limited, Inner Mongolia Chaoda, Inner Mongolia Jutong Sihai, Orchid Asia VII, Riverhead Capital I, FountainVest Chuangying, Riverhead Runfeng, Baotou Weilailuoer Enterprise Management, Hohhot Jiasheng Enterprise Management, Xiamen Chaoju Group and Xiamen Chaoju Hospital Management pursuant to which Ms. Zhang Xiaoli, Mr. Zhang Bozhou, Mr. Zhang Junfeng, Mr. Zhang Fengsheng, Ms. Zhang Yumei, Ms. Zhang Yanmei, Shanghai Chaoxi, Light Medical Limited, Inner Mongolia Chaoda, Inner Mongolia Jutong Sihai, Orchid Asia VII, Riverhead Capital I, FountainVest Chuangying, Riverhead Runfeng, Baotou Weilailuoer Enterprise Management and Hohhot Jiasheng Enterprise Management agreed to transfer its aggregated 100% equity interest in Xiamen Chaoju Hospital Management to Xiamen Chaoju Group at an aggregated consideration of RMB135,294,117;

16. an equity transfer agreement dated July 30, 2020 entered into by and between Chaoju Medical Technology and Xiamen Chaoju Group, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in Hohhot Chaoju Eye Hospital Co., Ltd. (呼和浩特朝聚眼科醫院有限公司) to Xiamen Chaoju Group at nil consideration;

17. an equity transfer agreement dated July 31, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in Chifeng City Yuanbaoshan District Chaoju Optometry Eyeglasses Co., Ltd. (赤峰元寶山區朝聚驗光配鏡有限責任公司) to Chaoju Eye Optics at a consideration of RMB200,000;

18. an equity transfer agreement dated July 31, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in 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) to Chaoju Eye Optics at a consideration of RMB1 million;

19. an equity transfer agreement dated July 31, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in Hangzhou Chaoju Optical Eyeglasses Co., Ltd. (杭州朝聚光學眼鏡有限公司) to Chaoju Eye Optics at a consideration of RMB500,000;

20. an equity transfer agreement dated July 31, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in Dalad Banner Chaoju Optometry Eyeglasses Co., Ltd. (達拉特旗朝聚驗光配鏡有限公司) to Chaoju Eye Optics at a consideration of RMB100,000;

21. an equity transfer agreement dated July 31, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in 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) to Chaoju Eye Optics;

22. an equity transfer agreement dated July 31, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in Datong City Chaoju Eyeglasses Co., Ltd. (大同市朝聚眼鏡有限公司) to Chaoju Eye Optics;

23. an equity transfer agreement dated July 31, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 70% of its equity interest in 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) to Chaoju Eye Optics at a consideration of RMB1.12 million;

24. an equity transfer agreement dated July 31, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in Baotou City Chaoju Optometry Correction Eyeglasses Co., Ltd. (包頭市朝聚眼視光矯治配鏡有限公司) to Chaoju Eye Optics at a consideration of RMB1 million;

25. an equity transfer agreement dated July 31, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in 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) to Chaoju Eye Optics at a consideration of RMB1 million;

26. an equity transfer agreement dated July 31, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 80% of its equity interest in Zhoushan Chaoju Optical Glasses Co., Ltd. (舟山朝聚光學眼鏡有限公司) (formerly known as Zhoushan Chaoju Eye Hospital Co. Ltd. (舟山朝聚眼科醫院有限公司)) to Chaoju Eye Optics at a consideration of RMB1 million;

27. an equity transfer agreement dated July 31, 2020 entered into by and between Beijing Chaoju and Chaoju Eye Optics, pursuant to which Beijing Chaoju has agreed to transfer 100% of its equity interest in Tongliao City Chaoju Eyeglasses Co., Ltd. (通遼市朝聚眼鏡有限責任公司) to Chaoju Eye Optics at a consideration of RMB500,000;

28. an equity transfer agreement dated July 31, 2020 entered into by and between Jiangsu Chaoju and Chaoju Eye Optics, pursuant to which Jiangsu Chaoju has agreed to transfer 100% of its equity interest in Sihong County Chaoju Optical Optometry Eyeglasses Co., Ltd. (泗洪縣朝聚視光配鏡有限公司) to Chaoju Eye Optics at a consideration of RMB300,000;

29. an equity transfer agreement dated July 31, 2020 entered into by and between Beijing Chaoju and Chaoju Eye Optics, pursuant to which Beijing Chaoju has agreed to transfer 97.3% of its equity interest in Hulunbuir City Chaoju Optometry Co., Ltd. (呼倫貝爾市朝聚眼視光有限公司) to Chaoju Eye Optics;

30. an equity transfer agreement dated July 31, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in 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) to Chaoju Eye Optics at a consideration of RMB1 million;

31. an equity transfer agreement dated July 31, 2020 entered into by and between Jiangsu Chaoju and Chaoju Eye Optics, pursuant to which Jiangsu Chaoju has agreed to transfer 100% of its equity interest in Siyang Chaoju Eyeglasses Co., Ltd. (泗陽朝聚眼鏡有限公司) to Chaoju Eye Optics at a consideration of RMB500,000;

32. an equity transfer agreement dated July 31, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in 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) to Chaoju Eye Optics at a consideration of RMB1 million;

33. an equity transfer agreement dated July 31, 2020 entered into by and between Beijing Chaoju and Xiamen Chaoju Group, pursuant to which Beijing Chaoju has agreed to transfer 100% of its equity interest in Hangzhou Chaoju Eye Optometry Hospital Co., Ltd. (杭州朝聚眼視光醫院有限公司) to Xiamen Chaoju Group at a consideration of RMB10 million;

34. an equity transfer agreement dated July 31, 2020 entered into by and between Beijing Chaoju and Xiamen Chaoju Group, pursuant to which Beijing Chaoju has agreed to transfer 32.57% of its equity interest in Hulunbuir Hospital to Xiamen Chaoju Group at a consideration of RMB7,165,400;

35. an equity transfer agreement dated July 31, 2020 entered into by and between Chaoju Medical Technology and Xiamen Chaoju Group, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in Zhejiang Chaoju Hezhong Investment Management Co., Ltd. (浙江朝聚和眾投資管理有限公司) to Xiamen Chaoju Group at a consideration of RMB100 million;

36. an equity transfer agreement dated July 31, 2020 entered into by and between Beijing Chaoju and Xiamen Chaoju Group, pursuant to which Beijing Chaoju has agreed to transfer its shareholding in Datong Hospital to Xiamen Chaoju Group at a consideration of RMB4,665,000;

37. an equity transfer agreement dated July 31, 2020 entered into by and between Chaoju Medical Technology and Xiamen Chaoju Group, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in Inner Mongolia Chuangjie Enterprise Operation Management Co., Ltd. (內蒙古創傑企業運營管理有限公司) to Xiamen Chaoju Group at a consideration of RMB50 million;

38. an equity transfer agreement dated July 31, 2020 entered into by and between Beijing Chaoju and Xiamen Chaoju Group, pursuant to which Beijing Chaoju has agreed to transfer 11.67% of its equity interest in Tongliao Hospital to Xiamen Chaoju Group at a consideration of RMB1,167,000;

39. a capital transfer agreement dated August 10, 2020 entered into by and between Chaoju Medical Technology, Mr. Zhang Bozhou (張波洲), Chaoju Eye Optics and Baotou Low Vision Rehabilitation Center (包頭市低視力康復中心), pursuant to which Chaoju Medical Technology and Mr. Zhang Bozhou (張波洲) have agreed to transfer their paid-up capital of RMB310,000 in Baotou Low Vision Rehabilitation Center to Chaoju Eye Optics;

40. an equity transfer agreement dated August 12, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in Ongniud Banner Chaoju Optometry Eyeglasses Co., Ltd. (翁牛特旗朝聚驗光配鏡有限責任公司) to Chaoju Eye Optics at a consideration of RMB200,000;

41. an equity transfer agreement dated August 12, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in Jiaxing City Chaoju Optical Glasses Co., Ltd. (嘉興市朝聚光學眼鏡有限公司) to Chaoju Eye Optics at a consideration of RMB500,000;

42. an equity transfer agreement dated August 13, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in Chifeng Chaoju Eyeglasses Co., Ltd. (赤峰朝聚眼鏡有限責任公司) to Chaoju Eye Optics at a consideration of RMB100,000;

43. an equity transfer agreement dated August 19, 2020 entered into by and between Chaoju Medical Technology and Xiamen Chaoju Group, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in Tianjin Chaoju to Xiamen Chaoju Group at a consideration of RMB5 million;

44. an equity transfer agreement dated August 24, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in Tumb Right Banner Chaoju Optometry Eyeglasses Co., Ltd. (土默特右旗朝聚驗光配鏡有限公司) to Chaoju Eye Optics at a consideration of RMB100,000;

45. an equity transfer agreement dated August 31, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in Chengde Chaoju Trading Co., Ltd. (承德朝聚商貿有限公司) to Chaoju Eye Optics at a consideration of RMB3 million;

46. an equity transfer agreement dated September 20, 2020 entered into by and between Chaoju Medical Technology and Chaoju Eye Optics, pursuant to which Chaoju Medical Technology has agreed to transfer 100% of its equity interest in Jungar Banner Chaoju Optometry Eyeglasses Co., Ltd. (准格爾旗朝聚驗光配鏡有限公司) to Chaoju Eye Optics at a consideration of RMB100,000;

47. a capital increase agreement dated September 24, 2020 entered into by and between Xiamen Chaoju Hospital Management, Xiamen Xinkangnuo, Xiamen Chaoju Group, pursuant to which Xiamen Xinkangnuo agreed to contribute RMB77,810,000 to Xiamen Chaoju Hospital Management in relation to its increase of registered capital by RMB57,983,193;

48. a shareholders' rights entrustment agreement in relation to the 30% equity interest of Xiamen Chaoju Hospital Management dated September 30, 2020 entered into by and among Xiamen Chaoju Group, Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management, pursuant to which, Xiamen Xinkangnuo irrevocably agreed to authorize Xiamen Chaoju Group (and its successors or liquidators) to exercise all of its rights and powers of a shareholder of Xiamen Chaoju Hospital Management with 30% equity interest;

49. a shareholders' rights entrustment agreement in relation to the 100% equity interest of Xiamen Xingkangnuo dated September 30, 2020 entered into by and among Xiamen Chaoju Group, Ms. Zhang Xiaoli (張小利), Mr. Zhang Bozhou (張波洲), Mr. Zhang Junfeng (張俊峰), Mr. Zhang Fengsheng (張豐生), Ms. Zhang Yumei (張玉梅) and Xiamen Xinkangnuo, pursuant to which, Ms. Zhang Xiaoli (張小利), Mr. Zhang Bozhou (張波洲), Mr. Zhang Junfeng (張俊峰), Mr. Zhang Fengsheng (張豐生) and Ms. Zhang Yumei (張玉梅) irrevocably agreed to authorize Xiamen Chaoju Group (and its successors or liquidators) to exercise all the shareholders' rights as a shareholder of Xiamen Xinkangnuo;

50. an exclusive call option agreement in relation to the 100% equity interest of Xiamen Xingkangnuo dated September 30, 2020 entered into by and among Xiamen Chaoju Group, Xiamen Xinkangnuo, Ms. Zhang Xiaoli (張小利), Mr. Zhang Bozhou (張波洲), Mr. Zhang Junfeng (張俊峰), Mr. Zhang Fengsheng (張豐生) and Ms. Zhang Yumei (張玉梅), pursuant to which, Ms. Zhang Xiaoli (張小利), Mr. Zhang Bozhou (張波洲), Mr. Zhang Junfeng (張俊峰), Mr. Zhang Fengsheng (張豐生) and Ms. Zhang Yumei (張玉梅) irrevocably granted an exclusive call option to Xiamen Chaoju Group, which entitles Xiamen Chaoju Group to elect to purchase at any time, all or part of the equity interest in Xiamen Xinkangnuo itself or through its designated person(s);

51. an exclusive call option agreement in relation to the 30% equity interest of Xiamen Chaoju Hospital Management dated September 30, 2020 entered into by and among Xiamen Chaoju Group, Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management, pursuant to which, (i) Xiamen Xinkangnuo irrevocably granted an exclusive call 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), and (ii) Xiamen Chaoju Hospital Management irrevocably grants an exclusive call option to Xiamen Chaoju Group, which entitles Xiamen Chaoju 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) at its sole discretion when exercising its option;

52. an exclusive operation services agreement dated September 30, 2020 entered into by and among Xiamen Chaoju Group, Ms. Zhang Xiaoli (張小利), Mr. Zhang Bozhou (張波洲), Mr. Zhang Junfeng (張俊峰), Mr. Zhang Fengsheng (張豐生), Ms. Zhang Yumei (張玉梅), Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management, pursuant to which, Xiamen Xinkangnuo, Xiamen Chaoju Hospital Management, Ms. Zhang Xiaoli (張小利), Mr. Zhang Bozhou (張波洲), Mr. Zhang Junfeng (張俊峰), Mr. Zhang Fengsheng (張豐生) and Ms. Zhang Yumei (張玉梅) 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;

53. an equity pledge agreement in relation to the 30% equity interest of Xiamen Chaoju Hospital Management dated September 30, 2020 entered into by and among Xiamen Chaoju Group, Xiamen Xinkangnuo and Xiamen Chaoju Hospital Management, pursuant to which, Xiamen Xinkangnuo pledges all of its equity interest in Xiamen Chaoju Hospital Management to secure its obligations and liabilities under the Contractual Arrangements;

54. an equity pledge agreement in relation to the 2.9871% equity interest of Xiamen Xingkangnuo dated September 30, 2020 entered into by and among Xiamen Chaoju Group, Ms. Zhang Yumei (張玉梅) and Xiamen Xinkangnuo, pursuant to which, Ms. Zhang Yumei (張玉梅) pledges her 2.9871% equity interest in Xiamen Xingkangnuo to secure her obligations and liabilities under the Contractual Arrangements in favour of Xiamen Chaoju Group;

55. an equity pledge agreement in relation to the 20.6688% equity interest of Xiamen Xingkangnuo dated September 30, 2020 entered into by and among Xiamen Chaoju Group, Mr. Zhang Junfeng (張俊峰) and Xiamen Xinkangnuo, pursuant to which, Mr. Zhang Junfeng (張俊峰) pledges his 20.6688% equity interest in Xiamen Xinkangnuo to secure his obligations and liabilities under the Contractual Arrangements in favour of Xiamen Chaoju Group;

56. an equity pledge agreement in relation to the 20.6688% equity interest in Xiamen Xingkangnuo dated September 30, 2020 entered into by and among Xiamen Chaoju Group, Mr. Zhang Fengsheng (張豐生) and Xiamen Xinkangnuo, pursuant to which, Mr. Zhang Fengsheng (張豐生) pledges his 20.6688% equity interest in Xiamen Xinkangnuo to secure his obligations and liabilities under the Contractual Arrangements in favour of Xiamen Chaoju Group;

57. an equity pledge agreement in relation to the 26.6430% equity interest in Xiamen Xingkangnuo dated September 30, 2020 entered into by and among Xiamen Chaoju Group, Mr. Zhang Bozhou (張波洲) and Xiamen Xinkangnuo, pursuant to which, Mr. Zhang Bozhou (張波洲) pledges his 26.6430% equity interest in Xiamen Xinkangnuo to secure his obligations and liabilities under the Contractual Arrangements in favour of Xiamen Chaoju Group;

58. an equity pledge agreement in relation to the 29.0323% equity interest in Xiamen Xingkangnuo dated September 30, 2020 entered into by and among Xiamen Chaoju Group, Ms. Zhang Xiaoli (張小利) and Xiamen Xinkangnuo, pursuant to which, Ms. Zhang Xiaoli (張小利) pledges her 29.0323% equity interest in Xiamen Xinkangnuo to secure her obligations and liabilities under the Contractual Arrangements in favour of Xiamen Chaoju Group;

59. a cornerstone investment agreement dated June 22, 2021 entered into among our Company, Fullgoal Fund Management Co., Ltd, Haitong International Capital Limited, Haitong International Securities Company Limited and Huatai Financial Holdings (Hong Kong) Limited, details of which are included in the section headed "Our Cornerstone Investors" in this prospectus;

60. a cornerstone investment agreement dated June 22, 2021 entered into among our Company, Gigantic Wealth Holdings Limited, Haitong International Capital Limited, Haitong International Securities Company Limited and Huatai Financial Holdings (Hong Kong) Limited, details of which are included in the section headed "Our Cornerstone Investors" in this prospectus;

61. a cornerstone investment agreement dated June 22, 2021 entered into among our Company, GT Cedar Capital (Hong Kong) Limited, Haitong International Capital Limited, Haitong International Securities Company Limited and Huatai Financial Holdings (Hong Kong) Limited, details of which are included in the section headed "Our Cornerstone Investors" in this prospectus;

62. a cornerstone investment agreement dated June 22, 2021 entered into among our Company, The Valliance Fund, Haitong International Capital Limited, Haitong International Securities Company Limited and Huatai Financial Holdings (Hong Kong) Limited, details of which are included in the section headed "Our Cornerstone Investors" in this prospectus;

63. the Deed of Non-competition; and

64. the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

As of the Latest Practicable Date, we have registered the following intellectual property rights which, in the opinion of our Directors, are material to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks:

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
1	朝 聚 CHAO JU	37827552	Chaoju Medical Technology	44	PRC	December 7, 2019	December 6, 2029
2	朝 聚 CHAO JU	37807818	Chaoju Medical Technology	40	PRC	December 7, 2019	December 6, 2029
3	朝聚	37812958	Chaoju Medical Technology	10	PRC	December 7, 2019	December 6, 2029
4		37785380	Chaoju Medical Technology	33	PRC	January 28, 2020	January 27, 2030
5	朝 聚 CHAO JU	37822099	Chaoju Medical Technology	10	PRC	December 7, 2019	December 6, 2029
6	朝聚	37804658	Chaoju Medical Technology	45	PRC	December 7, 2019	December 6, 2029
7	朝聚	37822092	Chaoju Medical Technology	44	PRC	December 7, 2019	December 6, 2029
8	朝聚视光	37807814	Chaoju Medical Technology	44	PRC	December 7, 2019	December 6, 2029
9		37789822	Chaoju Medical Technology	10	PRC	March 7, 2020	March 6, 2030
10	朝聚视光	37831518	Chaoju Medical Technology	10	PRC	December 7, 2019	December 6, 2029
11	朝聚视光	37822097	Chaoju Medical Technology	40	PRC	December 7, 2019	December 6, 2029
12	朝 聚 CHAO JU	37822100	Chaoju Medical Technology	32	PRC	March 28, 2020	March 27, 2030
13		37792099	Chaoju Medical Technology	5	PRC	March 28, 2020	March 27, 2030
14	朝聚	37812959	Chaoju Medical Technology	32	PRC	March 28, 2020	March 27, 2030
15	朝 聚 CHAO JU	37827555	Chaoju Medical Technology	45	PRC	December 7, 2019	December 6, 2029
16		37799077	Chaoju Medical Technology	40	PRC	December 28, 2019	December 27, 2029

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
17		37792118	Chaoju Medical Technology	44	PRC	December 28, 2019	December 27, 2029
18	朝聚	37832793	Chaoju Medical Technology	40	PRC	December 7, 2019	December 6, 2029
19		37778524	Chaoju Medical Technology	32	PRC	January 28, 2020	January 27, 2030
20	朝 聚 CHAO JU	37807816	Chaoju Medical Technology	9	PRC	May 21, 2020	May 20, 2030
21	朝聚	37831514	Chaoju Medical Technology	9	PRC	May 21, 2020	May 20, 2030
22	朝聚视光	37832795	Chaoju Medical Technology	9	PRC	May 21, 2020	May 20, 2030
23	朝 聚 CHAO JU	38472031	Chaoju Medical Technology	5	PRC	May 21, 2020	May 20, 2030
24	朝 聚 CHAO JU	5375782	Chaoju Medical Technology	9	PRC	May 28, 2009	May 27, 2029
25	朝 聚 ChaoJu	5363234	Chaoju Medical Technology	44	PRC	October 28, 2009	October 27, 2029
26	朝 聚 CHAO JU	37827554	Chaoju Medical Technology	33	PRC	August 7, 2020	August 6, 2030
27	朝聚	37827549	Chaoju Medical Technology	33	PRC	August 7, 2020	August 6, 2030
28		37782226	Chaoju Medical Technology	9	PRC	August 21, 2020	August 20, 2030
29		11799152	Hangzhou Chaoju Optical Eyeglasses Co., Ltd. (杭州朝聚光學眼鏡有限公司)	44	PRC	May 7, 2014	May 6, 2024
30	bosaeye	23556929	Ningbo Hospital	44	PRC	April 7, 2018	April 6, 2028
31		23558841	Ningbo Hospital	44	PRC	June 21, 2018	June 20, 2028
32	朝聚	38462434	Chaoju Medical Technology	5	PRC	February 7, 2021	February 6, 2031
33	朝聚视光	38462425	Chaoju Medical Technology	5	PRC	February 21, 2021	February 20, 2031
34		37776237	Chaoju Medical Technology	35	PRC	February 14, 2021	February 13, 2031

As of the Latest Practicable Date, we have applied for the registration of the following trademarks:

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Application
1	朝聚	38479733	Chaoju Medical Technology	42	PRC	May 27, 2019
2	朝 聚 CHAO JU	38466648	Chaoju Medical Technology	42	PRC	May 27, 2019

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names:

No.	Domain Name	Registered Owner	Date of Registration	Expiry Date
1	chaojueye.com	Chaoju Medical Technology	September 24, 2008	September 24, 2021
2	cjyk0472.com	Baotou Hospital	December 23, 2016	December 23, 2021
3	btcjyk.com	Baotou Hospital	April 20, 2020	April 20, 2022
4	cjyk0471.com	Hohhot Hospital	January 18, 2017	January 18, 2022
5	hscjyk.com	Hohhot Hospital	April 20, 2020	April 20, 2022
6	cjyk0476.com	Chifeng Hospital	January 18, 2017	January 18, 2022
7	cfcjyk.com	Chifeng Hospital	April 20, 2020	April 20, 2022
8	cjyk0474.com	Ulanqab Hospital	May 16, 2017	May 16, 2022
9	cjkq0472.com	Baotou Kunlun Hospital	March 7, 2015	March 7, 2022
10	cjdq0477.com	Dalad Banner Hospital	October 8, 2018	October 8, 2021
11	cj0479.com	Xilinhot Hospital	March 7, 2015	March 7, 2022
12	cj0475.com	Tongliao Hospital	February 12, 2018	February 12, 2022
13	cjyk0475.com	Tongliao Hospital	February 12, 2018	February 12, 2022
14	cjyk0470.com	Hulunbuir Hospital	October 29, 2018	October 29, 2021
15	cj0352.com	Datong Hospital	September 19, 2015	September 19, 2021
16	cjyk0352.com	Datong Hospital	December 24, 2018	December 24, 2021
17	cj0314.com	Chengde Hospital	October 18, 2016	October 18, 2021
18	cjyk0314.com	Chengde Hospital	December 29, 2018	December 29, 2021
19	cjyk0573.com	Jiaxing Hospital	October 10, 2019	October 10, 2021
20	jxcjykyy.com	Jiaxing Hospital	October 10, 2019	October 10, 2021
21	nhykyy.com	Ninghai Hospital	December 26, 2016	December 26, 2021
22	nbbsyk.com	Ningbo Hospital	February 28, 2017	February 28, 2022
23	shcj0527.com	Sihong Hospital	November 24, 2015	November 24, 2021
24	cj0527.com	Siyang Hospital	November 24, 2015	November 24, 2021

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

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

Immediately following completion of the share subdivision, the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option has not been exercised), the interests or short positions of our 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 us 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 for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**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
Mr. Zhang Bozhou	Interests held jointly with another person; interests of controlled corporation	286,065,000	41.61%
Ms. Zhang Xiaoli	Interests held jointly with another person; interests of controlled corporation	286,065,000	41.61%
Mr. Zhang Junfeng	Interests held jointly with another person; interests of controlled corporation	286,065,000	41.61%
Ms. Zhang Wenwen . . .	Interests of controlled corporation	36,465,000	5.30%

(b) Interests and short positions of the substantial shareholders in the Shares and Underlying Shares of the Company

So far as our Directors are aware, immediately following the completion of the share subdivision, the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option has not been exercised), no persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(c) Disclosure of interest of substantial Shareholders of our Company

Save as disclosed in "Substantial Shareholders", our Directors are not aware of any other person who will, immediately following the completion of the share subdivision, the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in the Shares or underlying Shares of our Company which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

(d) Interests of the Substantial Shareholders of Any Member of Our Group (Other than Our Company)

So far as the Directors are aware, as of the Latest Practicable Date, 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 our Company):

Name of shareholder	Name of member of our 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%

2. Particulars of Director's service contracts and letters of appointment

(a) Executive Directors

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

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

(b) Non-executive Director and Independent Non-executive Directors

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with us for a term of three years with effect from the Listing Date. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive directors are not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association and the applicable Listing Rules.

(c) Others

(a) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(b) During the years ended December 31, 2018, 2019 and 2020, the aggregate of the remuneration and benefits in kind payable to the Directors was approximately RMB2.4 million, RMB4.6 million and RMB3.3 million, respectively. Details of the Directors' remuneration are also set out in Note 9 of the Accountants' Report set out in Appendix I to this prospectus. Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the years ended December 31, 2018, 2019 and 2020 by us to the Directors.

(c) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2021 is estimated to be approximately RMB3.9 million.

(d) None of the Directors or any past Directors of any members of our Group has been paid any sum of money for the years ended December 31, 2018, 2019 and 2020 (i) as an inducement to join or upon joining us or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(e) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the years ended December 31, 2018, 2019 and 2020.

(f) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of the Company.

3. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed under the sub-section headed "— D. Other Information — 7. Consent of Experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed;

(b) so far as is known to any of our Directors or chief executives, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, 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;

(c) none of our Directors nor any of the parties listed in the section headed "D. Other Information — 6. Qualification of Experts" of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;

(d) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the section headed "D. Other Information — 6. Qualification of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "D. Other Information — 6. Qualification of experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest revenue payment collection channels.

D. OTHER INFORMATION

1. Estate Duty

We have been advised that no material liability for estate duty under PRC law is likely to fall upon us.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in this prospectus and so far as our Directors are aware, no litigation or claim of material importance (to our Group's financial condition or results of operation) is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option). All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The sponsors fee payable to the Joint Sponsors by our Company is US$500,000 each.

4. Preliminary expenses

The preliminary expenses incurred by us in relation to the incorporation of our Company were approximately US$3,112 and were paid by us.

5. Promoter

We have no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Haitong International Capital Limited.	Licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activities for the purpose of SFO
Huatai Financial Holdings (Hong Kong) Limited.	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
Jingtian & Gongcheng	PRC legal adviser
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor, Hong Kong
Harney Westwood & Riegels . .	Cayman legal adviser
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

7. Consent of Experts

Each of the experts named in paragraph 6 has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

8. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. Reserves available for distribution

As at December 31, 2020, we have reserves of RMB155.69 million available for distribution to our Shareholders.

10. Particulars of the Selling Shareholders

The Selling Shareholders are offering a total of 33,430,000 Sale Shares as part of the Global Offering. The Selling Shareholders comprise Jutong Medical Management, Sihai Medical Management, Guangming Medical Management and Xiwang Medical Management, our Controlling Shareholders. The following are particulars of the Selling Shareholders:

Name	Description	Place of Incorporation	Address	Number of Sale Shares
Jutong Medical Management	Wholly-owned by Mr. Zhang Bozhou	British Virgin Islands	Craigmuir Chambers Road Town, Tortola VG 1110, British Virgin Islands	1,963,000
Sihai Medical Management	Wholly-owned by Ms. Zhang Xiaoli	British Virgin Islands	Craigmuir Chambers Road Town, Tortola VG 1110, British Virgin Islands	2,139,000
Guangming Medical Management	Wholly-owned by Mr. Zhang Junfeng	British Virgin Islands	Craigmuir Chambers Road Town, Tortola VG 1110, British Virgin Islands	1,524,000
Xiwang Medical Management	Wholly-owned by Mr. Zhang Fengsheng	British Virgin Islands	Craigmuir Chambers Road Town, Tortola VG 1110, British Virgin Islands	27,804,000

E. MISCELLANEOUS

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders or management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and

(v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries.

(b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.

(c) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2020 (being the date to which the latest audited consolidated financial statements of the Group were prepared); and

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

(d) Our principal register of members will be maintained by our principal registrar, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

(e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system at present, and our Group is not seeking or proposing to seek any listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange; and

(g) The Directors have been advised that, under the Cayman Companies Act, the use of a Chinese name by the Company for identification purposes only does not contravene the Cayman Companies Act.

(h) The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix IV to this prospectus;

(c) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 7. Consent of Experts" in Appendix IV to this prospectus; and

(d) a list of the names, addresses and description of the Selling Shareholders.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Fangda Partners at 26/F, One Exchange Square, 8 Connaught Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum and Articles of Association;

(b) the Accountants' Report from by Ernst & Young, the texts of which are set out in Appendix I to this prospectus;

(c) the report from Ernst & Young in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Company for the years ended December 31, 2018, 2019 and 2020;

(e) the legal opinions issued by Jingtian & Gongcheng, our PRC legal advisers, dated June 23, 2021 in respect of certain aspects of the Group and the property interests of the Group;

(f) the legal opinion issued by Harney Westwood & Riegels, our Cayman legal advisers, summarizing the constitution of our Company and certain aspects of Cayman Islands Companies Act referred to in the section headed "Summary of the Articles of Association and Cayman Companies Act" in Appendix III to this prospectus;

(g) the Cayman Companies Act;

(h) copies of material contracts referred to the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix IV to this prospectus;

(i) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 7. Consent of Experts" in Appendix IV to this prospectus;

(j) service contracts and letters of appointment entered into between the Company and each of the Directors;

(k) the Frost & Sullivan Report; and

(l) a list of the names, addresses and description of the Selling Shareholders.

朝聚眼科
CHAOJU EYE CARE

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