

APPENDIX I

ACCOUNTANTS’ REPORT

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GAUSH MEDITECH LTD., MORGAN STANLEY ASIA LIMITED AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Gaush Meditech Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [●] to [●], 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 2019, 2020 and 2021 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December of 2019, 2020 and 2021 and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the Document of the Company dated [Date] (the “Document”) in connection with the [REDACTED] 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

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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 and the Company as at 31 December 2019, 2020 and 2021 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 3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about the dividends 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.

[●]

Certified Public Accountants

Hong Kong

[●], 2022

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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.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 December		
		2019	2020	2021
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
REVENUE	5	1,106,655	962,075	1,298,218
Cost of sales		<u>(643,310)</u>	<u>(525,898)</u>	<u>(688,747)</u>
Gross profit		463,345	436,177	609,471
Other income and gains	5	14,615	36,445	77,900
Selling and distribution expenses		(200,518)	(160,789)	(189,470)
Administrative expenses		(78,442)	(90,108)	(131,522)
Research and development costs	6	(2,659)	(3,139)	(23,506)
Other expenses		(190,933)	(66,355)	(397,312)
Finance costs	7	<u>(3,259)</u>	<u>(3,076)</u>	<u>(83,525)</u>
PROFIT/(LOSS) BEFORE TAX	6	2,149	149,155	(137,964)
Income tax expense	10	<u>(40,175)</u>	<u>(50,617)</u>	<u>(53,607)</u>
(LOSS)/PROFIT FOR THE YEAR		<u><u>(38,026)</u></u>	<u><u>98,538</u></u>	<u><u>(191,571)</u></u>
Attributable to:				
Owners of the parent		(37,041)	99,367	(190,447)
Non-controlling interests		<u>(985)</u>	<u>(829)</u>	<u>(1,124)</u>
		<u><u>(38,026)</u></u>	<u><u>98,538</u></u>	<u><u>(191,571)</u></u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted				
For (loss)/profit for the year (in RMB)	12	<u><u>(0.34)</u></u>	<u><u>0.94</u></u>	<u><u>(1.99)</u></u>

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(LOSS)/PROFIT FOR THE YEAR	<u>(38,026)</u>	<u>98,538</u>	<u>(191,571)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods			
Exchange differences:			
Exchange differences on translation of foreign operations	<u>(436)</u>	<u>7,588</u>	<u>(58,601)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u>(38,462)</u>	<u>106,126</u>	<u>(250,172)</u>
Attributable to:			
Owners of the parent	<u>(37,477)</u>	<u>106,955</u>	<u>(249,048)</u>
Non-controlling interests	<u>(985)</u>	<u>(829)</u>	<u>(1,124)</u>
	<u>(38,462)</u>	<u>106,126</u>	<u>(250,172)</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December		
		2019	2020	2021
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NON-CURRENT ASSETS				
Property, plant and equipment	13	7,793	12,214	42,882
Right-of-use assets	14(a)	20,936	19,659	42,643
Goodwill	15	16,190	31,228	882,698
Intangible assets	16	13,375	21,751	303,889
Long term accounts receivable		1,030	–	–
Prepayments, other receivables, and other assets	21	7,349	9,526	23,843
Investment prepayment	17	–	1,377,908	–
Contract assets	22	356	649	84
Deferred tax assets	30	14,809	13,804	40,849
Total non-current assets		81,838	1,486,739	1,336,888
CURRENT ASSETS				
Financial assets at fair value through profit or loss	18	200,169	10	–
Inventories	19	195,799	239,570	240,109
Trade receivables	20	193,739	170,796	170,054
Contract assets	22	1,666	2,190	1,937
Prepayments, other receivables and other assets	21	23,064	22,171	54,928
Pledged deposits	23	–	6,810	13,757
Cash and cash equivalents	24	332,762	307,490	608,996
Total current assets		947,199	749,037	1,089,781
CURRENT LIABILITIES				
Trade payables	25	113,295	104,417	68,018
Derivative financial instruments	28	323	128	296
Other payables and accruals	26	105,587	153,128	124,181
Tax payable		37,417	28,826	19,792
Interest-bearing bank and other borrowings	29	37,502	866,184	122,464
Contract liabilities	27	105,596	121,584	93,884
Lease liabilities	14(b)	7,257	6,233	12,600
Total current liabilities		406,977	1,280,500	441,235

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	<i>Notes</i>	As at 31 December		
		2019	2020	2021
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NET CURRENT				
ASSETS/(LIABILITIES)		<u>540,222</u>	<u>(531,463)</u>	<u>648,546</u>
TOTAL ASSETS LESS				
CURRENT LIABILITIES		<u>622,060</u>	<u>955,276</u>	<u>1,985,434</u>
NON-CURRENT				
LIABILITIES				
Government grants		788	99	–
Interest-bearing bank and other borrowings	29	–	194,905	635,334
Loan at fair value through profit or loss	31	–	–	159,099
Convertible redeemable preferred shares	32	644,182	663,648	1,660,424
Contract liabilities	27	27,769	29,162	29,259
Deferred tax liabilities	30	3,024	5,762	66,374
Other payables and accruals	26	–	–	36,536
Lease liabilities	14(b)	<u>16,082</u>	<u>13,890</u>	<u>31,779</u>
Total non-current liabilities		<u>691,845</u>	<u>907,466</u>	<u>2,618,805</u>
Net (liabilities)/assets		<u><u>(69,785)</u></u>	<u><u>47,810</u></u>	<u><u>(633,371)</u></u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	33	72	72	65
Other reserves	34	<u>(81,402)</u>	<u>25,553</u>	<u>(656,497)</u>
		(81,330)	25,625	(656,432)
Non-controlling interests		<u>11,545</u>	<u>22,185</u>	<u>23,061</u>
Total equity		<u><u>(69,785)</u></u>	<u><u>47,810</u></u>	<u><u>(633,371)</u></u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent				Total	Non-controlling interests	Total equity
	Share capital	Capital reserve*	Exchange fluctuation reserve*	Accumulated losses*			
	(note 33)	(note 34)	(note 34)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019	76	132,804	(124)	(108,708)	24,048	11,530	35,578
Total comprehensive loss for the year	-	-	(436)	(37,041)	(37,477)	(985)	(38,462)
Capital injection from non-controlling shareholders**	-	-	-	-	-	1,000	1,000
Shares repurchased (note 33)	(4)	(67,897)	-	-	(67,901)	-	(67,901)
As at 31 December 2019	72	64,907	(560)	(145,749)	(81,330)	11,545	(69,785)

** Gausch Diopsys Ltd. (天津高視大奧科技有限公司) received a capital injection of RMB1,000,000 from a non-controlling shareholder.

Year ended 31 December 2020

	Attributable to owners of the parent				Total	Non-controlling interests	Total equity
	Share capital	Capital reserve*	Exchange fluctuation reserve*	Accumulated losses*			
	(note 33)	(note 34)	(note 34)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	72	64,907	(560)	(145,749)	(81,330)	11,545	(69,785)
Total comprehensive income/(loss) for the year	-	-	7,588	99,367	106,955	(829)	106,126
Acquisition of subsidiaries (note 35 (a)/(b)/(c))	-	-	-	-	-	11,469	11,469
As at 31 December 2020	72	64,907	7,028	(46,382)	25,625	22,185	47,810

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Year ended 31 December 2021

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Capital reserve*	Exchange fluctuation reserve*	Accumulated losses *	Total			
	(note 33) RMB'000	(note 34) RMB'000	(note 34) RMB'000	RMB'000	RMB'000	RMB'000		
As at 1 January 2021	72	64,907	7,028	(46,382)	25,625	22,185	47,810	
Total comprehensive loss for the year	-	-	(58,601)	(190,447)	(249,048)	(1,124)	(250,172)	
Issue of shares (note 33)	2	56,722	-	-	56,724	-	56,724	
Shares repurchased (note 33)	(9)	(489,724)	-	-	(489,733)	-	(489,733)	
Capital injection from non-controlling shareholders**	-	-	-	-	-	2,000	2,000	
As at 31 December 2021	65	(368,095)	(51,573)	(236,829)	(656,432)	23,061	(633,371)	

* These reserve accounts comprise the consolidated reserves of RMB(81,402,000), RMB25,553,000 and RMB(656,497,000) in the consolidated statements of financial position as at 31 December 2019, 2020 and 2021, respectively.

** Tianjin Taihang Corporate Management Consultancy L.P. (天津高視太行企業管理諮詢合夥企業(有限合夥)) received a capital injection of RMB2,000,000 from a non-controlling shareholder.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December		
		2019	2020	2021
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax		2,149	149,155	(137,964)
Adjustments for:				
Finance costs	7	3,259	3,076	83,525
Interest income	5	(3,674)	(3,128)	(2,020)
(Gain)/loss on disposal of property, plant, and equipment	6	(2)	143	48
Fair value losses on preferred shares	6	173,152	64,631	375,606
Fair value losses on derivative financial instruments	6	324	111	295
Fair value gains on financial assets at fair value through profit or loss	6	(589)	–	–
Fair value losses on warrants	6	–	–	3,077
Fair value losses on loans at fair value through profit or loss	6	–	–	4,710
Depreciation of property, plant, and equipment	6	2,814	2,740	8,141
Depreciation of right-of-use assets	6	8,359	7,435	14,957
Amortisation of intangible assets	6	1,942	2,158	36,962
Impairment loss recognised on trade receivables, net	6	1,589	522	4,767
Impairment loss/(gain) recognised on contract assets, net	6	4	24	(6)
Impairment loss recognised on other receivables, net	6	189	375	736
Gain on disposal of financial assets at fair value through profit or loss	5/6	(2,904)	(2,274)	(92)
Amortisation of government grants		(510)	(694)	(99)
Write-down of inventories to net realisable value	6	1,337	12	7,858
Scrap for inventories		–	–	(6,312)
Foreign exchange differences, net		9,548	(20,934)	(52,539)
Decrease/(increase) in pledged bank deposits for retention		148	(6,810)	(562)
(Increase)/decrease in inventories		(4,497)	(38,189)	38,586
(Increase)/decrease in trade receivables		(28,107)	29,409	19,663
(Increase)/decrease in contract assets		(259)	(841)	824
(Increase)/decrease in prepayments, other receivables and other assets		(1,162)	2,758	(30,560)
Increase/(decrease) in trade payables		1,051	(10,601)	(42,571)
Increase/(decrease) in other payables and accruals		28,367	(3,978)	(37,514)
(Decrease)/increase in contract liabilities		(433)	17,381	(27,603)
Cash generated from operations		192,095	192,481	261,913
Income tax paid		(21,031)	(62,480)	(97,427)
Net cash flows from operating activities		171,064	130,001	164,486

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	<i>Notes</i>	Year ended 31 December		
		2019	2020	2021
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	5	3,674	3,128	2,020
Proceeds from disposal of financial assets at fair value through profit or loss		427,018	607,500	66,071
Purchases of property, plant, and equipment and other long-term assets		(4,063)	(1,769)	(26,545)
Purchases of financial assets at fair value through profit or loss		(565,570)	(407,930)	(66,071)
Acquisition of subsidiaries, net of cash (paid)/received	35	–	(18,531)	105,771
Prepayment for acquisition of subsidiaries		–	(1,182,647)	–
Additions of intangible assets		(261)	(47)	(1,503)
Investment income from financial assets at fair value through profit or loss	5	2,904	2,274	92
Net cash flows (used in)/from investing activities		<u>(136,298)</u>	<u>(998,022)</u>	<u>79,835</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from bank borrowings		47,425	897,259	66,082
Repayment of bank borrowings		(45,206)	(68,577)	(90,553)
Proceeds from loan provided by Teleon Holding B.V.		–	40,125	–
Payments of lease liabilities	14	(8,881)	(10,286)	(14,411)
Contributions by non-controlling shareholders		1,000	–	2,000
Issuance of ordinary shares		–	–	29,072
Issuance of preferred shares	32	–	–	659,119
Repurchase of shares		(67,901)	–	(489,733)
Pledged bank deposits for loans		–	–	(6,385)
Payment of [REDACTED] expenses		–	–	[REDACTED]
Interest paid		(1,908)	(2,165)	(76,092)
Net cash flows (used in)/from financing activities		<u>(75,471)</u>	<u>856,356</u>	<u>72,843</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>(40,705)</u>	<u>(11,665)</u>	<u>317,164</u>
Cash and cash equivalents at beginning of year	24	<u>387,688</u>	<u>332,762</u>	<u>307,490</u>
Effect of foreign exchange rate changes, net		<u>(14,221)</u>	<u>(13,607)</u>	<u>(15,658)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	<u><u>332,762</u></u>	<u><u>307,490</u></u>	<u><u>608,996</u></u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	As at 31 December		
		2019	2020	2021
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NON-CURRENT ASSETS				
Investments in subsidiaries		33,856	33,856	33,856
Total non-current assets		33,856	33,856	33,856
CURRENT ASSETS				
Other receivables due from subsidiaries	41(a)	367,571	356,735	624,230
Cash and cash equivalents	41(b)	5,432	4,025	91,185
Pledged deposits	41(c)	–	–	2,356
Total current assets		373,003	360,760	717,771
CURRENT LIABILITIES				
Other payables due to subsidiaries	41(d)	–	22,541	51,309
Other payables		610	–	–
Total current liabilities		610	22,541	51,309
NET CURRENT ASSETS		372,393	338,219	666,462
TOTAL ASSETS LESS CURRENT LIABILITIES		406,249	372,075	700,318
NON-CURRENT LIABILITIES				
Loan at fair value through profit or loss	31	–	–	159,099
Convertible redeemable preferred shares	32	644,182	663,648	1,660,424
Total non-current liabilities		644,182	663,648	1,819,523
Net liabilities		(237,933)	(291,573)	(1,119,205)
EQUITY				
Share capital	33	72	72	65
Other reserves	34	(238,005)	(291,645)	(1,119,270)
Total equity		(237,933)	(291,573)	(1,119,205)

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II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited company incorporated in the Cayman Islands on 1 November 2017. The registered office address of the Company is 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods the Group is primarily engaged in research and development, and the manufacture and sale of medical devices in the People’s Republic of China (the “PRC”) and other countries or regions.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies. The particulars of the Company’s subsidiaries are set out below:

Name	Place and date of incorporation/ registration and place of operations	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Gaush Medicare Ltd.* (iv)	The British Virgin Islands 8 November 2017	USD 1	100%	–	Investment holding
GMC MEDSTAR LIMITED *(iv)	The British Virgin Islands 10 July 2017	USD 100	100%	–	Investment holding
Gaush Medical Limited *(iv)/(vi)	Hong Kong 15 November 2017	HKD 1	–	100%	Investment holding
GMC Medstar Limited *(iv)/(vi)	Hong Kong 10 July 2017	HKD 100	–	100%	Investment holding
Global Vision Hong Kong Limited *(iv)	Hong Kong 19 December 2013	HKD 10,000	–	100%	Sale of ophthalmic devices and consumables
Gaush Medical Corporation (高視 醫療科技集團有限公司) *(vii)	PRC/Mainland China 25 May 2016	RMB75,287,200	–	100%	Sale of ophthalmic devices
Global Vision Corporation (北京高 視遠望科技有限責任公司)* (i)/(iii)/(vii)	PRC/Mainland China 27 August 1998	RMB5,000,000	–	100%	Sale of and services related to ophthalmic devices and consumables
MingWang Medical Ltd. (上海明 望醫療器械有限公司) * (i)/(iii)/(vii)	PRC/Mainland China 10 November 2009	RMB10,000,000	–	100%	Sale of and services related to ophthalmic devices and consumables
Gaush Technology Ltd. (上海高視 醫療技術有限公司) *(iii)/(vii)	PRC/Mainland China 23 February 2016	RMB10,000,000	–	100%	Sale of and services related to ophthalmic devices and consumables
Gaush Precision INC. (寧波高視精 密醫療技術有限公司) *(iv)/(ix)	PRC/Mainland China 6 January 2016	RMB10,000,000	–	100%	Research of medical consumables
Gaush Jingpin Ltd. (天津高視晶品 醫療技術有限公司) *(i)/(iii)/ (vii)	PRC/Mainland China 15 February 2016	RMB7,000,000	–	100%	Sale of ophthalmic consumables
Gaush Diopsys Ltd. (天津高視大 奧科技有限公司) *(iv)	PRC/Mainland China 13 October 2016	RMB10,000,000	–	60%	Research of ophthalmic devices
Gaush Medica Ltd. (寧波高斯醫療 科技有限公司) *(iv)	PRC/Mainland China 10 August 2017	RMB10,416,667	–	52%	Sale of and services related to ophthalmic devices and consumables
Wenzhou Gaush Raymond Photoelectric Technology Co., Ltd. (溫州高視雷蒙光電科技有 限公司) *(ii)/(iv)	PRC/Mainland China 31 May 2006	RMB3,500,000	–	100%	Manufacture and sale of ophthalmic devices
Gaush Medical Service Ltd. (天津 高視醫療技術服務有限公司) * (iii)/(vii)	PRC/Mainland China 13 May 2019	RMB10,000,000	–	100%	Warranty service

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Name	Place and date of incorporation/ registration and place of operations	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Gaush CRO Ltd. (海南高視醫學研究有限公司) * (iv)	PRC/Mainland China 17 August 2020	RMB5,000,000	–	100%	Sale of and registration services related to ophthalmic devices and consumables
Gaush Consumables Ltd. (深圳市高視耗材科技有限公司) * (iv)	PRC/Mainland China 8 February 2017	RMB5,000,000	–	60%	Production and research of ophthalmic consumables
Gaush Precision Ltd. (高視精密醫療器械(蘇州)有限公司) * (vii)	PRC/Mainland China 10 May 2018	RMB6,666,667	–	85%	Production and research of ophthalmic consumables
Gaush Medical INC (廣州高視醫療科技有限公司) * (vii)	PRC/Mainland China 17 October 2020	RMB5,000,000	–	100%	Sale of and services related to ophthalmic devices and consumables
Gaush Clear Ltd. (蘇州高視高視醫療技術有限公司) * (iv)/(v)	PRC/Mainland China 21 February 2021	RMB50,000,000	–	80.02%	Production and research of ophthalmic consumables
Shenzhen Gaush Clear Ltd. (深圳高視高視醫療技術有限公司) * (iv)/(v)	PRC/Mainland China 9 August 2021	RMB5,000,000	–	100%	Production and research of ophthalmic consumables
Gaush Teleon Ltd. (高視泰視醫療科技有限公司) * (iv)/(v)	PRC/Mainland China 22 June 2021	RMB50,000,000	–	100%	Production and research of ophthalmic consumables
Gaush Europe GmbH * (v)/(iv)	Germany 21 February 2021	EUR 25	–	100%	Investment holding
Roland Consult Stasche & Finger GmbH * (iv)	Germany 29 November 1995	EUR 25.61	–	80%	Manufacture and sale of ophthalmic devices
Gaush Cooperatief U.A * (viii)	Netherlands 1 November 2020	EUR 1	–	100%	Investment holding
Teleon Holding B.V.* (viii)	Netherlands 27 March 2013	EUR 1,000	–	100%	Investment holding
Teleon IP B.V.* (viii)	Netherlands 10 July 2014	EUR 1,100	–	100%	Investment holding
Teleon Surgical B.V.* (viii)	Netherlands 22 October 2014	EUR 1,100	–	100%	Production, research and sale of ophthalmic consumables
Teleon Surgical Vertiebs GmbH * (viii)	Germany 21 November 2016	EUR 25,000	–	100%	Sale of ophthalmic devices and consumables
Teleon Surgical GmbH * (viii)	Germany 23 June 2015	EUR 25,000	–	100%	Investment holding

* The English names of the companies registered in the PRC represent the best efforts made by the directors of the Company (“Directors”) in directly translating the Chinese names of these companies, as none of them have been registered with official English names.

Notes:

- (i) The statutory financial statements of these entities for the year ended 31 December 2019 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Beijing Puhongde Certified Public Accountants (General Partnership) (北京普宏德會計師事務所(普通合夥)), certified public accountants registered in the PRC.
- (ii) The statutory financial statements of this entity for the year ended 31 December 2019 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Hangzhou Yingtai Accounting Firm (杭州英泰會計師事務所有限公司), certified public accountants registered in the PRC.
- (iii) The statutory financial statements of these entities for the year ended 31 December 2020 prepared under PRC GAAP were audited by Beijing Puhongde Certified Public Accountants (General Partnership) (北京普宏德會計師事務所(普通合夥)), certified public accountants registered in the PRC.
- (iv) As at the date of this report, no audited financial statements have been prepared and issued for the year ended 31 December 2021.
- (v) No audited financial statements have been prepared and issued for these entities for the years ended 31 December 2019 and 2020 as these companies have not started their business.

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- (vi) The statutory financial statements of these entities for the years ended 31 December 2019, 2020 and 2021 prepared under Hong Kong Financial Reporting Standards for Private Entities (HKFRS for Private Entities) were audited by SBC CPA Limited (駿馬會計事務所有限公司), certified public accountants registered in Hong Kong.
- (vii) The statutory financial statements of these entities for the year ended 31 December 2021 prepared under PRC GAAP are under audit by Beijing Puhongde Certified Public Accountants (General Partnership) (北京普宏德會計師事務所(普通合夥)), certified public accountants registered in the PRC. And the audit report will be issued in April 2022.
- (viii) The statutory financial statements of these entities for the year ended 31 December 2021 prepared in Dutch GAAP are under audit by BDO Audit & Assurance B.V., certified public accountants registered in the Netherlands. The consolidated audit report of Gaussh Cooperatief U.A. together with its subsidiaries will be issued in April 2022.
- (ix) The subsidiary was dissolved on 28 December 2021.

2.1 BASIS OF PRESENTATION

Pursuant to the Restructuring, as more fully explained in the paragraph headed “Corporate Development” in the section headed “History, Reorganization and Development” in the Document, the Company became the holding company of the companies now comprising the Group on 29 December 2017.

As the Restructuring mainly involved inserting new holding companies and has not resulted in any change of the respective voting, economic substance and beneficial interests, the Historical Financial Information for the Relevant Periods has been presented by applying the principles of pooling of interests.

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”) issued by the International Accounting Standards Board (“IASB”), which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2021, 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, except for financial assets at fair value through profit or loss which have been measured at fair value.

The Historical Financial Information has been prepared on the assumption that the Group will continue as a going concern, which assumes that the Group will be able to meet its obligations and continue its operations for the coming twelve months notwithstanding that as at 31 December 2021, the Group had net liabilities of RMB633,371,000 and accumulated losses of RMB236,829,000. In the opinion of the directors of the Company, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements for the next twelve months after 31 December 2021. This is due to the following considerations:

- a. The primary causes for the net liabilities and accumulated losses as at 31 December 2021 are the significant fair value changes of the convertible redeemable preferred shares, details of which are included in note 32 to the Historical Financial Information. These fair value changes will not affect the future cash flows of the Group. In addition, in view of the redemption terms of the convertible redeemable preferred shares, the Group is not required to incur any cash outflows to redeem the preferred shares in the next twelve months after 31 December 2021;
- b. The Group had net current assets of RMB648,546,000 as at 31 December 2021; and
- c. The Group has performed a working capital forecast for the next twelve months and will have sufficient liquid funds to finance its operations and can operate as a going concern in the foreseeable future.

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Basis of consolidation

The Historical Financial Information includes the financial information of the Group for the Relevant Periods.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- a. the contractual arrangement with the other vote holders of the investee;
- b. rights arising from other contractual arrangements; and
- c. the Group’s voting rights and potential voting rights.

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information. The Group intends to adopt them, if applicable, when they become effective.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021¹</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information³</i>
IFRS 17	<i>Insurance Contracts³</i>
Amendments to IFRS 17	<i>Insurance Contract s^{3, 5}</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current³</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies³</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates³</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction³</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract²</i>
Annual Improvements to IFRS Standards 2018-2020	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41²</i>

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- ¹ Effective for annual periods beginning on or after 1 April 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 IFRS 17 issued in October 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

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that the adoption of them will not have a material impact on the Group's financial position and financial performance.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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.

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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

The Group measures its hybrid contract, convertible redeemable preferred shares, derivative financial instruments and financial assets at fair value through profit or loss at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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 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, financial assets, deferred tax assets and non-current assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

An assessment is made at the end of each of the Relevant Periods 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) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

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

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (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;
 - (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.

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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 estimated useful lives used for this purpose are as follows:

<u>Categories</u>	<u>Estimated useful lives</u>
Machinery and equipment	3-5 years
Transportation equipment	4 years
Office equipment and others	3-5 years
Leasehold improvements	Over the shorter of the lease terms and 2-5 years

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 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 property, plant and equipment under construction, which are stated at cost less any impairment losses, and are 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 each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

<u>Categories</u>	<u>Estimated useful lives</u>
Software	5 years
Patent	8-10 years
Trademark	10 years

The useful economic life for software is based on the anticipated number of years the software will retire due to significant upgrades to the software. The useful life of patent is estimated based on the shorter of legal registered period and the period over which the patent is expected to generate economic benefit. The useful life of trademarks is based on the estimated periods that the Group intends to derive future economic benefits from the use of the assets. Besides, The Group also takes into account factors including the duration of the patent and trademark, as well as the useful lives of similar assets in the marketplace.

Research and development costs

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

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

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

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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:

Categories	Estimated useful lives
Plant and buildings	1-10 years
Motor vehicles	5 years

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

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. The Group has no such variable lease payments in deed.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the 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 plant and buildings (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 are recognised as an expense on a straight-line basis over the lease term.

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Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss (“FVTPL”).

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:

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss 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.

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

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

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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.

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

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

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

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

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, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and other payables, amounts due to related parties, interest-bearing bank and other borrowings, convertible redeemable preferred shares, and derivative financial instruments.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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 the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

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.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as foreign currency swaps and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Inventories

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

Cash and cash equivalents

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.

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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 each of the Relevant Periods 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.

The Group provides for warranties in relation to the sale of certain ophthalmic medical devices for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

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 each of the Relevant Periods, 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 each of the Relevant Periods 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 of the Relevant Periods 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 of the Relevant Periods 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.

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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 each of the Relevant Periods.

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

(a) Sale of products

Revenue from the sale of ophthalmic medical devices and ophthalmic medical consumables is recognised at the point in time when control of the asset is transferred to the customer, generally on acceptance after installation.

(b) After-sales services

Revenue from the provision of after-sales services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

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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. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods to the customer).

Employee benefits

Social pension plans

The Group has social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligations beyond the contributions made.

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 housing fund, basic and supplementary 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 the statement of profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Apart from those described above, the Group does not have any other legal or constructive obligations over employee benefits.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed dividends are disclosed in note 11 to the Historical Financial Information.

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 each of the Relevant Periods. 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 currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions for each of the Relevant Periods.

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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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for each of the Relevant Periods.

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:

Revenue from contracts with customers

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

Identifying performance obligations in a bundled sale of ophthalmic medical devices and after-sales services

The Group provides customers with after-sales services either separately or bundled together with the sale of ophthalmic medical devices. The after-sales services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer.

The Group determined that both ophthalmic medical devices and after-sales services are each capable of being distinct. The fact that the Group regularly sells both ophthalmic medical devices and after-sales services on a standalone basis indicates that the customer can benefit from both products on their own. The Group also determined that the promises to transfer the ophthalmic medical devices and to provide after-sales services are distinct within the context of the contract. The ophthalmic medical devices and after-sales services are not inputs to a combined item in the contract. The Group is not providing a significant integration service because the presence of the ophthalmic medical devices and after-sales services together in the contract does not result in any additional or combined functionality and neither the devices nor the service modifies or customises the other. Consequently, the Group has allocated a portion of the transaction price to the ophthalmic medical devices and after-sales services based on relative standalone selling prices.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of plant and buildings due to the significance of these assets to its operations.

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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 as at 31 December 2019, 2020 and 2021 were RMB16,190,000, RMB31,228,000 and RMB882,698,000, respectively. Further details are given in note 15 to the Historical Financial Information.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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 product) are expected to deteriorate over the next year which can lead to an increased number of defaults in a certain 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 and contract assets is disclosed in note 20 and note 22 to the Historical Financial Information, respectively.

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 or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

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 of the Relevant Periods. The 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.

Estimation of the fair value of financial liabilities at fair value through profit or loss

Certain financial liabilities are measured at fair value at the end of each of the Relevant Periods as disclosed in notes 28, 31 and 32 to the Historical Financial Information.

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Mezzanine facility loan is not traded in an active market and the respective fair value is determined using valuation techniques. The Group applied the discounted cash flow to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the mezzanine facility loan. Significant estimates on assumptions, including the underlying equity value, discount rate, risk free rate, and [REDACTED] probability, are made by management. Further details are included in note 31 to the Historical Financial Information.

The convertible redeemable preferred shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group applied the Back-solve Approach to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions such as the timing of the liquidation, redemption or the event as well as the probability of the various scenarios were based on the Group's best estimates. Further details are included in note 32 to the Historical Financial Information.

Deferred tax assets

Deferred tax assets are recognised for certain deductible temporary differences and 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. Further details are contained in note 30 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the proprietary products segment develops and produces surgical equipment and related supporting software, intra optical lens, ophthalmic disease diagnosis and treatment equipment and related supporting consumables independently;
- (b) the distribution segment sells comprehensive diagnostic equipment, ocular fundus diagnosis, surgical and treatment equipment and related supporting consumables produced by Heidelberg, Leica, Schwind, Geuder, Optos, Quantal and other world-famous ophthalmic medical equipment manufacturers;
- (c) the technical services segment provides warranty services, maintenance services and after-sales services related consumables; and
- (d) the "others" segment comprises, principally, the equipment leasing services and the agent registration services to certain customers, and licensing out of certain of intellectual properties.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, administrative expenses, research and development expenses are not included in the measure of the segments' performance which is used by management as a basis for the purpose of resource allocation and assessment of segment performance. Fair value changes on investments measured at fair value through profit or loss, other income and gains, other expenses and finance costs and income tax expenses are also not allocated to individual operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

There were no separate segment assets and segment liabilities information provided to management, as management does not use this information to allocate resources or to evaluate the performance of the operating segments.

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The segment results for the years ended 31 December 2019, 2020 and 2021 as follows:

	Year ended 31 December 2019				
	Proprietary products segment	Distribution segment	Technical services segment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External sales	11,329	986,004	107,925	1,397	1,106,655
Intersegment sales	3,245	–	–	–	3,245
Total	14,574	986,004	107,925	1,397	1,109,900
Elimination of intersegment sales					(3,245)
Segment revenue	11,329	986,004	107,925	1,397	1,106,655
Segment cost	7,451	574,942	60,917	–	643,310
Segment gross profit	3,878	411,062	47,008	1,397	463,345
	Year ended 31 December 2020				
	Proprietary products segment	Distribution segment	Technical services segment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External sales	24,720	793,121	138,784	5,450	962,075
Intersegment sales	6,579	–	–	–	6,579
Total	31,299	793,121	138,784	5,450	968,654
Elimination of intersegment sales					(6,579)
Segment revenue	24,720	793,121	138,784	5,450	962,075
Segment cost	13,674	437,498	72,760	1,966	525,898
Segment gross profit	11,046	355,623	66,024	3,484	436,177
	Year ended 31 December 2021				
	Proprietary products segment	Distribution segment	Technical services segment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External sales	316,097	810,989	161,605	9,527	1,298,218
Intersegment sales	75,568	–	–	8,881	84,449
Total	391,665	810,989	161,605	18,408	1,382,667
Elimination of intersegment sales					(84,449)
Segment revenue	316,097	810,989	161,605	9,527	1,298,218
Segment cost	150,433	445,957	91,501	856	688,747
Segment gross profit	165,664	365,032	70,104	8,671	609,471

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Geographical information

(a) *Revenue from external customers*

	Year ended 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Greater China	1,106,619	956,347	1,033,863
Asia Pacific (excluding Greater China)	–	3,143	64,856
Germany	36	1,111	103,566
Europe (excluding Germany)	–	367	56,677
Americas (including Canada)	–	617	16,798
Oceania	–	–	17,026
Others	–	490	5,432
	<u>1,106,655</u>	<u>962,075</u>	<u>1,298,218</u>

The revenue information of continuing operations above is based on the locations of the customers.

(b) *Non-current assets*

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Greater China	64,861	71,021	88,060
Germany	–	22,688	18,836
Netherlands	–	–	1,187,131
	<u>64,861</u>	<u>93,709</u>	<u>1,294,027</u>

The non-current asset information of continuing operations above is based on the locations of the assets which exclude financial instruments and deferred tax assets.

Information about major customers

None of the Group’s sales to a single customer amounted to 10.00% or more of the Group’s revenue during the years ended 31 December 2019, 2020 and 2021.

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5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) *Disaggregated revenue information:*

	Year ended 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Types of goods or services			
Sale of ophthalmic medical devices	849,405	676,917	718,718
Sale of ophthalmic medical consumables	147,928	140,924	408,368
After-sales services*	107,925	138,784	161,605
Others	1,397	5,450	9,527
	<u>1,106,655</u>	<u>962,075</u>	<u>1,298,218</u>
Geographical markets			
Greater China	1,106,655	958,462	1,033,863
Germany	–	3,613	120,028
Netherlands	–	–	144,327
	<u>1,106,655</u>	<u>962,075</u>	<u>1,298,218</u>
Timing of revenue recognition			
Goods transferred at a point in time	997,333	817,841	1,133,983
Services transferred over time	109,322	144,234	164,235
	<u>1,106,655</u>	<u>962,075</u>	<u>1,298,218</u>

* After-sales services include repair and maintenance services, which are either sold separately or bundled together with the sale of ophthalmic medical devices to a customer.

The following table shows the amounts of revenue recognised during the years ended 31 December 2019, 2020 and 2021 that were included in the contract liabilities at the beginning of the reporting year:

	Year ended 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting year	118,332	105,596	121,584

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(b) *Performance obligations*

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

Sale of ophthalmic medical devices

The performance obligation is satisfied after the inspection of medical devices installation by customers.

For public hospitals and certain customers with long relationship, the payment is generally due within 90 days after the inspection. For other clients, the payment in advance is normally required.

Sale of ophthalmic medical consumables

The performance obligation is satisfied after the inspection of the medical devices by customers. For public hospitals and certain customers with long relationship, the payment is generally due within 30 days after the inspection. For other clients, payment in advance is normally required.

After-sales services

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at year end do not include variable consideration which is constrained and are expected to be recognised as revenue within one year, or if the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group’s performance completed to date, the Group recognises revenue in the amount to which the Group has a right to invoice.

Other income and gains

	Year ended 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Other income			
Bank interest income	3,674	3,128	2,020
Government grants	7,269	10,446	13,908
Others	179	2,282	58
	<u>11,122</u>	<u>15,856</u>	<u>15,986</u>
Gains			
Fair value gains on financial assets at fair value through profit or loss	589	–	–
Foreign exchange gains	–	18,315	61,822
Gain on disposal of financial assets at fair value through profit or loss	2,904	2,274	92
	<u>3,493</u>	<u>20,589</u>	<u>61,914</u>
	<u>14,615</u>	<u>36,445</u>	<u>77,900</u>

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6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	Year ended 31 December		
		2019	2020	2021
		RMB’000	RMB’000	RMB’000
Cost of inventories sold		582,393	451,172	596,390
Cost of services provided		60,917	74,726	92,357
Cost of sales		<u>643,310</u>	<u>525,898</u>	<u>688,747</u>
Depreciation of property, plant and equipment*	13	2,814	2,740	8,141
Depreciation of right-of-use assets*	14 (a)	8,359	7,435	14,957
Amortisation of intangible assets*	16	1,942	2,158	36,962
Research and development costs		2,659	3,139	23,506
Lease payments not included in the measurement of lease liabilities	14 (c)	423	542	1,376
[REDACTED] expenses (including auditor’s remuneration)		–	–	[REDACTED]
Employee benefit expense (including directors’ and chief executive’s remuneration (note 8)**):				
Wages and salaries and pension scheme contributions		156,341	145,629	255,916
Foreign exchange losses/(gains), net****		13,785	(18,315)	(61,822)
Impairment of trade receivables, net***	20	1,589	522	4,767
Impairment of contract assets/(reversal of impairment), net***		4	24	(6)
Impairment of other receivables, net***		189	375	736
Write-down of inventories to net realisable value***		1,337	12	7,858
Fair value (gains)/losses, net:				
Fair value losses on preferred shares***	32	173,152	64,631	375,606
Derivative financial instruments***		324	111	295
Fair value gains on financial assets at fair value through profit or loss	5	(589)	–	–
Fair value losses on warrants		–	–	3,077
Fair value losses on loans at fair value through profit or loss	31	–	–	4,710
Bank interest income	5	(3,674)	(3,128)	(2,020)
Gain on disposal of financial assets at fair value through profit or loss	5	(2,904)	(2,274)	(92)
(Gain)/loss on disposal of property, plant, and equipment*****		(2)	143	48

* Depreciation and amortisation are included in “Cost of sales”, “Selling and distribution expenses”, “Research and development expenses” and “Administrative expenses” in the consolidated statements of profit or loss.

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** Employee benefit expense of approximately RMB34,775,000, RMB30,901,000 and RMB91,017,000, is included in cost of sales in the consolidated statements of profit or loss for the years ended 31 December 2019, 2020 and 2021, respectively. Employee benefit expense of approximately RMB1,386,000, RMB1,639,000 and RMB13,264,000 is included in research and development costs in the consolidated statements of profit or loss for the years ended 31 December 2019, 2020 and 2021, respectively.

*** The write-down of inventories to net realisable value and the impairment of trade receivables, contract assets and other receivables, and fair value losses are included in “Other expenses” in the consolidated statements of profit or loss. Fair value gains are included in “Other income and gains” in the consolidated statements of profit or loss.

**** Foreign exchange losses and gains are included in “Other expenses” and “Other income and gains” in the consolidated statements of profit or loss, respectively.

***** Loss and gain on disposal of property, plant, and equipment are included in “Other expenses” and “Other income and gains” in the consolidated statements of profit or loss, respectively.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank and other borrowings	2,141	2,165	82,269
Interest on lease liabilities (<i>note 14(b)</i>)	1,118	911	1,256
	<u>3,259</u>	<u>3,076</u>	<u>83,525</u>

8. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

Details of the emoluments paid or payable to the directors and the chief executive of the Company for the services provided to the Group during the Relevant Periods are as follows:

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fees	–	–	–
Other emoluments:			
Salaries, other allowances, and benefits in kind	2,336	2,369	2,421
Performance related bonuses	2,229	2,160	1,822
Pension scheme contributions	118	104	220
	<u>4,683</u>	<u>4,633</u>	<u>4,463</u>

(a) Independent non-executive directors

During the Relevant Periods, the Company had no independent non-executive directors.

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

Year ended 31 December 2019					
	Fees	Salaries, other allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:					
Mr. Gao Tieta	–	432	647	15	1,094
Mr. Zhang Jianjun	–	707	977	47	1,731
Mr. Zhao Xinli	–	565	444	28	1,037
Mr. Liu Xinwei	–	632	161	28	821
Non-executive director:					
Mr. Wang Guowei	–	–	–	–	–
	–	2,336	2,229	118	4,683
Year ended 31 December 2020					
	Fees	Salaries, other allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:					
Mr. Gao Tieta	–	446	660	30	1,136
Mr. Zhang Jianjun	–	707	420	4	1,131
Mr. Zhao Xinli	–	575	420	35	1,030
Mr. Liu Xinwei	–	641	660	35	1,336
Non-executive director:					
Mr. Wang Guowei	–	–	–	–	–
	–	2,369	2,160	104	4,633

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Year ended 31 December 2021

	Fees	Salaries, other allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors:					
Mr. Gao Tieta	–	460	648	54	1,162
Mr. Zhang Jianjun	–	723	416	58	1,197
Mr. Zhao Xinli	–	586	375	54	1,015
Mr. Liu Xinwei	–	652	383	54	1,089
Non-executive directors:					
Mr. Wang Guowei	–	–	–	–	–
Mr. Shi Long	–	–	–	–	–
	–	2,421	1,822	220	4,463

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included one director, three directors and no director for the years ended 31 December 2019, 2020 and 2021, details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2019, 2020 and 2021 of the five highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, other allowances and benefits in kind	2,839	1,388	5,293
Performance related bonuses	3,558	4,975	2,003
Pension scheme contributions	130	43	309
	6,527	6,406	7,605

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

	Number of employees		
	Year ended 31 December		
	2019	2020	2021
Nil to HKD1,000,000	–	–	–
HKD1,000,001 to HKD1,500,000	3	1	–
HKD1,500,001 to HKD2,000,000	–	–	4
HKD2,000,001 to HKD2,500,000	–	–	1
HKD2,500,001 to HKD3,000,000	–	–	–
HKD3,000,001 to HKD3,500,000	1	–	–
HKD3,500,001 to HKD4,000,000	–	–	–
HKD4,000,001 to HKD4,500,000	–	–	–
HKD4,500,001 to HKD5,000,000	–	–	–
HKD5,000,001 to HKD5,500,000	–	–	–
HKD5,500,001 to HKD6,000,000	–	–	–
HKD6,000,001 to HKD6,500,000	–	1	–
	<u>4</u>	<u>2</u>	<u>5</u>

10. INCOME TAX

Income tax for the Cayman Islands and the British Virgin Islands

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. As such, the operating results reported by the Company, including the fair value losses of Preferred Shares (note 32), are not subject to any income tax.

Hong Kong profits tax

Hong Kong profits tax has been provided at the two-tiered profits tax rates on the estimated assessable profits arising in Hong Kong during the Relevant Periods. The first HKD2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

Corporate income tax for Mainland China

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and the Implementation Regulation of the EIT Law, the EIT rate for PRC subsidiaries is 25% unless those subsidiaries are subject to tax exemption as set out below.

The Group’s subsidiary, Wenzhou Gaush Raymond Photoelectric Technology CO., Ltd., was accredited as a “High and New Technology Enterprise” in 2020 for a term of three years, therefore the subsidiary is entitled to a preferential EIT rate of 15% for the years ended 31 December 2020, and 2021. “High and New Technology Enterprise” qualifications are subject to review by the relevant tax authority in the PRC for every three years.

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 small low-profit subsidiaries, the portion of not more than RMB1,000,000 of the annual taxable income will be included in the actual taxable income at a reduced rate of 25%, subject to income tax at a rate of 20%; for the portion exceeding RMB1,000,000 but not exceeding RMB3,000,000, 50% of which is deducted from the taxable income, and the income tax is paid at the rate of 20%. Pursuant to Caishui [2021] No.12 “Circular of the Ministry of Finance and the State Administration of Taxation Issued on the Implementation of Preferential Income Tax Policies for Small Meagre-profit Enterprises and Individual Business” (財政部、國家稅務總局關於實施小微企業和個體工商戶所得稅優惠政策的公告), starting

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from 1 January 2021, the portion of not more than RMB1,000,000 of the annual taxable income will be included in the actual taxable income at a reduced rate of 25%, subject to income tax at a rate of 12.5%, for the portion exceeding RMB1,000,000 but not exceeding RMB3,000,000, it is consistent with the previous policy.

Income tax for other jurisdictions

The Group’s tax provision in respect of other jurisdictions has been calculated at the applicable tax rates in accordance with the prevailing practices of the jurisdictions in which the Group operates.

Subsidiaries established in Germany were subject to corporate income tax at the rate of 15.825% during the Relevant Periods. Furthermore, subsidiaries established in Germany were also subject to trade tax at trade tax rates of 14.35% and 16.63%, depending on the location of the respective subsidiaries.

Subsidiaries established in the Netherlands were subject to corporate income tax at the rate of 15% if the taxable income is EUR245,000 or less and the corporate income tax rate is 25% for the portion exceeding EUR245,000 during the Relevant Periods. Management expects that Teleon Holding B.V., a subsidiary of the Company, together with its Dutch subsidiaries should qualify for the innovation box. A reduced rate of 9% applies to activities covered by the innovation box. The innovation box provides tax relief to encourage innovative research. Qualifying profits earned from qualifying innovative activities are taxed at this special rate. Due to changes in law, the ruling with Dutch tax authorities has expired and will be renegotiated.

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current – Hong Kong	15,516	13,607	8,497
Current – Mainland China	31,449	36,503	50,772
Current – other jurisdictions	–	152	12,333
Deferred (<i>note 30</i>)	(6,790)	355	(17,995)
Total tax charge for the year	40,175	50,617	53,607

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit/ (loss) before tax	2,149	149,155	(137,964)
Tax at the statutory tax rate	35,598	45,470	43,288
Lower tax rates for specific jurisdictions or enacted by local authority	(47)	(364)	(3,754)
Expenses not deductible for tax	1,314	1,529	10,074
Super Deduction for research and development expenses*	(495)	(574)	(1,550)
Unrecognised temporary differences and tax losses	3,756	4,556	5,447
Other items	49	–	102
Total tax charge for the year	40,175	50,617	53,607

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* According to the relevant laws and regulations promulgated by the State Council of the People’s Republic of China that were effective from 2008 onwards, enterprises engaging in research and development activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). The State Taxation Administration of The People’s Republic of China announced in September 2018 that enterprises engaging in research and development activities would be entitled to claim 175% of their research and development expenses as Super Deduction from 1 January 2019 to 31 December 2021. Starting from 1 January 2021, the rate of deduction for research and development expenses of manufacturing enterprises increased from 75% to 100%. The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the Relevant Periods.

11. DIVIDENDS

No dividends have been declared and paid by the Company in respect of the Relevant Periods.

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Relevant Periods, as adjusted to reflect the rights issue during the year.

As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2019 and 2021 as the impact of the potential ordinary shares had an anti-dilutive effect on the basic loss per share amounts presented.

For the year ended 31 December 2020, the convertible redeemable preferred shares issued by the Company were excluded from the diluted weighted average number of ordinary shares calculation, since its effect would be anti-dilutive.

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

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Earnings:			
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<u>(37,041)</u>	<u>99,367</u>	<u>(190,447)</u>
Shares:			
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	<u>108,920</u>	<u>105,350</u>	<u>95,840</u>

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13. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	Transportation equipment	Office equipment and others	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2019					
At 31 December 2018 and at 1 January 2019:					
Cost	6,855	3,401	1,301	2,783	14,340
Accumulated depreciation	(2,621)	(2,875)	(623)	(1,419)	(7,538)
Net carrying amount	<u>4,234</u>	<u>526</u>	<u>678</u>	<u>1,364</u>	<u>6,802</u>
At 1 January 2019, net of accumulated depreciation					
Additions	3,355	–	248	349	3,952
Disposals	(147)	–	–	–	(147)
Depreciation provided during the year (<i>note 6</i>)	(1,544)	(216)	(214)	(840)	(2,814)
At 31 December 2019, net of accumulated depreciation	<u>5,898</u>	<u>310</u>	<u>712</u>	<u>873</u>	<u>7,793</u>
At 31 December 2019:					
Cost	10,063	3,401	1,549	3,132	18,145
Accumulated depreciation	(4,165)	(3,091)	(837)	(2,259)	(10,352)
Net carrying amount	<u>5,898</u>	<u>310</u>	<u>712</u>	<u>873</u>	<u>7,793</u>
31 December 2020					
At 31 December 2019 and at 1 January 2020:					
Cost	10,063	3,401	1,549	3,132	18,145
Accumulated depreciation	(4,165)	(3,091)	(837)	(2,259)	(10,352)
Net carrying amount	<u>5,898</u>	<u>310</u>	<u>712</u>	<u>873</u>	<u>7,793</u>
At 1 January 2020, net of accumulated depreciation					
Additions	1,349	–	73	391	1,813
Acquisition of subsidiaries (<i>note 35</i>)	2,752	–	3	2,708	5,463
Disposals	(76)	–	(39)	–	(115)
Depreciation provided during the year (<i>note 6</i>)	(1,959)	(103)	(196)	(482)	(2,740)
At 31 December 2020, net of accumulated depreciation	<u>7,964</u>	<u>207</u>	<u>553</u>	<u>3,490</u>	<u>12,214</u>

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	Machinery and equipment	Transportation equipment	Office equipment and others	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2020:					
Cost	14,088	3,401	1,586	6,231	25,306
Accumulated depreciation	(6,124)	(3,194)	(1,033)	(2,741)	(13,092)
Net carrying amount	<u>7,964</u>	<u>207</u>	<u>553</u>	<u>3,490</u>	<u>12,214</u>
31 December 2021					
At 31 December 2020 and at 1 January 2021:					
Cost	14,088	3,401	1,586	6,231	25,306
Accumulated depreciation	(6,124)	(3,194)	(1,033)	(2,741)	(13,092)
Net carrying amount	<u>7,964</u>	<u>207</u>	<u>553</u>	<u>3,490</u>	<u>12,214</u>
At 1 January 2021, net of accumulated depreciation	7,964	207	553	3,490	12,214
Additions	6,972	421	1,025	8,911	17,329
Acquisition of subsidiaries (note 35)	17,965	–	4,320	2,158	24,443
Reclassification	(78)	–	78	–	–
Disposals	(131)	(49)	(25)	–	(205)
Depreciation provided during the year (note 6)	(5,750)	(80)	(983)	(1,328)	(8,141)
Exchange realignment	(1,925)	–	(422)	(411)	(2,758)
At 31 December 2021, net of accumulated depreciation	<u>25,017</u>	<u>499</u>	<u>4,546</u>	<u>12,820</u>	<u>42,882</u>
At 31 December 2021:					
Cost	35,599	2,834	6,011	14,553	58,997
Accumulated depreciation	(10,582)	(2,335)	(1,465)	(1,733)	(16,115)
Net carrying amount	<u>25,017</u>	<u>499</u>	<u>4,546</u>	<u>12,820</u>	<u>42,882</u>

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and buildings and motor vehicles in its operations. Leases of plant and buildings and leases of motor vehicles generally have lease terms between 1 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension option. The Group applies judgement in evaluating whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

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(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:

	Motor vehicles	Plant and buildings	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2019			
At 1 January 2019	–	27,706	27,706
Additions	–	1,589	1,589
Depreciation charge (<i>note 6</i>)	–	(8,359)	(8,359)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	–	20,936	20,936
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2020			
At 1 January 2020	–	20,936	20,936
Additions	–	4,036	4,036
Acquisition of subsidiaries (<i>note 35</i>)	–	2,086	2,086
Depreciation charge (<i>note 6</i>)	–	(7,435)	(7,435)
Exchange realignment	–	36	36
	<hr/>	<hr/>	<hr/>
At 31 December 2020	–	19,659	19,659
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2021			
At 1 January 2021	–	19,659	19,659
Additions	–	7,529	7,529
Acquisition of subsidiaries (<i>note 35</i>)	1,728	31,845	33,573
Depreciation charge (<i>note 6</i>)	(1,095)	(13,862)	(14,957)
Exchange realignment	(115)	(3,046)	(3,161)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	518	42,125	42,643
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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(b) *Lease liabilities*

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at 1 January	29,513	23,339	20,123
New leases	1,589	4,036	6,432
Acquisition of subsidiaries (<i>note 35</i>)	–	2,086	33,573
Accretion of interest recognised during the year (<i>note 7</i>)	1,118	911	1,256
Payments	(8,881)	(10,286)	(14,411)
Exchange realignment	–	37	(2,594)
	<u>23,339</u>	<u>20,123</u>	<u>44,379</u>
Carrying amount at year end	<u>23,339</u>	<u>20,123</u>	<u>44,379</u>
Analysed into:			
Current portion	7,257	6,233	12,600
Non-current portion	16,082	13,890	31,779

The maturity analysis of lease liabilities is disclosed in note 40 to the Historical Financial Information.

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

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on lease liabilities (<i>note 7</i>)	1,118	911	1,256
Depreciation charge of right-of-use assets (<i>note 6</i>)	8,359	7,435	14,957
Expense relating to short-term leases (<i>note 6</i>)	423	542	1,376
	<u>9,900</u>	<u>8,888</u>	<u>17,589</u>
Total amount recognised in profit or loss	<u>9,900</u>	<u>8,888</u>	<u>17,589</u>

(d) The total cash outflow for leases is disclosed in note 36(c) to the Historical Financial Information.

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15. GOODWILL

	<i>RMB’000</i>
Cost and net carrying amount at 1 January 2019 and 31 December 2019	16,190
Cost and net carrying amount at 1 January 2020	16,190
Acquisition of subsidiaries (<i>note 35</i>)	14,876
Exchange realignment	162
At 31 December 2020	<u>31,228</u>
Cost at 1 January 2021	31,228
Acquisition of subsidiaries (<i>note 35</i>)	949,088
Exchange realignment	(97,618)
At 31 December 2021	<u>882,698</u>

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Gaush Medica Ltd.
- Gaush Consumables Ltd.
- Gaush Precision Ltd.
- Roland Consult Stasche & Finger GmbH and Gaush Europe GmbH
- Teleon Holding B.V.

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

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Gaush Medica Ltd.	16,190	16,190	16,190
Gaush Consumables Ltd.	–	5,320	5,320
Gaush Precision Ltd.	–	2,361	2,361
Roland Consult Stasche & Finger GmbH and Gaush Europe GmbH	–	7,357	6,622
Teleon Holding B.V.	–	–	852,205
	<u>16,190</u>	<u>31,228</u>	<u>882,698</u>

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The recoverable amount of the CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period for mature companies, and an eight-year period for startup companies in growth or under integration, which are approved by senior management. As at the end of each of the Relevant Periods, the recoverable amounts of the CGUs or group of CGUs exceeding their carrying amounts are as follows:

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gaush Medica Ltd.	10,029	18,400	19,862
Gaush Consumables Ltd.	–	3,925	2,269
Gaush Precision Ltd.	–	1,354	1,871
Roland Consult Stasche & Finger GmbH and Gaush Europe GmbH	–	3,365	5,757
Teleon Holding B.V.	–	–	236,406
	<u>10,029</u>	<u>27,044</u>	<u>266,165</u>

Based on the headroom of the impairment assessments of goodwill as at 31 December 2019, 2020 and 2021, the recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded the carrying amount of goodwill and no impairment was considered necessary.

Goodwill is tested by the management for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of the CGUs has been determined based on a value in use (“VIU”) calculation. That calculation uses cash flow projections based on financial budgets approved by management. Other key assumptions for the VIU calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on management’s expectations for the market development.

The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill.

	As at 31 December 2019		
	Pre-tax discount rate	Budgeted gross profit margin	Terminal growth rate
Gaush Medica Ltd.	19.05%	45.60%-50.00%	3.00%

	As at 31 December 2020		
	Pre-tax discount rate	Budgeted gross profit margin	Terminal growth rate
Gaush Medica Ltd.	17.65%	45.00%-50.00%	3.00%
Gaush Consumables Ltd.	18.22%	30.00%-52.00%	3.00%
Gaush Precision Ltd.	17.70%	27.03%-50.00%	3.00%
Roland Consult Stasche & Finger GmbH and Gaush Europe GmbH	22.84%	43.00%-45.00%	2.00%

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As at 31 December 2021

	Pre-tax discount rate	Budgeted gross profit margin	Terminal growth rate
Gaush Medica Ltd.	17.40%	40.13%-46.00%	3.00%
Gaush Consumables Ltd.	18.49%	30.00%-49.00%	3.00%
Gaush Precision Ltd.	17.66%	30.54%-49.00%	3.00%
Roland Consult Stasche & Finger GmbH and Gaush Europe GmbH	22.84%	43.00%-45.00%	2.00%
Teleon Holding B.V.	14.76%	57.00%-62.61%	2.00%

Assumptions were used in the value in use calculation of the cash-generating units for the Relevant Periods. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

The range of 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.

Terminal growth rate—The forecasted terminal growth rate is based on management’s expectations and does not exceed the long-term average growth rate for the industry relevant to the CGUs or group CGUs.

The values assigned to the key assumptions on market development of medical devices and medical consumables and discount rates are consistent with external information sources.

The management of the Company has performed sensitivity test by decreasing 1% of budgeted gross margin, decreasing 0.5% of terminal growth rate or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amount by which each CGU’s recoverable amount above its carrying amount (headroom) are as below:

As at 31 December 2019

	Headroom	Impact by decreasing gross profit margin	Impact by decreasing terminal growth rate	Impact by increasing pre-tax discount rate
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Gaush Medica Ltd.	10,029	(2,000)	(2,000)	(5,000)

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	As at 31 December 2020			
	Headroom	Impact by decreasing gross profit margin	Impact by decreasing terminal growth rate	Impact by increasing pre-tax discount rate
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gaush Medica Ltd.	18,400	(3,000)	(2,000)	(5,000)
Gaush Consumables Ltd.	3,925	(800)	(600)	(2,100)
Gaush Precision Ltd.	1,354	(900)	(500)	(1,300)
Roland Consult Stasche & Finger GmbH and Gaush Europe GmbH	3,365	(2,387)	(796)	(2,387)
	<u>27,044</u>	<u>(7,087)</u>	<u>(3,896)</u>	<u>(10,787)</u>
	As at 31 December 2021			
	Headroom	Impact by decreasing gross profit margin	Impact by decreasing terminal growth rate	Impact by increasing pre-tax discount rate
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gaush Medica Ltd.	19,862	(4,000)	(2,000)	(6,000)
Gaush Consumables Ltd.	2,269	(800)	(500)	(1,700)
Gaush Precision Ltd.	1,871	(1,000)	(400)	(1,600)
Roland Consult Stasche & Finger GmbH and Gaush Europe GmbH	5,757	(2,166)	(722)	(1,444)
Teleon Holding B.V.	236,406	(36,099)	(18,049)	(109,018)
	<u>266,165</u>	<u>(44,065)</u>	<u>(21,671)</u>	<u>(119,762)</u>

Considering there was still sufficient headroom based on the assessment, the management of the Company believes that a reasonably possible change in the above key parameters would not cause the carrying amount of the CGU to exceed its recoverable amount, would not result in an impairment provision of goodwill.

16. INTANGIBLE ASSETS

	Software	Patent	Trademark	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2019				
Cost at 1 January 2019, net of accumulated amortisation	1,182	6,830	7,044	15,056
Additions	261	–	–	261
Amortisation provided during the year (<i>note 6</i>)	(164)	(988)	(790)	(1,942)
At 31 December 2019	<u>1,279</u>	<u>5,842</u>	<u>6,254</u>	<u>13,375</u>

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	<u>Software</u>	<u>Patent</u>	<u>Trademark</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2020				
Cost at 1 January 2020, net of accumulated amortisation	1,279	5,842	6,254	13,375
Additions	47	–	–	47
Deduction	(1)	–	–	(1)
Acquisition of subsidiaries (<i>note 35</i>)*	57	6,685	3,531	10,273
Amortisation provided during the year (<i>note 6</i>)	(187)	(1,121)	(850)	(2,158)
Exchange realignment	1	134	80	215
	<u>1,196</u>	<u>11,540</u>	<u>9,015</u>	<u>21,751</u>
At 31 December 2020	<u>1,196</u>	<u>11,540</u>	<u>9,015</u>	<u>21,751</u>
	<u>Software</u>	<u>Patent</u>	<u>Trademark</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

31 December 2021

Cost at 1 January 2021, net of accumulated amortisation	1,196	11,540	9,015	21,751
Additions	768	735	–	1,503
Acquisition of subsidiaries (<i>note 35</i>)*	6,987	303,560	40,848	351,395
Amortisation provided during the year (<i>note 6</i>)	(1,222)	(30,487)	(5,253)	(36,962)
Exchange realignment	(661)	(28,993)	(4,144)	(33,798)
	<u>7,068</u>	<u>256,355</u>	<u>40,466</u>	<u>303,889</u>
At 31 December 2021	<u>7,068</u>	<u>256,355</u>	<u>40,466</u>	<u>303,889</u>

* Patent and trademark identified and derived from business combinations were recognised at fair value at the acquisition dates 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 patent and trademark over their estimated useful lives of 8-10 years and 10 years, respectively, which is disclosed in note 2.4 summary of significant accounting policies “Intangible assets (other than goodwill)”.

17. INVESTMENT PREPAYMENT

	<u>As at 31 December</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayment for acquiring Teleon Holding B.V.	–	1,377,908	–
	<u>–</u>	<u>1,377,908</u>	<u>–</u>

In 2020, the Group prepaid EUR171,702,000 (equivalent to RMB1,377,908,000) for acquiring Teleon Holding B.V. which became a wholly-owned subsidiary of the Company since 4 January 2021.

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18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Wealth management products	200,169	10	–

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

19. INVENTORIES

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Finished goods	176,001	199,755	215,868
Goods in transit	18,645	31,695	13,179
Raw materials	2,251	2,350	7,582
Work in progress	828	6,941	8,986
	197,725	240,741	245,615
Provision for inventories	(1,926)	(1,171)	(5,506)
	<u>195,799</u>	<u>239,570</u>	<u>240,109</u>

20. TRADE RECEIVABLES

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables	198,549	176,643	180,190
Impairment	(4,810)	(5,847)	(10,136)
	<u>193,739</u>	<u>170,796</u>	<u>170,054</u>

The Group’s trading terms with its customers are mainly on payment in advance, except for some transactions which are traded on credit. The credit period is generally one or three months. 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. In view of the aforementioned and the fact that the Group’s trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	111,086	102,500	120,118
6 months–1 year	35,153	14,090	17,684
1–2 years	38,523	39,295	18,954
2–3 years	12,531	14,744	14,692
3–4 years	1,246	5,520	7,026
4–5 years	2	492	1,234
Over 5 years	8	2	482
	<u>198,549</u>	<u>176,643</u>	<u>180,190</u>

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

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	3,436	4,810	5,847
Acquisition of subsidiaries	–	736	–
Impairment losses, net	1,589	522	4,767
Write-off	(215)	(221)	(478)
At end of year	<u>4,810</u>	<u>5,847</u>	<u>10,136</u>

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables.

An impairment analysis is performed as at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. To measure the expected credit losses, trade receivables have been grouped based on groupings of various customer segments with similar loss pattern by customer type, and the number of days of ageing. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available as at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

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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 2019

	As at 31 December 2019	
	Gross carrying amount	Expected credit losses
	<i>RMB’000</i>	<i>RMB’000</i>
Individual evaluation of expected losses	–	–
Assessment of expected credit losses by credit risk portfolio	198,549	4,810
	<u>198,549</u>	<u>4,810</u>

Individual evaluation of expected losses
Assessment of expected credit losses by credit risk portfolio

As at 31 December 2019

	Expected credit loss rate	Gross carrying amount	Expected credit losses
		<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	1.02%	146,239	1,493
1 to 2 years	4.14%	38,523	1,593
2 to 3 years	10.60%	12,531	1,328
3 to 4 years	30.98%	1,246	386
4 to 5 years	100.00%	2	2
Over 5 years	100.00%	8	8
		<u>198,549</u>	<u>4,810</u>

As at 31 December 2020

	As at 31 December 2020	
	Gross carrying amount	Expected credit losses
	<i>RMB’000</i>	<i>RMB’000</i>
Individual evaluation of expected losses	–	–
Assessment of expected credit losses by credit risk portfolio	176,643	5,847
	<u>176,643</u>	<u>5,847</u>

Individual evaluation of expected losses
Assessment of expected credit losses by credit risk portfolio

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As at 31 December 2020

	Expected credit loss rate	Gross carrying amount	Expected credit losses
		<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1.12%	116,590	1,300
1 to 2 years	3.78%	39,295	1,486
2 to 3 years	10.26%	14,744	1,513
3 to 4 years	22.54%	5,520	1,244
4 to 5 years	61.38%	492	302
Over 5 years	100.00%	2	2
		176,643	5,847

As at 31 December 2021

As at 31 December 2021

	Gross carrying amount	Expected credit losses
	<i>RMB'000</i>	<i>RMB'000</i>
Individual evaluation of expected losses	6,710	3,136
Assessment of expected credit losses by credit risk portfolio	173,480	7,000
	180,190	10,136

As at 31 December 2021

	Expected credit loss rate	Gross carrying amount	Expected credit losses
		<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1.07%	132,767	1,421
1 to 2 years	5.38%	18,954	1,020
2 to 3 years	11.07%	14,691	1,626
3 to 4 years	32.98%	5,971	1,969
4 to 5 years	86.36%	977	844
Over 5 years	100.00%	120	120
		173,480	7,000

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21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	8,120	8,530	14,825
Deposits and other receivables	13,086	11,870	13,578
Value added tax recoverable	3,391	1,579	2,789
Advance payment of income tax	17	1,756	18,032
Service fee to be amortised	6,567	8,809	12,408
Prepayments for long-term assets	–	–	10,130
[REDACTED] expenses	–	–	[REDACTED]
Others	–	315	1,739
Less: Impairment allowance	(768)	(1,162)	(1,890)
	<u>30,413</u>	<u>31,697</u>	<u>78,771</u>
Portion classified as:			
non-current portion	7,349	9,526	23,843
current portion	23,064	22,171	54,928

Deposits and other receivables mainly represent bid securities and rental deposits relating to short-term leases.

As at 31 December 2019, 2020 and 2021, none of the balances, except for the other receivables, is either past due or impaired as they related to balances for whom there was no recent history of default and past due amounts.

22. CONTRACT ASSETS

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets arising from:			
Sale of industrial products	2,027	2,868	2,044
Less: Impairment	(5)	(29)	(23)
	<u>2,022</u>	<u>2,839</u>	<u>2,021</u>
Portion classified as:			
non-current portion	356	649	84
current portion	1,666	2,190	1,937

Contract assets are initially recognised for revenue earned from the sale of ophthalmic devices as the receipt of consideration is conditional on stable operation of the devices. At the end of the guarantee period, the amounts recognised as contract assets are reclassified to trade receivables.

The Group’s trading terms and credit policy with customers are disclosed in note 20 to the Historical Financial Information.

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The expected timing of recovery or settlement for contract assets as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,666	2,190	1,937
After one year	356	649	84
	<u>2,022</u>	<u>2,839</u>	<u>2,021</u>

23. PLEDGED DEPOSITS

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Pledged deposits	–	6,810	13,757

The pledged deposits earn interest at interest rates stipulated by the respective financial institutions. The pledged deposits are deposited with creditworthy banks with no recent history of default and pledged to secure general banking facilities granted to the Group.

At 31 December 2020, the Group’s deposits amounting to RMB3,309,000, RMB94,000, and RMB145,000 were pledged as retention for Beijing Tongren Hospital-Capital Medical University (首都醫科大學附屬北京同仁醫院), the Central Hospital of Wuhan (武漢市中心醫院), and Peking University First Hospital (北京大學第一醫院), respectively. Besides, the rest of the pledged deposits with a carrying amount of RMB3,262,000 (equivalent to USD500,000) was to secure a fixed deposit for a foreign trade project of Health and Family Planning Commission of Alxa League of Inner Mongolia (內蒙古阿拉善蒙衛生和計劃生育委員會外貿項目).

At 31 December 2021, the Group’s deposits amounting to RMB824,000, RMB94,000, RMB250,000, and RMB2,400,000 were pledged as retention for Beijing Tongren Hospital-Capital Medical University (首都醫科大學附屬北京同仁醫院), the Central Hospital of Wuhan (武漢市中心醫院), China-Japan Friendship Hospital (中日友好醫院), and Shanghai General Hospital (上海市第一人民醫院), respectively. Roland Consult Stasche & Finger GmbH issued a letter of guarantee that is beneficial to Kimadia, a company in Iraq, with a carrying amount of RMB616,000 (equivalent to EUR85,301) as the performance bond. Besides, the pledged deposits with a carrying amount of RMB3,188,000 (equivalent to USD500,000) were to secure a fixed deposit for a foreign trade project of the Health and Family Planning Commission of Alxa League of Inner Mongolia (內蒙古阿拉善蒙衛生和計劃生育委員會外貿項目). The rest of pledged deposits amounting to RMB2,356,000 (equivalent to EUR326,364) and RMB4,029,000 (equivalent to EUR558,125) were pledged to secure the interest of the mezzanine facility loan and senior facility loan respectively as detailed in note 31 and note 29 to the Historical Financial Information.

24. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	<u>332,762</u>	<u>307,490</u>	<u>608,996</u>

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The Group’s cash and cash equivalents were denominated in the following currencies:

	As at 31 December		
	2019	2020	2021
	<i>’000</i>	<i>’000</i>	<i>’000</i>
RMB	48,565	263,121	347,886
USD	35,400	4,713	20,831
EUR	4,353	1,611	17,455
HKD	3,581	824	2,761
JPY	122	–	–

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 and cash equivalents earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

25. 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		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 3 months	110,610	103,151	65,421
3 to 6 months	1,494	13	532
6 months to 1 year	460	18	786
Over 1 year	731	1,235	1,279
	113,295	104,417	68,018

Trade payables are non-interest-bearing and are normally settled on 3-month terms.

26. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Payroll payable	66,285	61,377	53,177
Other taxes payable	16,374	23,986	40,092
Other payables	15,603	57,983	15,848
Accruals	7,325	9,782	51,600
	105,587	153,128	160,717
Portion classified as:			
non-current portion	–	–	36,536
current portion	105,587	153,128	124,181

Other payables are non-interest-bearing and have an average term of 6-12 months.

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27. CONTRACT LIABILITIES

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred revenue	133,365	150,746	123,143
Portion classified as:			
non-current portion	27,769	29,162	29,259
current portion	105,596	121,584	93,884

Contract liabilities include short-term advances received to deliver ophthalmic medical devices and consumables, and after-sales services.

The increase of contract liabilities in 2020 was primarily attributable to recovery in sales of medical devices as the COVID-19 pandemic showed signs of abating in China in the second half of 2020. The decrease of our contract liabilities in 2021 was primarily attributable to acceleration in delivery and installation of our products.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Foreign currency swaps	114	–	–
Interest rate swaps	209	128	296
Warrants	–	–	–
	<u>323</u>	<u>128</u>	<u>296</u>

Foreign currency swaps

The Group had foreign currency swap agreements in place with notional amounts of RMB5,705,000, nil, and nil as at 31 December 2019, 2020 and 2021, and the foreign currency swaps as at 31 December 2019, 2020 and 2021 amounted to RMB114,000, nil and nil, respectively.

Interest rate swaps

The Group had interest rate swap agreements in place with notional amounts of RMB13,952,000 (equivalent to USD2,000,000), RMB8,123,000 (equivalent to EUR1,012,181) and RMB18,095,000 (equivalent to EUR2,506,000) as at 31 December 2019, 2020 and 2021. The fair values of the interest rate swaps amounted to RMB209,000, RMB128,000 and RMB296,000 as at 31 December 2019, 2020 and 2021.

Warrants

The warrants were issued by the Company to the holders who will be entitled to exercise the warrants in exchange for the Company’s ordinary shares. The warrants are measured at fair value through profit or loss. On 31 December 2020, the Company entered into agreements with Credit Suisse AG, Singapore Branch (“CS”). In accordance with the agreements, CS would be entitled to subscribe the warrants after the banking facility granted by CS was utilised by the Company. On 22 April 2021, the Company issued warrants to CS in connection with a mezzanine loan facility up to EUR25 million provided by CS as part of the financing for acquisition of Teleon Holding B.V. Total warrants entitlement represents 0.95 per cent of the fully diluted [REDACTED] share capital. Credit Suisse exercised the CS Warrants in full on October 20, 2021 for the issue of 1,335,252 ordinary shares at a consideration of USD133.53.

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The movements of warrants are as follows:

	Warrants
	<i>RMB’000</i>
At 1 January 2021	–
Addition	26,451
Changes in fair value	3,077
Foreign exchange differences	(1,434)
Exercise of warrants	(28,094)
	<hr/>
At 31 December 2021	–
	<hr/> <hr/>

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB’000</i>
Current			
Bank loans – secured*	4.0-5.4	2020	37,502
			<hr/> <hr/>
	31 December 2020		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB’000</i>
Current			
Bank loans – secured*	2.85-4.00	2021	63,049
Bridge facility loan – secured**	2.85	2021	803,135
			<hr/>
			866,184
			<hr/> <hr/>
Non-current			
Vendor loan – secured***	7.00	2024-2025	194,905
			<hr/> <hr/>

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	31 December 2021		
	<i>Effective interest rate (%)</i>	<i>Maturity</i>	<i>RMB'000</i>
Current			
Bank loans – secured*	3.40-4.00	2022	38,242
Senior facility loan – secured****	2.85-3.00	2022	84,222
			122,464
Non-current			
Senior facility loan – secured****	3.00-3.15	2023-2024	460,256
Vendor loan – secured***	7.00	2024-2025	175,078
			635,334

* The balances of bank loans from DBS Bank (China) Limited Beijing Branch (星展銀行(中國)有限公司北京分行) at 31 December 2019, 2020 and 2021 were RMB20,834,000, RMB29,344,000 and RMB18,117,000, respectively. The information about the guarantee is as follows:

Credit facility (Financing amount)

Guarantee

31 December 2019

USD5,000,000 or its equivalent Euro of short-term loans or accounts receivable (recyclable)

Guaranteed by Mr. Gao Fan, Mr. Gao Tieta, and MingWang Medical Ltd. with the maximum amount of USD6,853,000 or its equivalent in Euro

31 December 2020

USD5,000,000 or its equivalent Euro of short-term loans or accounts receivable (recyclable)

Guaranteed by Mr. Gao Tieta, Gaush Medical Corporation and MingWang Medical Ltd. with the maximum amount of USD6,853,000 or its equivalent in Euro

31 December 2021

USD5,000,000 or its equivalent Euro of short-term loans or accounts receivable (recyclable)

Guaranteed by Gaush Medical Corporation and MingWang Medical Ltd. with the maximum amount of USD6,853,000 or its equivalent in Euro (*Note 1*)

Note 1: The loans were also guaranteed by Mr. Gao Tieta before 11 November 2021, and the guarantee provided by Mr. Gao Tieta in favor of the lenders of the bank loans was released on 11 November 2021.

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* The balances of bank loans from Citi bank (China) Co., Ltd. Beijing Branch (花旗銀行(中國)有限公司北京分行) as at 31 December 2019, 2020 and 2021 were RMB16,668,000, RMB33,705,000 and RMB20,125,000, respectively. The information about the guarantee is as follows:

Credit facility (Financing amount)	Guarantee
31 December 2019	
(a) RMB35,000,000 or its equivalent in USD, EUR and JPY	(1) Mortgaged by buildings owned by Mr. Gao Tieta (2) Guaranteed by Mr. Gao Fan, Mr. Gao Tieta, MingWang Medical Ltd., and Gaush Medical Corporation
(b) USD1,000,000	Guaranteed by Mr. Gao Fan, Mr. Gao Tieta, MingWang Medical Ltd., and Gaush Medical Corporation
31 December 2020	
(a) RMB40,000,000 or its equivalent in USD, EUR and JPY	(1) Mortgaged by buildings owned by Mr. Gao Tieta (2) Guaranteed by Mr. Gao Tieta, MingWang Medical Ltd., and Gaush Medical Corporation
(b) USD1,000,000	Guaranteed by Mr. Gao Tieta, MingWang Medical Ltd., and Gaush Medical Corporation
31 December 2021	
(a) RMB20,000,000 or its equivalent in USD, EUR and JPY	Guaranteed by MingWang Medical Ltd., and Gaush Medical Corporation (<i>Note 1</i>)
(b) USD700,000	Guaranteed by MingWang Medical Ltd., and Gaush Medical Corporation (<i>Note 2</i>)

Note 1: The financing facility amount reduced from RMB40,000,000 to RMB20,000,000 or its equivalent in USD, EUR and JPY on 3 December 2021 and the guarantee provided by Mr. Gao Tieta in favour of the lenders of the bank loans under the financing amount up to RMB40,000,000 or its equivalent in USD, EUR and JPY were also released on 3 December 2021.

Note 2: The guarantee provided by Mr. Gao Tieta in favor of the lenders of the bank loans under the financing amount up to USD700,000 was released on 25 November 2021.

The information about the building mortgaged at 31 December 2019, 2020 and 2021 is as follows:

Owner	Building	Certificate No.
31 December 2019 and 2020 (<i>Note 1</i>)		
Mr. Gao Tieta	0825, Floor 8, Building 1, Guoyingyuan, Xicheng District, Beijing	京(2018)西不動產權第0034312號
Mr. Gao Tieta	0826, Floor 8, Building 1, Guoyingyuan, Xicheng District, Beijing	京(2018)西不動產權第0034501號
Mr. Gao Tieta	0827, Floor 8, Building 1, Guoyingyuan, Xicheng District, Beijing	京(2018)西不動產權第0034502號
Mr. Gao Tieta	0828, Floor 8, Building 1, Guoyingyuan, Xicheng District, Beijing	京(2018)西不動產權第0034452號
Mr. Gao Tieta	0829, Floor 8, Building 1, Guoyingyuan, Xicheng District, Beijing	京(2018)西不動產權第0034448號
Mr. Gao Tieta	0830, Floor 8, Building 1, Guoyingyuan, Xicheng District, Beijing	京(2018)西不動產權第0034455號

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Note 1: The above building mortgages provided by Mr. Gao Tieta in favour of the lenders of the bank loans were released on 3 December 2021.

** The bridge facility loan with a carrying amount of RMB803,135,000 (equivalent to EUR100,000,000) as at 31 December 2020 was guaranteed by Gauth Meditech Ltd., Global Vision Hongkong Limited, Gauth Medical Limited and GMC Medstar Limited, and pledged by 100% shares of Gauth Cooperatief U.A, 100% shares of Gauth Medical Corporation and 100% shares of Teleon Holding B.V. It was replaced by a mezzanine facility loan (note 31) amounting to EUR25,000,000 and a senior facility loan**** amounting to EUR75,000,000 on 22 April 2021.

*** For the purpose of the acquisition of Teleon Holding B.V. and its subsidiaries, the original shareholder of Teleon Holding B.V. granted a subsidiary of the Company, Gauth Cooperatief U.A, a five-year vendor loan amounting to RMB175,078,000 (equivalent to EUR24,250,000) with an annual interest rate of 7% (the “Vendor Loan”) on 23 December 2020. The Vendor Loan was guaranteed by Gauth Meditech Ltd., and pledged by 100% shares of Gauth Medical Limited and 100% shares of GMC Medstar Limited, although it was agreed that such pledges shall be subordinated to the security granted in favour of the mezzanine facility loan.

**** The senior facility loan amounting to RMB544,478,000 (equivalent to EUR75,416,000) as at 31 December 2021 was guaranteed by Gauth Meditech Ltd., Global Vision Hongkong Limited, Gauth Medical Limited and GMC Medstar Limited, and pledged by 100% shares of Gauth Cooperatief U.A, 100% shares of Teleon Holding B.V., 100% shares of Gauth Medical Corporation and the Company’s debt service reserve account (“DSRA”) balance in Credit Suisse AG, Singapore Branch (“CS”) amounting to RMB4,029,000 (equivalent to EUR558,125). Gauth Medical Limited’s right to receive repayment of an intercompany loan amounting to EUR3,000,000 was also conditionally assigned to CS to secure the senior facility loan. The maturity date of the senior facility loan is 22 April 2024. The senior facility loan which was also guaranteed by Mr. Gao Tieta before November 2021, was released in November 2021.

As at 31 December

	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>

Analysed into:

Bank borrowings repayable:

Within one year or on demand	37,502	866,184	122,464
In the second year	–	–	81,222
In the third to fifth years, inclusive	–	–	379,034
	37,502	866,184	582,720

Other borrowings repayable:

Within one year or on demand	–	–	–
In the second year	–	–	–
In the third to fifth years, inclusive	–	194,905	175,078
	–	194,905	175,078

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30. DEFERRED TAX

The movements in deferred tax liabilities during the Relevant Periods before offsetting are as follows:

Deferred tax liabilities

	Fair value adjustment arising from acquisition of subsidiaries	Leases	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2019	3,469	6,927	10,396
Deferred tax charged to profit or loss during the year	(445)	(1,693)	(2,138)
Deferred tax liabilities at 31 December 2019	<u>3,024</u>	<u>5,234</u>	<u>8,258</u>
At 1 January 2020	3,024	5,234	8,258
Effect of acquisition of subsidiaries (note 35)	3,325	–	3,325
Exchange realignment	68	9	77
Deferred tax charged to profit or loss during the year	(655)	(223)	(878)
Deferred tax liabilities at 31 December 2020	<u>5,762</u>	<u>5,020</u>	<u>10,782</u>
At 1 January 2021	5,762	5,020	10,782
Effect of acquisition of subsidiaries (note 35)	76,011	–	76,011
Exchange realignment	(7,391)	(359)	(7,750)
Deferred tax (charged)/credited to profit or loss during the year	(8,023)	5,246	(2,777)
Deferred tax liabilities at 31 December 2021	<u>66,359</u>	<u>9,907</u>	<u>76,266</u>

The movements in deferred tax assets during the Relevant Periods before offsetting are as follows:

Deferred tax assets

	As at 31 December 2019						Total
	Impairment provision for assets	Unrealised internal transaction profit	Tax deductible losses	Leases	Accrued social welfare	Others	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2019	1,620	2,094	936	7,476	3,265	–	15,391
Deferred tax credited/(charged) to profit or loss during the year	181	2,881	2,534	(1,442)	498	–	4,652
Deferred tax assets at 31 December 2019	<u>1,801</u>	<u>4,975</u>	<u>3,470</u>	<u>6,034</u>	<u>3,763</u>	<u>–</u>	<u>20,043</u>

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As at 31 December 2020

	Impairment provision for assets	Unrealised internal transaction profit	Tax deductible losses	Leases	Accrued social welfare	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	1,801	4,975	3,470	6,034	3,763	–	20,043
Exchange realignment	4	–	–	9	–	1	14
Deferred tax credited/(charged) to profit or loss during the year	291	205	309	(739)	(1,356)	57	(1,233)
Deferred tax assets at 31 December 2020	<u>2,096</u>	<u>5,180</u>	<u>3,779</u>	<u>5,304</u>	<u>2,407</u>	<u>58</u>	<u>18,824</u>

As at 31 December 2021

	Impairment provision for assets	Unrealised internal transaction profit	Tax deductible losses	Leases	Accrued social welfare	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	2,096	5,180	3,779	5,304	2,407	58	18,824
Effect of acquisition of subsidiaries (note 35)	–	–	–	–	–	19,435	19,435
Exchange realignment	(37)	–	–	(380)	–	(2,319)	(2,736)
Deferred tax credited/(charged) to profit or loss during the year	369	2,521	1,119	5,383	(1,562)	7,388	15,218
Deferred tax assets at 31 December 2021	<u>2,428</u>	<u>7,701</u>	<u>4,898</u>	<u>10,307</u>	<u>845</u>	<u>24,562</u>	<u>50,741</u>

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

As at 31 December

	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Deferred tax assets	20,043	18,824	50,741
Offset amount	(5,234)	(5,020)	(9,892)
Net deferred tax assets	<u>14,809</u>	<u>13,804</u>	<u>40,849</u>

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	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Deferred tax liabilities	8,258	10,782	76,266
Offset amount	(5,234)	(5,020)	(9,892)
Net deferred tax liabilities	<u>3,024</u>	<u>5,762</u>	<u>66,374</u>

The Group has tax losses arising in Hong Kong of HKD35,950, HKD90,828 and HKD144,156 at 31 December 2019, 2020 and 2021, respectively, which are available indefinitely 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 following item:

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Tax losses	<u>15,024</u>	<u>18,223</u>	<u>23,341</u>

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 item as it is not considered probable that taxable profits will be available against which the tax losses 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 for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2019, 2020 and 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group’s subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB59,307,000, RMB91,946,000 and RMB135,982,000 as at 31 December 2019, 2020 and 2021, respectively.

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

31. LOAN AT FAIR VALUE THROUGH PROFIT OR LOSS

	Mezzanine facility loan
	<i>RMB’000</i>
At 1 January 2021	–
Addition	167,545
Changes in fair value	4,710
Foreign exchange differences	(13,156)
At 31 December 2021	<u>159,099</u>

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The mezzanine facility loan was borrowed from CS on 22 April 2021 with a maturity date on 22 April 2024. Its annualised internal rate will rise from five percent (5%) to twelve percent (12%) if a recognised [REDACTED] of the Company has not occurred. The Company has designated this mezzanine facility loan from CS as a financial liability at fair value through profit or loss. The loan was guaranteed by GausH Medicare Ltd., GMC MEDSTAR LIMITED and Mr. Gao Tieta*, and pledged by 100% shares of Global Vision Hong Kong Limited, 100% shares of GausH Medical Limited, 100% shares of GMC Medstar Limited, 100% shares of GMC MEDSTAR LIMITED, 100% shares of GausH Medicare Ltd. and the Company’s DSRA balance in CS amounting to RMB2,356,000 (equivalent to EUR326,364). As security for the mezzanine facility loan, the Company also conditionally assigned the Company’s right to receive the repayment of an intercompany loan amounting to EUR25,000,000 from GausH Medical Limited to CS to secure the mezzanine facility loan.

* The guarantee provided by Mr. Gao Tieta in favour of the lenders of the loan was released in November 2021.

32. CONVERTIBLE REDEEMABLE PREFERRED SHARES

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing preferred shares, details of which are included below:

	Date of issuance	Purchase price USD/Share	Number of Preferred Shares	Total consideration	
				Denominated in USD’000	approximately equivalent to RMB’000
Series A1 preferred shares	29 December 2017	1.7692	2,897,627	5,127	35,268
	19 January 2018	1.7692	14,058,469	24,873	171,108
Series A2 preferred shares	19 January 2018	1.7692	11,304,064	20,000	137,584
Series B preferred shares	1 April 2021	5.5385	18,145,770	100,500	659,119

In April 2021, the Company issued 18,145,770 Series B preferred shares at a price of USD5.5385 per share for a total consideration of USD100,500,000. According to the Memorandum of Association of the Company revised in April 2021, the key terms of the Series A preferred shares, and Series B preferred shares (collectively, “Preferred Shares”) are summarised as follows:

Redemption

Subject to the Company’s Amended and Restated Memorandum and Articles (the “Articles”), each Preferred Share and any additional securities held by such Investors shall be redeemable at the option of the investors, out of funds legally available therefor in accordance with the following terms. The Company or the key parties shall pay each Investor the total redemption price.

At any time upon the earlier of (each, a “Redemption Event”)

- (i) the occurrence of a material breach by any group or any of the key parties of any of their respective representations, warranties, covenants or undertakings;
- (ii) the failure by the Company to submit an application to the relevant securities exchange for a qualified [REDACTED] (the “Qualified [REDACTED]”) on or before [REDACTED];
- (iii) there occurs a material dishonesty of any key party or management of the Group which materially affect the business operation; and
- (iv) any investors find that there has been a material misrepresentation or concealment of the information provided by the Group or any of the key parties in the due diligence process.

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The key terms of all series of the Preferred Shares are summarised as follows:

The redemption price for the Series A preferred shares shall be one hundred and fifty percent (150%) of the Series A original issue price (adjusted for any share splits, share dividends, combinations, recapitalisations and similar transactions), plus ten percent (10%) of compounded annual interest commencing from the Series A original issue date, but minus dividends already paid with respect thereto per Series A Preferred Share then held by such holder.

The redemption price for the Series B preferred shares shall be one hundred percent (100%) of the Series B original issue price (adjusted for any share splits, share dividends, combinations, recapitalisations and similar transactions), plus eight percent (8%) of annual interest commencing from the Series B original issue date, but minus dividends already paid with respect thereto per Series B Preferred Share then held by such holder.

Conversion of Preferred Shares

Any Preferred Share may, by the written election of the holder thereof, be converted at any time into fully-paid and non-assessable Ordinary Shares based on the then-effective Conversion Price.

Without any action being required by the holder of such share and whether or not the certificates representing such share are surrendered to the Company or its transfer agent, each Preferred Share, along with the aggregate declared but unpaid dividends thereon (if any), shall automatically be converted, based on the then-effective Conversion Price, into Ordinary Shares upon the closing of a Qualified [REDACTED]. If a closing of a Qualified [REDACTED] occurs, such automatic conversion of all of the outstanding Preferred Share shall be deemed to have been converted into shares of Ordinary Shares as of immediately prior to such closing.

Dividends, Distributions and Reserve

Subject to the Statute and the Articles, in particular Article 20, the directors may from time to time declare dividends (including interim dividends) and distributions on shares of the Company outstanding and authorise payment of the same out of the funds of the Company lawfully available therefor and in accordance with the provisions of Article 103.

No dividend or distribution, whether in cash, in property, or in any other shares of the Company, shall be declared, paid, set aside or made with respect to the ordinary shares at any time unless a distribution is likewise declared, paid, set aside or made, respectively, at the same time with respect to each issued outstanding Series A Preferred Share (calculated on an as converted basis), such that the distribution declared, paid, set aside or made to the holder thereof shall be equal to the distribution that such holder would have received if such Series A preferred shares had been converted into ordinary shares immediately prior to the record date for such distribution, or if no such record date is established, the date such distribution is made.

No dividend or distribution, whether in cash, in property, or in any other shares of the Company, shall be declared, paid, set aside or made with respect to the ordinary shares and Series A preferred shares at any time unless a distribution is likewise declared, paid, set aside or made, respectively, at the same time with respect to each issued and outstanding Series B Preferred Share (calculated on an as-converted basis), such that the distribution declared, paid, set aside or made to the holder thereof shall be equal to the distribution that such holder would have received if such Series B preferred shares had been converted into ordinary shares immediately prior to the record date for such distribution, or if no such record date is established, the date such distribution is made.

Only after the full payment of such dividend or distribution on, first the Series B preferred shares, then the Series A preferred shares pursuant to Article 103 above, any additional dividend or distribution shall be paid among all holders of the ordinary shares, in which case, the holders of the Series A preferred shares and the Series B preferred shares shall be entitled to a proportionate share of any such dividend or distribution as though the holders of the Series A preferred shares and the Series B preferred shares were holders of the number of ordinary shares into which their Series A preferred shares and Series B preferred shares are convertible as of the record date fixed for the determination of the holders of ordinary shares entitled to receive such distribution.

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Liquidation Preference

Upon any liquidation, dissolution or winding up of the Company and/or any Group Company, either voluntary or involuntary (each a "Liquidation Event"), distributions to the members of the Company shall be made in the following manner:

Firstly, before any distribution or payment shall be made to the holders of any ordinary shares and Series A preferred shares, each holder of Series B preferred shares shall be entitled to receive, on parity with each other, the higher of the following: (i) an amount equal to one hundred percent (100%) of the Series B original issue price, plus eight percent (8%) of annual interest commencing from the Series B original issue date, but minus dividends already paid with respect thereto per Series B Preferred Share then held by such holder, or (ii) its pro-rata distribution which equals the product obtained by multiplying (A) the number of the assets of the Company available for distribution by (B) a fraction the numerator of which is the number of Ordinary Shares (on an as converted basis) then held by such holder of Series B preferred shares, and the denominator of which is the total number of ordinary shares (assuming conversion of all convertible securities) then held by all the members.

Secondly, before any distribution or payment shall be made to the holders of any ordinary shares, each holder of Series A preferred shares shall be entitled to receive, on parity with each other, the higher of the following: (i) an amount equal to one hundred and fifty percent (150%) of the Series A original issue price, plus ten percent (10%) of compounded annual interest commencing from the Series A original issue date, but minus dividends already paid with respect thereto per Series A Preferred Share then held by such holder, or (ii) its pro-rata distribution which equals the product obtained by multiplying (A) the number of the assets of the Company available for distribution by (B) a fraction the numerator of which is the number of ordinary shares (on an as converted basis) then held by such holder of Series A preferred shares, and the denominator of which is the total number of ordinary shares (assuming conversion of all convertible securities) then held by all the members. If, upon any liquidation, dissolution, or winding up, the assets of the Company shall be insufficient to make payment of the foregoing amounts in full on all Series A preferred shares, then such assets shall be distributed among the holders of Series A preferred shares ratably in proportion to the full amounts to which they would otherwise be respectively entitled thereon.

Thirdly, after the distribution or payment in full of the amount distributable or payable on the Preferred Shares pursuant to paragraph (a) of Article 128, the remaining assets of the Company available for distribution to members shall be distributed ratably among the holders of outstanding ordinary shares (excluding any ordinary share converted from any Preferred Share) in proportion to the number of outstanding ordinary shares held by them.

"Deemed Liquidation Event" is defined as: (a) any consolidation, amalgamation or merger of the Company and/or any Group with or into any other person or other corporate reorganisation, in which the members of the Company or shareholders of such Group immediately prior to such consolidation, amalgamation, merger or reorganisation, own less than fifty percent (50%) of the voting power of Company or any other Group immediately after such consolidation, merger, amalgamation or reorganisation, or any transaction or series of related transactions to which the Company is a party in which in excess of fifty percent (50%) of the Company's or any other Group's voting power is transferred, but excluding any transaction effected solely for tax purposes or to change the Company's domicile or any other Group's domicile; (b) the sale, exchange, transfer or other disposition, in one or a series of related transactions, of a majority of the outstanding share capital of any Group to one person or a group of persons acting in concert, under circumstances in which the holders of a majority in voting power of the outstanding share capital of any Group immediately prior to such transaction beneficially own less than a majority in voting power of the outstanding share capital of the surviving entity or the acquiring person immediately following such transaction; or (c) a sale, lease, transfer or other disposition, in a single transaction or series of related transactions, by any Group of all or substantially all of the assets of any Group; and upon any such event, any proceeds resulting to the members of the Company therefrom shall be distributed in accordance with the terms of paragraph (a) through (c) of Article 128.

Accounting for preferred shares

The Company does not bifurcate any embedded derivatives from the host instruments and has designated the entire instruments as financial liabilities at fair value through profit or loss. Any directly attributable transaction costs are recognised as finance costs in profit or loss. Subsequent to initial recognition, the fair value change of the Preferred Shares is recognised in profit or loss except for the portion attributable to credit risk change which shall be recognised in other comprehensive income, if any. The directors of the Company considered that there is no material credit risk change during the Relevant Periods.

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The convertible redeemable preferred shares were classified as non-current liabilities unless the preferred shareholders demand the Company to redeem the preferred shares within 12 months after the end of each of the Relevant Periods.

The movements of the convertible redeemable preferred shares are set out below:

	Series A Preferred Shares	Series B Preferred Shares	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2018 and at 1 January 2019	461,482	–	461,482
Changes in fair value	173,152	–	173,152
Foreign exchange differences	9,548	–	9,548
At 31 December 2019 and at 1 January 2020	644,182	–	644,182
Changes in fair value	64,631	–	64,631
Foreign exchange differences	(45,165)	–	(45,165)
At 31 December 2020 and at 1 January 2021	663,648	–	663,648
Issue	–	659,119	659,119
Changes in fair value	314,769	60,837	375,606
Foreign exchange differences	(18,874)	(19,075)	(37,949)
At 31 December 2021	<u>959,543</u>	<u>700,881</u>	<u>1,660,424</u>

The Group applied the Backsolve approach determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set out below:

	As at 31 December		
	2019	2020	2021
Risk-free interest rate	1.60%	0.12%	0.79%
Lack of marketability discount	6.80%	5.70%	8.13%
Volatility	38.60%	41.20%	49.71%

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond as of each valuation date with a maturity life equal to the period from the respective appraisal dates to the expected liquidation date. The lack of marketability discount was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can theoretically hedge the price change before the privately held share can be sold, was considered as a basis to determine the discount for lack of marketability. The volatility was estimated based on historical volatility of comparable companies as of the valuation date. Probability weight under each of the redemption features and liquidation preferences were based on the Group’s best estimates.

Changes in fair value of Preferred Shares were recorded in “other expenses - fair value changes of Preferred Shares”. Management considered that fair value changes of the Preferred Shares that are attributable to changes of credit risk of these instruments are not material.

33. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 1 November 2017 with initial authorised share capital of USD50,000 divided into 500,000,000 shares with a nominal or par value of USD0.0001 each.

On 29 December 2017, the authorised share capital was subsequently divided into 471,739,840 ordinary shares and 28,260,160 Preferred Shares, 16,956,096 of which are designated Series A1 Preferred Shares, and 11,304,064 of which are designated Series A2 Preferred Shares.

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On 1 April 2020, the authorised share capital was subsequently divided into 453,594,070 ordinary shares and 46,405,930 Preferred Shares; including (i) 16,956,096 Series A1 Preferred Shares; (ii) 11,304,064 Series A2 Preferred Shares; and (iii) 18,145,770 Series B preferred shares.

Group and Company

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Issued and fully paid:	72	72	65

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

	Number of shares in issue	Share capital
		<i>RMB’000</i>
At 31 December 2018 and 1 January 2019	110,917,593	76
Share repurchase (i)	(5,567,111)	(4)
At 31 December 2019 and 2020 and 1 January 2021	105,350,482	72
Share repurchase (ii)	(13,494,674)	(9)
Issuance of ordinary shares (iii)/ (iv)	2,291,131	2
At 31 December 2021	94,146,939	65

- (i) Pursuant to the share repurchase agreement signed on 23 August 2019 between the Company and its shareholders, GMC ONE Ltd. and GMC THREE Ltd., the Company repurchased 4,175,333 of its ordinary shares from GMC ONE Ltd. at a consideration of USD7,387,000, and 1,391,778 of its ordinary shares from GMC THREE Ltd. at a consideration of USD2,462,000.
- (ii) Pursuant to the share repurchase agreement signed on 1 April 2021 between the Company and its shareholders GMC STAR Ltd. (formerly GMC ONE Ltd.), GAUSH Holding Ltd. (formerly GMC TWO Ltd.) and GMC THREE Ltd., the Company repurchased 5,878,868 of its ordinary shares from GMC STAR Ltd. at a consideration of USD32,559,999, 4,008,319 of its ordinary shares from GAUSH Holding Ltd. at a consideration of USD22,199,999, and 3,607,487 of its ordinary shares from GMC THREE Ltd. at a consideration of USD19,979,998.
- (iii) On 31 March 2021, the Board of Directors of the Company passed a resolution, pursuant to which the Company shall issue 955,879 ordinary shares with a par value of USD0.0001 each to certain shareholders at a consideration of USD4,500,000. On 10 August 2021, the Company issued 955,879 ordinary shares to GMC Teleon Ltd.
- (iv) On 20 October 2021, Credit Suisse AG exercised the warrants as disclosed in note 28 to the Historical Financial Information for the issue of 1,335,252 ordinary shares of the Company at a consideration of USD133.53.

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34. OTHER RESERVES

The amounts of the Group’s other reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Capital reserve

Capital reserve comprises contributions by the controlling shareholder at the respective dates.

(b) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside Mainland China. The reserve is dealt with in accordance with the accounting policy set out in note 2.4 to the Historical Financial Information.

35. BUSINESS COMBINATIONS

(a) Acquisition of Gaush Consumables Ltd.

On 16 October 2020, the Group acquired a 60% equity interest of Gaush Consumables Ltd. at a cash consideration of RMB12,000,000.

The Group has elected to measure the non-controlling interest in Gaush Consumables Ltd. at the non-controlling interest’s proportionate share of Gaush Consumables Ltd.’s identifiable net assets.

	<i>Notes</i>	Fair value recognised on acquisition
		<i>RMB’000</i>
Cash and cash equivalents		9,248
Trade receivables		243
Prepayments, other receivables and other assets		190
Inventories		318
Property, plant and equipment	<i>13</i>	1,287
Intangible assets	<i>16</i>	800
Right-of-use assets	<i>14(a)</i>	462
Trade payables		(664)
Other payables and accruals		(87)
Deferred tax liabilities	<i>30</i>	(200)
Lease liabilities	<i>14(b)</i>	(462)
Tax payable		(1)
		<hr/>
Total identifiable net assets at fair value		11,134
		<hr/>
Non-controlling interests		(4,454)
Goodwill on acquisition	<i>15</i>	5,320
		<hr/>
Satisfied by cash		12,000
An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:		
Cash consideration		(12,000)
Cash and bank balances acquired		9,248
		<hr/>
Net outflow of cash and cash equivalents included in cash flows used in investing activities		(2,752)
		<hr/> <hr/>

The revenue and loss included in the consolidated statement of profit or loss from the acquisition date to 31 December 2020 contributed by Gaush Consumables Ltd. were RMB31,000 and RMB290,000, respectively.

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(b) Acquisition of Suzhou Gaush Precision Ltd.

On 26 October 2020, the Group acquired a 85% equity interest of Suzhou Gaush Precision Ltd. at a cash consideration of RMB13,360,000.

The Group has elected to measure the non-controlling interest in Suzhou Gaush Precision Ltd. at the non-controlling interest’s proportionate share of Suzhou Gaush Precision Ltd.’s identifiable net assets.

	<i>Notes</i>	Fair value recognised on acquisition
		<i>RMB’000</i>
Cash and cash equivalents		13,008
Trade receivables		6
Prepayments, other receivables and other assets		56
Inventories		118
Property, plant, and equipment	<i>13</i>	186
Trade payables		(3)
Other payables and accruals		(429)
Tax payables		(2)
		<hr/>
Total identifiable net assets at fair value		12,940
		<hr/>
Non-controlling interests		(1,941)
Goodwill on acquisition	<i>15</i>	2,361
		<hr/>
Satisfied by cash		13,360
An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:		
Cash consideration		(13,360)
Cash and bank balances acquired		13,008
		<hr/>
Net outflow of cash and cash equivalents included in cash flows used in investing activities		(352)
		<hr/> <hr/>

The revenue and loss included in the consolidated statement of profit or loss from the acquisition date to 31 December 2020 contributed by Suzhou Gaush Precision Ltd. were RMB30,000 and RMB159,000, respectively.

(c) Acquisition of Gaush Europe GmbH and Roland Consult Stache & Finger GmbH

On 31 July 2020, Gaush Medical Limited, a subsidiary of the Company, acquired an 100% equity interest of Gaush Europe GmbH (formerly Blitz B20-263 GmbH) at a cash consideration of EUR28,500. Gaush Europe GmbH is an investment holding entity and has no substantial business. On 4 November 2020, Gaush Europe GmbH, acquired an 80% equity interest of Roland Consult Stache & Finger GmbH at a cash consideration of EUR3.5 million in cash. This acquisition was made as part of the Group’s strategy to expand its market share in the manufacture of electrophysiological products.

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The fair values of the identifiable assets and liabilities of Roland Consult Stache & Finger GmbH as at the date of acquisition were as follows:

	<i>Notes</i>	Fair value recognised on acquisition
		<i>RMB’000</i>
Cash and cash equivalents		5,984
Trade receivables		7,254
Prepayments, other receivables and other assets		4,112
Inventories		4,391
Property, plant, and equipment	<i>13</i>	3,990
Intangible assets	<i>16</i>	9,473
Right-of-use assets	<i>14(a)</i>	1,624
Trade payables		(1,056)
Tax payable		(1,034)
Other payables and accruals		(4,422)
Lease liabilities	<i>14(b)</i>	(1,624)
Deferred tax liabilities	<i>30</i>	(3,125)
		<hr/>
Total identifiable net assets at fair value		25,567
		<hr/>
Non-controlling interests		(5,074)
Goodwill on acquisition	<i>15</i>	7,195
		<hr/>
Satisfied by cash		27,688

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

Cash consideration	(27,688)
Cash and bank balances acquired	5,984
Amounts unpaid and included in other payables	6,277
	<hr/>
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(15,427)
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The fair values of the trade receivables, prepayments, other receivables and other assets as at the date of acquisition amounted to RMB7,254,000 and RMB4,112,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB7,990,000 and RMB4,112,000, respectively.

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 leases relative to market terms.

The revenue and loss included in the consolidated statement of profit or loss from the acquisition date to 31 December 2020 contributed by Gausch Europe GmbH and Roland Consult Stache & Finger GmbH after eliminating the intra-group sales were RMB3,613,000 and RMB1,863,000, respectively.

Had the combinations disclosed as in note 35(a),35(b) and 35(c) taken place at the beginning of 2020, the revenue of the Group and the profit of the Group for the year ended 31 December 2020 would have been RMB977,503,000 and RMB106,942,000, respectively.

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(d) Acquisition of Teleon Holding B.V.

On 4 January 2021, Gaush Cooperatief U.A., a subsidiary of the Company acquired a 100% equity interest of Teleon Holding B.V. This acquisition was made as part of the Group’s strategy to expand its market share in the manufacture of intra ocular.

The fair values of the identifiable assets and liabilities of Teleon Holding B.V. as at the date of acquisition were as follows:

	<i>Notes</i>	Fair value recognised on acquisition
		<i>RMB’000</i>
Cash and cash equivalents		105,771
Trade receivables		23,210
Prepayments, other receivables, and other assets		42,680
Inventories		43,460
Property, plant, and equipment	<i>13</i>	24,443
Intangible assets	<i>16</i>	351,395
Right-of-use assets	<i>14(a)</i>	33,573
Deferred tax assets	<i>30</i>	19,435
Trade payables		(6,172)
Other payables and accruals		(67,386)
Tax payable		(34,666)
Including income tax payable		(17,228)
Lease liabilities	<i>14(b)</i>	(33,573)
Deferred tax liabilities	<i>30</i>	(76,011)
		<hr/>
Total identifiable net assets at fair value		426,159
		<hr/>
Non-controlling interests		–
Goodwill on acquisition	<i>15</i>	949,088
		<hr/>
Satisfied by cash		1,375,247

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

Cash consideration	(1,375,247)
Cash and bank balances acquired	105,771
Prepayment in 2020*	1,377,908
Including: vendor loan (referring to note 29)	194,905
Exchange realignment of the prepayment	(2,661)
	<hr/>
Net inflow of cash and cash equivalents included in cash flows from investing activities	105,771
	<hr/> <hr/>

* On 9 December 2020, the original shareholder of Teleon Holding B.V. and Gaush Cooperatief U.A signed a share sale and purchase agreement, Gaush Cooperatief U.A intends to purchase 100% of Teleon’s equity for EUR171.7 million (equivalent to RMB1.378 billion). On 21 December 2020, Gaush Cooperatief U.A has transferred all the funds required for this acquisition to a designated third-party regulatory account. On 23 December 2020, Teleon Holding B.V. completed the revision of the company’s articles of association, and completed the business registration certificate for this shareholder change. On 4 January 2021, Gaush Cooperatief U.A completed the appointment of the Managing Director. Therefore, Teleon Holding B.V. has been in consolidation since 2021.

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The fair values of the trade receivables, prepayments, other receivables and other assets as at the date of acquisition amounted to RMB23,210,000 and RMB42,680,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB23,260,000 and RMB42,680,000, respectively.

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 leases relative to market terms.

The revenue and profit included in the consolidated statement of profit or loss from the acquisition date to 31 December 2021 contributed by Teleon Holding B.V. after eliminating the intra-group sales were RMB250,306,000 and RMB57,654,000, respectively.

Had the combination of Teleon Holding B.V. taken place at the beginning of 2021, the revenue of the Group and the loss of the Group for the year ended 31 December 2021 would have been RMB1,298,218,000 and RMB191,571,000, respectively.

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2019, 2020 and 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,589,000, RMB4,036,000 and RMB6,432,000, respectively, in respect of lease arrangements for motor vehicles, plant and buildings.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Lease liabilities	Convertible redeemable preferred shares
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2019	35,050	29,513	461,482
Changes from financing cash flows	2,219	(8,881)	–
Interest paid	(1,908)	–	–
New leases (<i>note 14(a)</i>)	–	1,589	–
Change in fair value	–	–	173,152
Exchange realignment	–	–	9,548
Interest expense	2,141	1,118	–
	<u>37,502</u>	<u>23,339</u>	<u>644,182</u>
At 31 December 2019	<u>37,502</u>	<u>23,339</u>	<u>644,182</u>

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	Interest-bearing bank and other borrowings	Lease liabilities	Convertible redeemable preferred shares
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2020	37,502	23,339	644,182
Changes from financing cash flows	828,682	(10,286)	–
Interest paid	(2,165)	–	–
Non-cash transaction**	194,905	–	–
Acquisition of subsidiaries (note 35)	–	2,086	–
New leases (note 14(a))	–	4,036	–
Change in fair value	–	–	64,631
Exchange realignment	–	37	(45,165)
Interest expense	2,165	911	–
	<u>1,061,089</u>	<u>20,123</u>	<u>663,648</u>
At 31 December 2020	<u>1,061,089</u>	<u>20,123</u>	<u>663,648</u>

** This Vendor Loan as detailed in note 29 was transferred directly from the Original Shareholder to a designated third-party regulatory account.

	Interest-bearing bank and other borrowings	Loan at fair value through profit or loss	Lease liabilities	Convertible redeemable preferred shares
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	1,061,089	–	20,123	663,648
Changes from financing cash flows	(24,471)	–	(14,411)	659,119
Interest paid from financing cash flows	(76,092)	–	–	–
Acquisition of a subsidiary (note 35)	–	–	33,573	–
New leases	–	–	6,432	–
Transfer (note 31)	(167,545)	167,545	–	–
Exercise of warrants	(26,451)	–	–	–
Change in fair value	–	4,710	–	375,606
Exchange realignment	(91,001)	(13,156)	(2,594)	(37,949)
Interest expense	82,269	–	1,256	–
	<u>757,798</u>	<u>159,099</u>	<u>44,379</u>	<u>1,660,424</u>
At 31 December 2021	<u>757,798</u>	<u>159,099</u>	<u>44,379</u>	<u>1,660,424</u>

(c) Total cash outflow for leases

The total cash outflow for leases included in the statements of cash flows are as follows:

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within operating activities	423	542	1,376
Within financing activities	8,881	10,286	14,411
	<u>9,304</u>	<u>10,828</u>	<u>15,787</u>

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37. RELATED PARTY TRANSACTIONS

(a) Name and relationship

The Directors are of the opinion that the following companies are related parties that had transactions or balances with the Group during the Relevant Periods.

Name of related parties	Relationship with the Group
Mr. Gao Tieta	Main shareholder of the Company
Mr. Zhang Jianjun	Executive Director
Mr. Zhao Xinli	Executive Director
Mr. Liu Xinwei	Executive Director
Mr. Gao Fan*	Brother of the main shareholder of the Company
Mr. Gao Junta	Brother of the main shareholder of the Company
Mr. Liu Xidong **	Shareholder holding more than 5% of shares
Ms. Li Wenqi	Key management personnel of the Company
Tianjin Gaofeng Vision Management Consulting L.P. (天津高峰視界企業管理諮詢合夥企業(有限合夥))	Controlled by Mr. Gao Fan*****
Tianjin Vision Yishan Management Consulting L.P. (天津視界易山企業管理諮詢合夥企業(有限合夥))	Controlled by Mr. Gao Fan*****
Ningbo Gaush Taishan Management Consulting L.P. (寧波高視泰山投資管理合夥企業(有限合夥)) **	Controlled by Mr. Gao Fan*****
Ningbo Gaush Tianshan Management Consulting L.P. (寧波高視天山投資管理合夥企業(有限合夥)) **	Controlled by Mr. Gao Fan*****
Beijing Aumed Ltd. (北京奧美達科技股份有限公司) **	Controlled by Mr. Gao Fan*****
Guangzhou Gaoshi Technology Ltd. (廣州高視遠望科技有限公司) **	Controlled by Mr. Gao Fan*****
Beijing Meicheng Ltd. (北京美程醫療技術有限公司)	Controlled by Mr. Gao Fan*****
Beijing Meipan Ltd. (北京美盼醫療技術有限公司)	Collectively controlled by Mr. Gao Fan and Gao Junta*****
Beijing Meide Daguang Technology Ltd. (北京美德大光科技有限公司)*****	Controlled by Mr. Gao Fan*****
Tianjin Gaofeng Qiancheng Management Consulting L.P. (天津高峰前程企業管理諮詢合夥企業(有限合夥))	Controlled by Mr. Gao Fan
Tianjin Shijie Gaoshan Management Consulting L.P. (天津視界高山企業管理諮詢合夥企業(有限合夥))	Controlled by Mr. Gao Fan
Tianjin Gaofeng Yijia Ltd. (天津高峰益佳科技有限公司)	Controlled by Mr. Gao Fan
Tianjin Gaofeng Meihao Management Consulting L.P. (天津高峰美好企業管理諮詢合夥企業(有限合夥))	Controlled by Mr. Gao Fan
Ningbo Gaush Hengshan Management Consulting L.P. (寧波高視恒山投資合夥企業(有限合夥))	Controlled by Mr. Gao Fan
Beijing Bolin Vision Technology Ltd. (北京鉑林視光科技有限公司)	Controlled by Mr. Gao Fan
Beijing Bolin Eyecare Clinic (北京鉑林眼科診所有限公司)	Controlled by Mr. Gao Fan
Beijing Fenglian Bolin Eyecare Clinic (北京豐聯鉑林眼科診所有限公司)	Controlled by Mr. Gao Fan
Beijing Pingleyuan Bolin Eyecare Clinic (北京平樂園鉑林眼科診所有限公司)	Controlled by Mr. Gao Fan
Beijing Zhichunli Bolin Eyecare Clinic (北京知春裡鉑林眼科門診部有限公司)	Controlled by Mr. Gao Fan

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Name of related parties	Relationship with the Group
Beijing Wangjing Bolin Eyecare Clinic (北京望京鉞林眼科診所有限公司)	Controlled by Mr. Gao Fan
Tianjin Bolin Vision Technology Ltd. (天津鉞林視光醫療科技有限公司)	Controlled by Mr. Gao Fan
Tangshan Jidong Eye Hospital (唐山冀東眼科醫院有限公司)	Controlled by Mr. Gao Fan
Tangshan Jiliang Vision Ltd. (唐山冀亮眼鏡有限公司)**	Controlled by Mr. Gao Fan
Luanzhou Jidong Eye Hospital (灤州冀東眼科醫院有限公司)	Controlled by Mr. Gao Fan
Luannan Jidong Eye Hospital (灤南冀東視明眼科醫院有限公司)	Controlled by Mr. Gao Fan
Yutian Jidong Eye Hospital (玉田縣冀東眼科醫院有限公司)	Controlled by Mr. Gao Fan
Beijing Cloud Vision Information Technology Co., Ltd. (北京雲柿資訊技術有限公司)**	Controlled by Mr. Liu Xidong
Ningbo Gaoshi Donghai Management Consulting L.P. (寧波高視東海投資管理合夥企業(有限合夥))**	Controlled by Mr. Liu Xidong
Tianjin Cloud Vision Technology Ltd. (天津雲柿科技有限公司)**	Controlled by Mr. Liu Xidong
Taiyuan Changliang Bolin Eyecare Clinic (太原市長亮鉞林眼科診所有限公司)	Controlled by Mr. Gao Fan
Beijing Wanliu Bolin Eyecare Clinic (北京萬柳鉞林眼科診所有限公司)	Controlled by Mr. Gao Fan
Beijing Wuluju Bolin Eyecare Clinic (北京五路居鉞林眼科診所有限公司)	Controlled by Mr. Gao Fan
Beijing Cuiweilu Bolin Eyecare Clinic (北京翠微路鉞林眼科診所有限公司)	Controlled by Mr. Gao Fan
Beijing Qingnianlu Bolin Eyecare Clinic (北京青年路鉞林眼科診所有限公司)	Controlled by Mr. Gao Fan
Beijing Shijicheng Bolin Eyecare Clinic (北京世紀城鉞林眼科診所有限公司)	Controlled by Mr. Gao Fan
Taiyuan Jingliang Bolin Eyecare Clinic (太原市晶亮鉞林眼科診所有限公司)	Controlled by Mr. Gao Fan
Beijing Shuangjing Bolin Eyecare Clinic (北京雙井鉞林眼科診所有限公司)	Controlled by Mr. Gao Fan
Bolin Eyecare Group (鉞林眼科醫院集團有限公司)***	Controlled by Mr. Gao Fan
Shanxi Beishihaoye Vision Health Ltd. (山西佰視昊業視覺健康有限公司)	Controlled by Mr. Gao Fan
Leting Jidong Eye Hospital (樂亭冀東康明眼科醫院有限公司)**	Controlled by Mr. Gao Fan
Jiaocheng Bolin Eyecare Clinic (交城鉞林眼科診所有限公司)	Controlled by Mr. Gao Fan
Taiyuan Meiliang Bolin Eyecare Clinic (太原美亮鉞林眼科診所有限公司)**	Controlled by Mr. Gao Fan
Taiyuan Tongliang Bolin Eyecare Clinic (太原市桐亮鉞林眼科門診有限公司)	Controlled by Mr. Gao Fan
Beijing Yayuncun Bolin Eyecare Clinic (北京亞運村鉞林眼科診所有限公司)****	Controlled by Mr. Gao Fan
Beijing Bolin Future Technology Co., Ltd. (北京鉞林未來技術有限公司)****	Controlled by Mr. Gao Fan
Beijing Tiantongyuan Bolin Eyecare Clinic (北京鉞林天通苑眼科診所有限公司)****	Controlled by Mr. Gao Fan

* Mr. Gao Fan’s share of the Group became less than 5 from 1 April 2021.

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** Mr. Liu Xidong ceased to be a related party of the Group because his share of the Group became less than 5% from 1 April 2021. Thus, entities controlled by Mr. Liu Xidong, including Ningbo Gaoshi Donghai Management Consulting L.P. (寧波高視東海投資管理合夥企業(有限合夥)), Tianjin Cloud Vision Technology Ltd. (天津雲柿科技有限公司) and Beijing Cloud Vision Information Technology Co., Ltd. (北京雲柿資訊技術有限公司) (named Beijing Gauss Infomed Ltd. (北京高視醫療資訊技術有限公司) before August 2021) ceased to be related parties of the Group.

Ningbo Gaush Taishan Management Consulting L.P. (寧波高視泰山投資管理合夥企業(有限合夥)) was dissolved on 30 September 2021. Ningbo Gaush Tianshan Management Consulting L.P. (寧波高視天山投資管理合夥企業(有限合夥)) was dissolved on 14 October 2021. Beijing Aumed Ltd. (北京奧美達科技股份有限公司) was dissolved on 20 April 2021. Guangzhou Gaoshi Technology Ltd. (廣州高視遠望科技有限公司) was dissolved on 18 December 2020. Tangshan Jiliang Vision Ltd. (唐山冀亮眼鏡有限公司) was dissolved on 22 September 2020. Leting Jidong Eye Hospital (樂亭冀東康明眼科醫院有限公司) was dissolved on 28 June 2019. Taiyuan Meiliang Bolin Eyecare Clinic (太原美亮鉑林眼科診所有限公司) was dissolved on 30 July 2020.

*** Bolin Eyecare Group (鉑林眼科醫院集團有限公司) changed its name in May 2021. It used the previous name of Bolin Medical Investment Group Ltd. (鉑林醫療投資集團有限公司) during the period between April 2020 and April 2021, and Bolin Medical Investment Ltd. (鉑林醫療投資有限公司) before April 2020.

**** Beijing Yayuncun Bolin Eyecare Clinic (北京亞運村鉑林眼科診所有限公司), Beijing Bolin Future Technology Co., Ltd. (北京鉑林未來技術有限公司) and Beijing Bolin Future Technology Co., Ltd. (北京鉑林未來技術有限公司) were set up on 8 September 2021, 31 December 2021 and 22 December 2021, respectively.

***** Collectively controlled by Mr. Gao Tieta and Mr. Gao Fan before 27 April 2020

***** Beijing Meide Daguang Technology Ltd. (北京美德大光科技有限公司) was used the name of Gaoshi Medical Investment Ltd. (高視醫療投資有限公司) before 4 December 2020.

(b) Transactions with related parties

In addition to the transactions and balances detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods.

		Year ended 31 December		
		2019	2020	2021
		RMB'000	RMB'000	RMB'000
Sales of goods	(i)			
Entities controlled by Mr. Gao Fan		2,354	1,434	1,314
Entity controlled by Mr. Liu Xidong*	(ii)	–	72	–
Mr. Gao Tieta		–	–	3
		<u>2,354</u>	<u>1,506</u>	<u>1,317</u>
Sales of services				
Entities controlled by Mr. Gao Fan		826	401	668
Entity controlled by Mr. Liu Xidong*	(ii)	–	6	–
		<u>826</u>	<u>407</u>	<u>668</u>
Purchases of products	(iii)			
Entity controlled by Mr. Liu Xidong*	(ii)	539	963	–
		<u>539</u>	<u>963</u>	<u>–</u>
Lease payments				
Mr. Gao Tieta	(iv)	1,029	1,371	1,371
		<u>1,029</u>	<u>1,371</u>	<u>1,371</u>

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* The entity controlled by Mr. Liu Xidong ceased to be the related party of the Group from 1 April 2021 since the share of its controlling shareholder, Mr. Liu Xidong of the Group became less than 5%.

Notes:

- (i) The sales to related parties were made according to the published prices and conditions offered by the Group to their major customers.
- (ii) Transactions with the entity controlled by Mr. Liu Xidong are mainly sales of technical accessories, sales of technical maintenance services and purchases of software for medical imaging and data transmission processing.
- (iii) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.
- (iv) The Group entered into certain property leasing agreements with Mr. Gao Tieta, and accordingly recognised lease liabilities of RMB792,000, RMB1,167,000 and RMB2,833,000 as at 31 December 2019, 2020 and 2021, respectively.

(c) Guarantees provided by the related parties

As disclosed in note 29 and note 31 to the Historical Financial Information, certain of the Group’s bank loans were guaranteed by Mr. Gao Tieta and the guarantee and mortgages provided by Mr. Gao Tieta in favor of the lenders of the bank loans were released in November 2021 and December 2021. Key information is detailed in note 29 and note 31 to the Historical Financial Information.

(d) Balances with related parties

		Year ended 31 December		
		2019	2020	2021
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Amounts due from related parties:				
Trade balance				
	Entities controlled by Mr. Gao Fan	1,757	1,947	1,304
	Entity controlled by Mr. Liu Xidong*	(i) 500	77	–
		<u>2,257</u>	<u>2,024</u>	<u>1,304</u>
Amounts due to related parties:				
Trade balance				
	Entities controlled by Mr. Gao Fan	(ii) 1	374	218
	Entity controlled by Mr. Liu Xidong*	(i) 7,966	–	–
Non-trade balance				
	Mr. Zhang Jianjun	(iii) –	–	–
	Mr. Zhao Xinli	(iii) 9	–	–
	Mr. Liu Xinwei	(iii) 1	2	1
	Ms. Li Wenqi	(iii) 1	2	1
		<u>7,978</u>	<u>378</u>	<u>220</u>

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* The entity controlled by Mr. Liu Xidong ceased to be the related party of the Group from 1 April 2021 since the share of its controlling shareholder, Mr. Liu Xidong of the Group became less than 5%.

Notes:

- (i) Balances due from and due to the entity controlled by Mr. Liu Xidong are mainly balances resulted from sales of technical accessories, sales of technical maintenance services and purchases of software for medical imaging and data transmission processing.
- (ii) Balances due to the entity controlled by Mr. Gao Fan are contract liabilities balances resulted from sales of goods and services.
- (iii) The Group had non-trade reimbursements balance to be paid to Mr. Zhang Jianjun, Mr. Zhao Xinli, Mr. Liu Xinwei and Ms. Li Wenqi totally amounting to RMB11,000, RMB4,000, and RMB2,000 as at 31 December 2019, 2020 and 2021, and these non-trade balances will be settled prior to the [REDACTED] of the Company.

(e) Compensation of key management personnel of the Group

	Year ended 31 December		
	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, other allowances and benefits in kind	2,764	2,806	2,868
Performance related bonuses	2,373	2,304	1,965
Pension scheme contributions	146	139	277
	5,283	5,249	5,110

Key management compensation is detailed in notes 8 and 9 to the Historical Financial Information.

38. 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:

31 December 2019

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss	–	200,169	200,169
Trade receivables	193,739	–	193,739
Financial assets included in other receivables	13,086	–	13,086
Cash and cash equivalents	332,762	–	332,762
Long term accounts receivable	1,030	–	1,030
	540,617	200,169	740,786

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Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	113,295	–	113,295
Derivative financial instruments	–	323	323
Convertible redeemable preferred shares	–	644,182	644,182
Financial liabilities included in other payables	15,603	–	15,603
Lease liabilities	23,339	–	23,339
Interest-bearing bank and other borrowings	37,502	–	37,502
	<u>189,739</u>	<u>644,505</u>	<u>834,244</u>

31 December 2020

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss	–	10	10
Trade receivables	170,796	–	170,796
Financial assets included in other receivables	11,870	–	11,870
Pledged deposits	6,810	–	6,810
Cash and cash equivalents	307,490	–	307,490
	<u>496,966</u>	<u>10</u>	<u>496,976</u>

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Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	104,417	–	104,417
Derivative financial instruments	–	128	128
Convertible redeemable preferred shares	–	663,648	663,648
Financial liabilities included in other payables	57,983	–	57,983
Lease liabilities	20,123	–	20,123
Interest-bearing bank and other borrowings	1,061,089	–	1,061,089
	<u>1,243,612</u>	<u>663,776</u>	<u>1,907,388</u>

31 December 2021

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	170,054	–	170,054
Financial assets included in other receivables	13,578	–	13,578
Pledged deposits	13,757	–	13,757
Cash and cash equivalents	608,996	–	608,996
	<u>806,385</u>	<u>–</u>	<u>806,385</u>

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Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables	68,018	–	68,018
Derivative financial instruments	–	296	296
Convertible redeemable preferred shares	–	1,660,424	1,660,424
Financial liabilities included in other payables	15,848	–	15,848
Interest-bearing bank and other borrowings	757,798	–	757,798
Lease liabilities	44,379	–	44,379
Loan at fair value through profit or loss	–	159,099	159,099
	<u>886,043</u>	<u>1,819,819</u>	<u>2,705,862</u>

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amounts of:			
Non-current portion of interest-bearing bank and other borrowings	–	194,905	635,334
	<u>–</u>	<u>194,905</u>	<u>635,334</u>

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Fair values of:			
Non-current portion of interest-bearing bank and other borrowings	–	206,552	686,578
	<u>–</u>	<u>206,552</u>	<u>686,578</u>

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group’s corporate finance team headed by the chief financial officer (“CFO”) is responsible for determining the policies and procedures for the fair value management of financial instruments. The corporate finance team reports directly to management. At each reporting date, the corporate finance team 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 CFO.

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.

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The fair values of the non-current portion of 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. The Group’s own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019, 2020 and 2021 was assessed to be insignificant.

The Group invests in wealth management products issued by banks in Mainland China. The Group has estimated the fair values of these wealth management products by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis:

31 December 2019	Valuation technique	Significant unobservable inputs	Range of inputs	Sensitivity of fair value to the input
Convertible redeemable preferred shares	Backsolve method	Volatility	38.60%	Increase of 1% would result in increase in fair value by RMB1,605,000; decrease of 1% would result in decrease in fair value by RMB1,674,000.
Convertible redeemable preferred shares	Backsolve method	Probability for [REDACTED]	25%	Increase of 1% would result in decrease in fair value by RMB2,232,000; decrease of 1% would result in increase in fair value by RMB2,232,000.
31 December 2020	Valuation technique	Significant unobservable inputs	Range of inputs	Sensitivity of fair value to the input
Convertible redeemable preferred shares	Backsolve method	Volatility	41.20%	Increase of 1% would result in increase in fair value by RMB1,631,000; decrease of 1% would result in decrease in fair value by RMB1,696,000.
Convertible redeemable preferred shares	Backsolve method	Probability for [REDACTED]	40%	Increase of 1% would result in decrease in fair value by RMB1,435,000; decrease of 1% would result in increase in fair value by RMB1,435,000.
31 December 2021	Valuation technique	Significant unobservable inputs	Range of inputs	Sensitivity of fair value to the input
Convertible redeemable preferred shares	Backsolve method	Volatility	49.71%	Increase of 1% would result in increase in fair value by RMB1,403,000; decrease of 1% would result in decrease in fair value by RMB1,466,000.
Convertible redeemable preferred shares	Backsolve method	Probability for [REDACTED]	60%	Increase of 1% would result in decrease in fair value by RMB2,550,000; decrease of 1% would result in increase in fair value by RMB2,614,000.
Loan at fair value through profit or loss	Discounted cash flow	Probability for [REDACTED]	60%	Increase of 10% would result in decrease in fair value by RMB2,684,000; decrease of 10% would result in increase in fair value by RMB2,684,000.

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Assets measured at fair value

As at 31 December 2019

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss	–	200,169	–	200,169

As at 31 December 2020

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss	–	10	–	10

As at 31 December 2021

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

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Liabilities measured at fair value

As at 31 December 2019

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Convertible redeemable preferred shares	–	–	644,182	644,182
Derivative financial instruments	–	323	–	323
	–	323	644,182	644,505

As at 31 December 2020

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Convertible redeemable preferred shares	–	–	663,648	663,648
Derivative financial instruments	–	128	–	128
	–	128	663,648	663,776

As at 31 December 2021

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Convertible redeemable preferred shares	–	–	1,660,424	1,660,424
Loan at fair value through profit or loss	–	–	159,099	159,099
Derivative financial instruments	–	296	–	296
	–	296	1,819,523	1,819,819

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise interest-bearing bank and other borrowings, loan at fair value through profit or loss and convertible redeemable preferred shares. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group is exposed to interest rate risk in relation to cash and cash equivalents and long-term borrowings. As the long-term borrowings are all at a fixed exchange rate, therefore, management believes that there is no significant interest rate risk.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units’ functional currencies.

The Group’s subsidiaries operate in mainland China and overseas. And the Group’s major operational activities are carried out in Mainland China and a majority of the transactions is denominated in RMB. The Group’s confirmed foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US dollars and Euro dollars) are subject to foreign exchange risks. The Group’s finance department at its headquarters is responsible for monitoring the foreign currency transactions and the scale of foreign currency assets and liabilities to minimize foreign exchange risks.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the RMB, with all other variables held constant, of the Group’s profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities).

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Assets			
USD	247,759	35,514	138,355
EUR	33,796	36,346	176,563
HKD	6,897	7,654	6,583
JPY	8	–	–
Liabilities			
USD	66,445	49,996	26,457
EUR	8,300	–	110,043
HKD	852	–	46
JPY	168	1,252	650

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	Increase/(decrease) In rate	Increase/(decrease) in profit/(loss) before tax
		<i>RMB'000</i>
Year ended 31 December 2019		
If the USD strengthens against the RMB	5%	9,066
If the USD weakens against the RMB	(5%)	(9,066)
If the EUR strengthens against the RMB	5%	1,275
If the EUR weakens against the RMB	(5%)	(1,275)
If the HKD strengthens against the RMB	5%	302
If the HKD weakens against the RMB	(5%)	(302)
If the JYP strengthens against the RMB	5%	(8)
If the JYP weakens against the RMB	(5%)	8
Year ended 31 December 2020		
If the USD strengthens against the RMB	5%	(724)
If the USD weakens against the RMB	(5%)	724
If the EUR strengthens against the RMB	5%	1,817
If the EUR weakens against the RMB	(5%)	(1,817)
If the HKD strengthens against the RMB	5%	383
If the HKD weakens against the RMB	(5%)	(383)
If the JYP strengthens against the RMB	5%	(63)
If the JYP weakens against the RMB	(5%)	63
Year ended 31 December 2021		
If the USD strengthens against the RMB	5%	5,595
If the USD weakens against the RMB	(5%)	(5,595)
If the EUR strengthens against the RMB	5%	3,326
If the EUR weakens against the RMB	(5%)	(3,326)
If the HKD strengthens against the RMB	5%	327
If the HKD weakens against the RMB	(5%)	(327)
If the JYP strengthens against the RMB	5%	(33)
If the JYP weakens against the RMB	(5%)	33

Credit risk

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

Maximum exposure and year-end staging

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

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31 December 2019	12-month	Lifetime ECLs			Total
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	198,549	198,549
Financial assets included in prepayments, other receivables and other assets – Not yet past due					
– Normal**	13,086	–	–	–	13,086
– Doubtful**	–	–	–	–	–
Pledged deposits	–	–	–	–	–
Cash and bank balances – Not yet past due	332,762	–	–	–	332,762
	<u>345,848</u>	<u>–</u>	<u>–</u>	<u>198,549</u>	<u>544,397</u>
31 December 2020	12-month	Lifetime ECLs			
	ECLs				
	Stage 1	Stage 2	Stage 3	Simplified	Total
	RMB'000	RMB'000	RMB'000	approach	RMB'000
				RMB'000	
Trade receivables*	–	–	–	176,643	176,643
Financial assets included in prepayments, other receivables and other assets – Not yet past due					
– Normal**	11,870	–	–	–	11,870
– Doubtful**	–	–	–	–	–
Pledged deposits	6,810	–	–	–	6,810
Cash and bank balances – Not yet past due	307,490	–	–	–	307,490
	<u>326,170</u>	<u>–</u>	<u>–</u>	<u>176,643</u>	<u>502,813</u>

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31 December 2021	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	180,190	180,190
Financial assets included in prepayments, other receivables and other assets – Not yet past due					
– Normal**	13,578	–	–	–	13,578
– Doubtful**					
Pledged deposits	13,757	–	–	–	13,757
Cash and bank balances – Not yet past due	608,996	–	–	–	608,996
	<u>636,331</u>	<u>–</u>	<u>–</u>	<u>180,190</u>	<u>816,521</u>

* 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 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 in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 20 to the Historical Financial Information.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analysis by customer/counterparty and by geographical region and receivable balances are monitored on an ongoing basis.

Liquidity risk

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

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

31 December 2019	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	113,295	–	–	113,295
Other payables	15,603	–	–	15,603
Interest-bearing bank and other borrowings	39,002	–	–	39,002
Convertible redeemable preferred shares (note a)	–	1,106,284	–	1,106,284
Lease liabilities	9,474	21,547	–	31,021
	<u>177,374</u>	<u>1,127,831</u>	<u>–</u>	<u>1,305,205</u>

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31 December 2020	Less than 1	1 to 5 years	Over 5	Total
	year		years	
	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables	104,417	–	–	104,417
Other payables	57,983	–	–	57,983
Interest-bearing bank and other borrowings	885,189	242,285	–	1,127,474
Convertible redeemable preferred shares (note a)	–	1,135,938	–	1,135,938
Lease liabilities	8,606	30,532	–	39,138
	<u>1,056,195</u>	<u>1,408,755</u>	<u>–</u>	<u>2,464,950</u>
31 December 2021	Less than 1	1 to 5 years	Over 5	Total
	year		years	
	RMB’000	RMB’000	RMB’000	RMB’000
Trade payables	68,018	–	–	68,018
Other payables	15,849	–	–	15,849
Interest-bearing bank and other borrowings	156,787	728,969	–	885,756
Loan at fair value through profit or loss	9,749	205,170	–	214,919
Convertible redeemable preferred shares (note b)	–	2,413,802	–	2,413,802
Lease liabilities	14,712	25,011	9,460	49,183
	<u>265,115</u>	<u>3,372,952</u>	<u>9,460</u>	<u>3,647,527</u>

Notes:

- (a) The liquidity risk of convertible redeemable preferred shares is the original issue price of Preferred Shares plus the respective predetermined interest (the “redemption amount”), assuming that no consummation of [REDACTED] of the Company’s shares before [REDACTED], and the holders of the Preferred Shares request the Company to redeem all of the Preferred Shares.
- (b) According to the Memorandum of Association adopted on 1 April 2021, the redemption date regarding consummation of [REDACTED] of the Company’s shares has been changed to [REDACTED].

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. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

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41. NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(a) Other receivables due from subsidiaries

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Amount due from subsidiaries	367,571	356,735	624,230

(b) Cash and cash equivalents

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and bank balances	5,432	4,025	91,185

The Group’s cash and cash equivalents were denominated in the following currencies:

	As at 31 December		
	2019	2020	2021
	<i>’000</i>	<i>’000</i>	<i>’000</i>
RMB	–	–	82
USD	768	524	14,289
EUR	10	76	–

(c) Pledged deposit

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Pledged deposits	–	–	2,356

Pledged deposits amounting to RMB2,356,000 (equivalent to EUR326,364) and were pledged to secure the interest of the mezzanine facility loan as detailed in note 31 to the Historical Financial Information.

(d) Other payables due to subsidiaries

	As at 31 December		
	2019	2020	2021
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Amount due to subsidiaries	–	22,541	51,309

42. EVENTS AFTER THE RELEVANT PERIODS

There have been no significant events since the end of the Relevant Periods.

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the subsidiaries now comprising the Group in respect of any period subsequent to 31 December 2021.

III. SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF TELEON HOLDING B.V. (THE “TARGET COMPANY”) AND ITS SUBSIDIARIES (TOGETHER, THE “TARGET GROUP”)

As stated in Section II Note 35(d) to the Historical Financial Information, on 4 January 2021, the Group acquired the Target Group.

Pre-acquisition financial information of the Target Group for the period from 1 January 2019 to 31 December 2020 (the “Pre-acquisition Period”) has been prepared by the directors of TELEON HOLDING B.V. in accordance with the accounting policies as set out in Section II Note 2.4 above. This information is hereafter referred to as the “Financial Information of the Target Group”.

The Financial Information of the Target Group is presented in RMB where the functional currency of the Target Group is EUR. The directors of TELEON HOLDING B.V. consider that the business was acquired by the Group which the presentation currency is RMB. The Financial Information of the Target Group is then presented in RMB for better compliance with the Group’s Historical Financial Information.

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1. FINANCIAL INFORMATION OF THE TARGET GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Year ended 31 December	
		2019	2020
		<i>RMB’000</i>	<i>RMB’000</i>
REVENUE	4	289,142	245,412
Cost of sales		(107,670)	(121,889)
Gross profit		181,472	123,523
Other income	4	301	314
Selling and distribution expenses		(26,128)	(51,114)
Administrative expenses		(16,116)	(17,688)
Research and development costs	5	(12,623)	(11,307)
Other expenses		(5,199)	(7,716)
Finance costs	6	(479)	(668)
PROFIT BEFORE TAX	5	121,228	35,344
Income tax expense	7	(22,659)	(9,979)
PROFIT FOR THE YEAR		<u>98,569</u>	<u>25,365</u>
Attributable to:			
Owners of the parent		98,569	25,365
Non-controlling interests		–	–
		<u>98,569</u>	<u>25,365</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation to presentation currency		<u>1,029</u>	<u>4,003</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>99,598</u>	<u>29,368</u>
Attributable to:			
Owners of the parent		99,598	29,368
Non-controlling interests		–	–
		<u>99,598</u>	<u>29,368</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December	
		2019	2020
		<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	10	21,672	24,492
Right-of-use assets	11(a)	38,398	33,641
Intangible assets	12	7,167	6,998
Deferred tax assets	19	3,079	19,316
Total non-current assets		70,316	84,447
CURRENT ASSETS			
Inventories	13	40,797	43,544
Trade receivables	14	30,637	23,256
Tax receivable		13,068	1,019
Prepayments and other receivables	15	4,056	42,701
Cash and cash equivalents	16	104,478	105,978
Total current assets		193,036	216,498
CURRENT LIABILITIES			
Trade payables	17	2,978	6,187
Other payables and accruals	18	13,303	42,725
Tax payable		–	17,262
Amounts due to related parties	25	3,079	–
Lease liabilities	11(b)	5,674	5,866
Total current liabilities		25,034	72,040
NET CURRENT ASSETS		168,002	144,458
TOTAL ASSETS LESS CURRENT LIABILITIES		238,318	228,905
NON-CURRENT LIABILITIES			
Other payables and accruals	18	75,889	41,882
Lease liabilities	11(b)	33,239	28,465
Total non-current liabilities		109,128	70,347
Net assets		129,190	158,558

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ACCOUNTANTS’ REPORT

	<i>Note</i>	As at 31 December	
		2019	2020
		<i>RMB’000</i>	<i>RMB’000</i>
EQUITY			
Equity attributable to owners of the parent			
Share capital	20	8	8
Other reserves		129,182	158,550
Non-controlling interests		–	–
Total equity		129,190	158,558

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent			
	Share capital	Exchange fluctuation reserve*	Retained profits*	Total equity
	<i>(note 20)</i> RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2019	8	–	29,584	29,592
Total comprehensive income for the year	–	1,029	98,569	99,598
As at 31 December 2019	<u>8</u>	<u>1,029</u>	<u>128,153</u>	<u>129,190</u>

Year ended 31 December 2020

	Attributable to owners of the parent			
	Share capital	Exchange fluctuation reserve*	Retained profits*	Total equity
	<i>(note 20)</i> RMB’000	RMB’000	RMB’000	RMB’000
As at 1 January 2020	8	1,029	128,153	129,190
Total comprehensive income for the year	–	4,003	25,365	29,368
As at 31 December 2020	<u>8</u>	<u>5,032</u>	<u>153,518</u>	<u>158,558</u>

* These reserve accounts comprise the consolidated reserves of RMB129,182,000 and RMB158,550,000 in the consolidated statements of financial position as at 31 December 2019 and 2020, respectively.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December	
		2019	2020
		<i>RMB’000</i>	<i>RMB’000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		121,228	35,344
Adjustments for:			
Finance costs	6	479	668
Depreciation of property, plant, and equipment	10	1,755	2,860
Depreciation of right-of-use assets	11	4,968	5,705
Amortisation of intangible assets	12	639	845
Impairment loss recognised on trade receivables, net	5	657	(1,108)
Write-down of inventories to net realisable value	5	4,357	8,769
Scrap for inventories		(3,770)	(10,514)
		<hr/>	<hr/>
Increase in inventories		(2,583)	(1,095)
(Increase)/decrease in trade receivables		(2,058)	7,519
(Increase)/decrease in prepayments and other receivables		(30,767)	644
(Decrease)/increase in trade payables		(3,775)	3,209
Increase in other payables and accruals		9,923	28,055
Cash generated from operations		101,053	80,901
Income tax (paid)/received		(22,658)	5,956
		<hr/>	<hr/>
Net cash flows from operating activities		78,395	86,857
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant, and equipment and other long-term assets	10	(15,181)	(5,052)
Advances of company loan		–	(39,289)
Disposal of a subsidiary	21	–	(35,719)
Additions of intangible assets	12	(1,213)	(490)
		<hr/>	<hr/>
Net cash flows used in investing activities		(16,394)	(80,550)

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	<i>Notes</i>	Year ended 31 December	
		2019	2020
		<i>RMB’000</i>	<i>RMB’000</i>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease liabilities	<i>11(b)</i>	<u>(4,952)</u>	<u>(6,215)</u>
Net cash flows used in financing activities		<u>(4,952)</u>	<u>(6,215)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		<u>57,049</u>	<u>92</u>
Cash and cash equivalents at beginning of year		<u>48,724</u>	<u>104,478</u>
Effect of foreign exchange rate changes, net		<u>(1,295)</u>	<u>1,408</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>104,478</u></u>	<u><u>105,978</u></u>

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ACCOUNTANTS’ REPORT

2. CORPORATE AND GROUP INFORMATION

Teleon Holding B.V. is a limited liability company incorporated in the Netherlands. The registered office of Teleon Holding B.V. is located at Spankeren, the Netherlands.

In the opinion of the directors, the ultimate parent company during the Pre-acquisition Period was AYON Holding B.V. which is incorporated in the Netherlands.

The principal activity of the Target Group is to develop, manufacture and sell interocular lenses and related accessories and Teleon also trades in surgical equipment.

Information about subsidiaries

Particulars of the Target Company’s principal subsidiaries were as follows:

Name	Place of incorporation/ registration and place of operations	Date of incorporation/ registration and place of operations	Registered Share Capital EUR	Percentage of equity attributable to the Target Company	
				Direct	Indirect
Teleon Surgical B.V.	Netherlands	15 April 2019	10	100%	–
Teleon Surgical Vertriebs GmbH	Germany	21 November 2017	25,000	100%	–
Teleon Surgical GmbH	Germany	23 June 2015	25,000	100%	–
Oculentis GmbH (i)	Germany	3 August 1995	25,000	100%	–
Oculentis B.V. (ii)	Netherlands	24 April 2019	20,500	100%	–
Teleon IP B.V. (iii)	Netherlands	10 July 2014	1,000	100%	–
LCO B.V. (iv)	Netherlands	27 February 2017	1,000	100%	–
FMoT B.V. (iv)	Netherlands	27 February 2017	1,000	100%	–

(i) Oculentis GmbH was merged with Oculentis B.V. in December 2020.

(ii) Oculentis B.V. was sold to Cavendi B.V. in December 2020.

(iii) Teleon IP B.V. was formerly named as Oculentis IP B.V. in 2019.

(iv) The companies were liquidated in 2020.

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3. OPERATING SEGMENT INFORMATION

For management purposes, the Target Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- i. the proprietary products segment develops and produces intra optical lens and related supporting consumables independently;
- ii. the distribution segment sells world-famous ophthalmic medical equipment like LENTIS, FEMTIS and AcuNex;
- iii. the technical services segment provides maintenance services and after-sales services related to ophthalmic medical equipment;
- iv. the "others" segment engages in licensing out of certain items of intellectual property.

The management of the Target Company monitors the results of operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment revenue and gross profit of each operating segment. The selling and marketing expenses, administrative expenses and research and development expenses are not included in the measure of the segments' performance which is used by management as a basis for the purpose of resource allocation and assessment of segment performance. Other income and other expenses and finance costs and income tax expenses are also not allocated to individual operating segments.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

There was no separate segment asset and segment liability information provided to management, as management does not use this information to allocate resources or to evaluate the performance of the operating segments.

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The segment results for the years ended 31 December 2019 and 2020 as follows:

Year ended 31 December 2019					
	Proprietary products segment	Distribution segment	Technical services segment	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
External sales	217,295	64,330	3,376	4,141	289,142
Intersegment sales	26,862	–	–	–	26,862
Total	244,157	64,330	3,376	4,141	316,004
Elimination of intersegment sales					(26,862)
Segment revenue	217,295	64,330	3,376	4,141	289,142
Segment cost	70,070	35,375	2,225	–	107,670
Segment gross profit	147,225	28,955	1,151	4,141	181,472
Year ended 31 December 2020					
	Proprietary products segment	Distribution segment	Technical services segment	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
External sales	156,157	71,450	5,013	12,792	245,412
Intersegment sales	32,240	–	–	–	32,240
Total	188,397	71,450	5,013	12,792	277,652
Elimination of intersegment sales					(32,240)
Segment revenue	156,157	71,450	5,013	12,792	245,412
Segment cost	80,911	37,669	3,309	–	121,889
Segment gross profit	75,246	33,781	1,704	12,792	123,523

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Geographical information

i. Revenue from external customers

	Year ended 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Greater China	37,338	22,685
Asia Pacific (excluding Greater China)	82,028	63,608
Germany	103,447	101,537
Netherlands	7,377	5,131
Europe (excluding Germany and Netherlands)	34,756	31,014
Americas (including Canada)	11,824	7,944
Oceania	10,971	12,557
Others	1,401	936
	<u>289,142</u>	<u>245,412</u>

The revenue information of continuing operations above is based on the locations of the customers.

ii. Non-current assets

	Year ended 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Netherlands	62,438	62,073
Germany	4,799	3,058
	<u>67,237</u>	<u>65,131</u>

The non-current asset information of continuing operations above is based on the locations of the assets which exclude financial instruments and deferred tax assets.

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iii. Information about major customers

Revenue from the customers individually contributing over 10% of the total revenue of the Target Group during the Pre-acquisition Period is as follows:

	Year ended 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Santen Pharmaceutical Co., Ltd.	37,602	28,044
Global Vision Hong Kong Limited	34,487	19,911
	<u>72,089</u>	<u>47,955</u>

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

(a) Disaggregated revenue information:

	Year ended 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Types of goods or services		
Sale of ophthalmic medical devices	4,944	5,084
Sale of ophthalmic medical consumables	276,681	222,523
After-sales services	3,376	5,013
Others	4,141	12,792
	<u>289,142</u>	<u>245,412</u>
Geographical markets		
Germany	221,434	168,947
Netherlands	67,708	76,465
	<u>289,142</u>	<u>245,412</u>
Timing of revenue recognition		
Goods transferred at a point in time	285,766	240,399
Services transferred over time	3,376	5,013
	<u>289,142</u>	<u>245,412</u>

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(b) Performance obligations

Information about the Target Group’s performance obligations is summarised below:

Sale of ophthalmic medical devices

The performance obligation is satisfied after the inspection of medical devices installation by customers and payment is generally due within 30 days from inspection of medical devices installation.

Sale of ophthalmic medical consumables

The performance obligation is satisfied upon delivery of the ophthalmic medical consumables and payment is generally due within 30 days from delivery.

After-sales services

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required.

Other income

	Year ended 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Other income		
Bank interest income	301	314

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ACCOUNTANTS’ REPORT

5. PROFIT BEFORE TAX

The profit before tax of the Target Group is arrived at after charging/(crediting):

	<i>Notes</i>	Year ended 31 December	
		2019	2020
		<i>RMB’000</i>	<i>RMB’000</i>
Cost of inventories sold		105,445	118,580
Cost of services provided		2,225	3,309
Cost of sales		107,670	121,889
Depreciation of property, plant and equipment	10	1,755	2,860
Amortisation of intangible assets	12	639	845
Depreciation of right-of-use assets	11	4,968	5,705
Research and development costs		12,623	11,307
Employee benefit expense:			
Wages and salaries and pension scheme contributions*		64,701	92,084
Foreign exchange losses, net**		185	55
Impairment/(reversal of impairment) of trade receivables**		657	(1,108)
Write-down of inventories to net realisable value**		4,357	8,769
Bank interest income	4	(301)	(314)

* Employee benefit expense of approximately RMB39,400,000 and RMB57,943,000, is included in cost of sales and services in the consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2019 and 2020, respectively. Employee benefit expense of approximately RMB7,702,000 and RMB8,439,000 is included in research and development costs in the consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2019 and 2020, respectively.

** Foreign exchange losses, impairment/(reversal of impairment) of trade receivables and write-down of inventories to net realisable value are included in “Other expenses” in the consolidated statements of profit or loss and other comprehensive income.

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6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Interest on lease liabilities (<i>note 11</i>)	479	668

7. INCOME TAX

The Target Company established in the Netherlands were subject to corporate income tax at the rate of 15% if the taxable income is EUR245,000 or less and the corporate income tax rate is 25% for the portion exceeding EUR245,000. The management of the Target Company expects that Teleon Holding B.V., together with its Dutch subsidiaries, should qualify for the innovation box. A reduced rate of 7% applies to activities covered by the innovation box. The innovation box provides tax relief to encourage innovative research. Qualifying profits earned from qualifying innovative activities are taxed at this special rate. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the country in which the Target Group operates.

	Year ended 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Current	23,201	25,797
Deferred	(542)	(15,818)
Total tax charge for the year	22,659	9,979

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A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Target Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Profit before tax	<u>121,228</u>	<u>35,344</u>
Tax at the statutory tax rate	30,307	8,643
Lower tax rates enacted by the Netherlands authority	(7,648)	(1,682)
Unrecognised temporary differences	–	1,831
Other items	–	1,187
	<u>22,659</u>	<u>9,979</u>

8. DIVIDENDS

No dividends have been declared and paid by Teleon Holding B.V. in respect of the Pre-acquisition Period.

9. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Pre-Acquisition Financial Information of The Target Group, is not considered meaningful.

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10. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	Office equipment and others	Construction in progress	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2019					
At 31 December 2018 and at 1 January 2019:					
Cost	26,029	2,315	3,610	–	31,954
Accumulated depreciation	(22,843)	(989)	–	–	(23,832)
Net carrying amount	<u>3,186</u>	<u>1,326</u>	<u>3,610</u>	<u>–</u>	<u>8,122</u>
At 1 January 2019, net of accumulated depreciation	3,186	1,326	3,610	–	8,122
Additions	10,545	3,531	–	1,105	15,181
Commissioning	1,324	–	(1,324)	–	–
Depreciation provided during the year	(1,182)	(565)	–	(8)	(1,755)
Exchange realignment	62	29	20	13	124
At 31 December 2019, net of accumulated depreciation	<u>13,935</u>	<u>4,321</u>	<u>2,306</u>	<u>1,110</u>	<u>21,672</u>
At 31 December 2019:					
Cost	37,882	5,877	2,306	1,118	47,183
Accumulated depreciation	(23,947)	(1,556)	–	(8)	(25,511)
Net carrying amount	<u>13,935</u>	<u>4,321</u>	<u>2,306</u>	<u>1,110</u>	<u>21,672</u>

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	Machinery and equipment	Office equipment and others	Construction in progress	Leasehold improvements	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2020					
At 31 December 2019 and at 1 January 2020:					
Cost	37,882	5,877	2,306	1,118	47,183
Accumulated depreciation	(23,947)	(1,556)	-	(8)	(25,511)
Net carrying amount	<u>13,935</u>	<u>4,321</u>	<u>2,306</u>	<u>1,110</u>	<u>21,672</u>
At 1 January 2020, net of accumulated depreciation	13,935	4,321	2,306	1,110	21,672
Additions	4,251	754	-	47	5,052
Commissioning	904	-	(904)	-	-
Depreciation provided during the year	(1,972)	(864)	-	(24)	(2,860)
Exchange realignment	441	114	43	30	628
At 31 December 2020, net of accumulated depreciation	<u>17,559</u>	<u>4,325</u>	<u>1,445</u>	<u>1,163</u>	<u>24,492</u>
At 31 December 2020:					
Cost	44,162	6,805	1,445	1,195	53,607
Accumulated depreciation	(26,603)	(2,480)	-	(32)	(29,115)
Net carrying amount	<u>17,559</u>	<u>4,325</u>	<u>1,445</u>	<u>1,163</u>	<u>24,492</u>

Details of the Target Group’s property, plant and equipment pledged for credit facilities are included in note 22 to the Financial Information of the Target Group.

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11. LEASES

(a) Right-of-use assets

The carrying amounts of the Target Group’s right-of-use assets and the movements during the Pre-acquisition Period are as follows:

	Motor vehicles	Plant and buildings	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2019			
At 1 January 2019	3,947	3,461	7,408
Additions	1,120	34,510	35,630
Depreciation charge	(2,233)	(2,735)	(4,968)
Exchange realignment	(28)	356	328
	<u>2,806</u>	<u>35,592</u>	<u>38,398</u>
At 31 December 2019	<u>2,806</u>	<u>35,592</u>	<u>38,398</u>
31 December 2020			
At 1 January 2020	2,806	35,592	38,398
Additions	–	–	–
Depreciation charge	(1,163)	(4,542)	(5,705)
Exchange realignment	91	857	948
	<u>1,734</u>	<u>31,907</u>	<u>33,641</u>
At 31 December 2020	<u>1,734</u>	<u>31,907</u>	<u>33,641</u>

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(b) Lease liabilities

The carrying amounts of the Target Group’s lease liabilities and the movements during the Pre-acquisition Period are as follows:

	Year ended 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount at 1 January	7,408	38,913
New leases	35,630	–
Accretion of interest recognised during the year	479	668
Payments	(4,952)	(6,215)
Exchange realignment	348	965
	<u>38,913</u>	<u>34,331</u>
Carrying amount at year end	<u><u>38,913</u></u>	<u><u>34,331</u></u>
Analysed into:		
Current portion	5,674	5,866
Non-current portion	33,239	28,465

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

	Year ended 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Interest on lease liabilities (<i>note 6</i>)	479	668
Depreciation charge of right-of-use assets	4,968	5,705
	<u>5,447</u>	<u>6,373</u>
Total amount recognised in profit or loss	<u><u>5,447</u></u>	<u><u>6,373</u></u>

(d) The total cash outflow for leases is disclosed in note 24(c) to the Financial Information of the Target Group.

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12. INTANGIBLE ASSETS

	<u>Software</u>	<u>Patent</u>	<u>Internal development</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2019				
Cost at 1 January 2019, net of accumulated amortisation	4,833	30	1,753	6,616
Additions	486	95	632	1,213
Amortisation provided during the year	(609)	(30)	–	(639)
Exchange realignment	(21)	(1)	(1)	(23)
At 31 December 2019	<u>4,689</u>	<u>94</u>	<u>2,384</u>	<u>7,167</u>
	<u>Software</u>	<u>Patent</u>	<u>Internal development</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
31 December 2020				
Cost at 1 January 2020, net of accumulated amortisation	4,689	94	2,384	7,167
Additions	490	–	–	490
Commissioning	2,397	–	(2,397)	–
Amortisation provided during the year	(814)	(31)	–	(845)
Exchange realignment	172	1	13	186
At 31 December 2020	<u>6,934</u>	<u>64</u>	<u>–</u>	<u>6,998</u>

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13. INVENTORIES

	As at 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Trade goods	10,715	8,675
Finished goods	26,393	31,097
Raw materials	5,799	5,850
Work in progress	2,720	1,100
	<u> </u>	<u> </u>
Provision for inventories	(4,830)	(3,178)
	<u> </u>	<u> </u>
	<u>40,797</u>	<u>43,544</u>

Details of the Target Group’s inventories pledged for credit facilities are included in note 22 to the Financial Information of the Target Group.

14. TRADE RECEIVABLES

	As at 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables	30,832	23,313
Impairment	(195)	(57)
	<u> </u>	<u> </u>
	<u>30,637</u>	<u>23,256</u>

The Target Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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An ageing analysis of the trade receivables as at the end of 2019 and 2020, based on the invoice date, is as follows:

	As at 31 December	
	2019	2020
	<i>RMB'000</i>	<i>RMB '000</i>
Within 1 year	30,832	23,313
Over 1 year	–	–
	<u>30,832</u>	<u>23,313</u>

An impairment analysis is performed as at the end of 2019 and 2020 using a provision matrix to measure expected credit losses. To measure the expected credit losses, trade receivables have been grouped based on groupings of various customer segments with similar loss pattern by customer type, and the number of days of ageing. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available as at the end of each of 2019 and 2020 about past events, current conditions and forecasts of future economic conditions.

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

	As at 31 December 2019		
	Expected credit loss rate	Gross carrying amount	Expected credit losses
		<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	0.63%	30,832	195
Over 1 year	–	–	–
		<u>30,832</u>	<u>195</u>

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	As at 31 December 2020		
	Expected credit loss rate	Gross carrying amount	Expected credit losses
		<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	0.24%	23,313	57
Over 1 year	–	–	–
		<u>23,313</u>	<u>57</u>

Details of the Target Group’s trade receivables pledged for credit facilities are included in note 22 the Financial Information of the Target Group.

15. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Prepayments	289	257
Deposits and other receivables	3,767	42,444
Less: Impairment allowance	–	–
	<u>4,056</u>	<u>42,701</u>

As at 31 December 2019 and 2020, none of the balances, except for other receivables, is either past due or impaired as they related to balances for whom there was no recent history of default and past due amounts.

16. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Cash and bank balances	<u>104,478</u>	<u>105,978</u>

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The cash and cash equivalents of the Target Group were denominated in the following currencies:

	As at 31 December	
	2019	2020
	<i>'000</i>	<i>'000</i>
EUR	<u>13,368</u>	<u>13,206</u>

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

17. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of 2019 and 2020, based on the invoice date, is as follows:

	As at 31 December	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	2,978	6,187
3 to 6 months	<u>–</u>	<u>–</u>
	<u>2,978</u>	<u>6,187</u>

Trade payables are non-interest-bearing and are normally settled on 3 months.

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18. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Payroll payable	6,987	22,663
Other payables	2,526	1,147
Other tax payable	2,837	18,273
Accruals	76,842	42,524
	<u>89,192</u>	<u>84,607</u>
Portion classified as:		
non-current portion	75,889	41,882
current portion	13,303	42,725

19. DEFERRED TAX

The movements in deferred tax liabilities during the Pre-acquisition Period before offsetting are as follows:

Deferred tax liabilities

	Leases
	<i>RMB'000</i>
At 1 January 2019	1,632
Deferred tax charged to profit or loss during the year	6,883
Exchange difference	74
Deferred tax liabilities at 31 December 2019	<u>8,589</u>
	Leases
	<i>RMB'000</i>
At 1 January 2020	8,589
Deferred tax charged to profit or loss during the year	(1,218)
Exchange difference	205
Deferred tax liabilities at 31 December 2020	<u>7,576</u>

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The movements in deferred tax assets during the Pre-acquisition Period before offsetting are as follows:

Deferred tax assets

	As at 31 December 2019		
	Leases	Others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2019	1,632	2,543	4,175
Deferred tax credited to profit or loss during the year	6,768	657	7,425
Exchange difference	68	–	68
	<u>8,468</u>	<u>3,200</u>	<u>11,668</u>
Deferred tax assets at 31 December 2019	<u>8,468</u>	<u>3,200</u>	<u>11,668</u>
	As at 31 December 2020		
	Leases	Others	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2020	8,468	3,200	11,668
Deferred tax credited/(charged) to profit or loss during the year	(1,249)	15,849	14,600
Exchange difference	201	423	624
	<u>7,420</u>	<u>19,472</u>	<u>26,892</u>
Deferred tax assets at 31 December 2020	<u>7,420</u>	<u>19,472</u>	<u>26,892</u>

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

	As at 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Deferred tax assets	11,668	26,892
Offset amount	(8,589)	(7,576)
	<u>3,079</u>	<u>19,316</u>
Net deferred tax assets	<u>3,079</u>	<u>19,316</u>

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20. SHARE CAPITAL

	<u>Number of shares in issue</u>	<u>Share capital</u> <i>RMB'000</i>
At 31 December 2019 and 2020	<u>1,000</u>	<u>8</u>

21. DISPOSAL OF A SUBSIDIARY

In December 2020, the Target Company announced the decision of its board of directors to dispose of Oculentis B.V., which was merged with Oculentis GmbH in the course of 2020. The Target Group sold Oculentis B.V. to Cavendi B.V. The disposal of Oculentis B.V. was satisfied by cash of 1 EUR and completed on 22 December 2020. The net assets of Oculentis B.V. at the date of the disposal were as follows:

	<u>Oculentis B.V.</u> <i>RMB'000</i>
Cash and bank balances	35,719
Other receivables	257
Other payables	<u>(35,976)</u>
Gain on disposal of a subsidiary	<u>–</u>
Total consideration	<u>0.001</u>
Satisfied by:	
Cash	<u>0.001</u>

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

	<u>Oculentis B.V.</u> <i>RMB'000</i>
Cash consideration	0.001
Cash and bank balances disposed of	(35,719)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(35,719)

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22. PLEDGE OF ASSETS

The Target Group has a facility from ING Bank N.V. with a credit limit amounting to EUR500,000 for the year ended 31 December 2019. The Target Group pledged its operating equipment, inventories and book debts as a guarantee to the credit facility. By the year ended 31 December 2019, the Target Group did not use any credits. Afterwards, it released the credit facility in 2020.

23. COMMITMENT

The Target Company is together with its Netherlands subsidiaries part of a fiscal unity for corporate income taxes. On that basis, the Target Company is jointly and severally liable for the corporate income tax liabilities of the fiscal unity. The Netherlands subsidiaries are part of a fiscal unity concerning sales taxes. On that basis, every Netherlands subsidiary is jointly and severally liable for the sales tax liabilities of the fiscal unity to which it belongs.

24. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2019 and 2020, the Target Group had non-cash increase in right-of-use assets and lease liabilities of RMB35,630,000 and nil, respectively, in respect of lease arrangements for plant and buildings as well as motor vehicles.

(b) Changes in liabilities arising from financing activities

	Lease liabilities
	<i>RMB’000</i>
At 1 January 2019	7,408
Changes from financing cash flows	(4,952)
New leases	36,192
Interest expense	479
Foreign exchange movement	(214)
	<hr/>
At 31 December 2019	38,913

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	Lease liabilities
	<i>RMB’000</i>
At 1 January 2020	38,913
Changes from financing cash flows	(6,215)
Interest expense	668
Foreign exchange movement	965
	<hr/>
At 31 December 2020	34,331

(c) Total cash outflow for leases

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

	Year ended 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Within financing activities	4,952	6,215
	<hr/> <hr/>	<hr/> <hr/>

25. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related parties	Relationship with the Group
Cavendi B.V.	Parent company

(b) The Target Group had the following transactions with related parties during the Pre-acquisition Period:

	Year ended 31 December	
	2019	2020
	<i>RMB’000</i>	<i>RMB’000</i>
Purchases of products or services		
Lease premises (i)	1,854	3,772
Management fees	1,545	1,572
	<hr/>	<hr/>
	3,399	5,344
	<hr/> <hr/>	<hr/> <hr/>

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- (i) The Target Group entered into certain property leasing agreements with Cavendi B.V., and accordingly recognised lease liabilities of RMB33,166,000 and RMB30,417,000 as at 31 December 2019 and 2020, respectively.
- (c) Outstanding balances with related parties:

	Year ended 31 December	
	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to related parties:		
Trade balance	3,079	–
	<u>3,079</u>	<u>–</u>