OVERVIEW

We are the largest domestic player and the fourth largest player in terms of revenue in 2021 with a market share of 6.7% in the PRC ophthalmic medical device market, according to Frost & Sullivan. With a track record of over 20 years, we are committed to offering high-quality ophthalmic medical devices to our customers. Our product offering covers all seven ophthalmology sub-specialties where ophthalmic medical devices are utilized for their diagnosis, treatment or surgeries, according to Frost & Sullivan. As of the Latest Practicable Date, over 4,000 end customers in China (including over 1,200 Class III hospitals and 1,500 Class II hospitals in all provincial administrative regions in China) had procured our products and after-sale services.

We distribute a broad product portfolio covering all seven ophthalmology sub-specialties where ophthalmic medical devices are utilized for their diagnosis, treatment or surgeries, being vitreoretinal diseases, cataracts, refractive surgery, glaucoma, ocular surface diseases, optometry and pediatric ophthalmology. Our product portfolio comprised Distribution Products of our brand partners and Proprietary Products which we develop and manufacture. As of the Latest Practicable Date, we had collaborated with 19 overseas brand partners, of which 16 had entered into exclusive cooperation agreements with us to distribute their products, including Heidelberg, Schwind and Optos. With our long-term track record, in-depth market understanding and industry knowhow, extensive sales network and experienced operational team, we have become the preferred partner of many global leaders in their sub-segments of the ophthalmic medical device industry, helping them navigate the complex regulatory landscape in China, providing them access to our mature and flexible multi-channel sales network, and further promoting their products through our professional technical service team. We have also gradually expanded our portfolio of Proprietary Products through our own R&D efforts and our acquisition of Teleon and Roland.

According to Frost & Sullivan, the size of the ophthalmology patient base in China of major ophthalmic diseases in 2021 represented approximately 1.6 to 11 times of that in the United States, but the size of United States' ophthalmic medical device market in 2021 was much larger than that of the PRC market in the same year. With a broad portfolio of products developed through our well-established relationships with our brand partners and gradually expanding portfolio of Proprietary Products, we are able to cover the diagnosis and treatment of a broad range of ophthalmologic diseases. Coupled with our nationwide multi-channel sales network and an established ophthalmology KOL network which we believe are important to building brand awareness and customer loyalty, we believe we are well-positioned to capture the growth potentials of China's ophthalmology healthcare industry.

Our long and established track record has enabled us to develop a multi-channel sales model that is driven by our core value of "Value Creation for Customers." With strong technical background and industry experience, our sales team brings value to our customers by helping them evaluate their clinical needs, and assess their application environment and technical capabilities, thereby developing product that best suits their needs and circumstances. For example, we differentiate our focus of marketing with respect to private hospital and public hospitals based on our broad product portfolio. With respect to private hospitals, which are for-profit hospitals, we take into account their financial projections and utilization projects in recommending the appropriate products to them, emphasizing on the effectiveness of our ophthalmic products for specific functions to optimize such products' utilization having regard to the relevant projections. We may recommend customary functions to support the private hospitals' projections in terms of

rates of use. With respect to public hospitals, ophthalmic equipment they procure from us are not only for diagnosis and treatment, but would also be used for academic research purposes, thereby requiring additional functions that are not normally utilized for common diagnosis and treatment purposes and as a result, we may recommend public hospitals to purchase products from us that provide a broad range of functions as well as installing optional functions. This value-creation oriented marketing strategy has enabled us to establish long-term and stable cooperative relationships with our customers.

We also differentiate ourselves from our competitors through our technical service capability. We are the second largest ophthalmic medical device technical service provider in China in terms of revenue from provision of technical services in 2021, according to Frost & Sullivan. As of the Latest Practicable Date, our technical service team comprised 127 technicians and our industry-leading technical service network covered all provincial administrative regions in China. With their skill set, our technical service team and nationwide service network are capable of providing our customers with multiple types of services such as operating environmental assessment, installation, after-sales technical support, repair and maintenance for various products. Ophthalmic medical devices are highly complex, demanding extensive technical support and after-sale maintenance and therefore, the ability to provide quality and professional technical services has great commercial value and profit generating potential. It also presents a great opportunity for us to interact with our customers, build brand loyalty and gain first-hand and timely insights into market demand and unmet market needs.

We believe investments in R&D had been and will continue to be crucial to our growth trajectory. As China's policies continue to favor domestically produced medical devices, we have made important investments in the R&D of intraocular lens, electrophysiological equipment and optometry equipment. In particular, through our acquisition of Teleon, we inherited Teleon's over 20 years of experience in developing intraocular lens and its world-leading intraocular lens R&D resources and platform, including core intellectual properties relating to sectoral refractive and EDoF IOLs. Our Teleon R&D team is endeavoring to develop new intraocular lens products to achieve full coverage for both hydrophilic and hydrophobic products and both pre-loaded and non-pre-loaded products. More importantly, we are striving to develop our intraocular lens production capabilities in China. Through our acquisition of Roland, we inherited its electrophysiological equipment R&D capabilities and have successfully integrated Roland's R&D teams with our R&D teams in China, establishing multi-centered R&D teams in China and Germany. We conduct R&D for optometry equipment through Gaush Raymond in Wenzhou. As of the Latest Practicable Date, our Group had registered ten invention patents and 19 utility patents in China and 83 patents in Hong Kong, EU and other jurisdictions, which we believe were material to our business.

Our revenues and profits remained steady during the Track Record Period and we enjoyed steady growth in our gross profit margins notwithstanding the outbreak of COVID-19, which paused the public tendering processes of many hospitals and substantially reduced the number of surgeries performed in China and therefore affected the sales of medical equipment and consumables. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our revenue amounted to RMB1,106.7 million, RMB962.1 million, RMB1,298.2 million, RMB578.6 million and RMB577.9 million, respectively, and our gross profit was RMB463.3 million, RMB436.2 million, RMB609.5 million, RMB269.8 million and RMB281.2 million, for the same periods, respectively. Our gross profit margin increased from

41.9% in 2019 to 45.3% in 2020, and further to 46.9% in 2021. Our gross profit margin also increased from 46.6% for the six months ended June 30, 2021 to 48.7% for the six months ended June 30, 2022.

OUR STRENGTHS

We believe that the following strengths have helped us achieve success and distinguished us from the competition.

We are a provider of a broad spectrum ophthalmic medical device in the PRC. With our international presence and strategic product and service layout, we have established multi-layered competition barriers.

With a market share of 6.7%, we are the largest among domestic player and the fourth largest player in the PRC ophthalmic medical device market in terms of revenue in 2021. We provide a broad spectrum of ophthalmic medical device and our product offering covers all seven ophthalmology sub-specialties of which the diagnosis, treatment or surgeries utilise ophthalmic medical devices, according to Frost & Sullivan. With a track record of over 20 years as well as visionary product portfolio layout and service strategy, we have brought successive breakthroughs and innovations in the course of the industry's development in China and realized rapid growth during the Track Record Period by consistently providing the most up-to-date product and service offerings to our customers to respond to clinical needs. We had provided over 4,000 end customers in China (including over 1,200 Class III hospitals and 1,500 Class II hospitals) with ophthalmic medical device products and related services as of the Latest Practicable Date, covering ophthalmic diagnostic equipment, surgical and treatment equipment and consumables as well as services in relation to medical device.

China has presented vast growth potentials for participants in the ophthalmology healthcare industry, particularly market leaders like us. Due to the scarcity of medical resources and limited patients' awareness, the penetration rate of ophthalmology healthcare services in China has long remained depressed with diagnosis and treatment needs. According to Frost & Sullivan, the size of ophthalmology patient base in China of major ophthalmic diseases in 2021 represented approximately 1.6 to 11 times of that in the United States in the same year, while the size of United States' ophthalmic medical device market in 2021 was much larger than that of the PRC market in the same year. The low penetration rate of ophthalmology diagnosis and treatment services in China indicates great potential for future growth. According to Frost & Sullivan, along with an aging population and increasing excessive use of eyes among the Chinese population, the ophthalmic medical device market in China is expected to grow at a CAGR of 16.8% from RMB16.3 billion in 2021 to RMB30.4 billion in 2025. Further, improved health awareness and affordability of patients and the expansion of medical insurance coverage are expected to contribute to the continual growth of the ophthalmology healthcare market.

We have over 20 years of track record in China's ophthalmic medical device industry. Adhering to our "demand-oriented" strategy and leveraging our deep and visionary understanding of the industry, we endeavor to continuously introduce products to the Chinese market that best fit patients' clinical needs in China with our strong commercialization capability. Over 20 years ago, we introduced the Viridis laser, a product developed by one of our long-term brand partners, which was the first solid-state semiconductor laser products innovated and was, at the time, the only

solid-state laser treatment option for the treatment of vitreoretinal disease in China. By successively introducing the confocal laser scanning and imaging system for ocular fundus, the diagnostic and the 200 degree ultra-width screening system of vitreoretinal diseases and the consumables used in vitrectomy surgeries, including silicone oil and perfluorooctane and many other ophthalmic medical device, we have established our position as a first mover in the PRC ophthalmic medical device industry. In addition, since its launch in 1998, Roland's electrophysiology products have been well-recognized by the physicians and ophthalmologists in China for electrophysiological examination which has led to Roland's rapid growth in revenues and sales volumes.

As of the Latest Practicable Date, we collaborated with 19 global brand partners and included their products into our product portfolio for sales in China. Our brand partners include Heidelberg, Schwind, Optos and many other global leaders of ophthalmic medical device in their respective market segment. The R&D of ophthalmic medical device is highly complex and technical and the R&D expertise required for different types of products varies significantly based on the functionality of the products. Many global ophthalmic medical device companies may focus on developing a limited spectrum of ophthalmic medical device products, resulting in a generally low-concentration global industry landscape. Therefore, notwithstanding the vast market size of ophthalmic medical device in China, it may be cost-inefficient for many global leading manufacturers to obtain all the necessary operational and sales capabilities for a broad portfolio of ophthalmic medical device products to navigate the complicated regulatory and market environment in China. With our long-term track record, in-depth market understanding and industry knowhow, extensive sales network and experienced operation team, we have become the preferred partner of many global leaders in their sub-segments of the ophthalmic medical device industry.

We structured our products portfolio with the products that we believed best meet the demand of the PRC ophthalmology healthcare industry based on our understanding of the market. With our in-depth industry understanding and regulatory capability, we managed to bring many globally leading ophthalmic medical device products to China. Our value-add for our brand partners extended to participation in the improvement and upgrade of our Distribution Products. Our brand partners benefitted from the market feedback and improvement recommendations we provided, which helped them to timely adjust their product offering to respond to the unmet clinical needs in China. We have established and maintained a strong and win-win relationship with most of our brand partners for many years. We believe that our in-depth industry understanding, strong execution capabilities, broad product portfolio, and close partnership with our brand partners are instrumental in establishing our multi-layered competition barrier, and creating obstacles for our competitors to replicate our success.

Based in China, we also carry out global research and development, production and sales of ophthalmology equipment products. We continually seek acquisition and collaboration opportunities for leading products, technologies and teams globally to enrich our product offering, and have completed many valuable acquisitions. In 2020 and 2021, we completed the respective acquisitions of Roland and Teleon, and we have effectively integrated their businesses into our existing business lines, which laid the foundation for our strong Proprietary Product portfolio. According to Frost & Sullivan, many of our Proprietary Product series, such as Teleon's intraocular lens products, represented globally leading technology and products. For the six months ended June 30, 2022, our revenue generated from sales of Proprietary Products accounted

for 29.5% of our revenue from sales of products, while such revenue for the year ended December 31, 2020 accounted for 3.0% of our revenue from sales of products. We believe our broad product portfolio and multinational operations had greatly contributed to the growth of our business.

Product portfolio covering all major ophthalmic medical device categories, providing our customers with broad range of product and service offering

We distribute a broad product portfolio covering all seven ophthalmology sub-specialties where ophthalmic medical devices are utilized for their diagnosis, treatment or surgeries, representing the vitreoretinal diseases, cataract, glaucoma, refractive surgery, ocular surface diseases, optometry and pediatric ophthalmology, which enables us to provide our customers with integrated product and service offering. Our product portfolio is broad, covering multiple dimensions and including a variety of ophthalmology diseases, such as cataracts, refractive errors, glaucoma, vitreoretinal disease and dry eye. In addition, it ranges from diagnostic equipment, treatment and surgical instrument to high-value disposables and general consumables.

As of the Latest Practicable Date, our product portfolio consisted of 129 products. The table below sets forth our product spectrum.

We benefit from our broad product portfolio. The R&D and manufacturing of ophthalmic medical devices are extremely complex and technical and may involve the application of multiple disciplines including materials science, optics, precision equipment manufacturing and information technology. Many ophthalmic medical device companies focus on limited types of ophthalmic medical device and are unable to achieve a full coverage of all ophthalmology subspecialties. According to Frost & Sullivan, we are the only ophthalmic medical device group in China offering both equipment and consumables covering each of the seven major subspecialties of ophthalmology that has marketable products in China and provide the broadest product offering of ophthalmic medical devices in China.

Medical institutions and ophthalmologists have strong demands for integrated product and service offering, as this helped them improve efficiency and cost-effectiveness. Our product portfolio in terms of product types and ophthalmology subspecialty coverage enabled us to satisfy our customers' demand, thereby building customer loyalty.

Our product portfolio comprised the Distribution Products of our global leading brand partners and the Proprietary Products we developed. We offer our customers with Distribution Products from our global leading ophthalmic medical device companies such as Heidelberg, Schwind and Optos. Many of our Distribution Products may be considered the choice of their respective specialties with leading market position.

Capitalizing on our extensive experiences and in-depth understanding of the industry, we have strategically developed our Proprietary Products portfolio through in-house R&D efforts and strategic mergers and acquisitions. Our Proprietary Product portfolio focused on areas with growth potentials, such as electrophysiological diagnostic equipment and intraocular lenses.

Teleon is a pioneer of sectoral refractive multifocal intraocular lens with a globally leading high-end intraocular lens product line, ranking second in the EU market in terms of revenue in 2021, according to Frost & Sullivan. Teleon's Lentis Intraocular Lens Series products are the "first-of-its-kind" product that used a sectoral refractive optical design to reduce halo, providing a more comfortable treatment experience, according to Frost & Sullivan. Teleon's intraocular lens products formally entered China's market in the fourth quarter of 2017, and within four years subsequent to its introduction, Teleon's products are recognized as one of the most popular intraocular lens products in the Chinese functional intraocular lens market, according to Frost & Sullivan.

Through Roland, we offer a globally leading product line of electrophysiological equipment, including the precision and versatile multi-focus ocular electrophysiological equipment (human and animal electrophysiology, confocal laser fundus imaging and OCT integrated machine). We have also established a leading optometry equipment product line in China for digital slit lamps and ocular fundus cameras, to capture the opportunities arising from the rapid growth of basic ophthalmic diagnostic equipment market. As of the Latest Practicable Date, we had established a production capacity supporting our medium-term business growth.

Strong and multi-centered R&D capacity with abundant self-developed pipeline products

We strategically acquired and captured international and domestic high-quality ophthalmology medical device R&D capabilities, forming a global multi-centered R&D layout. Our research and development expenses increased from RMB2.7 million for the year ended December 31, 2019 to RMB23.5 million for the year ended December 31, 2021, and it increased from RMB9.4 million for the six months ended June 30, 2021 to RMB22.4 million for the six months ended June 30, 2022. We have established R&D centers with respect to optometry products under Gaush Raymond in Wenzhou, intraocular lens under Teleon in the Netherlands and electrophysiological equipment under Roland in Germany. We believe we benefited greatly from the interchange of R&D efforts and close collaboration between our multi-centered R&D teams. We primarily focus on the research and development of intraocular lenses and electrophysiology devices. In addition to the cutting-edge technology and products, we also work on the research and development of optometry products, which we believe would provide short term commercial value under the context of domestic substitutions.

Intraocular lens

Following our acquisition of Teleon, we inherited Teleon's over 20 years of experience in developing intraocular lens and its world-leading introcular lens R&D resources and platform. Our R&D on intraocular lens have been carried out under the leadership of Dr. Aleksey Simonov, the chief technical officer of Teleon, who had more than 20 years of R&D experience of intraocular lens. According to Frost & Sullivan, Teleon's R&D team launched the first sectoral refractive optical structure in the world, which laid the technical foundation for several popular products including Lentis Comfort EDoF and Lentis Mplus Multifocal. In addition, on March 22, 2016, Teleon entered into a license agreement with a reputable Japanese specialized pharmaceutical company focusing on ophthalmic treatment, pursuant to which Teleon licensed-out the designs of certain intraocular lens products. See "— Intellectual Property."

Our intraocular lens R&D team endeavors to further the development of the Teleon series of intraocular lens products, so as to achieve full coverage for both hydrophilic and hydrophobic products and both pre-loaded and non-pre-loaded products, and to strive to develop and produce intraocular lens and orthokeratology lens in China. Our core pipeline of intraocular lens products includes enhanced monofocal IoLs, which enables high-quality far and intermediate vision that outperformed the traditional monofocal lens and empowered satisfactory vision and vision quality of the entire visual range.

Diagnostic, surgical and optometry devices

Following our acquisition of Roland, we have formed multi-centered R&D teams for diagnostic equipment in Germany and China. Our electrophysiological equipment R&D center is located in Germany. Our leading optometry equipment R&D Center in China is led by Professor JIN Chengpeng, who is an expert in the design of basic ophthalmic diagnostic equipment highly recognized in China and is a recipient of the State Council's special allowance that was a nationwide initiative to accelerate talent development. We have also established an ophthalmology surgical consumables R&D center in China, primarily engaging in the research and development of devices that are accessories to surgical equipment. Our continuous and increasing investment on research and development resulted in the successful development of our pipeline products. On August 26, 2022, we obtained clearance on the biological safety evaluation with respect to our OK-lens product, which is expected to enter into registration in 2023 and obtain NMPA approval by the end of 2025. According to Frost & Sullivan, the size of the OK-lens market in China exceeded RMB1.9 billion in 2021. Considering the high demand of myopia prevention and control, the penetration rate of OK-lens application is expected to grow rapidly in the coming years. We also obtained the Class II medical device registration with respect to three of our ophthalmology scalpel products for paracentesis, secondary incision and tunneling on July 22, 2022, for which their license was also obtained on August 11, 2022. We also engaged a CRO to further the registration of Schwind Atos femtosecond laser corneal refractive surgery system and expect to complete the registration by the end of 2022. According to Frost & Sullivan, the CAGR of operation volume for Small Incision Lenticule Extraction (SMILE) surgeries in China during the Track Record Period was over 30% and over one million surgeries have been performed in 2021. Our other key pipeline products include slit lamp, ocular fundus camera, and a variety of devices for diagnosis and treatment.

Strong sales track record based on multi-channel sales model driven by value-creation oriented marketing

We uphold the core value of "Value Creation for Customers," which determines our value-creation oriented marketing strategy based on our academic and technical knowledge. Our sales team have strong technical background and industry experience, which enables them to comprehensively evaluate the respective clinical needs, technical capabilities and application environment of different customers to figure out the sales strategy and direction that best meet the customers' need. Leveraging our broad product portfolio, we bring value to our customers by providing them with the product that best meets their needs. The value-creation oriented marketing strategy has enabled us to establish long-term and stable cooperative relationships with our customers. Our products have been sold to the 2020 top ten ophthalmology-specialized public hospitals in China since up to 20 years ago.

We have established a mature and flexible multi-channel sales model. We distribute our products through sales channels that best suit the various needs of our customers. This enables us to fulfill our customers' demand in a timely and efficient manner. We generally require our domestic distributors to make full upfront payment before we deliver our products. Deep-rooted in China, we had an extensive distribution network which enabled sales to more than 4,000 end customers (including over 1,200 Class III hospitals and 1,500 Class II hospitals) in all provincial administrative regions in China as of the Latest Practicable Date.

With the acquisitions of Teleon and Roland, we also expanded our global footprints. Our Teleon and Roland product series have been sold all over the world, including developed markets such as the Europe, Japan and South Korea, and developing markets, such as Latin America, Southeast Asia and Africa. As of the Latest Practicable Date, the Teleon products had been sold to 51 countries and regions, and the Roland products had been sold to 31 countries and regions. We adopt a flexible approach of combining direct sales model and distribution model in sales to these overseas countries. Such combination assists us in maintaining unobstructed and stable sales channels, which prepares us for further cross-selling of other products in the future.

As an industry leader who had been deeply involved in the evolvement of ophthalmic medical device industry in China for over 20 years, we have been having academic communication with a great number of KOLs and established extensive ophthalmology KOL network. We have established long-term cooperation relationship with KOLs practicing at all of the top ten ophthalmology-specialized hospitals in China, such as Sun Yat-sen University Zhongshan Eye Center (中山大學中山眼科中心), Beijing Tongren Hospital (北京同仁醫院), and Eye and ENT Hospital of Fudan University (復旦大學附屬眼耳鼻喉醫院). We have engaged prominent KOLs and researchers to serve as our strategic consultants, which included Professor SUN Xinghuai, being the alternate chairman of the Chinese Ophthalmological Society and director of ophthalmology department of Shanghai Medical College of Fudan University (復旦大學上海醫學院), Professor GE Jian, being former director of the State Key Laboratory of Ophthalmology (眼科學國家重點實驗室) and Professor WANG Qinmei, being the former executive president of Eye Hospital of Wenzhou Medical University (溫州醫科大學附屬眼視光醫院). We believe the strategic consultants provided us invaluable industry insights and supported our continued growth.

The close interaction with KOLs enables us to obtain deep understanding of the clinical preferences and market demand, which further enables us to capture the latest trends in the industry for the timely adjustment of our products and sales strategy. Such close relationship with KOLs had also greatly enhanced our branding and strengthened our product promotion ability.

We have a long track record of conducting academic promotion activities through which our Gaush brand has built a reputable standing in China. Our proprietary Gaush Online platform is the first ophthalmology online education platform in China, according to Frost & Sullivan. Through the Gaush Online platform, we provide the ophthalmology practitioners with free training sessions, academic lectures, industry and conferences information. We invite reputable experts and KOLs to deliver training sessions with respect to the diagnosis and treatment of ophthalmology diseases, and also share the advantages and features of our Proprietary Products and our Distribution Products on the Gaush Online platform. Gaush Online platform had attracted over 40,000 followers including ophthalmology physicians and surgeons as of the Latest Practicable Date. It has been widely recognized among the ophthalmologist community according to Frost & Sullivan. Since 2019, we have recorded more than 70,000 participations for around 300 academic events held by the Gaush Online platform. During the Track Record Period, we held or sponsored over 200 medical conferences, which were attended by thousands of ophthalmologists and scholars. For example, we sponsored and participated in several prestigious nationwide academic conferences including the Congress of Chinese Ophthalmological Society and the Corneal Disease Assembly. These activities helped further ophthalmologists' insight into advanced ophthalmology treatment technologies and introduced them to the latest products that could better help their patients' clinical needs, and at the same time strengthened our brand reputation and allowed our products to reach a broader customer base.

Strong technical service team in support of the nationwide industry-leading service network

Ophthalmic medical devices are highly complex, demanding extensive technical support and after-sale maintenance. Our technical service team plays a vital role in our business operations. Cultivating and maintaining a qualified technical engineer team required attendance of complicated technical training sessions held by the manufacturers of the products and lengthy accumulation of practical experience, which in turn required large and long-term commitment in the industry and investment of resources.

We are the second largest ophthalmic medical device technical service provider in China in terms of both revenue from provision of technical services and number of in-house maintenance engineers in 2021, according to Frost & Sullivan. Our technical service team is in charge of the daily operation of our industry-leading technical service network serving all provincial administrative regions in China. Many of our engineers received technical training from both equipment manufacturers and ourselves. In addition to technical training, our engineers also continue to improve their problem-solving skills and obtain work experience through daily assignments and interaction with customers. During the Track Record Period, the size of our technical service team remained stable.

With their skill set, our engineers are capable of providing our customers with multiple types of services such as operating environmental assessment, installation, after-sales technical support, repair and maintenance for various products. Our nationwide service network enables timely response to customers' requests and supports our rapid expansion of business across the country.

The strong reliance on technical services by ophthalmic medical device business has brought us vast business opportunities and made important contributions to our financial returns. The after-sale technical services for ophthalmology equipment generated recurring revenue of RMB107.9 million, RMB138.8 million and RMB161.6 million for the years ended December 31, 2019, 2020 and 2021, accounting for 9.8%, 14.4% and 12.4% of our total revenue for the same period, representing a CAGR of 22.4% from 2019 to 2021, and generated revenue of RMB80.9 million and RMB89.7 million for the six months ended June 30, 2021 and 2022, respectively. We believe the after-sale technical services for such devices have great commercial value and potential and may develop into a significant source of income. As we expect the cumulative number of sold equipment to continually increase in the near future, our revenue generated from the provision of technical services is expected to grow rapidly.

We value the provision of technical support as an important channel to interact with and understand our customers. Our technical service team works with customers to resolve technical issues. This has not only promoted our branding and enhanced our user stickiness, but has also provided us with first-hand and timely insights into market demand and unmet market needs. Such interaction has enabled us to better understand our customers so as to tailor our products and services accordingly, which in turn facilitated brand loyalty and continuing purchases by existing customers. With a broad product portfolio, we believe that we have sufficient capabilities and resources to effectively capture these cross-selling opportunities.

Experienced management team with abundant exposure in the industry and strong support from well-known investors

We are led by an experienced and visionary management team. Having been deeply involved in the evolution of the PRC ophthalmology medical device industry, the management team has obtained solid industry experience, foresight and strategic vision. Gao Tieta is our founder, controlling shareholder, and Chairman. Throughout our over 20 years of track record, we have benefited from our founder's knowledge of laser technology, nuclear physics and particle accelerator, which laid the foundation of our technology understanding to be engaged in the ophthalmic medical device industry and enabled us to timely introduce the products that suited the development of the PRC ophthalmology medical device industry and to bring breakthroughs in the course of the industry's development.

Under the leadership of our experienced management team, we have made several critical strategic decisions at different stages of our development history. For example, after we decided to focus on ophthalmology since our establishment, our product strategy initially focused on a product portfolio that primarily comprises our Distribution Products, and gradually transformed to the development of a more diversified portfolio that included both our Distribution Products and Proprietary Products. We were also a pioneer in establishing a nationwide technical service system in China. In 2020 and 2021, we have successfully completed the cross border acquisitions of Roland, which is engaged in the development and sales of electrophysiology products, and Teleon, which is a world-leading intraocular lens manufacturer. We believe these important decisions laid a solid foundation for our success and rapid growth.

We also received investments from industry-leading investors with deep insights into the medical technology sector, including Orbimed, Cuprite Gem, GL Capital and Highlight Capital. Our well-known shareholder base evidenced our industry leadership position and huge development potential, and will also provide us with resources for continuous future growth.

OUR STRATEGIES

Our mission is to become a leader of the global ophthalmic medical device industry. We strive to pursue such mission by carrying out the following strategies:

Continue to increase R&D investment and strengthen technological innovation to improve our product portfolio composition, with a view to broadening the spectrum of our Proprietary Products and optimizing cooperation with our brand partners, thereby further solidifying our market position

As the largest domestic player in the ophthalmic device markets in China, we strive to enhance our leading position through continuous efforts in broadening our product portfolio, enhancing our R&D capabilities and strengthening our cooperation with our brand partners.

We plan to further invest in our R&D facilities in Suzhou, Shenzhen and Wenzhou in the PRC to further promote the commercialization of our Proprietary Products in China. As of the Latest Practicable Date, our key product pipeline consisted of nine Proprietary Products under development or registration process and six Distribution Products. Our Proprietary Products pipeline focuses on the areas we believe have high growth potential, including intraocular lenses, orthokeratology lens, optical diagnostic equipment, myopia prevention and control devices, optometry diagnostic devices, as well as surgical equipment supporting instruments.

We also plan to further the commercialization of our Proprietary Products developed and registered by Teleon in the Netherlands and Roland in Germany to other countries so as to expand our global footprint. As of the Latest Practicable Date, more than 80 patents relating to our Proprietary Products had been registered by Teleon worldwide. We will leverage the existing R&D capabilities of Teleon in the Netherlands and Roland in Germany and continue to invest in their R&D capabilities to further enhance our products' competitiveness in product design, raw material selection and manufacturing techniques through establishing cutting-edge R&D facilities, procuring manufacturing equipment and raw materials, and increasing the number of R&D personnel. We also plan to enhance our R&D capabilities by encouraging frequent interaction and technology sharing between our R&D personnel in China and those in Europe.

Furthermore, we plan to continue to deepen strategic relationships with established overseas upstream brand partners to localize the development, production and commercialization of high-end medical devices in China. Cooperation may be in the form of joint ventures or license-in arrangements, depending on the feasibility of localization of different diagnostic and surgical treatment products. Specifically, we target to cooperate with five to eight new brand partners in the next five years and develop our product portfolio to cover a wider range of ophthalmic diseases including myopia prevention and control, myopia correction, cataract, AMD age-related macular disease, diabetic fundus disease, glaucoma, pediatric eye disease, corneal disease, and dry eye.

Continue to promote our value-added capability to improve customer stickiness and satisfaction with our persistent focus on patients' needs and dedication to China's ophthalmologic medical device market

We intend to further integrate the resources of our product and service offerings and strengthen each key aspect within the value chain of the ophthalmologic medical device industry to improve the efficiency of our services provided to customers and strengthen our relationship with brand partners.

We will continue to build on our position as exclusive partners for new brand partners in China to further enhance our integrated ability to serve our downstream customers. We have established a dedicated in-house international business development department which connects the evolving and broad needs of our customers and patients with potential brand partners and their products to provide our customers and their patients with more options and opportunities to differentiate products selected from all over the world.

Based on our product and service offerings in the ophthalmology medical device industry in China, we are able to provide our brand partners with a full range of support, including product registration, academic training, marketing and sales, supply chain and technical services, which enhances our competitiveness in establishing business cooperation with new brand partners. We aim to provide enhanced diagnostic and treatment options to the broad spectrum of patients in China requiring ophthalmic care. To this end, we plan to implement a two-pronged marketing approach, whereby on the one hand, we tailor the development and promotion of affordable quality products for basic healthcare to the market segment supported by government-sponsored medical insurance, while promoting high-end products with more advanced technologies to private medical institutions that do not rely on the support of government-backed medical insurance programs.

In terms of our after-sale services, capitalizing on our market position in the ophthalmology medical device industry and our strong after-sale services, we plan to promote our integrated service capabilities and broaden the scope of our technical services to bring more value-added services to our end customers. We intend to penetrate into regions with strong demand for our services by increasing the number of technical service staff as well as improving our remote service capability. We also plan to improve our technical service efficiency by optimizing our internal device handling and technical training system to enhance the safe operation of our brand partners and customers. We believe by promoting the efficiency of our after-sale services, we can further enhance our collaboration with our existing brand partners.

Solidify our market position in China and expand our global footprint through organic growth and strategic collaborations to achieve the balanced development of our domestic and overseas businesses

Following our acquisitions of Teleon and Roland, which primarily serves the high-end cataract and high-end electrophysiology markets, we have successfully expanded our global footprint. Our success with the acquisitions and integration of Teleon and Roland provided us with localized knowhow and access to further explore customized product development opportunities with other global brand partners. We intend to seek new opportunities to acquire or invest in potential brand partners and overseas distributors within the next five years, to complement and expand our product portfolio and technologies, as well as to expand our overseas distribution network.

Capitalizing on our expanded product portfolio and enhanced capabilities, and to support our future sales growth, we intend to increase our production capacity and strengthen our manufacturing capabilities. We intend to optimize our production techniques and processes, and construct new manufacturing facilities in the PRC and the Netherlands. We expect the enhanced manufacturing capacity will enable us to meet the anticipated sales growth while achieving greater economies of scale.

Leveraging our overseas regulatory and sales experience, we intend to develop our network of brand partners and distributors in suitable overseas markets such as the EU, the Americas and Southeast Asia. For example, we plan to expand our overseas business team to formulate and implement our business development strategy, establish overseas offices and local sales channels to sell our Proprietary Products, and seek deepened strategic collaboration opportunities with our existing and future brand partners for broader agency authorization regions, joint ventures establishment or equity investment to acquire our overseas upstream suppliers or brand partners. We also intend to obtain exclusive distribution rights from our existing brand partners to distribute their products in regions outside China. In addition to expanding our sales network and increasing our brand recognition in global markets, we plan to register certain of our Proprietary Products that are currently registered and distributed in China, such as intraocular lens, in other countries and regions with high market demand, such as the EU, the Americas and Southeast Asia. We also plan to conduct clinical trials where applicable and will consider engaging local service providers for clinical trials and registration matters. We believe that expansion of our product offering footprints into different jurisdictions will help to enhance our abilities to commercialize into overseas markets. On October 20, 2022, we also entered into a Strategic Cooperation Framework Agreement with Lombart Brothers, Inc. ("**AEC**"), according to which we granted AEC the exclusive right to label and distribute our products in North America, Canada, Mexico and Latin America, and AEC will assist us to acquire Food and Drug Administration approval of our equipment product in the U.S. AEC and we will also explore cooperation of global optical coherence tomography instrument and sales of products of the each other.

To promote our brand name overseas, we plan to participate in prominent international medical conferences and industry exhibitions, such as the European Society of Cataract and Refractive Surgeons Annual Meeting, the American Academy of Ophthalmology Annual Meeting and the Asia Pacific Ophthalmologists Annual Meeting. We plan to leverage our brand name in China and our high product quality to build our brand reputation among influential KOLs and major medical associations in ophthalmology areas from the EU, the Americas, Southeast Asia or other markets.

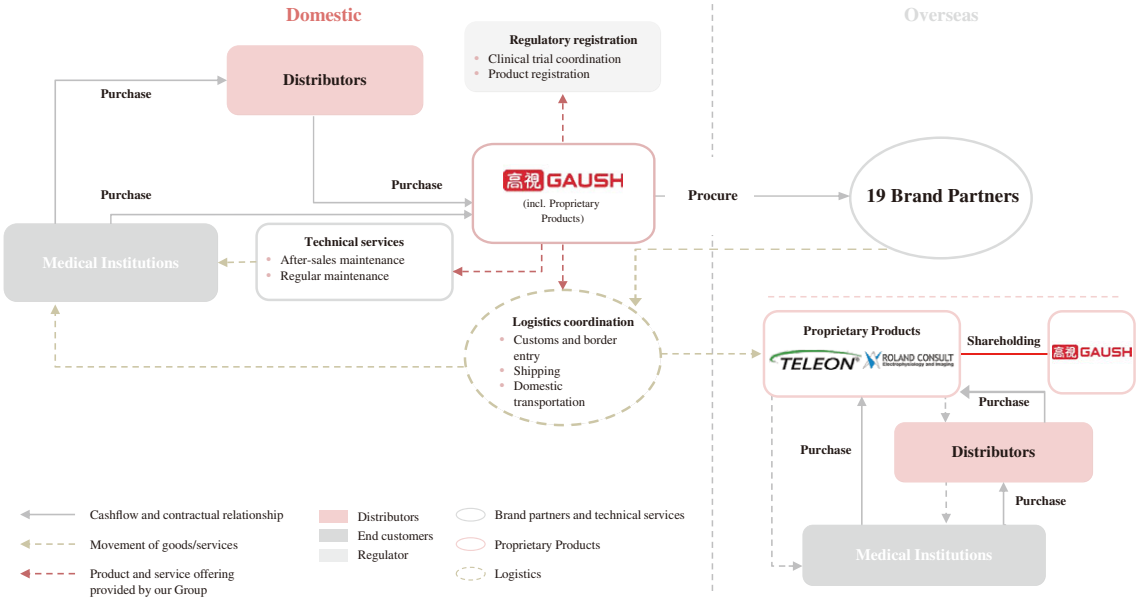
Continue to attract, train and retain talent, align our employees with our core values and strengthen our organizational culture to lay a solid foundation for the development of our Company

We seek to continue to attract, train and retain a large number of talented individuals and optimize our team structure. We will continue to recruit research and development talents and sales specialists in the medical devices industry in the PRC, the EU and the U.S. For example, we plan to build a R&D team in Shenzhen, focusing on the research and development in optics, materials, mechanical processing, and computer science and software. In addition, we have developed, and seek to develop further, training programs for our employees, especially in their industry knowledge, operation skills, IT techniques and compliance knowledge, which will further improve their service productivity and quality. We will seek to attract, retain and motivate our employees further by refining our merit-based compensation structure, which consists of competitive salary levels as well as future equity incentives.

We also plan to build a collaborative company culture following our core values including respecting virtue, diligence and capability. We will continue to pay attention to the career development and work-life balance of our employees to create value for our employees while creating value for our customers.

BUSINESS MODEL

We sell and distribute a broad suite of ophthalmic medical devices, ranging from diagnostic equipment, surgical and treatment equipment and consumables (including implants), which we either procure from our brand partners or develop and manufacture by ourselves. We also provide related technical services for ophthalmic medical device. We refer to products we procure from our brand partners as Distribution Products, whilst products we develop and manufacture are referred to as our Proprietary Products. As of the Latest Practicable Date, our product portfolio consisted of 129 products. Of the 129 products, 74 were our Distribution Products, 23 were products of Teleon and Roland and 32 were our other Proprietary Products. Leveraging our extensive experience in the medical device regulatory registration process in China, our technical service capabilities, rooted sale and distribution network and relationships with logistics providers in China, we provide our end customers across all provincial administrative regions in China with affordable access to high-quality ophthalmic medical devices. The diagram below is a summary of our business model.



OUR PRODUCT PORTFOLIO AND TECHNICAL SERVICES

During the Track Record Period, we derived a substantial majority of our revenue from the sales of ophthalmic medical devices. The following table sets forth a breakdown of our revenue by segment and product types for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(Unaudited)			
	RMB'000 (except percentages)									
Sales of Products										
Sale of ophthalmic medical equipment										
Diagnostic equipment	498,033	44.9	368,927	38.4	451,798	34.8	179,950	31.1	154,987	26.8
Surgical & treatment equipment	351,372	31.8	297,393	30.9	257,793	19.9	128,767	22.3	116,325	20.1
Other equipment	–	–	10,597	1.1	9,127	0.7	3,104	0.5	3,197	0.6
Sub-total	849,405	76.7	676,917	70.4	718,718	55.4	311,821	53.9	274,509	47.5
Sale of ophthalmic medical consumables										
Intraocular lens	67,924	6.2	56,698	5.8	259,621	20.0	122,440	21.1	124,935	21.6
Other consumables*	80,004	7.2	84,226	8.8	148,747	11.5	58,225	10.1	81,204	14.1
Sub-total	147,928	13.4	140,924	14.6	408,368	31.5	180,665	31.2	206,139	35.7
Technical Services	107,925	9.8	138,784	14.4	161,605	12.4	80,927	14.0	89,708	15.5
Others**	1,397	0.1	5,450	0.6	9,527	0.7	5,155	0.9	7,518	1.3
Total	1,106,655	100	962,075	100	1,298,218	100	578,568	100	577,874	100

Note:

* Other consumables primarily include surgical consumables (including scapel) and implants (including vitreous substitutes), among others.

** Others primarily included the registration service fees and the royalties we received for the licensing out of certain of our patents. On March 22, 2016, Teleon entered into a license agreement with a reputable Japanese specialized pharmaceutical company focusing on ophthalmic treatment. See "Business — Intellectual Property" for details. We also charge our brand partners for registering their products and providing maintenance and repair services for their medical equipment products outside China.

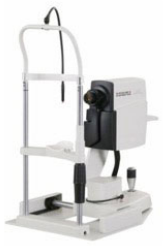
Our product portfolio includes both Distribution Products, being products of our brand partners, and Proprietary Products, being products we develop and manufacture. Our Distribution Products and Proprietary Products generally serve different diagnostic, treatment or surgery functionalities. Except for intraocular lens products, our major Proprietary Products are primarily registered as Class I or Class II medical devices including ophthalmic medical equipment (slit lamps, ocular fundus camera, topography device, as well as the electrophysiology test device and its associated consumables, etc.), while our major Distribution Products are primarily registered as Class III medical devices, which primarily represented various ophthalmic medical equipment (laser imaging and scanning devices, ultrasound diagnosis device and surgical equipment) and certain surgery consumables associated with the surgical equipment. As of the Latest Practicable Date, our product portfolio did not include any intraocular lens products of any brand partner. Given that our Proprietary Products and Distribution Products serve different ophthalmology diagnostic, treatment or surgery functions and differ significantly in terms of their pricing, we believe there has not been any material competition among our Distribution Products and Proprietary Products.

Diagnostic equipment

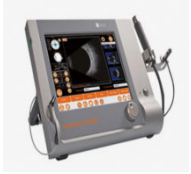
We offer diagnostic equipment products for a wide range of diseases, including vitreoretinal diseases, cataract, refraction, corneal diseases, glaucoma and others. As of the Latest Practicable Date, our product portfolio comprised 44 diagnostic equipment products, including 31 Distribution Products and 13 Proprietary Products.

Vitreoretinal diseases

Vitreoretinal diseases refer to a group of conditions that affect the back surface of the eye and the vitreous fluid around it, and the most representative ones included wet age-related macular degeneration (wAMD), diabetic macular edema (DME), retinal vein occlusion (RVO) and myopic choroidal neovascularization (mCNV). Our diagnostic products for ocular vitreoretinal diseases enable the imaging and measurement of the status of retina, choroid, macula lutea and optic disk and facilitate the diagnosis of ocular fundus lesion. We offer a broad range of diagnostic equipment to satisfy various clinical demand. According to Frost & Sullivan, we have the broadest portfolio of diagnostic equipment of vitreoretinal diseases in China in terms of device type as of December 31, 2021. The following table sets forth details of our major diagnostic equipment for ocular vitreoretinal diseases.

Type	Features and Benefits	Benchmark Price *(RMB)**
Heidelberg laser ophthalmology diagnostic equipment (SPECTRALIS OCT) 	• Heidelberg SPECTRALIS OCT adopted unique real-time Eye-Tracking technology and ART real-time superimposition technology, which effectively guaranteed the accuracy of scanning and the contrast of imaging, and has excellent imaging results even in special situations such as moderate or higher cataracts and high myopia. • Its infrared fundus images used advanced confocal laser imaging technology, which present clear fundus lesion information and achieve precise targeted scanning and M "point-to-point" precise alignment analysis. • With the TruTrack precise follow-up technology, it empowered automatic and precise positioning of the same patient during multiple follow-up scans, and with repeatability of quantitative measurement is accurate to 1μm, it provides accurate and reliable diagnostic information for clinical and scientific research. • In addition, its EDI enhanced imaging technology can clearly observe deep fundus tissues such as choroid and optic disc lamina, providing favorable imaging basis for the diagnosis and exploration of a wider range of diseases. • Distribution Product with distribution period up to 2028. • Class III Medical Device.	1,200,000–2,800,000
Heidelberg laser ophthalmology diagnostic equipment (SPECTRALIS HRA) 	• Heidelberg SPECTRALIS HRA used advanced confocal laser imaging technology to obtain clear fundus images with the minimum level of exposure, and is capable of simultaneous retinal angiography and choroidal angiography. Compared with traditional optical imaging equipment, it improved patient comfort and diagnosis accuracy and simplified the inspection process. • SPECTRALIS HRA is capable of dynamic imaging, three-dimensional imaging and iris imaging, as well as multiple non-invasive imaging examinations such as fundus autofluorescence imaging, infrared imaging, and red-free-light imaging, so as to provide more abundant diagnostic information for disease diagnosis and treatment. • Its unique 102° ultra-wide-angle imaging system can observe a larger range of fundus images and capture peripheral vitreoretinal diseases, which may be valuable for the diagnosis and treatment of diseases such as diabetic retinopathy and retinal vascular occlusion. • Distribution Product with distribution period up to 2028. • Class III Medical Device.	1,500,000–2,800,000

Type	Features and Benefits	Benchmark Price *(RMB)**
Optos laser scanning ophthalmoscope series (Daytona/P200DTx) 	• Optos Daytona provides mydriasis-free diagnosis experience, as its required pupil diameter is only 2mm. With the imaging angle of 200°, it realized the rapid imaging of the large-scale fundus, with the imaging time being only 0.4s. • Its imaging is based on red and green lasers. The green laser (532nm) has a shorter wavelength and scans the retinal layer, and the red laser (633nm) has a longer wavelength and scans the choroid layer; the layered scanning with these two types of lasers can realize layered viewing and identify diseases such as choroidal nevus and choroidal tumors. In addition to the ultra-wide-angle color photography function, Daytona can also acquire ultra-wide-angle autofluorescence images by exciting lipofuscin with the green laser. • The Daytona has a compact body and supports diagnosis for multiple clinical departments. For example, with respect to the diagnosis of cataract diagnosis, Daytona may penetrate mild to moderate cataracts to observe the ocular fundus before surgery, and keep the comparison of the ocular fundus after the operation; with respect to the diagnosis for refractive surgery, Daytona can help physicians timely complete the preoperative fundus examination. • Distribution Product with distribution period up to 2027. • Class III Medical Device.	1,825,000–3,750,000
GAUSH TNF ocular fundus camera series (TNF 506/507) 	• Gaush TNF506 adopted the mainstream 24+ million pixel configuration; TNF506 may be applied to pupil with diameter as small as 3.3mm, and its unique small pupil switching mode made it possible to obtain clear images from patients with small pupils; • Gaush TNF507 possessed standard DICOM port, which made it compatible with various systems. The body can be rotated three-dimensionally to facilitate the shooting of the peripheral retina. • Proprietary Product. • Class II Medical Device.	150,000–250,000

Type	Features and Benefits	Benchmark Price *(RMB)**
Quantel versatile ultrasound ophthalmology diagnostic platform (Aviso) 	• The ophthalmic ultrasound diagnosis platform of Quantel Aviso adopted a modular design, and supported diversified ultrasound frequencies from 8 to 50MHz. It is capable of simultaneous ultrasound examinations such as A-ultrasound, B-ultrasound and UBM to meet the various needs of ophthalmologists for clinical diagnosis. • The ultra-measurement accuracy of the A-ultrasound of Aviso may be as high as 0.04mm, and its automatic macular recognition function supported accurate measurement of biological parameters such as axial length. • The B-ultrasound of Quantel Aviso used 16Hz high frame rate scanning technology and is capable of separate focusing and imaging of the vitreous body and retina. It also dynamically displays the movement and post-movement of retinal detachment, vitreous hemorrhage, choroidal tumor and other lesions in real time, which may improve the accuracy in clinical disease diagnosis and differential diagnosis. • Quantel Aviso 50MHz Linear Panoramic Ultrasound Biomicroscope (UBM) supported simultaneous inspection based on water bladder, eye cup, and gel, with a resolution of up to 35um and a scanning width of 16mm. • Quantel Aviso supports the diagnosis, treatment and follow-up of anterior segment diseases such as glaucoma, ocular trauma, ICL intraocular lens implantation. • Distribution Product with distribution period up to 2026. • Class III Medical Device.	500,000–1,000,000
Quantel ultrasound diagnostic system Compact Touch series (Compact Touch) 	• Quantel Compact Touch adopted 11MHz probe for its A-ultrasound, with a measurement accuracy of 0.03mm and 12 built-in calculation formulas for intraocular lens to meet the clinical needs of various types of patients. • Compact Touch adopted the electromagnetically driven B-ultrasound probe and high frame rate scanning technology to ensure the synchronization and accuracy of dynamic images. It has the unique gain adjustment after freezing the image function and the real-time non-destructive and non-level zoom function, to ensure the clear display of detailed signals of diseases such as vitreous hemorrhage, retinal detachment, eye tumors and intraocular foreign bodies. • Distribution Product with distribution period up to 2026. • Class III Medical Device.	350,000–625,000

Note:

* Benchmark price for vitreoretinal diseases diagnostic equipment represented the indicative benchmark price we included in our product catalog of each series of equipment. The actual price of the products may vary based on the different model, setting and configuration as requested by the end customer and may fall out of the indicative benchmark price range.

We have a track record of over 20 years in selling diagnostic equipment for ocular vitreoretinal diseases. In addition to the equipment above, our ocular fundus disease diagnosis equipment portfolio also included products of KOWA Corporation, which include the ocular fundus camera, slit lamp and microscope, and products of Heine Optotechnik GmbH & Co, which include the ophthalmoscope for the diagnosis of ocular vitreoretinal diseases.

Cataract

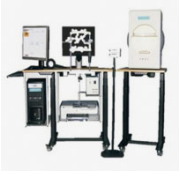
Cataract is a cloudy area in the lens of the eye that leads to a decrease in vision. Our diagnostic products for cataract support the preoperative examination and observation of chamber, lens, cornea and chamber angle. Our major diagnostic equipment portfolio for cataract includes Compact Touch and Compact Touch STS products series of Quantel Medical, and our Proprietary Product, GAUSH PAM-1 Hand-held Vision Examiner, which supports objective visionary examination for pre-operative examination.

Refractive error, corneal and ocular surface disease

Refractive error is a problem with focusing light accurately on the retina due to the shape of the eye and cornea. The most common types of refractive error include myopia, astigmatism, and presbyopia. Our diagnostic equipment portfolio for refractive error includes our Proprietary Product, GAUSH CT-6 Corneal Topography Device, which is a placido corneal topography device with multiple types of imagery format. We also offer diagnostic equipment for corneal and ocular surface diseases, including the HRT3 RCM of Heidelberg, which is a confocal scanning laser ophthalmoscope capable of tomography of different apparatus of eyeball.

Multi-function diagnostic equipment

In addition to the diseases above, our portfolio also includes multi-function ophthalmic medical devices for diagnosis based on ultrasonic, electrophysiology and imaging. The following table sets forth details of our major multi-function diagnostic equipment.

Type	Features and Benefits	Benchmark Price *(RMB)**
Roland ophthalmic electrophysiological test diagnostic series with consumables (RETI-Port/Scan 21, RETI-Port 21, RETI-Port 21 Compact and RETI-Scan 21) 	• Roland ophthalmic electrophysiological diagnostic series adopted the standardized flash stimulator and dedicated DC amplifier for ophthalmology, with built-in normal values for ophthalmic electrophysiology, and the inspection parameters can be customized. • It was designed based on supports the international ISCEV visual electrophysiological standards and supports non-invasive and objective functional inspections on patients, including complete visual pathway inspection, retinal cell inspection, and retinal pigment epithelium inspection. • Its mfERG program used the unique m short sequence and shortened the mfERG inspection length and can perform mfERG inspection while viewing the fundus, which helped solve the problem of fixation in clinical and scientific research. • Proprietary Product. • Class II Medical Device.	525,000–4,750,000

Type	Features and Benefits	Benchmark Price *(RMB)**
GAUSH TSL-5 slit lamp microscope series (digital slit lamp and ordinary slit lamp) 	• Gaush Raymond Slit Lamp Microscope TSL-5 possesses 5 levels of magnification, with a variety of filter options to meet different observation needs. • Its LED light source provides long-lasting and heat-free stable brightness. • Infinite adjustment on the coaxial background light, which can enhance the brightness of the background color and make the peripheral image more clear. • Proprietary Product. • Class II Medical Device.	95,000–112,500
GAUSH RM800 contrast sensitivity meter 	• Gaush Raymond Contrast Sensitivity Meter RM800 is fully automated by computer software, convenient and easy to use. • Patient measurement data is saved in real time and can be directly analyzed on IVA and CSF curves. It can also print relevant reports. • It can perform contrast sensitivity, glare contrast sensitivity and dark adaptation tests simultaneously. • Proprietary Product. • Class II Medical Device.	150,000
Heidelberg laser ophthalmology diagnostic equipment (HRT 3) 	• Heidelberg HRT3 confocal laser tomography scanner used the confocal laser imaging technology, which can perform tomographic scanning of different structures of the eye to assist in the diagnosis of a variety of ophthalmological diseases. • With an image resolution of 1 micron, its observation of the cornea and ocular surface structure can be refined to the level of live tissue cytology. • The retina module is used to quantitatively assess the degree of macular edema, which help guide the treatment of diseases such as diabetic retinopathy and retinal vascular occlusion. • The glaucoma module is used for the screening and follow-up of early glaucoma. Through statistical analysis of the changes in optic disc morphology, glaucoma can be detected earlier for early treatment. • Distribution Product with distribution period up to 2028. • Class III Medical Device.	1,600,000

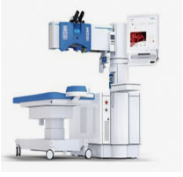
Note:

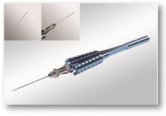
* Benchmark price for multi-function diagnostic equipment represented the indicative benchmark price we included in our product catalog of each series of equipment. The actual price of the products may vary based on the different model, setting and configuration as requested by the end customer and may fall out of the indicative benchmark price range.

Surgical and treatment equipment and related consumables

In addition to diagnostic devices, we also develop, manufacture and sell surgical and treatment equipment and related consumables. Our major surgical and treatment equipment and related consumables focus on surgery with respect to ocular fundus disease, cataract, refractive error and glaucoma. Generally, our surgical equipment are registered as Class II medical devices and Class III medical devices with the NMPA. The shelf life of our surgery related consumable products generally ranges between 18 and 48 months. The table below sets forth details of our major surgical device and consumables.

Type	Features and Benefits	Benchmark Price *(RMB)**
Quantel ocular fundus laser Vitra series (Vitra and Vitra Multispot) 	• Quantel Vitra used green laser with a wavelength of 532nm. Its clinical applications include pan-retinal photocoagulation, local retinal photocoagulation, macular grid photocoagulation, closed retinal hole and intraocular photocoagulation. • The equipment used a fully enclosed laser and adopted Parfocal light path transmission technology. Its light spot is continuously adjustable from 50 to 500μm, which supports accurate fundus treatment. • Quantel Vitra Multispot is a multi-spot scanning green laser, which has both single-point and multi-point treatment functions. Under the scanning laser mode, there are five images available for laser treatment of different lesion; It may target up to 25 spots in one shot and therefore improve the work efficiency. The multi-point mode uses the short-exposure laser mode which reduces the thermal diffusion on the retina and therefore improves compliance rate; its unique Stop&Go multi-point scanning technology enabled immediate emission of laser and even distribution of laser energy. In terms of configuration, it included multifunctional software, continuously adjustable light spot, magic mouse, and full-featured foot pedal, which can further improve the efficiency of laser treatment. • Distribution Product with distribution period up to 2026. • Class III Medical Device.	400,000–500,000
Quantel Easyret 577nm fundus laser photocoagulation system 	• Quantel Easyret 577nm fundus laser used the innovative ophthalmic fibre used the proprietary ELBATM fiber laser principle. • Its 577nm pure yellow light took into account the absorption peak of yellow light at 577nm by melanin and oxyhemoglobin while the lutein in the macula does not and penetrates the refractive medium to meet the various clinical need. • It integrated single-point, multi-point and micro-pulse modes. • Its MOSAR high-definition retinal imaging system enabled high-resolution recording of the laser treatment process making it easier to conduct teaching, patient education and scientific research. • Distribution Product with distribution period up to 2026. • Class III Medical Device.	1,800,000–2,000,000

Type	Features and Benefits	Benchmark Price *(RMB)**
Leica surgical microscope ocular fundus disease series (Proveo8, M844 F20, M844F40, M220) 	• Leica ophthalmic surgery microscope took into account the human fusion vision function. By using fusion optics technology, one of its optical paths provides the maximum depth of field, and the other optical path provides the highest resolution, which can exceed the visual limit and provide three-dimensional space image. • Proveo 8 is equipped with Quad-Zoom™ system (four optical path system), CoAx4 stereoscopic lighting technology APO OptiChrome™ optical system (apochromatic technology), built-in synchronous dual inverted image system, efficient surgical memory focusing function and posterior section mode, uni-camera and video system and open microscope platform with superior performance. • Distribution Product with distribution period up to 2024. • Class II Medical Device.	370,000–3,590,000
Megatron S4 HPS High Performance System and related consumable for phacoemulsification and vitrectomy (Geuder Megatron S4) 	• Geuder Megatron S4 ophthalmology phacoemulsification vitrectomy treatment apparatus empowers phacoemulsification and vitrectomy for cataract. By using dual pump system, three mode settings (venturi pump, peristaltic pump, venturi effect), it adapts to the surgical habits of different surgeons. • The phacoemulsification needle with patented three-section bell mouth design provides strong emulsification ability. • The built-in air pump ensured stable and continuous air supply during the surgery, without the need for an external air source. • The vitrectomy system has a 12,000cpm double-edged vitrectomy head to achieve high-speed vitrectomy with stable efficiency, and the tip distance of 0.21mm provides safe conditions for near-retinal operations. • Distribution Product with distribution period up 2023. • Class III Medical Device.	905,000–1,220,000
Schwind corneal refractive surgery laser series (AMARIS 500E/750S/1050RS) 	• With 500Hz/750Hz/1050Hz high cutting treatment frequency, 0.54mm tiny laser spot and high frequency 5D/6D/7D eye tracking system, AMARIS Excimer Laser Corneal Refractive Therapy Series can realize the eye rotation tracking and spin control to achieve balance in high speed, fine cutting and eye tracking. • The AMARIS 1050RS high-frequency excimer laser surgery system pioneered the use of the cutting frequency of 1050Hz, with a cutting speed of 1.3 seconds/D. The treatment can be completed in no time. • Intelligent thermal effect control technology avoids the superposition of cutting heat generation, which enables a small increase in corneal temperature to protect the corneal tissue. • Smart all-laser is a new and optimized superficial surgical technique. The surgical procedure can be completed in one step without petal, mark, incision or contact. It is excellent in corneal biomechanics. With the SPT smart pulse technology, it brings patients new experience on fast vision recovery. • Distribution Product with distribution period up to 2027. • Class III Medical Device.	5,500,000–11,000,000

Type	Features and Benefits	Benchmark Price *(RMB)**
LENSAR femtosecond cataract surgery laser and related consumables 	• LENSAR femtosecond laser cataract surgery system takes advantage of femtosecond laser's features including precision, safety, predictability and repeatability to complete the challenging continuous circular capsulorhexis, lens nucleus and corneal incision and astigmatism release incision steps. It enabled surgery at micron level precision. • LENSAR femtosecond laser cataract surgery makes the astigmatic intraocular lens axis more accurate and stable and increases the predictability of the vision after the surgery. • Distribution Product with distribution period up 2022 and we expect to renew the distribution period before it comes to expiration. • Class III Medical Device.	6,500,000
Gaush ophthalmic surgical instruments   	• Gaush ophthalmic surgical instruments are made of Japanese raw steels enabling repetitive use based on the hardness and toughness characteristics of the materials and used for precise ophthalmic surgeries; • Their ergonomic design provides optimal operation experience and the rust-proof and thermal treatment extended the use life of the products. • Proprietary Products • Class I Medical Device.	50–5,500

Note:

* Benchmark price for surgical and treatment equipment and related consumables represented the indicative benchmark price we included in our product catalog of each series of equipment. The actual price of the products may vary based on the different setting and configuration as requested by the end customer and may fall out of the indicative benchmark price range.

Implants

In addition to the consumables that are consumed during the course of clinical surgery and associated with the surgery equipment, our product portfolio also comprises implant products including intraocular lens and vitreous substitutes. Our implant products are registered as Class III medical device and function by replacing the impaired human apparatus. The shelf life of our major implant products is five years. The table below sets forth details of our major implant products.

Type	Features and Benefits	Benchmark Price
Lentis Comfort EDoF intraocular lens (LS-313 MF15) 	• Lentis Comfort EDoF intraocular lens LS-313 MF15 is equipped with advanced sectoral refractive EDoF technology and enables long-distance continuous visual range and good daily vision with low light energy loss of 5% and ADD of 1.5D; • Its 1.8mm micro-incision design causes less surgical damage, and the wide plate loop design provides stability in the capsular; • Its broad diopter ranged between -10.0D and +35.0D, basically covering all patients including patients with high myopia. • Proprietary Product and admitted to centralized volume-based procurement regime. • Class III Medical Device.	RMB4,199–12,500
Lentis Mplus Multifocal intraocular lens (LS-313 MF30) 	• Lentis Mplus Multifocal intraocular LS-313 MF30 is the world's first sectoral refractive multifocal patented optical design; • Light energy loss may be as low as 7% and provides optimal near and far vision, contrast sensitivity, low optical interference and ADD of 1.5D; • Its 1.8mm micro incision design causes less surgical damage, and the wide plate loop design provides stability in the capsular; • Its broad diopter ranged between -10.0D and +35.0D, basically covering all patients (including patients with high myopia). • Proprietary Product. • Class III Medical Device.	RMB12,800
Lentis Comfort/MPlus Toric intraocular lens (LS-313 MF15T/MF30T) 	• Lentis Comfort/MPlus Toric intraocular lens LS313 MF15T/MF30T are our flagship product for functionality intraocular lens with ADD of 3.0D/1.5D. • Full coverage of T1-T7 models to correct corneal astigmatism above 0.75D-4.0D; • The wide panel loop design provides excellent stability in the capsular. • Proprietary Product. • Class III Medical Device.	RMB19,800

Type	Features and Benefits	Benchmark Price
ACUNEX intraocular lens series 	• ACUNEX is EDoF intraocular lens made of hydrophobic material, and a constant water content of 4% on pre-hydrated basis ensures consistently stable, homogeneous grid structure of the biomaterial and thus viable physical integrity; • Its natural UV-Filter imitate natural lens absorbing harmful UV light and violet part of the blue light spectrum for natural color perception. • Its aspheric optic structure corrects spherical aberration of the cornea for high contrast and better image quality compared to spherical standard lenses, especially in mesopic light conditions. • Proprietary Product currently sold in EU market.	EUR70-450
Femtis intraocular lens series 	• The unique haptic design of the capsulorhexis-fixated of Femtis allows maximum precision in combination with automated capsulotomies. • The perfect centration of the intraocular lens on the optical axis as well as the rotational stability for a precise and optimized correction of refractive visual defects. • Proprietary Product currently sold in EU market.	EUR200–1,200
Lentis spherical intraocular lens (PCA81) 	• Lentis spherical intraocular lens PCA81 is made of HydroSmart material, which possesses the advantages of both hydrophilicity and hydrophobicity; • SML processing technology, together with 360-degree all-square edge design on the back surface, which reduces the incidence of posterior capsule opacification; • Its broad diopter ranged between -10.0D and +30.0D, basically covering all patients (including patients with high myopia); • Wide and hollow C-shaped loop design, which provides good stability in the capsular bag. • Proprietary Product and admitted to certain centralized volume-based procurement regime. • Class III medical device.	RMB491–2,960
Lentis aspherical monofocal intraocular lens (L-312) 	• Lentis aspherical intraocular lens L-312 is made of HydroSmart material, which possesses the advantages of both hydrophilicity and hydrophobicity; • SML processing technology, together with 360-degree all-square edge design on the back surface, which reduces the incidence of posterior capsule opacification; • The optical surface adopts a zero spherical aberration design, and no post-surgery aberrations may be omitted, which adapt to the different corneal and pupil conditions; • Its diopter ranges +5.0D ~ +35.0D and its classic C-shaped loop design provides good stability for the capsular; • Proprietary Product and admitted to certain centralized volume-based procurement regime. • Class III medical device.	RMB1,083–3,300

Type	Features and Benefits	Benchmark Price
Lentis aspherical monofocal intraocular lens with micro incision (L-313) 	• Lentis aspherical monofocal L-313 is made of HydroSmart material, which possess the advantages of both hydrophilicity and hydrophobicity; • SML processing technology, together with 360-degree all-square edge design on the back surface, which reduces the incidence of posterior capsule opacification; • The optical surface adopts a zero spherical aberration design, and no post-surgery aberrations will be introduced after the surgery, which adapt to the different corneal and pupil conditions; • Its diopter ranges +5.0D ~ +35.0D, which can meet the needs of patients with different diopters; • 1.8mm micro incision design, which causes less surgical damage; • The wide panel loop design provides excellent stability in the capsular bag. • Proprietary Product	RMB3,700

Note:

* The benchmark price range for intraocular lens products generally represented the sales price to end customers listed on the provincial online procurement platform or the winning bid for centralized volume-based procurement regime. With respect to ACUNEX and Femtis product series, the benchmark price represented their indicative selling price range in Europe. The prices for the product with different metrics under the same product series may vary.

There was no national uniform medical insurance scheme for medical consumables that had come into effect as of the Latest Practicable Date. The Interim Measures for the Administration of Medical Consumables Payments for Basic Medical Insurance (Consultation Draft)《(基本醫療保險醫用耗材支付管理暫行辦法(徵求意見稿))》, issued by the National Healthcare Security Administration in November 2021, proposed to formulate a Catalog of Medical Consumables Under Basic Medical Insurance Scheme《(基本醫療保險醫用耗材目錄)》. However, the Consultation Draft did not come into effect and there was no national medical reimbursement list of medical consumables released by authorities in China as of the Latest Practicable Date. Practice varies among provinces in the PRC for the reimbursement of implant products. As of the Latest Practicable Date, 15 of our 25 implant products, including the intraocular lens for cataract, were included in the basic medical insurance reimbursement scheme in at least one province in China. Given the generally low penetration level of our implant products in China, we consider admission to the Coverage Catalogue of PRC Basic Medical Insurance Reimbursement, once it comes into effect, as our strategic opportunity to promote our products and improve the sales volume and revenue as such admission will give our product basic medical insurance reimbursement coverage.

The 15 implant products included seven proprietary implant products, namely Lentis spherical intraocular lens (PCA81), Lentis aspherical monofocal intraocular lens (L-312 and L-313), Lentis Comfort/MPlus Toric intraocular lens (LS-313MF15 and LS-313MF30) and Lentis Comfort/MPlus Toric intraocular lens (LS-313MF15T and LS-313MF30T) and eight other products. We closely monitor the development of various basic medical insurance schemes and proactively explore the opportunity to admit our consumable products including both of our Distribution Products and Proprietary Products into the basic medical insurance reimbursement schemes once we obtain the NMPA registration. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the total sales amount of these 15 implant products amounted to RMB66.9 million, RMB58.1 million, RMB89.1 million and RMB68.1 million, respectively. We also support the application for such reimbursement eligibility of our Distribution Products to facilitate our sales. On the other hand, our equipment products are not eligible for such reimbursement. The application cycle for such reimbursement eligibility generally takes two months.

The following table sets forth details of our top five brand products in terms of sales amount during the Track Record Period.

Rank	Product	Product category	Sales volume	Sales amount	% of sales
				(RMB in thousands)	
For the six months ended June 30, 2022					
1	Brand Product A	Laser-based ophthalmology Diagnostic equipment supporting the preoperative examination of clinical departments including cataract and refractive surgery	85	46,047	8.0
2	Brand Product C	Laser-based ophthalmology surgical and treatment equipment with high frequency eye tracking system	13	45,507	7.9
3	Brand Product B	Laser-based ophthalmology diagnostic equipment with real-time eye tracking technology	49	29,089	5.0
4	Brand Product F	Laser-based ophthalmology diagnostic equipment with laser imaging technology	22	16,023	2.8
5	Brand Product D	Laser-based ophthalmology surgical and treatment equipment with high frequency eye tracking system	7	14,894	2.6

Rank	Product	Product category	Sales Volume	Sales amount	% of sales
				(RMB in thousands)	
For the year ended December 31, 2021					
1	Brand Product A	Laser-based ophthalmology diagnostic equipment supporting the preoperative examination of clinical departments including cataract and refractive surgery	214	119,091	9.2
2	Brand Product B	Laser-based ophthalmology diagnostic equipment with real-time eye tracking technology	139	82,292	6.3
3	Brand Product F	Laser-based ophthalmology diagnostic equipment with laser imaging technology	80	62,371	4.8
4	Brand Product C	Laser-based ophthalmology surgical and treatment equipment with high frequency eye tracking system	12	40,718	3.1
5	Brand Product E	Laser-based ophthalmology diagnostic equipment with combined laser imaging and eye-tracking technology	20	35,041	2.7

Rank	Product	Product category	Sales Volume	Sales amount	% of sales
				(RMB in thousands)	
For the year ended December 31, 2020					
1	Brand Product A	Laser-based ophthalmology diagnostic equipment supporting the preoperative examination of clinical departments including cataract and refractive surgery	178	107,633	11.2
2	Brand Product B	Laser-based ophthalmology diagnostic equipment with real-time eye tracking technology	107	63,877	6.6
3	Brand Product F	Laser-based ophthalmology diagnostic equipment with laser imaging technology	67	53,351	5.5
4	Brand Product C	Laser-based ophthalmology surgical and treatment equipment with high frequency eye tracking system	13	49,393	5.1
5	Brand Product D	Laser-based ophthalmology surgical and treatment equipment with high frequency eye tracking system	24	48,482	5.0

Rank	Product	Product category	Sales Volume	Sales amount	% of sales
				(RMB in thousands)	
For the year ended December 31, 2019					
1	Brand Product A	Laser-based ophthalmology diagnostic equipment supporting the preoperative examination of clinical departments including cataract and refractive surgery	228	139,076	12.6
2	Brand Product B	Laser-based ophthalmology diagnostic equipment with real-time eye tracking technology	160	99,952	9.0
3	Brand Product C	Laser-based ophthalmology surgical and treatment equipment with high frequency eye tracking system	26	87,522	7.9
4	Brand Product D	Laser-based ophthalmology surgical and treatment equipment with high frequency eye tracking system	29	54,565	4.9
5	Brand Product E	Laser-based ophthalmology diagnostic equipment with combined laser imaging and eye-tracking technology	22	43,690	3.9

Product Pipeline

As of the Latest Practicable Date, we had 15 key pipeline products. We believe that our pipeline products can further supplement and upgrade our existing product portfolio to support a more extensive range of clinical procedures. The following table sets forth details of 15 key pipeline products as of the Latest Practicable Date, which comprised nine Proprietary Products and six Distribution Products.

Expected Launch Date	Pipeline Product	Medical Device Classification	Distribution / Proprietary Product	Application, features and benefits	Current status	Expected capital expenditures	Ophthalmic Sub-speciality
						(RMB'000)	
CE Approval by 2022	ACUNEX Quantum	Class III	Proprietary Product	Enhanced monofocal lens with Hydrophobic Material	Under registration	6,000	Cataract
CE Approval by 2024	LENTIS Quantum Toric	Class III	Proprietary Product	Enhanced monofocal Toric lens with Hydrophilic Material	Under design and development	8,000	Cataract
CE Approval by 2024	FEMTIS Quantum	Class III	Proprietary Product	Enhanced monofocal lens with Hydrophilic Material. Used in femtosecond cataract surgery	Under design and development	6,000	Cataract
CE Approval by 2024	ACUNEX Quantum Toric	Class III	Proprietary Product	Enhanced monofocal Toric lens with Hydrophobic Material	Under design and development	8,000	Cataract
CE Approval by 2023	RPS21 New Model	Class II	Proprietary Product	A new type of electrophysiological instrument in combination with the REIT-map as a product family	Under design and development	5,000	Vitreoretinal diseases, glaucoma, pediatric ophthalmology
CE Approval by 2023	RETI-map Human	Class II	Proprietary Product	A multifocal electrophysiological instrument for human use in combination with the RPS21 as a product family	Under design and development	6,000	Vitreoretinal diseases, glaucoma, pediatric ophthalmology
NMPA Approval by 2025	Ortho-K lens	Class III	Proprietary Product	Non-surgical method to eliminate the refractive error of the eye and improve the naked vision by changing the geometry of the cornea within the pressure of the eyelids during sleep which is placed on the upper surface of the cornea when wearing	Pre-registration testing	50,000	Optometry
NMPA Approval by 2022	Integrated type Slit Lamp	Class II	Proprietary Product	Integrated type slit lamp for visual inspection	Under registration	1,000	Cataract, optometry, ocular surface

Expected Launch Date	Pipeline Product	Medical Device Classification	Distribution / Proprietary Product	Application, features and benefits	Current status	Expected capital expenditures	Ophthalmic Sub-speciality
						(RMB'000)	
NMPA Approval by 2023	Auto-Refractometer	Class II	Proprietary Product	A computerized auto refractometer for optometric measurement	Pre-registration testing	1,200	Optometry
NMPA Approval by 2023	Anterion	Class III	Distribution Product	A multimodal anterior segment imaging platform	Under registration	N/A*	Cataract, refractive error, optometry
NMPA Approval by 2023	ATOS	Class III	Distribution Product	A femtosecond laser corneal refractive surgery system	Under registration	N/A*	Refractive error
NMPA Approval by 2023	ATOS PID (Patient Interface Device)	Class II	Distribution Product	A patient interface device used in femtosecond laser corneal refractive surgery	Under registration	N/A*	Refractive error
NMPA Approval by 2023	EyeLight	Class III	Distribution Product	An intensive pulse light dry eye therapeutic device	Under registration	N/A*	Ocular surface, cataract, vitreoretinal disease
NMPA Approval by 2023	Absolu	Class III	Distribution Product	A next-generation ultrasound diagnostic platform integrating modules of A-scan, B-scan, and UBM	Under registration	N/A*	Ocular surface, cataract, vitreoretinal disease
NMPA Approval by 2023	Vitra810	Class III	Distribution Product	A laser coagulation system used in TSCPC for glaucoma treatment, TTT for retinopathy of prematurity treatment, and other treatment of various ocular fundus diseases.	Under registration	N/A*	Glaucoma, vitreoretinal disease

Note:

* We do not afford the capital expenditures for the registration of our Distribution Products.

TECHNICAL SERVICES

In addition to our product offering, we also provide our end customers with technical services primarily in China, which included installment services for the ophthalmic medical equipment we sold and also the after-sale warranty and maintenance of such products. According to Frost & Sullivan, we are the second largest service provider of ophthalmic device technical services in terms of both revenue from provision of technical services and number of in-house maintenance engineers in 2021. During the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our revenue generated from the provision of technical services was RMB107.9 million, RMB138.8 million, RMB161.6 million, RMB80.9 million and RMB89.7 million, respectively. We provide our end customers with the following technical services:

- *Technical services in support of our product offering*. As part of our product offering, we provide our end customers with technical services in relation to equipment installment, operation training and maintenance. In addition, we also conduct onsite inspection of the operation status of the equipment on a regular basis. Our technicians may also attend certain surgeries upon the request of our end customers to ensure the proper function of our ophthalmic medical equipment.

- *Annual warranty services*. Our end customers may purchase annual warranty services, according to which we are responsible for the maintenance and repair of the equipment during the warranty period. This enables our end customers who purchased our annual warranty services to delegate the maintenance and repair work of the equipment to us such that they do not need to maintain their own technical service capabilities.

- *Maintenance services.* In contrast to the annual warranty services, our end customers may also send service requests to us and we will charge them based on the specific type of services we provided.

We generally charge our technical services based on market price and customer feedback and do not charge additional fees for replacement of parts or accessories covered under our technical service agreements, provided that the malfunction of the equipment is not caused by misuse. The following table sets forth our revenue generated from technical services by service plan and by service requests for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(Unaudited)			
	RMB'000 (except percentages)									
Warranty services	72,264	67.0	98,391	70.9	116,632	72.1	55,147	68.1	70,749	78.9
Maintenance services	9,721	9.0	10,175	7.3	13,340	8.3	6,219	7.7	4,613	5.1
Technical service related accessories	25,940	24.0	30,218	21.8	31,633	19.6	19,561	24.2	14,346	16.0
Total	107,925	100	138,784	100	161,605	100	80,927	100	89,708	100

As of the Latest Practicable Date, our technical service team comprised 127 technicians, covering all provincial administrative regions in China and responded to 17,065, 14,033 and 22,760 service requests in 2019, 2020 and 2021, respectively. Many of our technicians attended the training sessions of our brand partners. Given the nationwide reach of our technical support team and with our 12 service centers across China, we are able to provide support to our end customers on a nationwide basis and timely respond to their service requests through our WeChat service platform or service hotline on a 7*24 hour basis. We have established operation procedures and system to manage our technical services through the Salesforce Service Platform. In addition to technical support, we have also established after-sale service training systems providing our end customers with trainings in respect of product, techniques, client services and communication. We classify our training into different levels and our technicians obtain accreditations and certificates upon the completion of the relevant trainings.

OUR BRAND PARTNERS

We support our brand partners with respect to their sales of ophthalmic medical devices in China. By entering into cooperation relationships with global leading ophthalmic device brand partners including Heidelberg, Schwind and Optos, we sell and distribute their ophthalmic medical devices in China, ranging from diagnostic equipment, surgical and treatment equipment and consumables (including implants). As of the Latest Practicable Date, we had 19 brand partners, with 16 of which we had entered into exclusive cooperation agreements to distribute their products in China. In addition, we also provide technical services to end customers with respect to the ophthalmic medical devices we sell to them. Our brand partners cover multiple ophthalmic medical specialties, such as vitreoretinal diseases, cataract, refractive error, corneal and ocular surface disease, among others. Our key brand partners include:

Heidelberg Engineering

Heidelberg Engineering is a global brand which continuously optimizes imaging and healthcare IT technologies to provide ophthalmic diagnostic solutions that empower clinicians to improve patient care. From its inception in 1990, the company has collaborated with scientists, clinicians and industry to develop innovative products that deliver clinically relevant benefits. Our relationship with Heidelberg Engineering began over 20 years ago when we commenced the sale of its ocular fundus imaging systems. As of the Latest Practicable Date, we were still the exclusive distributor of Heidelberg products in China.

SCHWIND eye-tech-solutions

SCHWIND eye-tech-solutions is one of the technology leaders for eye lasers for refractive and therapeutic corneal surgery. It develops, produces and markets a broad product portfolio for the treatment of vision defects and corneal diseases, which includes the innovative AMARIS excimer laser systems, diagnostic systems, and treatment planning tools for a uniquely wide scope of applications. Our relationship with SCHWIND eye-tech-solutions began over ten years ago regarding the Excimer Laser products. As of the Latest Practicable Date, we were still the exclusive distributor of SCHWIND eye-tech-solutions products in China.

Optos

Optos is a leading provider of devices to eye care professionals providing a complete approach to patient care. Its core products produce high resolution images of 82.0% or 200^{O} of the retina, which could effectively facilitate the early detection, management and effective treatment of disorders and diseases evidenced in the retina such as retinal detachments and tears, glaucoma, diabetic retinopathy and age-related macular degeneration. Our relationship with Optos began around 20 years ago and we began to be the exclusive distributor of Non Mydriatic Scanning Laser Ophthalmoscope of Optos since then. As of the Latest Practicable Date, we were still the sole distributor of Optos products in China.

The following table sets forth details of our five largest suppliers in each period during the Track Record Period, each of whom was our brand partner during the Track Record Period and an Independent Third Party.

Rank	Suppliers	Purchase amount	% of our purchases	Settlement term	Commencement of business relationship	Supplier background
		(RMB in thousands)				
For the six months ended June 30, 2022						
1	Brand Partner A	49,891	13.0	90 days after the invoice date	2009	Brand Partner A is a subsidiary of a company headquartered in Germany and founded in 1958. It focuses on the R&D, production and sales of ophthalmic medic device with respect to refractive and therapeutic corneal surgery, as well as medical device for the treatment of a wide range of ophthalmology diseases.
2	Brand Partner B	34,783	9.1	30 days after the invoice date	1998	Brand Partner B is a subsidiary of a company headquartered in Germany and founded in 1990. It focuses on the R&D, production and sales of ophthalmic medical device with respect to imaging and healthcare IT technologies.
3	Brand Partner E	29,193	7.6	60 days after the invoice date	1998	Brand Partner E is a subsidiary of a leading eye surgical product manufacturer group headquartered in Germany and founded in 1951. It develops and manufactures ophthalmic surgical equipment and consumables.

Rank	Suppliers	Purchase amount	% of our purchases	Settlement term	Commencement of business relationship	Supplier background
		(RMB in thousands)				
4	Brand Partner D	28,666	7.5	90 days after the invoice date	2002	Brand Partner D is a subsidiary of a leading provider of a complete approach to patient care headquartered in the United States and founded in 1992. Its core products facilitate the detection, management and treatment of disorders and diseases evidenced in the retina.
5	Brand Partner F	26,366	6.9	Consumables: 30 days after the invoice date; Equipment: 30% prepayment, 30% for 30 days after the invoice date, another 30% for 60 days and the rest 10% for 90 days after the invoice date	2016	Brand Partner F is a company headquartered in the US and was founded in 2004. It is a commercial-stage medical device company focused on designing, developing and marketing an advanced femtosecond laser system for the treatment of cataracts and the management of pre-existing or surgically induced corneal astigmatism.
	Total	168,899	44.1			

Rank	Suppliers	Purchase amount	% of our purchases	Settlement term	Commencement of business relationship	Supplier background
		(RMB in thousands)				
For the year ended December 31, 2021						
1	Brand Partner A	100,698	19.0	90 days after the invoice date	2009	Brand Partner A is a subsidiary of a company headquartered in Germany and founded in 1958. It focuses on the R&D, production and sales of ophthalmic medic device with respect to refractive and therapeutic corneal surgery, as well as medical device for the treatment of a wide range of ophthalmology diseases.

Rank	Suppliers	Purchase amount	% of our purchases	Settlement term	Commencement of business relationship	Supplier background
		(RMB in thousands)				
2	Brand Partner B	96,222	18.1	30 days after the invoice date	1998	Brand Partner B is a subsidiary of a company headquartered in Germany and founded in 1990. It focuses on the R&D, production and sales of ophthalmic medical device with respect to imaging and healthcare IT technologies.
3	Brand Partner D	59,896	11.3	90 days after the invoice date	2002	Brand Partner D is a subsidiary of a leading provider of a complete approach to patient care headquartered in the United States and founded in 1992. Its core products facilitate the detection, management and treatment of disorders and diseases evidenced in the retina.
4	Brand Partner C	52,596	9.9	60 days after the invoice date	2015	Brand Partner C is a subsidiary of a global optical device developer. It develops and manufactures microscopes and scientific instruments for the analysis of microstructures and nanostructures.
5	Brand Partner F	45,805	8.6	Consumables: 30 days after the invoice date; Equipment: 30% prepayment, 30% for 30 days after the invoice date, another 30% for 60 days and the rest 10% for 90 days after the invoice date	2016	Brand Partner F is a company headquartered in the US and was founded in 2004. It is a commercial-stage medical device company focused on designing, developing and marketing an advanced femtosecond laser system for the treatment of cataracts and the management of pre-existing or surgically induced corneal astigmatism.
	Total	355,217	66.9			

Rank	Suppliers	Purchase amount	% of our purchases	Settlement term	Commencement of business relationship	Supplier background
		(RMB in thousands)				
For the year ended December 31, 2020						
1	Brand Partner A	115,049	21.2	90 days after the invoice date	2009	Brand Partner A is a subsidiary of a company headquartered in Germany and founded in 1958. It focuses on the R&D, production and sales of ophthalmic medic device with respect to refractive and therapeutic corneal surgery, as well as medical device for the treatment of a wide range of ophthalmology diseases.
2	Brand Partner B	85,741	15.8	30 days after the invoice date	1998	Brand Partner B is a subsidiary of a company headquartered in Germany and founded in 1990. It focuses on the R&D, production and sales of ophthalmic medical device with respect to imaging and healthcare IT technologies.
3	Brand Partner C	66,996	12.3	60 days after the invoice date	2015	Brand Partner C is a subsidiary of a global optical device developer. It develops and manufactures microscopes and scientific instruments for the analysis of microstructures and nanostructures.
4	Brand Partner D	65,083	12.0	90 days after the invoice date	2002	Brand Partner D is a subsidiary of a leading provider of a complete approach to patient care headquartered in the United States and founded in 1992. Its core products facilitate the detection, management and treatment of disorders and diseases evidenced in the retina.
5	Brand Partner E	48,156	8.9	60 days after the invoice date	1998	Brand Partner E is a subsidiary of a leading eye surgical product manufacturer group headquartered in Germany and founded in 1951. It develops and manufactures ophthalmic surgical equipment and consumables.
	Total	381,025	70.1			

Rank	Suppliers	Purchase amount	% of our purchases	Settlement term	Commencement of business relationship	Supplier background
		(RMB in thousands)				
For the year ended December 31, 2019						
1	Brand Partner A	157,052	25.4	90 days after the invoice date	2009	Brand Partner A is a subsidiary of a company headquartered in Germany and founded in 1958. It focuses on the R&D, production and sales of ophthalmic medic device with respect to refractive and therapeutic corneal surgery, as well as medical device for the treatment of a wide range of ophthalmology diseases.
2	Brand Partner B	104,431	16.9	30 days after the invoice date	1998	Brand Partner B is a subsidiary of a company headquartered in Germany and founded in 1990. It focuses on the R&D, production and sales of ophthalmic medical device with respect to imaging and healthcare IT technologies.
3	Brand Partner C	73,745	11.9	60 days after the invoice date	2015	Brand Partner C is a subsidiary of a global optical device developer. It develops and manufactures microscopes and scientific instruments for the analysis of microstructures and nanostructures.
4	Brand Partner D	63,682	10.3	90 days after the invoice date	2002	Brand Partner D is a subsidiary of a leading provider of a complete approach to patient care headquartered in the United States and founded in 1992. Its core products facilitate the detection, management and treatment of disorders and diseases evidenced in the retina.
5	Brand Partner E	41,549	6.7	60 days after the invoice date	1998	Brand Partner E is a subsidiary of a leading eye surgical product manufacturer group headquartered in Germany and founded in 1951. It develops and manufactures ophthalmic surgical equipment and consumables.
	Total	440,459	71.3			

As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest suppliers in each period during the Track Record Period. None of our suppliers are our major customers and vice versa.

Relationship with our Brand Partners

With over 20 years of operating history and experience in distributing global ophthalmic medical devices in China, we have established a well-recognized cross-border commercial distribution platform among our brand partners and we are the exclusive distributor for 17 out of our 19 our brand partners in China. We believe our brand partners value our capabilities ranging from helping their products obtain regulatory registration in China, managing customs and border entry, leveraging our rooted distribution network to market and sell their products and to handling the complex international shipping and domestic logistics requirements. By being the key contact managing relationships between the various vendors and stakeholders, our brand partners will not need to devote significant time and resources to navigate these often complex issues whilst we will be in a position to gain access to material information regarding the ophthalmic medical devices market in China and globally, including the latest products available, customer preferences, inventory levels and logistical challenges, among other things.

- *Regulatory registration*. Leveraging our extensive experience in the medical device regulatory registration process in China, we have helped our brand partners obtain product registrations in China, which is essential to admitting their products into the Chinese medical devices market. As of the Latest Practicable Date, of the 97 Distribution Products and products of Teleon and Roland, we assisted in obtaining the NMPA registration of 72 of them. The remainder of our Distribution Products either did not require registration (e.g. they are Class I Medical Devices) or our brand partners had obtained their registration before we engaged with them. The sales of medical devices are subject to the regulatory requirements of the NMPA. See "Regulatory Overview — Laws and Regulations Relating to Medical Devices" for details. Since most of our Distribution Products are classified as either Class II Medical Devices or Class III Medical Devices under the PRC laws, we are required to obtain and maintain certain registration with and approval from the NMPA for the sales of such Distribution Products in China. Our product registration resources, including our capabilities in coordinating resources for the various clinical trials that may be required for our Distribution Products have been critical in facilitating such regulatory approvals.

  Further, since certain provincial and municipal authorities in China have adopted and organized centralized procurement regime or volume-based procurement regime for medical device and consumables products sold to public hospitals and non-profit medical institutions in China, public hospitals and non-profit medical institutions participating in such regimes may only purchase products that have been admitted into the product catalogue determined in accordance with the centralized procurement regime. Moreover, certain public hospitals and non-profit medical institutions purchase medical devices and consumables through their own tendering process. See "Regulatory Overview — Laws and Regulations Relating to Medical Devices — Tendering Processes for Medical Devices" for details. The terms and procedures for participating in different regimes and tendering offer processes may differ from case to case and could be complex. The eligibility for entering

into the product catalogue under the centralized procurement regime and the outcome of the tender offer processes depend on a number of factors, including specifications, sales price, quality, clinical effectiveness, branding of the manufacturer and service quality. As the general distributor of our Distribution Products, we will participate in such regimes and tendering processes to market our Distribution Products to public hospitals and non-profit medical institutions. We believe our nationwide distribution network and our extensive experiences in participating in such tender processes are key to our brand partners' continued cooperation with us.

- *Distribution and after-sale service capabilities.* Leveraging our extensive distribution network and market position in China and strong technical service capabilities, we have been designated by many leading global ophthalmic medical brands as the exclusive distributor of their products in China. Through the marketing activities and market education efforts, we promote the awareness of our Distribution Products among ophthalmology professionals and penetrate the value chain for their products' full lifecycle. In addition, as we also provide technical services with respect to our Distribution Products, our in-house technicians attend the technical service training sessions of our brand partners to acquire in-depth knowledge and understanding about our brand partners' products to provide our end customers with after-sale services including the maintenance and repairing of the products.

- *Logistics coordination.* In general, our distribution agreements with our brand partners provided that we are responsible for the shipping, transportation and delivery of our Distribution Products in the course of the distribution. We engage leading nationwide third-party transportation service providers who are specialized in the transportation of precise devices and instruments to transport products from the ports, warehouses and sites designated by our brand partners or our warehouses to our end customers. We have established procedures in selecting the independent third-party transportation service providers we engage with, including detailed review of their operating history, fleet condition, reliability, level of fees charged, among other criteria. We require all logistics service providers to adhere to the regulatory standards and brand partners' specific requirements for product storage and transportation.

Brand Partner Acquisition and Maintenance

We strategically focus on brand partners in the global ophthalmic medical device industry whose products complement and diversify our existing product portfolio. We are selective in determining which new products should be admitted to our product portfolio, in particular having regard to market preferences, potential competing products and also whether such product may conflict with any of our existing Distribution Products or Proprietary Products. When deciding whether or not to introduce a new product to our product portfolio, our business development team will conduct research to understand the market for such product in China, including the sales performance and features and benefits of the products, potentially competing products already being sold in the Chinese market, other potential products that are available globally.

We screen prospective brand partners by first identifying products which we believe will help broaden the spectrum of our product portfolio. Our dedicated in-house international business development department will approach such potential brand partners to discuss the terms and conditions of the cooperation. In light of our market position in China, there have been brand partners who approached us to seek cooperation in China during the Track Record Period. In deciding whether to cooperate with them, we will take into account the sales performance and features and benefits of their products, as well as the research and development and quality control capabilities of such potential brand partners before admitting the target products into our portfolio. Our management team will hold meetings to assess whether to enter into distribution agreement with these potential brand partners. We developed one new brand partner in each of the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. Given our market position in China and leveraging our long-term relationships with our brand partners, we have a broader spectrum of products in our product portfolio that are sourced globally, thereby allowing us to provide patients in China with more affordable diagnosis and treatment options.

As a part of our strategy in maintaining and managing existing brand partners, we also endeavor to secure new businesses from our existing brand partners. We assign dedicated personnel to maintain the communication channel with each brand partner to collect the information about their new products and certain brand partners may offer us the opportunities of distribution of their new products in China before they seek collaboration with others. We will admit a new product into our portfolio after having regard to its overseas sales performance, compatibility with our existing products and the quality control capabilities of the brand partner in respect of such product.

We believe that once a service offering relationship begins, especially on a national and exclusive basis, there may be significant costs for our brand partners to transition to another distributor. We have established mature cooperation frameworks with our brand partners so that we may help them forecast the sales in the Chinese market to support their schedule of raw materials procurement and manufacturing workload. Our strong relationships with brand partners have led to stable engagement by, and recurring and sustainable business opportunities from them. We have maintained over 20 years of business relationships with many of our brand partners. During the Track Record Period and up to the Latest Practicable Date, we have discontinued our collaboration with only one of our brand partners because of our active management of our product portfolio and non-renewal of agreement with such brand partner. Such brand partner was primarily engaged in the manufacturing of products in support of the optometry process for contact lenses. Given that our product offering primarily focuses on the diagnosis, treatment and surgeries of ophthalmology diseases and is primarily sold to licensed medical institutions, we phased out such products given that they are less compatible to the rest of our products in our product portfolio.

Agreements with Our Brand Partners

We obtained the distribution rights of diagnostic equipment, surgical and treatment equipment and consumables from brand partners for agency services including registration, onward sales to distributors under our management and directly to hospitals and technical services. Key terms of our agreements with brand partners under the distribution model are summarized as below:

- *Term*. The terms of agreements with brand partners under the distribution model vary among different brand partners, and generally range from three to ten years for the initial term.

- *Authorized distribution area and exclusivity*. Generally, we are the exclusive distributor of authorized products of our brand partners in Greater China.

- *Technical service and parts warranties*. Generally, our brand partners provide us with initial training on the support and maintenance of their products and we agree to maintain a service team which is in charge of service and maintenance of the Distribution Products we sold. Certain brand partners provide parts-only warranty.

- *Downstream distributors*. We are generally allowed to engage downstream distributors, provided we remain fully liable for their activities, and we agree to ensure that the sub-distributors comply with our obligations under our agreements with the brand partners, where applicable.

- *Competing products*. We are generally not allowed to distribute any products that may compete with our authorized products within the authorized distribution areas.

- *Product prices*. The purchase price to be paid by us to brand partners is stipulated in the agreement.

- *Payment term*. The credit terms granted by our brand partners generally range from 30 to 90 days.

- *Sales target and minimum purchases requirements*. Our brand partners set periodic sales target or minimum purchase requirements for us which shall generally be negotiated on a yearly basis in accordance with the market conditions. If we fail to meet the sales target or minimum purchase amount requirements, or fail to meet the requirements for consecutive years, certain of our brand partners are entitled to terminate or adjust the scope of our distribution rights. We maintain communication with our brand partners in the course of our business with respect to the sales performance of the brand partners' products. In 2020, our total purchase amount from a brand partner was approximately 75% of its aggregated prescribed targets, and the purchase volume from another brand partner was approximately 73% of its aggregated prescribed target . Such deviations are primarily caused by the decline in our sales in 2020 due to COVID-19. Except for these, during the Track Record Period, we did not have any material shortfall with respect to the sales target or minimum purchase requirements of our brand partners. While the actual sales performance may deviate from the sales target or minimum purchase requirements set forth in our agreement with the brand partners, none of our brand partners has terminated our distribution rights or downward adjusted our scope of distribution rights due to our failure to meet the sales target or minimum purchases requirement during the Track Record Period. Given that our agreements with brand partners do not provide them with rights to impose penalty for failure to meet sales target or minimum purchases requirement, we do not expect the brand partners to impose retrospective penalty for the previous deviations between actual sales and the sales targets or minimum purchases amount.

- *Product warranty*. The brand partners warrant the products should be free from faults or defects, and the product liabilities shall be borne by our brand partners.

- *Intellectual property*. All the intellectual property rights in and to the products belongs to the brand partners, we and our distributors to be engaged by us are only allowed to use the intellectual property rights authorized by the brand partners only for the purpose of performance of the distribution agreements within the term of such agreements.

- *Termination clause*. Generally, our brand partners may terminate the distribution agreements if we fail to meet the sales target and/or minimum purchase requirements under the distribution agreements, or there is a change of control over us.

THE ACQUISITION OF TELEON AND ROLAND

In November 2020, we acquired Roland, a manufacturer of electrophysiological products, who was previously our brand partner and with whom we have cooperated for over 20 years. For the years ended December 31, 2019 and the ten months ended October 31, 2020, our purchase amount from Roland amounted to EUR1.9 million and EUR1.0 million, respectively. Roland contributed RMB3.6 million and RMB1.9 million to our consolidated revenue and gross profit for the year ended December 31, 2020. For the year ended December 31, 2021, the revenue and gross profit of Roland on standalone basis was RMB26.1 million and RMB10.9 million, respectively and its revenue and gross profit contribution to the Group during the same year was RMB15.4 million and RMB5.9 million, respectively. Its costs of goods sold for the year ended December 31, 2021 amounted to RMB9.5 million, representing 1.4% of our total costs of goods sold for the same period. The business of Roland remained stable after we completed the acquisition. Prior to the acquisition of Roland, we did not have any research and development capacity as to electrophysiological products. The acquisition of Roland enabled us to expand our portfolio of Proprietary Products to high-tech ophthalmological diagnostic systems and increase the revenue contribution of our Proprietary Products. We also inherited the research and development capabilities of Roland as well as its overseas distribution network.

In January 2021, we acquired Teleon, who was previously our brand partner and with whom we have entered into an exclusive distributorship agreement in 2017 for the sales of its products in China. Teleon is primarily engaged in the manufacturing of intraocular lenses (IOLs) and other ophthalmic medical equipment products. For the years ended December 31, 2019 and 2020, our purchase amount from Teleon amounted to EUR4.2 million and EUR2.9 million, respectively. For the year ended December 31, 2021, the revenue and gross profit of Teleon on standalone basis was RMB275.7 million and RMB155.4 million, respectively, and its revenue and gross profit contribution to the Group during the same year was RMB250.3 million and RMB140.1 million, respectively. Its costs of goods sold for the year ended December 31, 2021 amounted to RMB110.2 million, representing 16.0% of our total costs of goods sold for the same period. The revenue and gross profit of Teleon increased after we completed the acquisition because Teleon on standalone basis benefited from our overall strong recovery from the outbreak of COVID-19 and the general recovery of the European economy. The sales of Teleon to other members of the Group for the year ended December 31, 2020 amounted to RMB23.3 million and it increased by 9.0% to RMB25.4 million for the year ended December 31, 2021 as our sales of Teleon's products in China bounced

back in 2021 from the market low point in light of the outbreak of COVID-19 in 2020. In addition, the gross profit margin of Teleon on a standalone basis improved in 2021 as compared to 2020, primarily because (i) the labor costs component of Teleon's cost of sales did not increase in line with its revenue, as Teleon increased its production output without expanding the size of its manufacturing team; (ii) Teleon granted retention bonus and compensation to its manufacturing and other staff in 2020, aiming at ensuring a smooth transition following our acquisition; and (iii) as evidenced by the increase in average selling prices of Teleon's proprietary products, the revenue contribution of products carrying higher margin represented a higher proportion of the standalone revenue of Teleon in 2021 when compared to the preceding year. For details of the standalone financial information of Teleon for the years ended December 31, 2019 and 2020, see "Financial Information — Financial Information of Teleon". Through Teleon, we expanded our portfolio of Proprietary Products to include premium implants products. Prior to the acquisition of Teleon, we did not have any research and development capacity as to IOLs. By acquiring Teleon, we have gained access to the core intellectual properties relating to sectoral refractive and EDoF IOLs, enabling us to develop our R&D capability relating to IOLs, extending our business scope to the entire value chain of IOLs and reducing our reliance on upstream brand partners. We also inherited the overseas distribution network of Teleon of more than 50 regions.

In addition, as both Roland and Teleon manufacture their own products, our group labor costs increased from RMB30.9 million for the year ended December 31, 2020, which accounted for 5.9% of our total cost of sales, to RMB91.0 million for the year ended December 31, 2021, which accounted for 13.2% of our total cost of sales following the consolidation of Teleon and Roland into our Group.

We believe the acquisitions of Teleon and Roland were accretive to our business based on the below rationales:

- *Technology and R&D Capabilities*. Before the acquisitions, we did not have any technology or R&D capabilities as to intraocular lens or electrophysiological equipment. Through the acquisitions, we inherited the R&D resources and platform of Teleon and Roland. Such R&D resources included core intellectual properties relating to sectoral refractive and EDoF IOLs as well as the research and development personnel of Teleon and Roland. For details of such intellectual properties, please see "Statutory and General Information — B. Further Information about our Business — 2. Intellectual property rights of our Group". Our R&D on intraocular lens have been carried out under the leadership of Dr. Aleksey Simonov, the chief technical officer of Teleon, who had more than 20 years of R&D experience of intraocular lens. The acquisitions enabled us to establish the technology and R&D capabilities of our own, which would support our long-term business development by bringing technology advances for our products. Leveraging Teleon's development experience, we expect to further the research and development of hydrophilic and hydrophobic materials used in the manufacturing of intraocular lens products and expanding the intraocular lens product offering by covering pre-loaded and non-pre-loaded products. Also, by migrating the technology and R&D capabilities we inherited to China, we also laid the foundation to manufacture intraocular lens and electrophysiological equipment in China.

- *Enriching Product Portfolio*. The acquisitions of Teleon and Roland enriched our product portfolio by adding 19 and six types of Proprietary Products to our product portfolio, respectively, and enabled us to significantly improve the revenue contribution of our Proprietary Products. For the years ended December 31, 2019, 2020 and 2021, the revenue contribution of our Proprietary Products accounted for 1.1%, 3.0% and 28.0% of our revenue generated from sales of products for the same period, respectively. Such significant increase mainly reflected the revenue generated from the sales of intraocular lens products of Teleon and electrophysiological products of Roland after the acquisitions of Roland in November 2020 and of Teleon in January 2021. For the year ended December 31, 2021, the revenue generated from the sales of the products of Teleon and Roland amounted to RMB259.6 million and RMB36.5 million, representing in aggregate 93.7% of our revenue generated from sales of Proprietary Products for the same period, respectively, and such revenue would have been recognized as revenue generated from the sales of Distribution Products before our acquisitions. For the year ended December 31, 2021, the gross profit generated from the sales of the Proprietary Products of Teleon and Roland was RMB138.8 million and RMB19.8 million, respectively, representing in aggregate 95.7% of our gross profit generated from sales of Proprietary Products for the same period. In addition, the acquisition of Teleon also resulted in a more balanced revenue structure as the revenue contribution of Teleon's proprietary products was counted towards the revenue contribution of our ophthalmic medical consumables. In 2020, the sales of medical consumables accounted for only 14.6% of our total revenue, while in 2021 it accounted for 31.5% of our total revenue. The revenue generated from the sales of medical consumables further increased from 31.2% of the total revenue for the six months ended June 30, 2021 to 35.7% of the total revenue for the six months ended June 30, 2022.

- *Expanding Global Footprint*. With the acquisitions of Teleon and Roland, we also expanded our global footprints. Our Teleon and Roland product series have been sold all over the world, including developed markets in the Europe, Japan and South Korea, and developing markets, such as Latin America, Southeast Asia and Africa. As of the Latest Practicable Date, our Teleon products had been sold to 51 countries and regions, and our Roland products had been sold to 31 countries and regions. In 2020, sales outside Greater China accounted for only 0.6% of our total revenue, while it accounted for 20.4% of our total revenue in 2021. The revenue contribution of sales outside Greater China further increased to 21.7% of our total revenue for the six months ended June 30, 2022.

- *Promoting gross profit margin*. By penetrating into the upperstream value chain of the industry, the acquisitions enabled the Group to seize the value created in the course of manufacturing of the products, resulting in a higher gross profit margin. During the Track Record Period, our gross profit margin increased from 41.9% in 2019 to 45.3% in 2020 to 46.9% in 2021 and further to 48.7% for the six months ended June 30, 2022. For details, please see "Financial Information."

RESEARCH AND DEVELOPMENT

Research and development efforts are critical to our continued business growth. We actively develop new Proprietary Products and we strive to cover all major ophthalmic product lines.

As of the Latest Practicable Date, our Group had 39 R&D personnel, including 17 R&D personnel of Teleon and Roland, who joined our Group as a result of our acquisitions of Roland and Teleon in November 2020 and January 2021, respectively. Our R&D personnel possess an average of relevant experience of over ten years, many of whom were trained in mechanical engineering, electrical engineering, chemistry or material sciences. Our experienced R&D team has accumulated extensive expertise in optics, material sciences and process improvement, which enabled us to further the development of our pipeline products and evolvement of existing products. For example, our knowhow on hydrophilic and hydrophobic materials is expected to enable us to improve our intraocular lens products. We also engaged the founder of Teleon, Bernardus Franciscus Maria Wanders, as our R&D consultant. Bernardus Franciscus Maria Wanders was the inventor of more than ten patents as to intraocular lens. With extensive R&D experience, we believe that he will bring valuable clinical practice insights to our product design and development process.

We have obtained a series of intellectual property rights in relation to our technologies and products. See "— Intellectual Property." For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our total research and development expenses amounted to RMB2.7 million, RMB3.1 million, RMB23.5 million, RMB9.4 million and RMB22.4 million, respectively. The significant increase in such research and development expenses in 2021 was primarily due to the expansion of the size of our original research and development team after the completion of the acquisition of Teleon and Roland. We appointed management to Teleon and Roland, align their policies and procedures with ours and maintained regular communication with them to ensure a smooth integration of the acquired resources from Teleon and Roland under our management and control going forward. We also leverage the research and development knowhow and insights of Teleon to build up domestic manufacturing and research and development capacity as to intraocular lens products in China. Our domestic research and development centers in Shenzhen largely was designed and furnished with reference to those of Teleon. We also made secondment arrangement for Teleon's employee to China to introduce Teleon's successful development experience of intraocular lens products and facilitate the development of domestically manufactured intraocular lens. We expect our research and development expenses continue to increase in 2022 due to the expansion of our research and development team and upgrades of our research and development centers. For details, please refer to "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]".

Research and Development Strategy

We implement a clinical demand-oriented R&D strategy and focus on the research and development of ophthalmic devices that complement our existing product portfolio and broaden the spectrum of portfolio coverage. We strategically focus on research and development of intraocular lens products for treatment of refractive error and cataract, orthokeratology lens and ophthalmic surgical instruments.

From time to time, we may seek input from physicians and hospitals on the design and potential uses of new products and solicit feedback from them for our existing products. This is particularly critical for us as physicians and hospitals have first-hand knowledge of unmet clinical needs, surgeons' preferences and clinical practice trends in relation to medical devices, including our products. Leveraging our extensive network of KOLs, physicians, hospitals and medical associations, we have built various interaction channels with a large number of physicians, their affiliated hospitals and medical associations, including:

- *Academic communication and medical conferences*. We collaborate with reputable ophthalmology academic associations including Chinese Ophthalmological Society and China Medical Women's Association. During the Track Record Period, we held or sponsored over 100 medical conferences, including the Congress of Chinese Ophthalmological Society and the Congress of Corneal Refractive Surgery. These academic communications place us at the forefront of recent developments in the relevant fields and allow us to focus our R&D efforts in accordance with clinical trends.

- *Training programs*. We have a service training system and provide a full range of training to distributors and end customers in respect of customer service and operation of the devices. This creates opportunities for us to actively communicate with, and collect feedback from, a large number of physicians in Grade II/III hospitals that use our products. We also operate an online ophthalmic training platform named Gaush Online on WeChat, where we provide free training on the use of our products for physicians.

Interactions with KOLs and physicians have enabled us to have a profound understanding of clinical needs and to better position our R&D efforts in innovative products and product upgrades with significant market potential and clinical benefits.

Research and Development Approach and Process

Research and Development for Proprietary Products

We carry out our research and development through (i) our PRC subsidiaries, which focus on the development and manufacturing of optometry equipment, ophthalmic consumables and intraocular lenses; and (ii) our overseas subsidiaries, namely Teleon and Roland, which focus on developing intraocular lens materials, products and production processes and electrophysiology products, respectively. Leveraging these subsidiaries with different expertise, we are able to develop and manufacture new products to supplement our existing Proprietary Product lines. We have also enhanced our R&D capabilities through acquiring our upstream brand partners including Teleon and Roland, and we plan to continue such acquisition in the future. By acquiring control of ophthalmic medical device companies with strong R&D capabilities, we aim to enhance our R&D advantages for new types of products within shorter period of time. We also plan to form joint ventures with our core equipment brand partners with a view to develop and manufacture ophthalmic equipment in China. With respect to the Proprietary Product, we engaged a CRO for the development of our intraocular lens product during the year ended December 31, 2021. We also engaged a CRO for the registration of a Distribution Product during the six months ended June 30, 2022. The responsibilities of the CROs were limited to the coordination of the clinical trial and the

collection and analysis of clinical data, and they were not entitled to any intellectual property with respect to the products. The CROs are European and PRC companies and Independent Third Parties. The pricing of the services provided by the Relevant CRO was determined through arm's length negotiation. For the year ended December 31, 2021 and the six months ended June 30, 2022, the fees we paid to the CROs amounted to RMB0.2 million and RMB1.0 million, respectively.

For each R&D project, we decide the R&D direction and product framework and coordinate our subsidiaries to conduct R&D, summarized as follows:

- *R&D direction and framework identification*. Generally, the R&D teams of our subsidiaries will discuss the R&D status and direction on an annual basis, which will then be reported to our Board of Directors for review and approval.

- *Project plan and proposal.* Our research and development team is responsible for the formulation of R&D proposal and budgeting to implement the framework. We will then decide the features of the products under the product framework, and prepare relevant feasibility reports. The feasibility reports typically contain a market analysis, detailed development plan and budget, which will be submitted to our management or our Board for approval before the research and development project is launched.

- *Product design.* At this stage, the specifications of the prototype, individual components, manufacturing process and quality control and design of the new products will be determined by our R&D team having regard to the registration requirements of the NMPA or its competent branches and/or CE.

- *Clinical trials (if required)*. We conduct clinical trials for certain Class II and Class III pipeline products if required by applicable laws and regulations. See "Regulatory Overview — Laws and Regulations Relating to Medical Devices — Clinical Evaluation and Clinical Trials of Medical Devices." Specifically, we need to first complete the pre-requisite procedures for clinical trials, such as the approval from the ethics committee of the clinical trial institution, and NMPA (or its provincial branch) filing. We will then conduct an analysis on the necessity, feasibility, budget and timeline of the clinical trials. Based on such analysis, we will prepare a draft clinical trial plan and monitor the clinical trial procedures.

- *Regulatory approval*. Before we commercialize our new products, we will prepare formal applications to be submitted to the regulatory authorities including the NMPA (or its provincial branch) to seek approval for the commercialization of our products. The registration or record-filing of our Proprietary Products are under the name of our relevant subsidiaries.

Registration of our Distribution Products

Under the exclusive distribution agreements with our brand partners, our brand partners generally delegate us to carry out the operation and sales of their products in China, which include product registration and testing. Although we are not involved in the design of the products, we are responsible for the clinical trials, testing and registration of these products in China. Our brand partners may decide at their discretion whether record-filings or registrations of the Distribution Products may be made under our name as their registration agent. As advised by our PRC legal adviser, the valid record-filing or registration enables us to distribute the products in China, but whether or not we have obtained the status of registration agent does not impact on our ability to legally distribute such products in China. While we endeavor to obtain registration agent status to strengthen our relationship with our brand partners, our brand partners may nonetheless decide to register the products under their own name or a registration agent to preserve full control of the registration of the relevant Distribution Products. The Distribution Products may also have been registered without naming us as registration agent before we entered into collaboration with brand partners for distribution of such products in China.

We generally collaborate with third parties, including CROs, to manage, conduct and support the clinical trials of our Distribution Products. With respect to our Distribution Products, we help our brand partners identify suitable CROs for the registration of their products in China. Our brand partners would enter into agreements with the CROs directly, according to which the CROs undertakes the clinical trial services, including documentation, study start-ups, clinical monitoring, meeting coordination, project management, investigational product and data management, and statistical analysis. We cooperate with such CROs by providing certain information necessary for the clinical trial of the Distribution Products, which included, among others, quality assurance system and product portfolio information of the brand partners, product inspection report and specification of the Distribution Product, and such CROs do not charge us for the services they render for our brand partners.

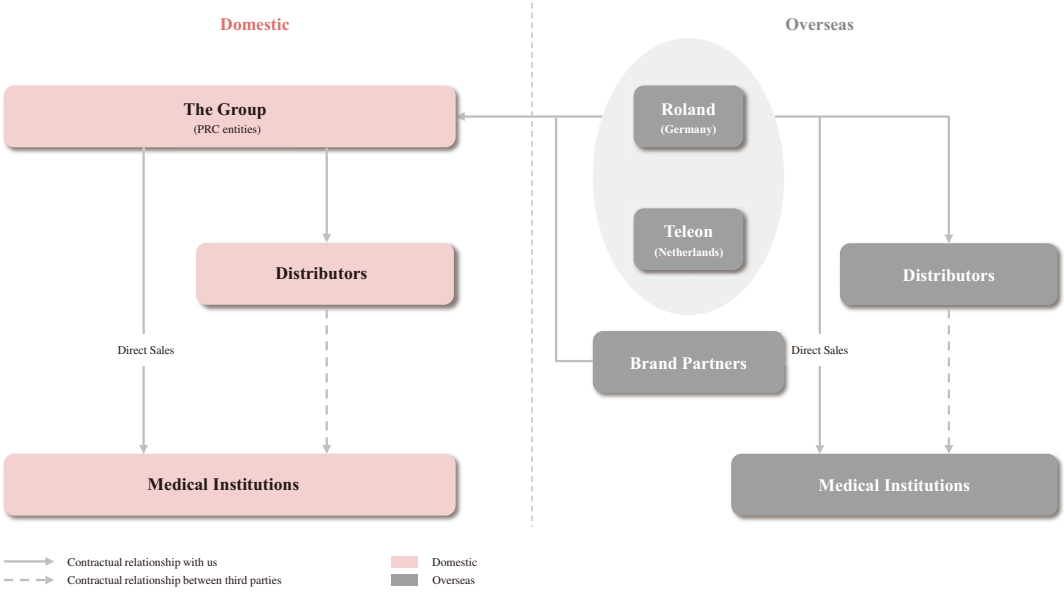
SALES AND DISTRIBUTION

Sales Model

We maintain an extensive sales network. Our sales network comprises (i) sales through domestic and overseas distributors; and (ii) direct sales to public and private hospitals and other customers in China and overseas. We distribute a broad spectrum of products in China, covering ophthalmic diagnostic equipment, treatment equipment, surgery equipment, as well as implants and other consumables. On the other hand, we and our overseas distributors distribute our Proprietary Products (including intraocular lens products of Teleon and electrophysiology test devices of Roland) and certain ophthalmic medical equipment as Distribution Products into different jurisdictions. The pricing and gross profit margin of our Proprietary Products sold represented the pricing and gross profit margin as the manufacturer of the products, while the pricing and gross profit margin of Distribution Products sold represented the pricing and gross profit margin as a distributor of the products. For details of the pricing of our major products and their benchmark price, please refer to "— Sales and Distribution — Our Product Portfolio and Technical Services" and "— Pricing".

The following chart illustrates the structure of our sales model.

Sales Model



Sales in China

As of the Latest Practicable Date, our products had been ultimately sold to over 4,000 end customers in China, including over 1,200 Class III hospitals and 1,500 Class II hospitals in all provincial administrative regions in China. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, we sold to 2,253, 2,179, 2,313 and 1,907 end customers, respectively. The following table sets forth our revenue generated in China by sales channel for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(Unaudited)			
	RMB'000 (except percentages)									
Distributors	574,192	52.4	539,367	57.4	618,981	61.2	247,291	56.5	235,631	53.2
Hospitals and other direct customers*	521,513	47.6	399,977	42.6	392,814	38.8	190,284	43.5	207,556	46.8
Total	1,095,705	100	939,344	100	1,011,795	100	437,575	100	443,187	100

Note:

* Direct customers other than hospitals mainly included research institutes.

Sales to Distributors

A majority of our sales in China is generated from the sale of our products through a network of domestic distributors, which is in line with industry practice, according to Frost & Sullivan. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, we had 888, 943, 917 and 556 distributors for domestic sales in China, respectively, which contributed to 52.4%, 57.4%, 61.2% and 53.2% of our revenue generated from sales in China in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively.

We generally operate a single-layer distribution system in China, where most of our domestic distributors on-sell our products directly to end customers, including hospitals and clinics. We collect the on-sale information of our domestic distributors. Based on the information collected, the revenue contribution of sales involving sub-distributors accounted for less than 5% of the revenue of each year during the Track Record Period. We also do not engage sub-distributors for the sales that are subject to the "Two-Invoice System". We believe that such distribution model enabled us to leverage the domestic distributors' customer base while managing costs, recoverability and accounts receivables, and this single-layer distribution system, compared to a multi-layer distribution system, allowed us to more efficiently manage and control our domestic distribution network and provided greater visibility over market demand. We classify our domestic distributors into (i) regional distributors, to which we delegate distribution rights of our specific products in the designated regions; and (ii) project-based distributors, who are responsible for the sales to end customer in specific procurement projects. Many of the end customers for our ophthalmic medical equipment products in China adopted project-based procurement mechanism for their purchase of medical equipment. Such procurement projects are generally independent from each other, involve different types of products and may not be recurring annually. According to Frost & Sullivan, such distribution model is the industry norm with respect to PRC medical device industry.

The following tables set forth the change in numbers of our domestic regional distributors and project-based distributors and their respective contribution to our revenue for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2019	**2020**	**2021**	**2022**
Domestic regional distributors				
Number at the beginning of the period	79	74	78	137
Increase[(1)]	28	22	75	40
Decrease[(2)]	33	18	16	37
Number at the end of the period	74	78	137	140

	For the year ended December 31,			For the six months ended June 30,
	2019	2020	2021	2022
Domestic project-based distributors				
Number at the beginning of the period	672	814	865	779
Increase[(1)]	530	502	437	173
Decrease[(2)]	388	451	523	536
Number at the end of the period	814	865	779	416

	For the year ended December 31,						For the six months ended June 30,			
	2019		2020		2021		2021		2022	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(Unaudited)			
	RMB'000 (except for percentages)									
Revenue contribution of										
Domestic project-based distributors	486,186	84.7	423,017	78.4	360,682	58.3	159,200	64.4	118,234	50.2
Domestic regional distributors	88,006	15.3	116,350	21.6	258,299	41.7	88,091	35.6	117,397	49.8
Total	574,192	100.0	539,367	100.0	618,981	100.0	247,291	100	235,631	100

Notes:

(1) The increase in domestic regional distributors represented those distributors to whom we granted the distribution right for selling our products within their authorized distribution regions for the period indicated.

(2) The decrease in domestic regional distributors represented those distributors whose distribution right for selling our products was terminated during the period indicated.

We continue to develop and optimize our domestic regional distributor network in China during the Track Record Period. The decreases in number of domestic regional distributors in respective years were mainly attributable to our proactive suspension of the distribution right of relevant distributors based on our evaluation of their annual performance. During the Track Record Period, we have terminated the distribution rights of our distributors due to (i) failure to meet the sales targets and demonstrate concrete plan to improve their sales in subsequent year; (ii) lapse of their license required for the distribution of our products; and (iii) occurrence of incidents that are not fully compliant with our distribution agreements. On the other hand, we continue to admit additional regional domestic distributors to streamline the management of our distribution network. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, we had 74, 78, 137 and 140 regional domestic distributors, respectively. The significant increase in the number of regional domestic distributors in 2021 was primarily attributable to our

efforts to expand the geographic coverage of our distribution network by recruiting additional regional domestic distributors. We favor regional domestic distributors as they provide better stability to and facilitate our management and control over our distribution network and the increasing coverage of our regional domestic distributors may result in the decrease in the number of domestic project-based domestic distributors.

In addition to our domestic regional distributors, we also had transacted with 814, 865, 780 and 416 project-based domestic distributors for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. The number of project-based domestic distributors for the six months ended June 30, 2022 was lower as it represented the number in a six-month period. The service life of our major medical equipment products generally ranges from five to 15 years and the customers of such products do not need to purchase such products until the service life expires. Therefore, our end customers' procurement projects are usually not annually recurring and they generally prefer adopting project-based procurement procedures facilitated by specific project-based domestic distributors. As such, our project-based domestic distributors may be our distributor in one specific year but may cease to be our distributor in the next year, depending on our end customers' specific project and preference. Our end customers' preference on the engagement of domestic distributors may depend on the specificity of the ophthalmic medical device products and may change over time. We engage project-based domestic distributors to better serve our end customers' differentiated needs in various procurement projects. This resulted in the year-on-year fluctuation of the number of our PRC project-based distributors. In addition, the number of our project-based domestic distributors increased from 814 in 2019 to 865 in 2020, while their aggregate revenue contribution decreased from RMB486.2 million to RMB423.0 million for the same periods. This was primarily attributable to decrease of sales of ophthalmic medical equipment (especially the ophthalmic medical equipment with higher unit price) in light of the outbreak of COVID-19 in 2020. On the other hand, the revenue contribution of our regional domestic distributors increased from RMB88.0 million for the year ended December 31, 2019 to RMB116.4 million for the year ended December 31, 2020. Unlike our project-based domestic distributors, many of our regional domestic distributors distributed ophthalmic consumable products. As consumables are utilized in each relevant ophthalmology surgical operations, while the replacement and purchase of equipment may not be of the same level of urgency, the trend of revenue contribution of regional domestic distributors differed from that of project-based domestic distributors in 2020 when compared to the preceding year. During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute or litigation with our domestic regional distributors or domestic project-based distributors.

Selection of Domestic Distributors

Benefiting from our brand reputation and exclusive distribution status of the products of our branding partners, we have experienced strong interest from domestic distributors to join our network of distributors. As a result, we selectively determine the distributors we engage by taking into account the past transaction volume, market potential and existing distributor coverage in the region. We strictly implement our "Compliance as Priority" policy with respect to selection of new distributors by inspecting the independence and good standing of the distributor candidates. We also require the distributor candidates to submit their licenses or qualification of the distributors (e.g. Business Operation License of Medical Devices (醫療器械經營許可證) and Business Operation Filing for Class II Medical Devices (第二類醫療器械經營備案憑證)) before granting the authorization to permit sales of Class III and Class II medical device products.

As of the Latest Practicable Date, to the Company's knowledge, all of our domestic distributors were Independent Third Parties. To the Company's knowledge, during the Track Record Period there have been four of our past employees leaving our Company and became controlling shareholder of our domestic distributor for our products. Our business with the domestic distributors where our past employees are involved have been conducted on normal commercial terms in our ordinary and usual course of business, and we considered the revenue contribution of such distributors to be insignificant. We keep evaluating the independence of distributors before engaging new distributors and during the annual evaluation of our existing distributors.

Management and Control of Domestic Distributors

The primary objective of our domestic distributor management is to ensure a healthy and orderly market for our products, to maintain high visibility of and accurately understand the sales performance of our distributors and demand for our products, and to build and protect our product and brand reputation. To that end, we primarily focus on prevention of cannibalization of sales among our distributors and inventory management and control. We primarily rely on distribution agreements, policies and measures we have in place to manage and control our domestic distributors. As we may not enter into distribution agreements with our sub-distributors, we endeavor to implement our management policy by procuring our primary distributors to enforce such policy with respect to the sub-distributors they engaged and hold such primary distributors accountable for the violation of the sub-distributors they engaged.

We maintain a domestic distributor management system with respect to our domestic distributors, including the following:

- *Upfront payment*. We generally require our domestic distributors to make full payment for the products they purchase before we ship the products. With respect to tailor-made products, full payment shall be made by installments based on the manufacturing cycle. Only in very exceptional cases, we may have granted credit term for domestic distributors.

- *Training*. We hold training sessions with respect to the products, sales, techniques and compliance for our domestic distributors based on the operation status of the domestic distributor. We have also established hierarchical accreditation system based on the attendance of the domestic distributors to the training sessions.

- *Evaluation.* We evaluate our domestic distributors with respect to their, among others, (i) compliance track record; (ii) sales performance; (iii) customer coverage; (iv) marketing commitment; and (v) collaboration with us. Evaluation is made at least on an annual basis and depending on the results of the evaluation, we may also conduct interim and quarterly evaluation of the domestic distributor. In addition, our internal audit and supervision department may conduct random checking for risk management purpose with respect to the domestic distributors' compliance with laws.

Prevention of Cannibalization

In order to avoid cannibalization of sales among our domestic distributors, we adopt the following measures:

- *Geographic restrictions*. Domestic regional distributors are required to sell our products only within their designated geographic regions. Generally, we do not grant authorization to domestic distributors for their sales out of the designated geographic regions. The authorizations are product based, and we may limit the types of products sold by certain distributors to manage potential cannibalization and competition among distributors. We do not engage project-based domestic distributor for sales to end customer in any region that has been covered by regional domestic distributor.

- *End customer monitoring*. We generally maintain close contact with our end customers during our sales and marketing efforts or through the provision of installation and technical services. We require our domestic distributors to report their on-sell customers, and our employees visit hospitals where our products are sold to understand which distributors they work with and monitor any potential instances of non-compliance with our distribution agreements or policies. As we are responsible for the installment of the medical equipment and also the maintenance and training of such equipment, we communicate closely with physicians and hospitals that use our products during the course of our technical services and through medical conferences and industry exhibitions that we attend in order to monitor the actual usage of our products and to collect feedback on our products and information on potential cannibalization.

Inventory Management and Control

Our domestic distributors who sell medical equipment products generally do not keep physical possession and inventory of the medical equipment products. As it takes time for the equipment to be shipped and installed before the end customer may use it for diagnosis and treatment, we usually ship the equipment directly to the end customer to ensure the safety of the products and mitigate the risks which may arise in the course of transportation. According to our agreements with our domestic distributors, generally the domestic distributors bear the risks of the products being impaired during transportation after the products are shipped to the designated shipping address. We evaluate the credentials and service terms of the logistics service providers and insure the products against the risks in the course of transportation. On the other hand, domestic distributors of consumables may keep their own inventory to satisfy the various demand and timeliness requirement of the end customer.

By implementing the following policies and measures, we believe we are able to ensure that our sales to distributors reflect genuine market demand for our products and prevent channel-stuffing of our products:

- *Upfront payment.* We generally require domestic distributors to make full payment before we arrange delivery of the products and only grant credit terms to limited number of creditworthy distributors. We believe that the such payment policy makes our domestic distributors effectively manage their cash flow and ensure that orders are made based on actual demand. Our trade receivable turnover days was 61 days, 71 days, 50 days and 55 days in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. For a detailed discussion of our trade receivables, see "Financial Information — Description of Certain Items from the Consolidated Statements of Financial Position — Trade Receivables."

- *Close monitoring*. In addition to the amount of inventory respectively kept by domestic distributors, we also collect information about our domestic distributors' sales performance periodically, and compare their inventory information with the sales performance. Based on the information collected over more than 20 years of operation, our knowledge and expertise of our domestic distributors' sales network, the demand of the end customers they cover and their procurement practices would enable us to identify orders with unusual large amount or those placed deviating from normal practice. We will check with relevant domestic distributors and conduct further inspections as we deem necessary.

- *Revenue recognition*. We maintain a buyer-seller relationship with our domestic distributors, and recognize revenue from sales to our domestic distributors when control of goods is transferred to them. In the case of ophthalmic medical equipment, where we usually ship the products directly to the end customers, we do not recognize any revenue until the products have been installed with the end-customers. The revenue generated from the sales of ophthalmic medical equipment accounted for 76.7%, 70.4%, 55.4%, 53.9% and 47.5% of our total revenue for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively.

- *Strict product return and repurchase policy*. We generally do not allow domestic distributors to return any unsold goods. For the product return request, we enter into a termination agreement with the customer specifying the original agreement to be terminated and the relevant products under the original agreement. For each period during the Track Record Period, the amount of our returned and repurchased goods accounted for less than 1.0% of our total revenue for the same period.

- *Distributor independence*. During the Track Record Period, to the best of our Directors' knowledge, all of our domestic distributors were Independent Third Parties. During the Track Record Period, we did not provide any material advance or financial assistance to our distributors. To the knowledge of our Company, (i) there is no other relationship or arrangement (family, business, financing, guarantee or otherwise in the past or present) between (a) each of our domestic distributors and sub-distributors during the Track Record Period, and (b) our Group, our Directors,

shareholders and senior management and their respective associates as of the Latest Practicable Date; and (ii) our Group, our Directors, shareholders and senior management and their respective associates have never financed, directly or indirectly, our Group's domestic distributors and sub-distributors for the purchase of our products during the Track Record Period and up to the Latest Practicable Date.

- *Restriction on engaging sub-distributors.* From time to time, some of our domestic distributors may engage sub-distributors, primarily due to the requirements of the end customers. However, we require our distributors to make written application with respect to the engagement of sub-distributors and report the engagement to us, and the sub-distributors need to obtain our authorization for the sales of our products to the end customers. Based on the information collected, the revenue contribution of sales involving sub-distributors accounted for less than 5% of the revenue of each year during the Track Record Period. See "— Domestic Distributor Agreement" for details.

Anti-corruption and Anti-bribery Measures

Domestic distributors are subject to anti-bribery obligations pursuant to the distribution agreement, under which domestic distributors (i) are prohibited from offering, paying or promising money or anything of value to our employees, agents or their respective relatives and friends; and (ii) are required to comply with and require their employees to comply with applicable anti-bribery laws and regulations.

Additionally, as advised by our PRC Legal Adviser, the National Health and Family Planning Commission of China has published Provisions on the Establishment of Commercial Bribery Blacklist in the Pharmaceutical Purchase and Sales Industries (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》) in 2013 with respect to anti-corruption and anti-bribery compliance by distributors and sub-distributors, which came into effect in March 2014 and stipulates that public medical and health institutions, in their medical procurement processes, will not purchase from or will give lower bid ranking to parties who are included in this blacklist depending on the occurrences of commercial bribery.

To the knowledge of the Company, none of our domestic distributors was or has been the subject of, or otherwise involved in, complaints, investigations, or regulatory enquiries in relation to, any bribery or kickback arrangements related to the Company during the Track Record Period and up to the Latest Practicable Date.

Domestic Distributor Agreements

The major terms of the distribution agreements for regional domestic distributors include:

- *Term*. The term of agreements with distributors is generally one year, which can be automatically extended to the next year if (i) the distributor meets the sales target of the current year; and (ii) both parties have reached an agreement on the sales target of the next year.

- *Authorized distribution area*. Generally, we only authorize our distributor to distribute our products to public hospitals in specific regions.

- *Authorized products and prices*. The distribution agreements specify the names and prices of the products which the distributors are authorized to sell.

- *Competing products*. We do not allow our distributors to distribute any products that may compete with our authorized products within the authorized distribution areas.

- *Sales target.* We set periodic sales target for our distributors and review their performance every half a year. Distributors shall report their sales improvement plan to us if they fail to meet the sales targets.

- *Shipping*. We are responsible for delivering the products to the places designated by our distributors at our expense. Ownership and relevant risks of the products are transferred to the distributors upon their arrival at the designated places.

- *Product warranty*. We are responsible for any quality defects within one year after the acceptance of our products. During the warranty period, we will adjust, repair or replace parts of the relevant products free of charge.

- *Payment term*. We generally require our distributors to pay us in full within five business days after confirming the order.

- *Termination*. Generally, we may terminate the distribution agreements if our distributors (i) perform unsatisfactorily; (ii) distribute our products outside the authorized regions; (iii) engage sub-distributors; and (iv) sell other products that may compete with our authorized products.

The major terms of the distribution agreements for project-based domestic distributors include:

- *Authorized products and prices*. The distribution agreements specify the names and prices of the products which the distributors are authorized to sell to end customers.

- *Shipping*. We are responsible for the packaging and shipping of products at our expense. We generally deliver the products to the places designated by our distributors after we receive the full payment. Ownership and relevant risks of the products are transferred to the distributors upon their arrival at the designated places.

- *Product warranty*. We are responsible for any quality defects within the warranty period, which is generally one year after the acceptance of our products. During the warranty period, we will adjust, repair or replace parts of the relevant products free of charge.

- *Payment term*. We generally require our distributors to pay us in full within five to ten business days after the signing date of the distribution agreement.

- *Intellectual property*. All intellectual property rights of the products, including but not limited to names, trademarks, patents, packaging, belong to us and the upstream manufacturers.

- *Termination clause*. It will constitute a breach of contract if (i) we fail to provide the specified products within the agreed time, or (ii) our distributors fail to make the payment within the agreed time, and the non-defaulting party may terminate the agreement if such default is not remedied.

Direct Sales to Domestic Hospitals and Other Customers

During the Track Record Period, a material amount of our sales in China were generated from direct sales to hospitals and clinics, primarily to two types of customers being (i) public hospitals, and (ii) private ophthalmic medical groups and other private hospitals. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, our direct sales to hospitals and other customers amounted to RMB521.5 million, RMB400.0 million, RMB392.8 million, RMB190.3 million and RMB207.6 million, respectively, representing 47.6%, 42.6%, 38.8%, 43.5% and 46.8% of our revenue for the same period, respectively.

- *Public hospitals*

We sell our products directly to large public hospitals. We gain direct access to large public hospitals primarily through our well-established brand reputation and broad product portfolio as well as our marketing and promotion efforts such as interactions with KOLs, sponsoring medical conferences and providing academic lectures, industry and conference information. We are required to participate in the public tendering process to gain eligibility for our products to be sold to them. We primarily sell to public hospitals diagnostic and treatment equipment and consumables and provide them with training and technical services.

We enter into purchase agreements with public hospitals. In general, we are responsible for delivering and installing the equipment and provide training and related services. Generally, public hospitals will pay us the purchase price after the completion of the installation of the equipment by us and its examination by the customer to ensure its proper functioning.

- *Private ophthalmic medical groups and other local independent private hospitals*

We sell directly to selected leading ophthalmic medical groups and local independent private hospitals. Through our long-term and continuous relationships with private ophthalmic medical groups, we gain access to their extensive hospital network. By marketing to local independent private hospitals we are able to expand our local footprint. We primarily sell to them diagnostic and treatment equipment and consumables and provide them with training and technical services.

We enter into purchase agreements with them. With respect to the sale of equipment, we are responsible for delivering and installing the equipment and provide training and related after-sale services. Generally, our customers make substantial prepayment for the equipment before its delivery, with the remainder being paid after the installation. However, considering the

qualification and purchase amount of the customer, in some circumstance where the local independent private hospitals we may require them to pay the full amount of the purchase price to us prior to the completion of the installation of the equipment. With respect to the sale of consumables, this is generally in accordance with an annual framework agreement and purchase orders are made based on the terms of such framework agreement. Depending on the qualification and purchase amounts of the customer, we may receive the purchase price before or after delivering the consumable products to them. In respect of the provision of technical services, these private ophthalmic medical groups and independent private hospitals will generally engage our technical services on an annual basis after the expiry of the initial warranty period of the equipment sold to them.

Overseas Sales of Roland and Teleon

Following our completion of acquisitions of Roland and Teleon, we also inherited the overseas distribution network of Roland and Teleon. For the year ended December 31, 2021 and the six months ended June 30, 2022, Roland and Teleon transacted with a total of 122 and 77 overseas distributors, respectively. For the years ended December 31, 2020 and 2021 and the six months ended June 30, 2021 and 2022, the revenue contribution of their sales to overseas distributors amounted to RMB2.6 million, RMB151.7 million, RMB71.7 million and RMB66.9 million and the revenue contribution of their sales to overseas direct-sale customers amounted to RMB2.2 million, RMB112.6 million, RMB56.1 million and RMB54.9 million, respectively. As of the Latest Practicable Date, the Teleon products had been sold to 51 countries and regions, and the Roland products had been sold to 31 countries and regions, including developed markets such as the Europe, Japan and South Korea, and developing markets, such as Latin America, Southeast Asia and Africa. We required our overseas distributors to enter into written contracts, which included, among others, anti-bribery provisions. As of the Latest Practicable Date, to the Company's knowledge, all of our overseas distributors were Independent Third Parties. To the knowledge of the Company, since we completed the acquisitions of Teleon and Roland, none of our overseas distributors was or has been the subject of, or otherwise involved in, complaints, investigations, or regulatory enquiries in relation to, any bribery or kickback arrangements related to the Company up to the Latest Practicable Date.

Overseas Distributor Agreements

The major terms of the distribution agreements for overseas distributors include:

- *Term*. The term of agreements with overseas distributors is generally one year, which may be extended for successive terms of one year provided that both parties have reached agreement.

- *Authorized distribution area*. Generally, we only authorize the overseas distributors to distribute our products in specific regions on an exclusive or non-exclusive basis.

- *Authorized products and prices*. The distribution agreements specify the names and prices of the products which the overseas distributors are authorized to sell.

- *Sales target*. We recommend a sales target for our overseas distributors, and such sales target shall be adjusted once every year. Failure to meet the recommended sales target may lead to suspension or non-renewal of the distribution agreement in the following year.

- *Competing products*. We do not allow our exclusive overseas distributors to distribute any products that may compete with our authorized products within the authorized distribution areas.

- *Shipping*. We are responsible for delivering the products to the places designated by our distributors at our expense. Ownership and relevant risks of the products are transferred to the distributors upon their arrival at the designated places.

- *Product warranty*. We warrant the products to be free from defects in materials and workmanship for one year from delivery. During the warranty period, we may provide replacement or reimbursement of the purchase price.

- *Payment term*. Overseas distributors shall make payment within 30 days after the invoice date.

- *Termination clause*. Parties may terminate the distribution agreement upon bankruptcy, solvency or change of control.

Marketing

Our marketing department is responsible for the marketing of products and branding management. As well as supervising the manner in which our products are marketed and branded, our marketing department will also plan and advertise conferences, liaise with medical magazines and design online marketing campaigns. As of the Latest Practicable Date, our domestic sales and marketing team comprised 280 employees. We adopt and uphold a value-creation oriented marketing strategy. Based on our branding and strong technical support capability, we strive to create value for our customers and establish a quality end-user base, especially Class IIIA hospitals with strong ophthalmology capabilities. Our promotion and marketing activities include (i) operating our proprietary Gaush Online (高視在線) platform; (ii) sponsoring academic promotion and attending medical conferences and industry exhibitions; and (iii) word-of-mouth marketing based on our branding and quality services.

We operate our proprietary Gaush Online platform, which is an ophthalmic online education platform widely recognized among the ophthalmologist community, according to Frost & Sullivan. We established Gaush Online through years of operation. As of the Latest Practicable Date, more than 40,000 users were following the official accounts of Gaush Online platform on WeChat. Through the Gaush Online platform, we provide ophthalmology practitioners with free training sessions, academic lectures, industry and conferences information. We invite reputable experts and KOLs to deliver training sessions with respect to the diagnosis and treatment of ophthalmology diseases, and also share the advantages and features of our Proprietary Products and our Distribution Products on the Gaush Online platform. As of the Latest Practicable Date, we had launched 324 video and live streaming training sessions, covering topics including imaging diagnosis, fundus oculi surgery, cataract, refractive error, ocular surface disease, and there had been an accumulation of more than 500,000 visits to the training sessions and the live streaming sessions on our Gaush Online platform.

We also engage in extensive academic promotion activities with KOLs, physicians, hospitals and medical associations and take a twofold marketing approach for academic promotion by collaborating with our distributors and customers in the course of academic promotion. We invite our distributors to attend the conferences and industry exhibitions we hold or sponsor and may also attend the academic or marketing events held by our distributors or customers. In the course of such marketing activities, we may present samples of our products to the physicians and end-customers and our sales team and technicians will demonstrate the features and advantages of the products we sold to the attendees.

To promote our products and brand overseas, we attend international medical conferences from time to time to directly introduce our products to overseas customers and collect product feedback. During the Track Record Period, we primarily participated in the Congress of European Society of Cataract & Refractive Surgeons (ESCRS).

Pricing

The primary objectives of our pricing policies include preserving competitiveness and profitability of our products and promoting market shares. We generally price our products based on their costs, our operating expenses and regional competitive landscape, while taking into consideration of the features, functionality and technical advantage of the products. Please refer to "— Our Product Portfolio and Technical Services" for the benchmark prices of our major products.

Our sales to overseas distributors primarily represented the sales of products by Teleon and Roland in Europe and other jurisdictions. We determine the pricing of such products with reference to the pricing historically agreed by Teleon and Roland with its distributors before our acquisitions, and also take into account the fluctuations in the market demand in the target jurisdiction. With respect to our sales of medical consumables in China, we may participate in the centralized volume-based procurement regimes established within respective regions. When deciding whether to participate in certain centralized volume-based procurement regime and the products to be admitted, we primarily consider the sales coverage of our products in the regions, spending power of the end customers and market demand in the regions, as well as the implication on future pricing of the products sold outside the regions under the volume-based procurement regime. Our products would be eligible for future procurement by the hospitals and medical institutions who participated in such regimes in that particular region. In May 2020, we admitted our product to a centralized volume-based procurement regime for the first time. The bidding prices determined in such process generally determine the highest price on which the patients in the region purchase our products. In addition, the centralized volume-based procurement regimes primarily focus on medical consumables, including our intraocular lens products, and do not apply to our medical equipment product. Additionally, certain of our products may be sold through non-public tender processes such as invitation tenders, competitive negotiations and single-source procurement, or are sold to private medical institutions and scientific research institute through or commercial public tender process, and therefore are not subject to the government directed public tender processes under any regional centralized procurement regime. See "Regulatory Overview — Laws and Regulations Relating to Medical Devices — Tendering Processes for Medical Devices."

We have participated in the centralized volume-based procurement in 28 provinces in the PRC. The other three provinces (i.e. Jiangsu, Shanghai and Yunnan) also have their respective centralized volume-based procurement regime, but we either did not participate in the tender process or failed to admit our products in the centralized volume-based procurement regime, which was primarily attributable to the pricing of our products. As of the Latest Practicable Date, four of our products, namely Lentis spherical intraocular lens (PCA81), Lentis aspherical monofocal intraocular lens (L-312), Lentis Comfort EDoF intraocular lens (LS-313 MF15) and Lentis Comfort EDoF intraocular lens (LS-313 MF15T) had been sold under at least one centralized volume-based procurement. Except for Lentis Comfort EDoF intraocular lens (LS-313 MF15T), which was not admitted into any centralized volume-based procurement regime until December 2021, the aggregate revenue generated from our sales of the four products in China increased significantly after they became admitted into centralized volume-based procurement regime in mid-to-late 2020, while their admissions to the centralized volume-based procurement regime resulted in a decrease in their average sale prices by 8% to 16% in the first fiscal year after being admitted. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the aggregate sales volume of the four products amounted to approximately 41,000 pieces, 30,000 pieces, 54,000 pieces and 29,000 pieces, respectively, and the aggregate sales of the four products in China amounted to RMB28.3 million, RMB24.3 million, RMB56.0 million and RMB31.6 million, respectively. The decrease in sales volume and amount in 2020 comparing to the preceding year was primarily attributable to the decline of market demand in light of the outbreak of COVID-19 in 2020 and admission of three of such products in 2020 contributed to the increase in sales volume and amount in 2021. The increase in 2021 also reflected our strong recovery from the market low point in light of the outbreak of COVID-19.

Given that we have the discretion to apply for admission with respect to specific type of product into the centralized volume-based procurement regimes and the sales of many of our products are still under-penetrated in China, we believe the centralized volume-based procurement regimes will not have any material adverse impact on our business operations and financial performance in the foreseeable future. In fact, we leverage the centralized procurement regimes to improve the penetration of our products at reasonable price. Admission into the centralized volume-based procurement regime had impact on the pricing at which the products were sold to the end customers. The price at which the four products were sold to the end customers ranged between RMB2,050 per piece and RMB19,800 per piece before being admitted into centralized volume-based procurement regime, while it ranged between RMB490 per piece and RMB6,200 per piece after being admitted into centralized volume-based procurement regime. We evaluate the size of underlying market of specific type of products as well as the willingness and ability to pay of the patients in the regions covered under specific centralized volume-based procurement regime. We selectively decide the type and pricing of the products to be admitted and expect to enlarge the revenue contribution of the products by entering into the regime at reasonable margin.

Certain local authorities have implemented the "Two-Invoice System" with respect to the purchase of medical consumables in the regions under their administration to control the price of medical consumables by reducing layers of distribution and limiting price markups during the distribution process. As advised by our PRC Legal Adviser, the Two-Invoice System mainly targets the sales of high-value medical consumables and our sales of ophthalmic medical equipment are not subject to Two-Invoice System, and unlike the pharmaceuticals for which the "Two-Invoice System" was strictly implemented in the PRC, the implementation of the "Two-Invoice System" for high-value medical consumables was only encouraged (not required) by the State Council.

Furthermore, Pursuant to the Reply of the National Healthcare Security Administration to Recommendation No. 1209 of the Second Session of the 13th National People's Congress (《國家醫療保障局對十三屆全國人大二次會議第1209號建議的答覆》) issued by NHSA on July 23, 2019, "Two Invoice System" for high-value consumables needs to be further discussed given the tremendous differences between high-value consumables and pharmaceuticals and the complexity of clinical use and after-sales service. As such, the progress of implementation of the "Two-Invoice System" varies in different provinces. As advised by our PRC Legal Adviser, as of the Latest Practicable Date, six provinces (including Fujian, Shaanxi, Anhui, Qinghai, Tibet, and Liaoning) in the PRC formulated their provincial rules requiring public hospitals to implement the "Two-Invoice System" in the field of high-value medical consumables, and there was no implementation timeline in other provinces for the mandatory implementation of the "Two-Invoice System". In provinces where the provincial competent authorities have formulated relevant rules requiring public hospitals to implement the Two-Invoice System in the field of high-value medical consumables, the sales by the national general distributor are treated as the sales by the manufacturer of the products for the purposes of the "Two-Invoice System". Although certain Distribution Products are not under exclusive distribution arrangement with the relevant brand partners, the sales of such products in provinces where public hospitals are required to implement the Two-Invoice System accounted for less than 0.03% of our aggregate revenue during the Tack Record Period. Based on the foregoing, the Company believes that substantially all of our sales of Distribution Products are treated as sales by the manufacturer of the products for the purpose of the Two-Invoice System. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, we had six, seven, eight and seven domestic distributors which cover at least one province where the sales of our ophthalmic medical consumables are subject to the Two-Invoice System, respectively. Public hospitals in those regions where the "Two-Invoice System" has been implemented may trace and check our sales prices to distributors in order to control markups charged by the distributors. As the Two-Invoice System reduced the layers of distribution in the respective regions, when compared to the distribution price and terminal price in the other areas, our sales prices to domestic distributors in those regions may be higher while the purchase price paid by end-customers may be lower. Although the Company may engage domestic distributors and/or sub-distributors for the sales of the Group's products, the Company further confirms that (1) as advised by our PRC Legal Adviser, the Two-Invoice System does not apply to the sale of medical equipment which contribute the majority of the Group's sales revenue, being ophthalmic diagnostics equipment, and substantially all of our sales of Distribution Products are treated as the sales by the manufacturer of the products for the purpose of the Two-Invoice System; (2) in provinces where the local competent authorities have formulated relevant rules requiring public hospitals to implement the "Two-Invoice System", the Group's revenue from sales of medical consumables accounted for less than 2.5% of our aggregate revenue during the Track Record Period, and (3) our PRC Legal Adviser also confirmed that they did not find our PRC subsidiaries violated the "Two-Invoice System" or the centralized volume-based procurement regime based on their sampling review of medical consumables in the above-mentioned provinces and their desktop searches; (4) the Company does not engage sub-distributors for the sales that are subject to the "Two-Invoice System"; (5) during the Track Record Period and up to the Latest Practicable Date, the Company has not been notified of any violation of the Two-Invoice System or the centralized volume-based procurement by any government authorities in any provinces.

On the other hand, as advised by our PRC Legal Adviser, each provincial administrative region in the PRC has implemented centralized volume-based procurement scheme for intraocular lenses individually or jointly, and since the General Office of the State Council released the Promulgation of the Reform Plan for the Control of High-value Medical Consumables in July 2019, the NHSA successively started the centralized volume-based procurement for coronary stent and joint prosthetic joint. In May 2021, the NHSA and the other seven PRC authorities released the Guiding Opinions on National Organization of Centralized Volume-based Procurement and Use of High-Value Medical Consumables, which clearly stipulated that some high-value medical consumables with increased clinical usage, high purchase amount, mature clinical use, sufficient market competition, and high level of homogeneity would be included in the scope of volume-based procurement. In February 2022, during a press conference of the State Council, a deputy director of the NHSA said centralized volume-based procurement would be focused on orthopedic consumables, drug-coated balloons, and dental implants, and the NHSA strove to include at least five varieties of high-value medical consumables into the centralized volume-based procurement by the end of 2022. However, as confirmed by our PRC Legal Adviser, there was no implementation timeline for the centralized volume-based procurement for intraocular lenses at the state level as of the Latest Practicable Date.

Based on the foregoing, our PRC Legal Adviser is of the view that we had complied with the applicable laws and regulations in respect of the Two-Invoice System and centralized volume-based procurement regimes in all material aspects throughout the Track Record Period and up to the Latest Practicable Date in the provincial administrative regions in China where such mandatory implementation applied. We would closely monitor the implementation progress of the Two-Invoice System and centralized volume-based procurement regimes by conducting regular public search on the relevant topics and maintaining frequent communication with industry players. Where the Two-Invoice System extends to cover additional regions, we would timely notify the personnels responsible for managing the domestic distributors and initiate adjustment of distributorship with such distributors, requiring them to comply with the Two-Invoice System. We would also timely make appropriate filing and registration for the status of the Company under the Two-Invoice System to ensure that the sales by the Group of its products being deemed as sales by the manufacturer of the products for the purpose of the Two-Invoice System and adjust our management system of distributors to ensure that we continue not to engage sub-distributors for the sales that are subject to the Two-Invoice System. See "— Sales and Distribution — Sales in China — Direct Sales to Hospitals and Other Customers."

OUR CUSTOMERS

During the Track Record Period, our customers generally included (i) domestic and overseas distributors; and (ii) hospitals and clinics. The following table sets forth details of our five largest customers in each period during the Track Record Period.

Rank	Customer	Transaction amount	% of total revenue	Settlement term	Commencement of business relationship*	Customer background
		(RMB in thousands)				
For the six months ended June 30, 2022						
1	Customer A	53,575	9.3	Regular equipment: 50% prepayment before delivery and the rest 50% paid within 90 days upon installation and acceptance. Centralized procurement equipment: 70% prepayment before delivery and the rest 30% paid within 90 days upon installation and acceptance, or 100% payment after acceptance.	2003	A large private ophthalmology hospital group which has more than 100 hospitals and procurement platform companies
2	Customer K	29,863	5.2	Full prepayment before delivery	2019	A private ophthalmology hospital group which has more than 20 hospitals
3	Customer B	20,212	3.5	Regular equipment: 50% prepayment before delivery and the rest 50% paid within 90 days upon installation and acceptance. Centralized procurement equipment: 70% prepayment before delivery and the rest 30% paid within 90 days upon installation and acceptance, or 100% payment after acceptance.	2003	An ophthalmology hospital group which has more than 200 hospitals
4	Customer L	7,589	1.3	14 days	2018	A global vendor finance company
5	Customer I	6,985	1.2	60 Days	2011	Medical Consumables Supplier
	Total	**118,224**	**20.5**			

Rank	Customer	Transaction amount	% of total revenue	Settlement term	Commencement of business relationship*	Customer background
		(RMB in thousands)				
For the year ended December 31, 2021						
1	Customer A	113,247	8.7	Regular equipment: 50% prepayment before delivery and the rest 50% paid within 90 days upon installation and acceptance. Centralized procurement equipment: 70% prepayment before delivery and the rest 30% paid within 90 days upon installation and acceptance, or 100% payment after acceptance.	2003	A large private ophthalmology hospital group which has more than 100 hospitals and procurement platform companies
2	Customer B	26,714	2.1	Regular equipment: 50% prepayment before delivery and the rest 50% paid within 90 days upon installation and acceptance. Centralized procurement equipment: 70% prepayment before delivery and the rest 30% paid within 90 days upon installation and acceptance, or 100% payment after acceptance.	2003	An ophthalmology hospital group which has more than 200 hospitals
3	Customer H	17,929	1.4	60 Days	2016	Medical Consumables Supplier
4	Customer I	16,549	1.3	60 Days	2011	Medical Consumables Supplier
5	Customer J	14,408	1.1	30 Days	2011	Medical Consumables Supplier
	Total	188,847	14.5			

Rank	Customer	Transaction amount	% of total revenue	Settlement term	Commencement of business relationship*	Customer background
		(RMB in thousands)				
For the year ended December 31, 2020						
1	Customer A	80,107	8.3	Regular equipment: 50% prepayment before delivery and the rest 50% paid within 90 days upon installation and acceptance. Centralized procurement equipment: 70% prepayment before delivery and the rest 30% paid within 90 days upon installation and acceptance, or 100% payment after acceptance.	2003	A large private ophthalmology hospital group which has more than 100 hospitals and procurement platform companies
2	Customer B	32,033	3.3	Regular equipment: 50% prepayment before delivery and the rest 50% paid within 90 days upon installation and acceptance. Centralized procurement equipment: 70% prepayment before delivery and the rest 30% paid within 90 days upon installation and acceptance, or 100% payment after acceptance.	2003	An ophthalmology hospital group comprised of more than 200 hospitals
3	Customer D	17,617	1.8	100% full payment before delivery, or 70%/90%/95% prepayment before delivery and the rest 30%/10%/5% shall be paid within 90 days upon the installation and acceptance.	2006	A large private ophthalmology hospital group which has more than 50 ophthalmology hospitals and procurement platform companies
4	Customer F	11,924	1.2	100% prepayment	2015	Sales of medical devices
5	Customer G	11,864	1.2	Payment after delivery	2016	A Class IIIA public hospital
	Total	153,545	16.0			

Rank	Customer	Transaction amount	% of total revenue	Settlement term	Commencement of business relationship*	Customer background
		(RMB in thousands)				
For the year ended December 31, 2019						
1	Customer A	94,157	8.5	Regular equipment: 50% prepayment before delivery and the rest 50% paid within 90 days upon installation and acceptance. Centralized procurement equipment: 70% prepayment before delivery and the rest 30% paid within 90 days upon installation and acceptance, or 100% payment after acceptance.	2003	A large private ophthalmology hospital group which has more than 100 hospitals and procurement platform companies
2	Customer B	60,696	5.5	Regular equipment: 50% prepayment before delivery and the rest 50% paid within 90 days upon installation and acceptance. Centralized procurement equipment: 70% prepayment before delivery and the rest 30% paid within 90 days upon installation and acceptance, or 100% payment after acceptance.	2003	An ophthalmology hospital group which has more than 200 hospitals
3	Customer C	45,809	4.1	100% full payment before delivery, or 50% prepayment before delivery and the rest 50% paid within 90 days upon installation and acceptance.	2018	A large private ophthalmology hospital group which has more than 20 ophthalmology hospitals and procurement platform companies
4	Customer D	27,086	2.4	100% full payment before delivery, or 70%/90%/95% prepayment before delivery and the rest 30%/10%/5% paid within 90 days upon installation and acceptance.	2006	A large private ophthalmology hospital group which has more than 50 ophthalmology hospitals and procurement platform companies
5	Customer E	23,873	2.2	100% prepayment	2017	A group of companies that manufacture optical medical equipment
	Total	251,621	22.7			

Note:

* The commencement of relationship with a group is determined by the earliest time an entity within the group had entered into relationship with our Company.

During the Track Record Period and up to the Latest Practicable Date, we had not experience any significant delay of payments due from our five largest customers in each period during the Track Record Period, and to the Company's knowledge, none of our five largest customers in each period during the Track Record Period had any material issues with their financial position or liquidity status.

As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of the Company as of the Latest Practicable Date, had any interest in any of our five largest customers in each period during the Track Record Period.

MANUFACTURING

Production Process

We manufacture our Proprietary Products, which mainly includes (i) implants, which mainly refers to various intraocular lens, and; (ii) diagnosis equipment, which consists of electrophysiology equipment. Implants and diagnosis equipment involve different production processes and techniques.

The key steps in the manufacturing process of our implant products and electrophysiology equipment are set out below. It generally takes two to five weeks for us to complete the manufacturing of intraocular lens and one to three months for electrophysiology equipment.

Implants

Equipment

Manufacturing Facilities and Production Capacity

We produce and assemble our products at our domestic manufacturing facilities in Zhejiang, Jiangsu and Guangdong, and our overseas manufacturing facilities in the Netherlands and Germany. Our manufacturing facilities have a total GFA of over 10,000 square meters. Our manufacturing facilities primarily consist of production lines, cleanrooms, sterilization plants and warehouses. As of the Latest Practicable Date, we had a domestic manufacturing team of 89 employees and an overseas manufacturing team of 50 employees.

We procure manufacturing machinery and equipment from time to time based on our production needs. The life span of our manufacturing machinery and equipment generally ranged between three to ten years, and as of the Latest Practicable Date, our major machinery and equipment had been in operation for up to eight years. We perform routine and preventative maintenance on our manufacturing machinery and equipment to ensure their proper functioning. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material interruption to our production process due to machine or equipment failure.

The following table sets forth the production capacity, actual production volume, and utilization rate of our manufacturing facilities by product types for the periods indicated.

	For the year ended December 31,									For the six months ended June 30,		
	2019			2020			2021			2022		
	Production capacity[(1)]	*Production volume*	*Utilization rate (%)*[(2)]	*Production capacity*[(1)]	*Production volume*	*Utilization rate (%)*[(2)]	*Production capacity*[(1)]	*Production volume*	*Utilization rate (%)*[(2)]	*Production capacity*[(1)]	*Production volume*	*Utilization rate (%)*[(2)]
Ophthalmic medical equipment												
Electrophysiology equipment	–	–	–	–	–	–	163	142	87.1%	82	51	62.2%
Other multi-function diagnostic equipment[(3)]	814	454	56.0%	814	626	77.0%	770	832	108.1%	481	369	76.7%
Ophthalmic medical consumables												
Introcular lens	–	–	–	–	–	–	603,016	297,000	49.3%[(4)]	230,000	168,000	73.0%
Surgical instrument	–	–	–	–	–	–	165,900	3,033	1.8%[(5)]	82,950	2,953	3.6%

Notes:

(1) Production capacity refers to the reasonable maximum units of products that our manufacturing facilities and personnel can produce in a period. The production capacity of specific type of product may vary according to its manufacturing process. Our production capacity as to intraocular lens and electrophysiology equipment represented the production capacity of Teleon and Roland, which we completed the acquisitions in January 2021 and November 2020. We did not take into account their production volume and capacity before 2021.

(2) Utilization rate refers to the percentage of the production volume to the annualized production capacity as of the end of the respective years.

(3) Other multi-function diagnostic equipment primarily included fundus camera, slit lamp, corneal topography, retinometer and contrast sensitivity instrument. The decrease in the utilization rate of our ophthalmic medical equipment production line was primarily attributable to allocation of our production capacity. We utilized our production lines to the production of certain relatively high-value ophthalmic medical equipment. In addition, the supply chain of our domestic production lines was also negatively affected by the temporary lockdowns during the six months ended June 30, 2022.

(4) We established out production capacity as to intraocular lens in 2021 after we acquired Teleon and procured additional production equipment in 2021, resulting in an increase in production capacity. On the other hand, in response to the weakened market demand for intraocular lens products primarily attributable to the outbreak of COVID-19 in 2020, Teleon adjusted its production plan for intraocular lens products accordingly. Given the time gap between production planning and actual production, the results of such adjustment was reflected in the production volume in 2021, and the proportion of order quantity as to higher-end intraocular lens started to increase since 2020. Therefore, in 2021, Teleon allocated a higher portion of production capacity to produce higher-end intraocular lens with higher gross profit margin. In contrast to normal products where there may be only one focus, the lathing and milling process of such higher-end products took longer as multiple focus or additional crafting may be required to provide the product with additional function. The quality control process of such products also took longer as it involved additional testing parameters. Following the market recovery in 2021 and receipt of increasing orders, the production of intraocular lens is expected to increase in 2022. These collectively resulted in the relatively low utilization rate in 2021.

(5) The production capacity as to surgical instruments primarily represented that of disposable scalpel, for which the NMPA registration was obtained in July 2022. The production of disposable scalpel primarily served the demand for samples in the course of research and development, clinical trial and registration.

RAW MATERIAL AND SUPPLIERS

Our Raw Materials

The principal raw materials for our products include, among others, hydrophobic acrylic button and hydrophilic acrylic material blank for manufacturing of intraocular lens. Our procurement department is responsible for making procurement plans, placing orders with suppliers and managing suppliers. For key raw materials, we require our suppliers to provide us with product quality inspection reports. We also keep records of purchase orders and raw material shipments. Our research and development department and quality control department are also involved in the procurement process and participate in raw material quality control.

Our Raw Material Suppliers

Unlike our brand partners, who sell to us Distribution Products directly for sale onward and collaborate with us with respect to the product registration and trainings as to the maintenance and repair of products, our suppliers supply us with raw materials utilized in the course of our manufacturing, and we do not need to discuss with our raw material suppliers with respect to obtaining registration of medical device for their products or their after-sale services and technical support. We generally enter into supply agreements with our raw material suppliers on a case-by-case basis. According to these supply agreements, we and our raw material suppliers generally determine the price on an annual basis with reference to the type and market price of raw materials, and we usually make prepayment for the raw materials. We shall place orders for our purchases of the raw materials and the orders shall specify the type, parameter and quantities requested. We shall also provide our suppliers with rolling forecast of demand for their products.

During the Track Record Period, we did not experience any material disputes with raw material suppliers, difficulties in the procurement of raw materials, interruptions in our operations due to a shortage or delay of raw materials or significant fluctuations in raw material prices. See "Risk Factors — Risks Relating to Our Business and the Industry — We have relied on and expect to continue to rely on third parties to supply raw materials to manufacture our products, and our business could be harmed if we are unable to obtain such raw materials in sufficient quantities or at acceptable quality or prices."

Inventory Control Measures

Our inventories consist of raw materials, work-in-progress and finished products. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had inventories of RMB195.8 million, RMB239.6 million, RMB240.1 million and RMB266.0 million, respectively. Under our inventory control policy, we regularly monitor and analyze our historical procurement, production and sales statistics and adjust our inventories to meet customer demand in a timely manner without causing inventory accumulation. We maintain an inventory level based on anticipated product demand and production schedule.

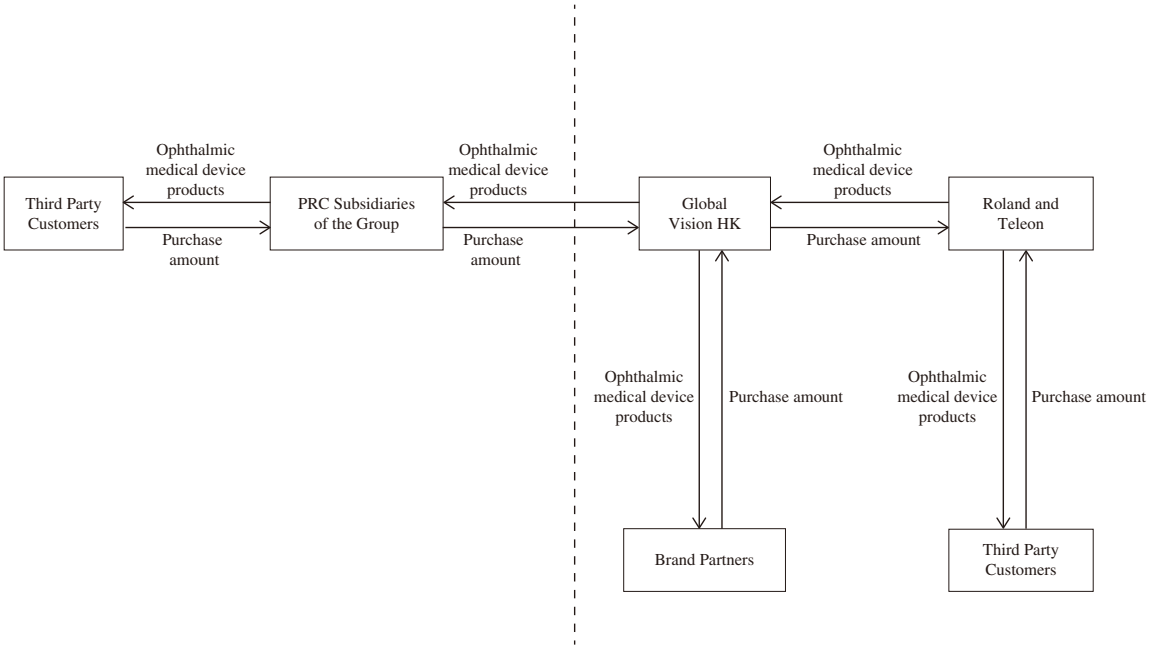
We have established storage policy in accordance to the rules and regulations that are applicable to manufacturing enterprises. Our warehouse management team conducts periodic inspections of our warehouses and stock count, ensuring that our inventories are stocked in appropriate conditions and are able to meet the needs of our operations.

TRANSFER PRICING ARRANGEMENTS

Commercial Rationale

Our business involves purchases of ophthalmic medical device from our brand partners in different tax jurisdictions and we have also established or acquired subsidiaries in different jurisdictions to perform different functions including but not limited to R&D, manufacturing, procurement, sales and marketing, distribution, and custom clearance. Our Group's major intra-group transactions were the buy and sell of tangible goods as well as certain back-office and operational support service transactions. During the Track Record Period, we conducted our operations primarily through our subsidiaries in the PRC, Hong Kong, Germany and the Netherlands. We primarily conducted our sales activities through our subsidiaries in mainland China and Hong Kong. During the Track Record Period, we primarily purchased products from Independent Third Party suppliers, Teleon and Roland through our indirect wholly owned subsidiary, Global Vision HK. Teleon was an uncontrolled overseas supplier of Global Vision HK and became the related party of Global Vision HK after being merged by Gaush group in January 2021. Roland was an uncontrolled overseas supplier of Global Vision HK and became the related party of Global Vision HK after being merged by us in November 2020. Global Vision HK then sold the products to our PRC subsidiaries, who would further resell the products to the end customers in mainland China. The above transactions between the subsidiaries of our Group were regarded as our Group's intra-group transactions (the "**Covered Transactions**").

The following diagram sets forth our Group's typical transaction flow in respect of our major transfer pricing arrangement:



For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the revenue of Global Vision HK amounted to RMB320.9 million, RMB209.2 million, RMB106.2 million and RMB56.9 million, respectively.

In the Covered Transactions, Global Vision HK and its mainland China related parties are mainly engaged in the sale and distribution of medical devices. Global Vision HK mainly performs the sales and marketing functions and bears certain market risks. Global Vision HK's related parties in mainland China perform the sales and marketing functions and bear relevant commercial risks (such as market risk and credit risk). Global Vision HK and its related parties in mainland China have no significant intangible properties related to product R&D, product technology or marketing intangibles such as trademarks. Therefore, Global Vision HK could be characterised as a risk-bearing distributor for medical devices in Hong Kong, while Global Vision Corporation, Mingwang Medical and Gaush Jingpin could each be characterised as a risk-bearing distributor for medical devices in mainland China. Teleon and Roland are the manufacturers of medical devices and authorize Global Vision HK and its Mainland China related parties for further distribution.

Transfer Pricing Assessment

The Organisation for Economic Co-operation and Development (the "**OECD**"), an international organization of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the "**OECD Transfer Pricing Guidelines**"), which is generally followed by all tax jurisdictions involved in our Covered Transaction including China, Hong Kong, Germany and the Netherlands. According to the OECD Transfer Pricing Guidelines, our Covered Transactions should be at arm's length basis to avoid distorted taxable income in different jurisdictions. In order to ensure compliance with the relevant transfer pricing regulations, we have engaged an independent transfer pricing consultant, Ernst & Young (China) Advisory Limited (the "**Transfer Pricing Consultant**"), which is the member of an international professional accounting firm in the PRC, to conduct benchmarking studies on the Covered Transactions during the Track Record Period in accordance with the OECD Transfer Pricing Guideline, which primarily identified the arm's length pricing and/or profit range for the Covered Transactions.

Our Transfer Pricing Consultant first selected the most appropriate transfer pricing analysis methodology in its benchmarking studies based on the nature and characteristics of the intra-group transactions and determined that the transactional net margin method ("**TNMM**") was the most appropriate transfer pricing method to assess whether the transfer pricing arrangements related to the Covered Transaction were consistent with the arm's length principle. The TNMM compares the profit margin of a taxpayer arising from intra-group transactions with the profit margin realized by comparable independent parties engaging in similar comparable transactions.

For the benchmarking study using TNMM method, a profit level indicator ("**PLI**") needs to be selected for purposes of comparing the taxpayer's financial results with those of the comparable companies. The PLI measures the relationship between profits and an appropriate base, such as sales, costs or assets. Considering the nature of the Covered Transaction is the purchase and sale of tangible assets, the gross profit margin is selected as the most appropriate PLI which could reflect the pricing policy of the buy and sell nature of Covered Transaction.

Our Transfer Pricing Consultant has performed a review of the Covered Transactions in accordance with the OECD Transfer Pricing Guidelines and is of the opinion that during the three years ended December 31, 2020, the pricing of the Covered Transaction between Global Vision HK and our relevant PRC subsidiaries was consistent with the arm's length principle, and our relevant PRC subsidiaries were not disadvantaged in the Covered Transaction from the perspective of the

arm's length principle, and for the year ended December 31, 2021 and the six months ended June 30, 2022, Global Vision HK and the relevant PRC subsidiaries were generally not disadvantaged in the Covered Transactions from the perspective of the arm's length principle.

Although benchmarking studies conducted in accordance with OECD Transfer Pricing guidelines would generally be followed by all tax jurisdictions involved in the Covered Transactions, it does not have binding effect on any local taxation authorities in the event of transfer pricing controversy. For details, please refer to "Risk Factors — Risks Relating to our Business and the Industry — Taxation authorities could challenge our allocation of taxable income which could increase our consolidated tax liability".

Our Directors confirmed that our transfer pricing arrangements during the Track Record Period did not involve tax evasion and we were not aware of any inquiry, audit or investigation by any tax authority in the PRC, Hong Kong, or Europe that had material impact on our business operations. With a view to ensure ongoing compliance of the applicable transfer pricing regulations, we will (i) continue to monitor our transfer pricing arrangements to ensure compliance with the arm's length principle, by designating our finance manager to review the reasonableness of the pricing policy of our key intra-group transactions on a yearly basis; (ii) assign our chief financial officer, currently Mr. Liu Xinwei, who has years of experience in the accounting and business management industries and in multi-national businesses, to monitor the amount of intra-group transactions to determine whether transfer pricing documentation reports are required to be prepared for the relevant tax authorities and our chief financial officer will report to our audit committee on an annual basis. For the details on the background and experience of Mr. Liu Xinwei, see "Directors and Senior Management — Board of Directors"; and (iii) engage an independent transfer pricing consultant if necessary to review the Interquartile Range of our intra-group transactions and provide any updates on relevant transfer pricing laws and regulations. Having considered the above, our Directors are of the view that the above measures are sufficient and effective.

QUALITY CONTROL

Overview

The quality, safety and reliability of our products are vital to our continued success, as our products are designed to be used for diagnosis and in surgeries and any quality defect may result in serious clinical accidents and liability. In order to ensure that our products are of high quality and safety standards and comply with the relevant PRC and/or EU laws and regulations, we have instituted a quality control program that is managed and implemented by our quality management department. Our domestic quality management department is led by Dong Jinguo, who has approximately 20 years of experience in product safety and quality control management, and our overseas quality management department is led by Rick van Huet, who has over 15 years of experience in product safety and quality control management.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints about product quality and our products had not been subject to any material claim, litigation or investigation. In addition, during the Track Record Period and as of the Latest Practicable Date, there were no fatal accidents as a result of quality defects in our products. See "— Product Recall" for details.

Our Quality Accreditations

The following table sets forth the major accreditations we have received for our quality control program.

Accreditation	Year of latest renewal	Description
ISO 13485:2016	2020 (Gaush Raymond, Teleon and Roland)	A set of standards and guidelines for quality management systems and represents an international consensus on good practices.
CE (93/42/EEC)	2020 (Teleon and Roland)	A set of basic requirements that all manufacturers of medical devices must comply with to sell medical devices in the European Union.

Our Quality Control Program

Our quality control program primarily focuses on the following aspects:

- *Brand Partners.* All of our brand partners are top-tier reputable international companies. We will evaluate their quality control abilities when selecting brand partners and during our cooperation with brand partners. For example, we will review their business license, ISO accreditations and other accreditations on an annual basis.

- *Raw materials and suppliers.* We determine our raw materials suppliers based on their credentials, production procedures, third-party reports as well as onsite inspection of their manufacturing environment and quality assurance procedures. In addition, our quality inspection team inspects the raw materials when they are delivered and the raw materials that have not been inspected or failed to pass the inspection will not be kept as our inventory.

- *Production.* Our quality inspectors conduct sampling, routine and *ad hoc* quality inspections for throughout the manufacturing process to ensure the products we produce meet the relevant requirements.

- *Customer complaints.* Our technical service centers are responsible for collecting and evaluating customer complaints. For each customer complaint, our technical departments will support the maintenance and repair request of our products.

AWARDS AND RECOGNITION

We have been awarded the Best Partner of 2015 by Chinese Journal of Ophthalmology (中華眼科雜誌) and the Best Strategic Partner by Chinese Medical Doctor Association (中國醫師協會) and Chinese Ophthalmologist Association (中國醫師協會眼科醫師分會) in 2017 and 2019.

COMPETITION

According to Frost & Sullivan, we ranked fourth in the PRC ophthalmic medical device market (excluding contact lens and lens solution) in terms of the revenue in 2021 with a market share of 6.7% and ranked second in the PRC ophthalmic medical device technical service market in terms of number of in-house ophthalmic device maintenance engineers and revenue. For details, see "Industry Overview."

EMPLOYEES

As of June 30, 2022 and the Latest Practicable Date, we had 769 and 787 full-time employees, respectively, most of whom were based in China. The following table sets forth the number of our domestic employees by function as of the Latest Practicable Date.

	Number	% of total
Production	89	14.4
R&D	22	3.5
Technical Service	127	20.5
Sales and Marketing	280	45.2
Management and Administrative	102	16.5
Total	**620**	**100.0**

The following table sets forth the number of our overseas employees by function as of the Latest Practicable Date.

	Number	% of total
Production and Engineering	50	29.9
R&D	17	10.2
RA/QA/QC	30	18.0
Supply Chain	24	14.4
Sales and Marketing	28	16.8
Management and Administrative	18	10.8
Total	**167**	**100.0**

We recruit our personnel through recruiting websites, internal referral and headhunting. We enter into employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. We make contributions to the social insurance, housing provident fund and our labor union as required by local authorities in accordance with relevant PRC laws and regulations in all material respects.

We have a training system for our employees. All of our new employees are required to attend the orientation that is held twice a year to better understand our products and our industry. In addition, from time to time, we hold professional product trainings and technical trainings that can improve our employees' professional skills in sales, warranty service and customer service. We also provide opportunities for our employees to attend online and offline external trainings to learn marketing and other skills. In order to ensure that our employees comply with relevant laws and regulations, we hold at least one compliance training in a year, which is mandatory for all employees, including the senior management. Once our corporate management system is updated, a training will also be held for our employees to better understand the changes in our corporate management system.

During the Track Record Period, we did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations.

Social Insurance Contributions

During the Track Record Period, certain of our subsidiaries had not made full contributions to social insurance for our employees in accordance with the relevant PRC laws and regulations. As of the Latest Practicable Date, we had ensured that full contributions to social insurance for our employees would be made according to relevant laws and regulations with respect to social insurance contributions. Pursuant to applicable PRC laws and regulations, we may be ordered by the relevant government authorities to pay any unpaid amounts within a prescribed period and may be subject to a late fee of 0.05% per day from the due date. If we fail to make a payment within the prescribed period, we may face additional fines ranging between one to three times the historical unpaid amounts. Accordingly, as of June 30, 2022, we made provisions in a total amount of RMB2.2 million in respect of the potential liabilities arising from our non-compliance concerning social insurance during the Track Record Period.

As of the Latest Practicable Date, we had not received any notice of warning or been subject to any administrative penalties or other disciplinary actions from the relevant governmental authorities for such unpaid amounts. Moreover, as of the Latest Practicable Date, we were not aware of any complaint filed by any of our employees regarding our social insurance policy. In addition, we have enhanced our internal control measures to ensure ongoing compliance. As advised by our PRC Legal Adviser, the risk we will be imposed any administrative penalties by the relevant authorities is remote, provided that, when ordered by the relevant authorities, we fully pay the unpaid amounts and late charges (where applicable) within the prescribed time period.

See "Risk Factors — Risks Relating to Our Business and the Industry — Failure to make adequate contributions to various government-sponsored employee benefits plans as required by PRC regulations may subject us to penalties."

INTELLECTUAL PROPERTY

We recognize the importance of intellectual property rights to our business and are committed to the development and protection of our intellectual property rights. We have obtained a series of intellectual property rights to protect our technologies and products. As of the Latest Practicable Date, our Group had registered ten invention patents, 19 utility patents and 58 trademarks in China. As of the same date, our Group had also registered 5 trademarks and 83 patents in Hong Kong, EU and other jurisdictions, which we believe are material to our business. In addition, on March 22, 2016, Teleon entered into a license agreement (the "**Licensing Agreement**") with a reputable Japanese specialized pharmaceutical company focusing on ophthalmic treatment (the "**Licensee**"), pursuant to which Teleon shall license to the Licensee the intellectual properties of certain intraocular lens products (the "**Licensed Products**") for the Licensee's use in Japan and the Licensee shall make payment for royalties for such license. The Licensing Agreement shall remain in force during the period between the date on which any Licensed Product commenced its commercial sale in Japan and the date of expiration of patent with respect to all Licensed Products. Teleon retained all other rights with respect to the Licensed Products in other territories. For further information, see "Appendix IV — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group."

We engage professional consultants to manage and safeguard our intellectual property rights. We have also entered into confidentiality agreements and non-competition agreements with our senior management and certain key members of our research and development team. Our standard employment contract, which we used to employ each of our employees, contains a confidentiality clause, under which employees are required to keep our technology know-how, intellectual property rights, trade secrets and other related information confidential if such information is obtained during work or through any other resources and has not been disclosed to the public by us.

With the implementation of the foregoing intellectual property protection measures, during the Track Record Period and up to the Latest Practicable Date, we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights, in which we may be a claimant or a respondent, nor were we aware of any breach of the aforementioned confidentiality or non-compete obligations by the counterparties. Based on the above, our Directors believe that we were not involved in any pending, or to their knowledge, potential or threatened intellectual property infringement, litigations or claims during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We are committed to fulfilling our corporate responsibility as to environmental, social, and governance matters ("**ESG**") and believe ESG is essential to our continued growth. We will continue to actively participate in designation of our ESG strategies and targets and we plan to set up metrics and targets to evaluate, assess and address our ESG risks and review our key ESG performance on a regular basis in accordance with the applicable Listing Rules upon the [**REDACTED**].

We are subject to various PRC environmental laws and regulations, the implementation of which involves regular inspections by local environmental protection authorities. For more details, see "Regulatory Overview." In order to comply with relevant laws and regulations in the PRC, we would established a set of internal policies with respect to ESG issues, which are also in line with industry norm and shall take effect upon the [**REDACTED**]. With respect to environmental matters, we would adopt policies related to (i) the recycle and reuse of natural resources, (ii) the use of energy-efficient production equipment, (iii) treatment of exhaust gas, sewage and solid waste and (iv) conservation of energy, among other aspects, before the [**REDACTED**]. For social matters, we would adopt policies related to (i) production safety, (ii) product quality, (iii) employee health, benefits and training and (iv) employee complaint handling, among other aspects, before the [**REDACTED**]. Such management systems and procedures involve reporting on the emission level of gas pollutants, waste water and solid waste to our management and evaluation of such emission levels on a regular basis. If there is any deviation from the applicable emission standard, we shall investigate the cause and take rectification measures accordingly. We will also prepare annual report on the management of pollutants and waste and file such report with the relevant environmental authority for review. Although we do not operate in a highly polluting industry, our manufacturing processes may cause emission of noise, solid waste, exhaust gas, waste water, and greenhouse gas that may lead to climate-related risks. To lower our environmental impact, we have also endeavored to utilize certain environmentally-friendly equipment in our production process.

Governance on ESG Matters

Our Board has the overall responsibility for overseeing and determining the environmental-related, climate-related and social-related risks and opportunities impacting the Company. We will establish an ESG committee (the "**ESG Committee**") at our Board level after the [**REDACTED**] to support our Board in establishing and adopting the ESG policy, strategies and targets of the Company, and reviewing the Company's performance against ESG-related targets and revising the ESG strategies as appropriate if significant variance from the target is identified. Our management team is generally responsible for carrying out the ESG policies in executing the Company's business operations.

The ESG Committee will have a specific focus on environmental matters, such as energy consumption, pollutants, greenhouse gas emissions and reporting, as well as waste management and recycling efforts. In addition, the ESG Committee will also be responsible for the identification, assessment and management of material ESG-related matters, including climate-related risks, by taking into consideration the metrics and targets stipulated in Appendix 27 to the Listing Rules and applicable laws, regulations and industry standards. We will also take environmental protection as an important part in employee training, and continue to raise the awareness of energy conservation and environmental protection of all employees in the Group, helping us achieve a green, healthy and sustainable development.

Impact of ESG-related risks

As we are primarily engaged in the offering of products and services as to ophthalmic medical device in China, we believe we do not incur any significant impact to the environment. During the Track Record Period, we have not incurred, and we do not expect to incur, any material costs of compliance with applicable rules and regulations relating to environmental matters. Our PRC Legal Adviser have advised us that there were no breaches or violations of the PRC

environmental laws and regulations applicable to our business operations during the Track Record Period that may have a material and adverse impact on our business, financial condition or results of operation taken as a whole.

Growing concerns about climate change and greenhouse gas emissions have led to the adoption of various regulations and policies. The estimated magnitude of resulting impacts is evaluated over short, medium and long term horizons. In recent years, changing weather patterns due to climate change have increased in frequency of extreme weather conditions. Disasters created by extreme conditions could cause significant damage to or destruction of our facilities, resulting in temporary or long-term closures of our facilities and operations and significant expense for repair or replacement of damaged or destroyed facilities. In the medium to long term, increasingly enacted legislation and regulations in response to potential impacts of climate change may have the potential to impact our operations directly or indirectly as a result of required compliance by our customers or our supply chain, and may subject us to additional costs and restrictions, which could negatively impact our financial condition and results of operations. Any inconsistency of such laws and regulations may also affect our costs of compliance.

Metrics and targets used for assessment of ESG-related risks

The Board will set metrics and targets for material KPIs at the beginning of each financial year with reference to the disclosure requirements of Appendix 27 to the Listing Rules. Set forth below are some key metrics and targets for the material KPIs we have currently identified with respect to our manufacturing activities and based on our best estimate:

	For the year ended December 31,			For the six months ended June 30,
	2019	**2020**	**2021**	**2022**
Energy consumption				
Electricity (kWh)	31,938	40,521	1,622,012	791,023
Water (ton(s))	271	364	3,421	1,815
Fuel (m^3)	–	–	6,871	4,000
Pollutant discharge				
Exhaust gas (ton(s))	–	–	–	–
Sewage (ton(s))	–	–	159	137
Solid waste (ton(s))	–	–	15	8

Our consumption of energy and discharge of pollutants largely depend on the types of products we manufacture. Our energy consumption and pollutant discharge in 2021 significantly increased as the volume of manufacturing significantly increased, as evidenced by the increase in the revenue contribution of our Proprietary Products after the acquisition of Teleon and commencement of operation of Gaush Clear in 2021. In addition, in 2019 and 2020, our manufacturing activities are primarily related to our ocular fundus camera and slip lamp product series with minimal pollutant discharges and fuel consumption.

After the [**REDACTED**], we will continue to monitor and manage the levels of our energy consumption and pollutant discharge and will strive to operate in an environmentally friendly manner. We will also closely monitor the impact of climate change on our operations. Climate change is believed to be closely correlated to the increasing occurrence of natural disasters. For risks associated with natural disasters, see "Risk Factors — Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future may have a material adverse effect on our business, financial condition and results of operations."

OCCUPATIONAL HEALTH AND WORK SAFETY

We are subject to PRC laws and regulations in respect of employee health and safety. To ensure that our operations are in compliance with the applicable laws and regulations, we have established a series of policies and procedures with respect to health and work safety, which primarily include policies regulating safe production, fire safety, detection and management of safety risks and health condition management of employees. In addition, we organize annual health checks for our employees. We also conduct trainings for employees to strengthen their awareness and knowledge on safety procedures and accident prevention from time to time. During the outbreak of COVID-19, we provide our employees with face masks, protective face-shield and disinfectant to protect them against the coronavirus. During the Track Record Period, we did not experience any material accidents or receive any administrative penalties as a result of the violation of laws and regulations relating to occupational health and work safety.

PROPERTIES

Our corporate headquarters are located in Beijing. As of the Latest Practicable Date, we did not own any land use right or building, and leased 32 properties in China with a gross floor area of approximately 15,711.89 sq.m. See "Risk Factors — Risks Relating to Our Business and the Industry — Failure to comply with PRC property-related laws and regulations regarding certain of our leased properties may adversely affect our business, financial condition and results of operations."

INSURANCE

Our Directors believe that our existing insurance policies are in line with industry practice in China. We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. We maintain different types of insurance policies, including social insurance and accidental injury insurance for our employees. During the Track Record Period, we did not submit any material insurance claims, and we did not experience any business interruptions which had a material adverse effect on our business or financial position. See "Risk Factors — Risks Relating to Our Business and the Industry — Our insurance coverage may be inadequate to protect us from the liabilities we may incur."

LICENSES, PERMITS AND APPROVALS

We operate in a heavily regulated industry. As a result, we are required to obtain various licenses, permits and certifications for our operations. For details of the relevant laws, regulations and requirements, see "Regulatory Overview."

For our domestic business, we are required to obtain registration certificates for Class II and III medical devices from and complete record-filings for Class I medical devices with relevant regulatory authorities to commercialize our medical device products. According to applicable PRC laws and regulations, the record-filings for Class I medical devices will remain effective provided that we continue to comply with the record-filing obligations for subsequent amendments to filed materials, and the registration certificates for Class II and III medical devices are valid for five years and subject to renewal. As of the Latest Practicable Date, we had completed required record-filings for 32 Class I medical devices, and obtained 23 local NMPA registration certificates for Class II medical devices and 31 NMPA registration certificates for Class III medical devices. In addition to the products for which we obtained NMPA registration or record-filings by ourselves, we also distribute products whose NMPA registration or record-filings have been maintained with its manufacturer, or our brand partners, and we are not registered as domestic agents on the certificates. In addition, we are required to maintain a number of licenses, permits, approvals and record-filing proof for our production and operations, including the Manufacture License for medical Devices (醫療器械生產許可證), the Record-filling Proof for Production of Class I Medical Devices (第一類醫療器械生產備案憑證), the Business Operation License of Medical Devices (醫療器械經營許可證) and the Business Operation Filing for Class II Medical Devices (第二類醫療器械經營備案憑證).

Our PRC Legal Adviser have confirmed that we had obtained all necessary licenses, permits, approvals, certificates from, or made all necessary filings to, relevant competent regulatory authorities for our business operations in China in all material respects as of the Latest Practicable Date. As of the Latest Practicable Date, we had obtained all requisite licenses, approvals and certificates to sell our products in all of the relevant overseas jurisdictions to which we exported our products. We did not experience any material difficulties in obtaining, making or renewing such licenses, permits, approvals, certificates and filings during the Track Record Period.

As advised by our overseas legal advisers, we confirm that as of the Latest Practicable Date, we had been CE-certified and had obtained all required certifications under MDD (including local implementing or supplementary laws) for placing our offered products on the market in the EU.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

Legal Proceedings

We may from time to time be involved in contractual or other disputes or legal proceedings arising out of the ordinary course of business or pursuant to governmental or regulatory enforcement actions.

On September 21, 2020, we entered into a share transfer and subscription agreement (the "**Share Transfer and Subscription Agreement**") with Mr. Yuan Shengyuan ("**Mr. Yuan**") in respect of the acquisition of Gaush Consumables. Under the Share Transfer and Subscription Agreement, we acquired 60% of the issued share capital of Gaush Consumables. Mr. Yuan further undertook to us that if Gaush Consumables' disposable phacoemulsification accessories products fail to obtain Class II medical device registration by February 10, 2021, he would compensate us by transferring to us an additional 10% of the issued share capital of Gaush Consumables at nominal value. Given that the Class II medical device registration for the disposable

phacoemulsification accessories was not obtained until August 2021, we sought to require Mr. Yuan to fulfill his obligations but Mr. Yuan refused. In view of Mr. Yuan's breach of his undertaking, we initiated legal proceedings against Mr. Yuan in November 2021 (the "**Share Transfer Case**"). Mr. Yuan launched legal proceedings against Gaush Consumables to exercise his information right as a shareholder (the "**Shareholder Information Right Case**") and a company wholly-owned by Mr. Yuan and his spouse ("**Mr. Yuan's Company**") launched legal proceeding against Gaush Consumables to recover certain receivables from Gaush Consumables (the "**Receivables Case**"), which amounted to approximately RMB500,000. In the Shareholder Information Right Case, the court dismissed part of Mr. Yuan's claims and upheld the remaining, and Gaush Consumables has filed an appeal. In the Receivables Case, the court dismissed all the claims of Mr. Yuan's Company, who later filed an appeal to overturn such judgment.

From August to October 2021, the Group received several notices from the Mr. Yuan in relation to potential transfers (the "**Alleged Transfers**") of an aggregate of less than 12% equity interest in Gaush Consumables from Mr. Yuan to certain Independent Third Parties. The Group dissented to the Alleged Transfers in compliance with the relevant PRC laws and regulations (the "**Transfer Dispute**").

In order to settle the aforementioned legal proceedings and disputes, the Group and Mr. Yuan entered into mediation at the instruction of the court, and a civil mediation letter dated August 5, 2022 (the "**Mediation Letter**") reflecting the outcome of such mediation was issued by the court, being a court-sanctioned legal document and legally binding on the Group and Mr. Yuan.

Pursuant to the Mediation Letter, (1) Mr. Yuan shall transfer the remaining 40% interest in Gaush Consumables held by him to the Group at a consideration of RMB2.8 million (the "**40% Share Transfer**"); and (2) Gaush Consumables shall relocate its office to another site, vacate and hand over its current leased office premises to Mr. Yuan for possession and use, and transfer the office facilities and production equipment within such premises to Mr. Yuan at nil consideration (the "**Relocation**"). In addition, Mr. Yuan has committed to the Group that he would withdraw the appeal in relation to the Receivables Case, and Gaush Consumables has agreed to (1) transfer a trademark owned by it to Mr. Yuan at nil consideration, and (2) grant royalty-free non-exclusive license of two patents owned by it to Mr. Yuan for his use during the validity period of such patents (the "**IP Transfer and Licensing**").

As of the date of this Document, (1) the 40% Share Transfer has been completed, upon which Gaush Consumables has become a wholly-owned subsidiary of our Company on August 25, 2022; (2) the Relocation has been completed; (3) the Mediation Letter has been fully performed in accordance with the terms therein; and (4) the Share Transfer Case, the Shareholder Information Right Case and the Transfer Dispute have been fully settled among the parties. Our Directors confirm that the performance of the above settlement terms did not cause any material interruption to the business of Gaush Consumables or the Group as a whole.

As of the date of this Document, (1) Mr. Yuan has not withdrawn the appeal in relation to the Receivables Case as he previously committed, and the IP Transfer and Licensing would not proceed accordingly; and (2) pursuant to a judgment dated October 12, 2022, the court has dismissed the appeal of Mr. Yuan's Company in relation to the Receivables Case.

On January 19, 2019, Global Vision Corporation and Gaush Jingpin, two of our subsidiaries, entered into a transition services agreement (the "**Transition Services Agreement**") with Beijing Hairun Venture Technology Limited (北京海潤創業科技有限責任公司) and Beijing Huihai Mingda Trading Limited (北京慧海明達商貿有限公司) (collectively, the "**Claimants**"), the former exclusive distributors of certain intraocular lens products in China before we became the exclusive distributor of such products in China. Pursuant to the Transition Services Agreement, the Claimants agreed to provide certain transition services to us (including but not limited to providing certain information and support for us to update relevant registration certificates of such products) and we agreed to pay a service fee of RMB8.0 million in consideration. In the view that the Claimants failed to provide such transition services as required under the Transition Services Agreement, we did not pay the aforementioned service fee. The Claimant filed a lawsuit against us in October 2022 seeking the payment of RMB8.0 million service fee from us. As of the date of this Document, this case was still ongoing. Our Directors are of the view that this particular lawsuit is not expected to have a material adverse effect on our business operations or financial condition.

Except as disclosed above, during the Track Record Period and up to the Latest Practicable Date, neither we nor any of our Directors were involved in or subject to any litigation, arbitration, administrative proceedings, claims, damages or losses which would have a material adverse effect on our business, financial position or results of operations as a whole. As of the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us or any of our Directors, which individually as a whole would have a material adverse effect on our business, financial position or results of operations.

As advised by our PRC Legal Adviser, during the Track Record Period and as of the Latest Practicable Date, there were no breaches or violations of applicable PRC laws and regulations that may have a material and adverse impact on our business, financial condition or results of operation taken as a whole.

The Incident

One of the former directors of the Company, Gao Fan, (the "**Former Director**"), being a brother of our Controlling Shareholder and Chairman, Gao Tieta and the brother-in-law of one of our Directors, our president, Zhang Jianjun, served as a witness in certain criminal proceedings in the PRC against an Independent Third Party, who was charged with soliciting illegal payments and convicted to 11 years of imprisonment (the "**Convicted Person**"). The Former Director testified in such proceedings that as the legal representative of Global Vision Corporation, which had been a wholly-owned subsidiary of the Company, he made payments amounting to RMB200,000 to a third party at the request of the Convicted Person in 2005 (the "**Incident**"). No charge has been laid against the Former Director or Global Vision Corporation by any judicial authorities in connection with the Incident. No Director or senior management of our Group was involved in the Incident. After the Incident, we took the following measures.

- *Cessation of the Former Director's role as director of our Company and other roles at our Group.* The Former Director has served as a director of our Company until he was removed by the Board on November 21, 2019. During the Track Record Period and up to November 21, 2019, his involvement in the Group was limited to attendance and participation in the board meetings and he had not served any executive or management role or participated in any daily operations of the Group. On November 21, 2019, the Board resolved to remove the Former Director from the Board.

- *Reduction of the Former Director's shareholding in the Company.* The Former Director reduced his shareholding in the Company from 28.29% as of December 31, 2018 to 4.70% as of the Latest Practicable Date through a series of repurchases of his Shares by the Company and by Gao Tieta and the further dilution of his shareholding by the issuance of new Shares to [**REDACTED**] investors. Such Shares have been held by him via GF HoldCo, as his own share holding vehicle. See "History, Reorganization and Development — Summary of Shareholding Changes Since Completion of the Reorganisation" for details.

- *Confirmation and undertaking from the Former Director, Directors, senior management and Shareholders.* The Former Director had irrevocably undertaken to us that, for as long as the Shares are [**REDACTED**] on the Stock Exchange, (a) he will not exercise the voting rights of any Shares held by him directly or indirectly and will not entrust the voting rights attached to his shareholding to other shareholders; (b) he will not, directly or indirectly, acquire any Shares or otherwise increase his shareholding in the Company; (c) there are no arrangements between himself and other shareholders of the Company to hold the Shares on behalf of himself; (d) there is no acting in concert arrangement (or any similar arrangement) between himself and other shareholders of the Company; (e) he will not hold any executive role in or be involved in the management and business operations of our Group; (f) he will not take part in the day-to-day management and decision-making process of our Company or any member of our Group; and (g) he will not exert any direct or indirect influence on any director or senior management of our Company or any member of our Group with respect to their management of our Group. Each of GT HoldCo, LXD HoldCo and the Management HoldCos has confirmed that there are no acting in concert arrangement (or any similar arrangement) with the Former Director and they will not enter into such arrangements with the Former Director. Each of our Directors and senior management have also confirmed and undertaken, where applicable, that they have not during the Track Record Period, and will not, take or seek, any instructions from the Former Director when performing his or her management role or discharging his or her duties towards our Group.

In view of the above measures taken by us, our Directors are of the view that the Former Director was not able to exert, and continues to be restrained from exerting any meaningful influence over the Group.

The Company confirmed that (a) since the Incident, no members of the Group, their respective directors, senior management and employees have received any notification from judicial authorities or are otherwise aware that they are being investigated or prosecuted by any judicial authorities or have had any penalty imposed on them by any regulatory authorities in connection with the Incident; (b) no other incident similar to the Incident has occurred involving any members of the Group or any of its directors, senior management and employees; and (c) the Group did not have any non-compliance with applicable PRC laws and regulations that would have a material adverse impact on its operations or financial condition during the Track Record Period.

Improved internal control measures

Since the Incident, the Company has taken steps to review and enhance its risk management policies and improve internal control systems. The Company has engaged Protiviti Shanghai Co., Ltd. ("**Protiviti**") in June 2021 to perform a special review of the internal control regarding anti bribe-giving. See "— Risk Management and Internal Control" for details.

Directors' View

Our Directors are of the view that the Incident does not affect the Company's eligibility for [**REDACTED**], on the following basis:

- The Incident took place prior to the commencement of the Track Record Period, in which no charge had been laid against the Former Director or Global Vision Corporation by any judicial authorities and no Director or senior management of our Group was involved. The amounts involved were immaterial and did not affect our Group's business operations, financial position or results of operations in any material manner. The Incident had no material adverse impact on our Group. The Former Director will also execute an indemnity before [**REDACTED**] in favour of the Group with respect to any loss the Group may suffer in connection with the Incident.

- The Former Director had not held any executive role in our Group or been involved in the management or business operations of our Group, and thus exerted no meaningful influence over our Group during the Track Record Period and up to the Latest Practicable Date. Except for certain entities controlled by the Former Director being the Group's customers during the Track Record Period, the Former Director had not maintained any role as a consultant to the Group (as to the Group's business or the [**REDACTED**]), or, to the Company's knowledge, to any of the Group's distributors and suppliers. The Former Director served as the sole executive director and owned majority equity interest of the holding company of such entities, which were primarily engaged in the operation of 23 ophthalmology clinics in North China and provision of optical medical services for teenagers as of the Latest Practicable Date. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, transactions entered into between the Group and such entities controlled by the Former Director were de minimis and related to the sales of our products and provision of services by such entities and amounted to RMB3.2 million, RMB1.8 million, RMB2.0 million, RMB1.1 million and RMB0.8 million, respectively. Such transactions were carried out in the ordinary course of our business and on normal commercial terms or better. The balances of such transactions will be settled before the [**REDACTED**]. The Former Director had not received any emoluments or benefits in kind from the Group since 2019. Further, the Former Director has reduced his shareholding in our Company and it is no longer a substantial shareholder of our Company. The funding for the acquisition of the Former Director's shares was obtained from independent financial institutions regulated by the relevant banking authorities pursuant to arm's length facility arrangements without security or guarantee or any other form of support from the Former Director. The lack of any meaningful influence by the Former Directors is clearly demonstrated by our impressive progress and development since the Former

Director's resignation from our Group and his reduction in shareholding in our Company. In particular, we had (i) completed the acquisitions of Roland and Teleon and their integration into our Group; and (ii) completed the Series B Financing to introduce Cuprite Gem and OrbiMed Asia as our [**REDACTED**] investors, in each case, without the Former Director's involvement or participation.

As of the Latest Practicable Date, the Former Director held only 4.70% of the issued shares of our Company. Upon the [**REDACTED**], his shareholding interest will be further decreased to [**REDACTED**]% (assuming the [**REDACTED**] is not exercised). In addition, as undertaken by the Former Director, he will not exercise the voting rights of his Shares or increase his shareholding in the Company. Thus, the shareholding interest held by him will not have any meaningful influence on any resolutions to be proposed at the general meetings of our Company.

- The Company has enhanced its internal control measures and our Directors are of the view that such enhanced internal control measures are adequate and effective, including but not limited to, in preventing any bribery or corruption from taking place within the Group. This is supported by Protiviti, the independent professional internal control consultant of the Company, who is of the view that (i) the relevant internal control measures adopted by the Company are designed adequately and effectively; (ii) the enhanced measures have been properly implemented; and (iii) the relevant internal control measures can effectively reduce the risk of bribe-giving if implemented strictly and consistently.

Joint Sponsors' Due Diligence

The Joint Sponsors have conducted due diligence with respect to the Incident and the measures taken by our Group in response to the Incident, including, among others, (i) conducted interviews with the Former Director, the Directors and senior management of our Group and other former employees, (ii) engaged independent third parties to conduct background searches, (iii) reviewed material agreements entered into by our Group and relevant agreements in respect of the reduction of shareholding by the Former Director, (iv) reviewed the confirmations and undertakings granted to us by the Former Director, the Directors and senior management of our Group and certain of our Shareholders, (v) reviewed the internal control reports prepared by our Group's internal control consultant, and (vi) discussed with some of our professional advisers and consultants regarding the Incident and the measures undertaken by us.

In view of the above, nothing has come to the Joint Sponsors' attention that would cause them to disagree with our Directors' view.

Product Recall

In 2018, we made three voluntary product recalls of three pieces of our Distribution Products due to the input power or output power of the products sampled by the NMPA being inconsistent with the requirements of the NMPA and the exterior label being found inconsistent with standardized requirements. Despite that the input and output power of the products met the applicable requirements after the completion of onsite adjustment and the exterior labeling did not affect the functionality of the products, we recalled this product on voluntary basis. In light of this incident, we have implemented the following measures to strengthen our internal control system:

- communicating with our brand partners to correct the exterior label and complete the input power adjustment before shipping the products;
- requesting our brand partners to inform us whenever there is a change in the manufacturing process, parameters or appearance of products;
- adopting more stringent and detailed internal testing standards; and
- strengthen the training of our quality control personnel to ensure the appropriate inspection of products.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, there have been no product recalls and we had not experienced any material complaint or product liability or other legal claims from our customers due to problems with the quality of our products.

RISK MANAGEMENT AND INTERNAL CONTROL

We are subject to various risks during our operations, see "Risk Factors — Risks Relating to Our Business and the Industry." We have established a risk management system and relevant policies and procedures which we consider suitable for our business operations. Our policies and procedures are aimed at managing and monitoring our business performance.

To monitor the continuous implementation of risk management policies and corporate governance measures after the [**REDACTED**], we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an audit committee to review and supervise our financial reporting process and internal control system. Our audit committee comprises two independent non-executive Directors and one non-executive Director, namely Chan Fan Shing, Feng Xin and David Guowei Wang. For the qualifications and experiences of these members, see "Directors and Senior Management";
- adopt various policies to ensure the compliance with the Listing Rules, including but not limited to policies in respect of risk management, connected transactions and information disclosure;
- provide regular anti-corruption and anti-bribery compliance training for senior management and employees in order to enhance their knowledge of and compliance of applicable laws and regulations; and

- arrange our Directors and senior management to attend training seminars on Listing Rules requirements and the responsibilities as directors of a Hong Kong-listed company.

In particular, since the Incident, the Company has taken steps to review and enhance its risk management policies and improve internal control systems. The Company has engaged Protiviti Shanghai Co., Ltd. ("**Protiviti**") in June 2021 to perform a special review of the internal control regarding anti bribe-giving. To remediate the control deficiencies identified in the review, the Company have adopted a number of enhanced internal control measures. Protiviti performed a follow-up review in September and October of 2021. Based on the suggestions of Protiviti, the Company adopted additional measures including (i) publishing anti bribe-giving guidelines to further standardize its distributor selection, due diligence, negotiation, transaction and review processes; (ii) establishing a whistle-blower system for the notification, identification and investigation of incidences of bribe-giving; and (iii) enhancing its training programmes given to staff and distributors on ethics and regulatory compliance. The Group required its senior management, employees and domestic regional distributors to attend compulsory anti bribe-giving training sessions, such as seminars and online meetings.

Protiviti, as the independent professional internal control consultant of the Company is of the view that (1) the relevant internal control measures adopted by the Company are designed adequately and effectively; (2) the enhanced measures have been properly implemented and (3) the relevant internal control measures can effectively reduce the risk of bribe-giving if implemented strictly and consistently.