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**Application Proof of**

# Gaush Meditech Ltd
# 高视医疗科技有限公司

(the "**Company**")

*(Incorporated in the Cayman Islands with limited liability)*

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# IMPORTANT

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# Gaush Meditech Ltd
# 高视医疗科技有限公司

*(Incorporated in the Cayman Islands with limited liability)*

## [REDACTED]

| | | |
|---|---|---|
| **Number of [REDACTED] under the [REDACTED]** | **:** | **[REDACTED] Shares (subject to the [REDACTED])** |
| **Number of [REDACTED]** | **:** | **[REDACTED] Shares (subject to adjustment)** |
| **Number of [REDACTED]** | **:** | **[REDACTED] Shares (subject to adjustment and the [REDACTED])** |
| **Maximum [REDACTED]** | **:** | **HK$[REDACTED] per Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015% (payable in full on application in Hong Kong Dollars and subject to refund)** |
| **Nominal Value** | **:** | **US$0.0001 per Share** |
| **Stock Code** | **:** | **[REDACTED]** |

***Joint Sponsors,* [REDACTED]**

Morgan Stanley

海通國際 HAITONG

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

Our Company is incorporated in the Cayman Islands and substantially all of our businesses are located in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the Cayman Islands, the PRC and Hong Kong and that there are different risk factors relating to the investment in our Company. Potential investors should also be aware that the regulatory frameworks in the Cayman Islands and the PRC are different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in the sections headed "Risk Factors" and "Regulatory Overview" in this Document.

The [**REDACTED**] is expected to be determined by agreement between the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and us on the [**REDACTED**]. The [**REDACTED**] is expected to be on or around [**REDACTED**] (Hong Kong time) and, in any event, not later than [**REDACTED**] (Hong Kong time). The [**REDACTED**] will be not more than HK$[**REDACTED**] per [**REDACTED**] and is currently expected to be not less than HK$[**REDACTED**] per [**REDACTED**]. If, for whatever reason, the [**REDACTED**] is not agreed by [**REDACTED**] (Hong Kong time), or such other date as agreed between the parties, between the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and us, the [**REDACTED**] will not proceed and will lapse.

Applicants for [**REDACTED**] are required to pay, on application, the maximum [**REDACTED**] of HK$[**REDACTED**] for each [**REDACTED**] together with brokerage fee of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015%.

**The [REDACTED] (for themselves and on behalf of the [REDACTED]), and with the consent of our Company, may, where considered appropriate, reduce the number of [REDACTED] and/or the indicative [REDACTED] range below that is stated in this Document (which is HK$[REDACTED] to HK$[REDACTED]) at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such case, notices of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] range will be published as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. Such notices will also be available on the website of our Company at www.gaush.com and on the website of the Stock Exchange at www.hkexnews.hk. Further details, see "Structure of the [REDACTED]" and "How to Apply for [REDACTED]" If applications for [REDACTED] have been submitted prior to the day which is the last day for lodging applications under the [REDACTED], in the event that the number of [REDACTED] and/or the indicative [REDACTED] range is so reduced, such applications can subsequently be withdrawn.**

**Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Document, see "Risk Factors."**

**The obligations of the [REDACTED] under the [REDACTED] to subscribe for, and to procure applicants for the subscription for, the [REDACTED], are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. For such grounds, see "[REDACTED]"**

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

[REDACTED]

# IMPORTANT

[**REDACTED**]

# IMPORTANT

[**REDACTED**]

# EXPECTED TIMETABLE[1]

[**REDACTED**]

# EXPECTED TIMETABLE[1]

[**REDACTED**]

# EXPECTED TIMETABLE[1]

[**REDACTED**]

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**IMPORTANT NOTICE TO INVESTORS**

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# SUMMARY

***This summary aims to give you an overview of the information contained in this Document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full Document. You should read this Document in its entirety before you decide to invest in the* [REDACTED]. *There are risks associated with any investment. Some of the particular risks in investing in the* [REDACTED] *are set forth in "Risk Factors" of this Document. You should read that section carefully before you decide to invest in the* [REDACTED].**

## OVERVIEW

We are a comprehensive provider of ophthalmic medical devices in the PRC. With a market share of 6.7%, we are the largest domestic player and the fourth largest player in China's ophthalmic medical device market in terms of revenue in 2021, according to Frost & Sullivan. We are an early-mover in China's ophthalmic medical device industry with over 20 years of track record. 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, we had offered one-stop ophthalmic medical device solutions to over 4,000 end customers in China (including over 1,000 Class III hospitals and serving all provincial administrative regions in China), including ophthalmic diagnostic equipment, surgical and treatment equipment and consumables, as well as providing after-sale technical services.

We possess a comprehensive 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 rich product portfolio comprises Distribution Products of our brand partners and Proprietary Products which we develop and manufacture. For the years ended December 31, 2019, 2020 and 2021, the revenue contribution of our Distribution Products accounted for 98.9%, 97.0% and 72.0% of our revenue from sales of products, respectively. As of the Latest Practicable Date, we had collaborated with 19 global brand partners, of which 17 had entered into exclusive distribution arrangements for their products with us, including Heidelberg, Schwind and Optos. We have also gradually expanded our portfolio of Proprietary Products through our own R&D efforts and our acquisition of Teleon and Roland. The revenue contribution of our Proprietary Products increased from 1.1% in 2019 and 3.0% in 2020 to 28.0% in 2021 of our revenue from sales of products after we completed such acquisitions in November 2020 and January 2021, respectively. As of the Latest Practicable Date, we had a product portfolio of 129 products.

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 the ophthalmology patient base in China of major ophthalmic diseases in 2021 represented approximately 1.7 to 11 times of that in the United States in 2021, while the size of United States' ophthalmic medical device market in 2020 was much larger than that of the PRC market in the same year. With a rich and stable portfolio of 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, we believe we are well-positioned to capture the growth potentials of China's ophthalmology healthcare industry.

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 both the number of in-house maintenance engineers and revenue from provision of technical services in 2021, according to Frost & Sullivan. 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.

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, and core intellectual properties. 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 we have successfully integrated Roland's R&D teams with our R&D teams in China. As of the Latest Practicable Date, our Group had registered ten invention patents and 16 utility patents in China. As of the same date, our Group had also registered 83 patents in Hong Kong, EU and other jurisdictions, which we believe are material to our business.

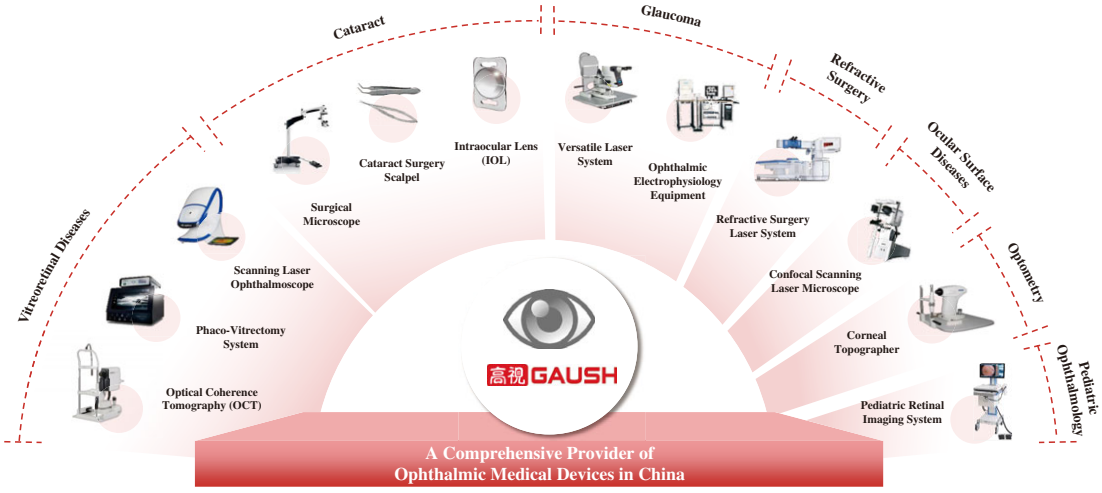
Our revenues and profits remained steady during the Track Record Period and we enjoyed successive increases in our gross profit margins. For the years ended December 31, 2019, 2020 and 2021, our revenue amounted to RMB1,106.7 million, RMB962.1 million and RMB1,298.2 million, respectively, and our gross profit was RMB463.3 million, RMB436.2 million and RMB609.5 million for the same periods, respectively. Our gross profit margin increased from 41.9% in 2019 to 45.3% in 2020, and to 46.9% in 2021.

Such successive improvements in gross profit margin reflected our continuous efforts to optimize our product portfolio. The gross profit margin of our ophthalmic medical consumables is higher than that of our ophthalmic medical equipment. For the years ended December 31, 2019, 2020 and 2021, our gross profit margin for the sales of ophthalmic medical consumables was 52.5%, 51.8% and 51.2%, respectively. The percentage of revenue derived from ophthalmic medical consumables out of our total revenue increased from 13.4% in 2019 to 14.6% in 2020, and further increased to 31.5% in 2021 as a result of the acquisition of Teleon in early 2021. This drove the successive increases in our overall gross profit margin during the Track Record Period.

## OUR PRODUCT PORTFOLIO AND TECHNICAL SERVICES

We possess a comprehensive 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 comprehensive and integrated solution through which our customers may complete their purchases of various ophthalmic medical device products and services through us. Our product portfolio is rich, covering multiple dimensions, 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.




During the Track Record Period, we derived a substantial majority of our revenue from the sales of ophthalmic medical devices. As part of our total solutions portfolio, we also provide our end customers with technical services primarily in China to support their equipment maintenance and after-sale service requests. The following table sets forth a breakdown of our revenue by segment and product and service types for the periods indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *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 |
| Surgical & treatment equipment | 351,372 | 31.8 | 297,393 | 30.9 | 257,793 | 19.9 |
| Other equipment | – | – | 10,597 | 1.1 | 9,127 | 0.7 |
| *Sub-total* | 849,405 | 76.7 | 676,917 | 70.4 | 718,718 | 55.4 |
| *Sale of ophthalmic medical consumables* | | | | | | |
| Intraocular lens | 67,924 | 6.2 | 56,698 | 5.8 | 259,621 | 20.0 |
| Other consumables* | 80,004 | 7.2 | 84,226 | 8.8 | 148,747 | 11.5 |
| *Sub-total* | 147,928 | 13.4 | 140,924 | 14.6 | 408,368 | 31.5 |
| **Technical Services** | | | | | | |
| Warranty services | 72,264 | 6.6 | 98,391 | 10.2 | 116,632 | 9.0 |
| Maintenance services | 9,721 | 0.9 | 10,175 | 1.1 | 13,340 | 1.0 |
| Technical services related accessories | 25,940 | 2.3 | 30,218 | 3.1 | 31,633 | 2.4 |
| *Sub-Total* | 107,925 | 9.8 | 138,784 | 14.4 | 161,605 | 12.4 |
| **Others**** | 1,397 | 0.1 | 5,450 | 0.6 | 9,527 | 0.7 |
| **Total** | 1,106,655 | 100 | 962,075 | 100 | 1,298,218 | 100 |

*Note:*

* Other consumables primarily include surgical consumables (including scalpel) 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 intellectual properties. 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.

The following table sets forth the breakdown of gross profit and gross profit margin by product types for the periods indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Gross profit | Gross profit margin (%) | Gross profit | Gross profit margin (%) | Gross profit | Gross profit margin (%) |
| | *RMB'000 (except percentages)* | | | | | |
| **Sales of Products** | | | | | | |
| *Sale of ophthalmic medical equipment* | | | | | | |
| Diagnostic equipment | 243,766 | 48.9 | 192,061 | 52.1 | 233,766 | 51.7 |
| Surgical & treatment equipment | 93,478 | 26.6 | 97,302 | 32.7 | 83,437 | 32.4 |
| Other equipment | – | – | 4,289 | 40.5 | 4,325 | 47.4 |
| *Sub-total* | 337,244 | 39.7 | 293,652 | 43.4 | 321,528 | 44.7 |
| *Sale of ophthalmic medical consumables* | | | | | | |
| Intraocular lens* | 39,175 | 57.7 | 33,217 | 58.6 | 138,818 | 53.5 |
| Other consumables* | 38,521 | 48.1 | 39,800 | 47.3 | 70,350 | 47.3 |
| *Sub-total* | 77,696 | 52.5 | 73,017 | 51.8 | 209,168 | 51.2 |
| **Technical Services** | 47,008 | 43.6 | 66,024 | 47.6 | 70,104 | 43.4 |
| **Others**** | 1,397 | 100 | 3,484 | 63.9 | 8,671 | 91.0 |
| **Total gross profit/overall gross profit margin** | 463,345 | 41.9 | 436,177 | 45.3 | 609,471 | 46.9 |

*Note:*

* Other consumables primarily include surgical consumables (including scapel) and implants (including vitreous substitutes), among others. The shelf life of our intraocular lens products is five years, and the shelf life of other consumables ranged between 18 months to four years.

** 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.

The following table sets forth the breakdown of our revenue by geographical areas for the periods indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *RMB'000 (except percentages)* | | | | | |
| Greater China | 1,106,619 | 100 | 956,347 | 99.4 | 1,033,863 | 79.6 |
| Asia Pacific (excluding Greater China) | – | – | 3,143 | 0.3 | 64,856 | 5.0 |
| Europe (excluding Germany) | – | – | 367 | * | 56,677 | 4.4 |
| Germany | 36 | * | 1,111 | 0.1 | 103,566 | 8.0 |
| America (including Canada) | – | – | 617 | 0.1 | 16,798 | 1.3 |
| Oceania | – | – | – | – | 17,026 | 1.3 |
| Others | – | – | 490 | 0.1 | 5,432 | 0.4 |
| **Total** | 1,106,655 | 100 | 962,075 | 100 | 1,298,218 | 100 |

* Less than 0.1%.

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 surgery 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.

The following table sets forth the breakdown of our sales of products revenue by Distribution Product and Proprietary Product for the periods indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *RMB'000 (except percentages)* | | | | | |
| Distribution products | 986,004 | 98.9 | 793,121 | 97.0 | 810,989 | 72.0 |
| Proprietary products | 11,329 | 1.1 | 24,720 | 3.0 | 316,097 | 28.0 |
| **Total** | 997,333 | 100 | 817,841 | 100 | 1,127,086 | 100 |

The table below sets forth the breakdown of the revenue from our sales of Proprietary Products and Distribution Products by geographic areas for the years indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | *Amount* | *% of total* | *Amount* | *% of total* | *Amount* | *% of total* |
| **Distribution Products** | | | | | | |
| Greater China | 986,004 | 100.0 | 793,121 | 100.0 | 743,805 | 91.8 |
| Germany | – | – | – | – | 61,157 | 7.5 |
| Europe (excluding Germany) | – | – | – | – | 5,778 | 0.7 |
| Asia Pacific (excluding Greater China) | – | – | – | – | 204 | * |
| Others | – | – | – | – | 45 | * |
| **Total** | 986,004 | 100 | 793,121 | 100 | 810,989 | 100 |
| **Proprietary Products** | | | | | | |
| Greater China | 11,329 | 100.0 | 19,914 | 80.5 | 118,926 | 37.6 |
| Asia Pacific (excluding Greater China) | – | – | 2,320 | 9.4 | 64,652 | 20.5 |
| Europe (excluding Germany) | – | – | 367 | 1.5 | 50,899 | 16.1 |
| Germany | – | – | 1,012 | 4.1 | 42,409 | 13.4 |
| Oceania | – | – | – | – | 17,026 | 5.4 |
| America (including Canada) | – | – | 617 | 2.5 | 16,798 | 5.3 |
| Others | – | – | 490 | 2.0 | 5,387 | 1.7 |
| **Total** | 11,329 | 100 | 24,720 | 100 | 316,097 | 100 |

* Less than 0.1%

The following table sets forth the breakdown of gross profit and gross profit margin by product types for the periods indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Gross profit | Gross profit margin (%) | Gross profit | Gross profit margin (%) | Gross profit | Gross profit margin (%) |
| | *RMB'000 (except percentages)* | | | | | |
| Distribution Products | 411,062 | 41.7 | 355,623 | 44.8 | 365,032 | 45.0 |
| Proprietary Products | 3,878 | 34.2 | 11,046 | 44.7 | 165,664 | 52.4 |
| **Total gross profit/overall gross profit margin** | 414,940 | 41.6 | 366,669 | 44.8 | 530,696 | 47.1 |

As the sales volume and revenue of our Proprietary Products increased over years and utilization of our manufacturing capacity improved during the Track Record Period, the manufacturing costs on a per product basis decreased, resulting in lower unit costs and the successive increases in the gross profit margin of our Proprietary Products. In addition, in January 2021, we completed the acquisition of Teleon, which primarily manufactures and sells Intraocular lens products and they carry a relatively higher gross profit margin than our other Proprietary Product, and this also contributed to the increase of gross profit margin of our Proprietary Products in 2021.

**Product Pipeline**

As of the Latest Practicable Date, we had 15 key pipeline products, which comprised 12 Proprietary Products and three Distribution 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.

**Technical Services**

As part of our solution offering, we also provide our end customers with technical services primarily in China to support their maintenance and after-sale services requests, 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, our revenue generated from the provision of technical services was RMB107.9 million, RMB138.8 million and RMB161.6 million, respectively.

## OUR BRAND PARTNERS

Our brand partners are primarily overseas opthalmic medical device manufacturers. By entering into cooperation relationships with global leading ophthalmic medical 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, of which 17 had entered into exclusive distribution arrangements for their products with us.

We provide our brand partners with the following solutions:

- *Regulatory solutions.* 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, we assisted our brand partners to obtain the NMPA registration of 72 products. Further, we also help our brand partners to navigate the complex and nationwide unsystematic regimes of centralized procurement or volume-based procurement to qualify the Distribution Products for eligibility of sale under such regimes.

- *Distribution and after-sale solutions.* We maintain and develop our distribution network for the distribution of our Distribution Products in China. For the years ended December 31, 2019, 2020 and 2021, we had 814, 865 and 780 domestic project-based distributors and 74, 78 and 137 domestic regional distributors. We also promote the awareness of our Distribution Products among ophthalmology professionals to improve the penetration of our Distribution Products among such professionals. In addition, our in-house technicians attend the trainings of our brand partners as to the operation, maintenance and repair of our Distribution Products. In this way, our technicians are equipped to provide our end customers with quality after-sale services.

- *Logistics solutions.* In general, we are responsible for the shipping, transportation and delivery of our Distribution Products in the course of their distribution. We engage third-party transportation service providers who are specialized in the transportation of precise devices and instruments for the storage and transportation of Distribution Products in the manner requested by our brand partners.

For details, please see "Business — Brand Partners — Relationship with our Brand Partners."

## 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 prior to our acquisition. 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 a 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 possess 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 prior to our acquisition. Teleon is primarily engaged in the manufacturing of intraocular lenses (IOLs) and other ophthalmic 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 a 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 a 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 recovered 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 one-off 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 possess 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 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 possess 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 Proprietary Products of Teleon and Roland amounted to RMB259.7 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 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.

- *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 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, the 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.

- *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 and further to 46.9% in 2021. For details, please see "Financial Information."

## SALES AND DISTRIBUTION

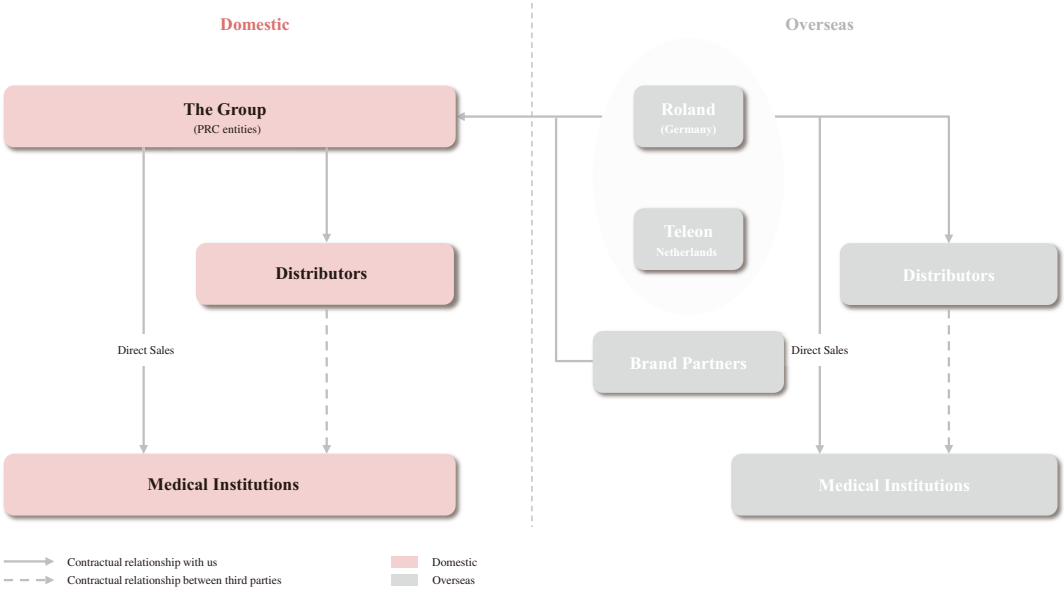
### Sales Model

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 prices, please refer to "Business — Sales and Distribution — Our Product Portfolio and Technical Services" and "Business — Sales and Distribution — Pricing".

The following chart illustrates the structure of our sales model.

**Sales Model**




The following table sets forth the breakdown of our revenue generated in China by types of customers for the periods indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *RMB'000 (except percentages)* | | | | | |
| Distributors | 574,192 | 52.4 | 539,367 | 57.4 | 618,981 | 61.2 |
| Hospitals and other direct customers* | 521,513 | 47.6 | 399,977 | 42.6 | 392,814 | 38.8 |
| **Total** | 1,095,705 | 100 | 939,344 | 100 | 1,011,795 | 100 |

* Direct customers other than hospitals mainly included research institutes.

**Sales Network**

As of the Latest Practicable Date, our products had been ultimately sold to over 4,000 end customers in China, including over 1,000 Class III hospitals, serving all provincial administrative regions in China. We primarily sell 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, we had 74, 78, 137 domestic regional distributors for domestic sales in China, respectively. In addition to our domestic regional distributors, we also had 814, 865 and 780 project-based domestic distributors as of December 31, 2019, 2020 and 2021, respectively. Project-based domestic distributors differ from regional domestic distributors in the sense that the former are primarily engaged for the distribution of ophthalmic medical equipment while the latter are primarily for the distribution of consumables. Due to the relatively significant amount per unit and non-recurring nature, hospitals generally purchase ophthalmic medical equipment by way of procurement projects. On the contrary, due to the relatively low amount per unit, large volume involved and recurring nature, consumables are usually distributed by engaging distributors for designated regions. According to Frost & Sullivan, our distribution model is in line with the industry norm in the PRC ophthalmic medical device industry. Such procurement projects are generally non-recurring given the long service life of ophthalmic medical equipment and this resulted in the year-on-year fluctuation in the number of our project-based domestic distributors. On the other hand, regional domestic distributors are primarily engaged in the distribution of our ophthalmic consumable products and typically enter into long term cooperation with us. We endeavor to increase the revenue contribution from our regional domestic distributors to improve our distribution management efficiency.

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, we transacted with 122 overseas distributors. 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.

**Pricing**

We generally price our products based on their costs, operating expenses and regional competitive landscape, while taking into consideration of the features, functionality and technical advantage of the products.

In addition, with respect to our sales of consumables in China, we may participate in the centralized volume-based procurement regimes established within respective regions. 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 first product to a centralized volume-based procurement regime. The bidding prices determined in such process generally determine the highest price for which the patients in the region purchase our products. 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 commercial public tender process, and therefore are not subject to the government directed public tender processes under any regional centralized procurement regime. In addition, the centralized volume-based procurement regimes primarily focus on medical consumables currently, including our intraocular lens products, and do not apply to our medical equipment products.

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. 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. For the years ended December 31, 2019, 2020 and 2021, we had six, seven and eight domestic distributors covering the provinces where sales of our ophthalmic medical consumables are subject to the Two-Invoice System, and our sales that are subject to the Two-Invoice System represented less than 2.5% of our total revenue during the Track Record Period. We had complied with the applicable laws and regulations in respect of the Two-Invoice System in all material aspects throughout the Track Record Period and up to the Latest Practicable Date. For details, see "Business — Sales and Distribution — Pricing."

## 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 35 R&D personnel. 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. As of the Latest Practicable Date, our R&D personnel had more than ten years of industry experience on average. 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, our total R&D expenses amounted to RMB2.7 million, RMB3.1 million and RMB23.5 million, respectively.

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 surgical medical instruments.

## MANUFACTURING

We manufacture our Proprietary Products. We mainly manufacture (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.

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 6,813 square meters. Our manufacturing facilities primarily consist of production lines, cleanrooms, sterilization plants and warehouses.

## RAW MATERIAL AND SUPPLIERS

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.

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.

## COMPETITIVE STRENGTHS AND BUSINESS STRATEGY

We believe that the following are our competitive strengths and investment highlights:

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

- Rich product portfolio covering all major ophthalmic medical device categories, providing our customers with one-stop integrated solutions

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

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

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

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

We intend to implement a business strategy with the following key components:

- 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

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

- 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

- 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

## SUMMARY OF KEY FINANCIAL INFORMATION

The summary historical data of financial information set forth below has been derived from, and should be read in conjunction with, our consolidated financial statements, including the accompanying notes, set forth in the Accountants' Report set out in Appendix I to this Document, as well as the information set forth in "Financial Information."

## Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income Items

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of revenue | Amount | % of revenue | Amount | % of revenue |
| | *RMB'000 (except percentages)* | | | | | |
| Revenue | 1,106,655 | 100 | 962,075 | 100 | 1,298,218 | 100 |
| Cost of sales | (643,310) | (58.1) | (525,898) | (54.7) | (688,747) | (53.1) |
| Gross profit | 463,345 | 41.9 | 436,177 | 45.3 | 609,471 | 46.9 |
| Other income and gains | 14,615 | 1.3 | 36,445 | 3.8 | 77,900 | 6.0 |
| Selling and distribution expenses | (200,518) | (18.1) | (160,789) | (16.7) | (189,470) | (14.6) |
| Administrative expenses | (78,442) | (7.1) | (90,108) | (9.4) | (131,522) | (10.1) |
| Research and development expenses | (2,659) | (0.2) | (3,139) | (0.3) | (23,506) | (1.8) |
| Other expenses | (190,933) | (17.3) | (66,355) | (6.9) | (397,312) | (30.6) |
| Finance costs | (3,259) | (0.3) | (3,076) | (0.3) | (83,525) | (6.4) |
| **Profit /(Loss) before tax** | 2,149 | 0.2 | 149,155 | 15.5 | (137,964) | (10.6) |
| Income tax expense | (40,175) | (3.6) | (50,617) | (5.3) | (53,607) | (4.1) |
| **Profit /(Loss) for the year** | (38,026) | (3.4) | 98,538 | 10.2 | (191,571) | (14.8) |
| Attributable to: | | | | | | |
| Owners of the parent | (37,041) | (3.3) | 99,367 | 10.3 | (190,447) | (14.7) |
| Non-controlling interests | (985) | (0.1) | (829) | (0.1) | (1,124) | (0.1) |
| | (38,026) | (3.4) | 98,538 | 10.2 | (191,571) | (14.8) |
| **Non-IFRS (reconciliation items)** | | | | | | |
| Fair value loss on Preferred Shares | 173,152 | 15.6 | 64,631 | 6.7 | 375,606 | 28.9 |
| [**REDACTED**] expenses | – | – | – | – | [**REDACTED**] | [**REDACTED**] |

Our revenue decreased from RMB1,106.7 million for the year ended December 31, 2019 to RMB962.1 million for the year ended December 31, 2020 due to the decline in demand for our products as ophthalmic hospitals and clinics suspended or reduced their operation in light of the outbreak of COVID-19 in China in the first half of 2020. The COVID-19 outbreak also caused practical difficulties in holding marketing events and activities which led to a decrease in our selling and distribution expenses.

We recorded net loss of RMB38.0 million for the year ended December 31, 2019, net profit of RMB98.5 million for the year ended December 31, 2020 and net loss of RMB191.6 million. Such fluctuation was primarily attributable to the fluctuation of our revenue, which amounted to RMB1,106.7 million, RMB962.1 and RMB1,298.2 million for the years ended December 31, 2019, 2020 and 2021 and was negatively impacted by the outbreak of COVID-19 in 2020, and contributed by our acquisitions of Teleon since January 2021, and the fair value loss on Preferred Shares, which amounted to RMB173.2 million, RMB64.6 million and RMB375.6 million for the years ended December 31, 2019, 2020 and 2021, respectively. The determination of fair value of the Preferred Shares is subject to a number of assumptions. Please refer to Note 32 to the Accountants' Report as set out in Appendix I to this Document.

Our adjusted net profit (Non-IFRS measure) increased from RMB135.1 million for the year ended December 31, 2019 to RMB163.2 million for the year ended December 31, 2020 as the decrease in selling and distribution expenses and other expenses excluding the fair value gain and loss on the Preferred Shares outweighed the drop in gross profit. Our adjusted net profit increased to RMB209.3 million for the year ended December 31, 2021, primarily due to the increase of revenue in 2021 after the acquisition of Teleon and our sales of products in China recovered in 2021 from the market low point in light of the outbreak of COVID-19 in 2020.

**Non-IFRS Measure**

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, the Company also uses adjusted net profit for the year, which are not required by, or presented in accordance with the IFRS.

We define adjusted net profit (Non-IFRS measure) as net profit/(loss) adding back fair value loss on Preferred Shares and [**REDACTED**] Expenses. Fair value losses on Preferred Shares are non-cash in nature and do not result in cash out-flow, and given that the Preferred Shares will be converted into Shares upon the [**REDACTED**], we do not expect to record such losses after the [**REDACTED**]. [**REDACTED**] expenses are one-off expenses relating to the [**REDACTED**]. We believe the exclusion of fair value losses on Preferred Shares and [**REDACTED**] Expenses provides investors and management with greater visibility as to the underlying performance of our business operations and facilitates comparison of operating performance of other companies in our industry and of ourselves during different periods.

However, our presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of this measure has limitations as an analytical tool. As such, it should not be considered in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under the IFRS.

The table below sets forth a reconciliation of net profit/(loss) for the year to adjusted net profit (Non-IFRS measure) for the years indicated:

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | Amount | Amount | Amount |
| | | *RMB'000* | |
| **Profit /(Loss) for the year** | (38,026) | 98,538 | (191,571) |
| Fair value loss on Preferred Shares | 173,152 | 64,631 | 375,606 |
| [**REDACTED**] expenses | – | – | [**REDACTED**] |
| **Adjusted net profit for the year (Non-IFRS measure)** | 135,126 | 163,169 | 209,268 |

**Summary of Consolidated Statements of Financial Position**

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | | *RMB'000* | |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | 200,169 | 10 | – |
| Inventories | 195,799 | 239,570 | 240,109 |
| Trade receivables | 193,739 | 170,796 | 170,054 |
| Contract assets | 1,666 | 2,190 | 1,937 |
| Prepayments, other receivables and other assets | 23,064 | 22,171 | 54,928 |
| Pledged deposits | – | 6,810 | 13,757 |
| Cash and cash equivalents | 332,762 | 307,490 | 608,996 |
| **Total current assets** | 947,199 | 749,037 | 1,089,781 |
| **Current liabilities** | | | |
| Trade payables | 113,295 | 104,417 | 68,018 |
| Derivative financial instrument | 323 | 128 | 296 |
| Other payables and accruals | 105,587 | 153,128 | 124,181 |
| Tax payable | 37,417 | 28,826 | 19,792 |
| Interest-bearing bank and other borrowings | 37,502 | 866,184 | 122,464 |
| Contract liabilities | 105,596 | 121,584 | 93,884 |
| Lease liabilities | 7,257 | 6,233 | 12,600 |
| **Total current liabilities** | 406,977 | 1,280,500 | 441,235 |

| | As of December 31, | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | | *RMB'000* | |
| **Net current assets/(liabilities)** | 540,222 | (531,463) | 648,546 |
| **Non-current assets** | | | |
| Property, plant and equipment | 7,793 | 12,214 | 42,882 |
| Right-of-use assets | 20,936 | 19,659 | 42,643 |
| Goodwill | 16,190 | 31,228 | 882,698 |
| Intangbile assets | 13,375 | 21,751 | 303,889 |
| Long term accounts receivable | 1,030 | – | – |
| Prepayments and other receivables | 7,349 | 9,526 | 23,843 |
| Investment prepayment | – | 1,377,908 | – |
| Contract assets | 356 | 649 | 84 |
| Deferred tax assets | 14,809 | 13,804 | 40,849 |
| **Total non-current assets** | 81,838 | 1,486,739 | 1,336,888 |
| **Non-current liabilities** | | | |
| Government grant | 788 | 99 | – |
| Interest-bearing bank and other borrowings | – | 194,905 | 635,334 |
| Loan at fair value through profit or loss | – | – | 159,099 |
| Convertible redeemable preferred shares | 644,182 | 663,648 | 1,660,424 |
| Contract liabilities | 27,769 | 29,162 | 29,259 |
| Deferred tax liabilities | 3,024 | 5,762 | 66,374 |
| Other payables and accruals | – | – | 36,536 |
| Lease liabilities | 16,082 | 13,890 | 31,779 |
| **Total non-current liabilities** | 691,845 | 907,466 | 2,618,805 |
| **Non-controlling interests** | 11,545 | 22,185 | 23,061 |
| **Net assets/(liabilities)** | (69,785) | 47,810 | (633,371) |

Our net current liabilities amounted to RMB531.5 million as of December 31, 2020 which reflected our utilization of cash resources and also the short-term bridge loans we obtained to fund the acquisition of Teleon.

We recorded (i) net liabilities of RMB69.8 million as of December 31, 2019, which was primarily attributable to total comprehensive loss of RMB38.5 million and Shares repurchased of RMB67.9 million, and (ii) net liabilities of RMB633.4 million as of December 31, 2021, which was primarily attributable to total comprehensive loss of RMB250.2 million and Shares repurchased of RMB489.7 million for the year ended December 31, 2021. On the other hand, we recorded net assets of RMB47.8 million as of December 31, 2020, which was primarily attributable to our total comprehensive income of RMB106.1 million for the year ended December 31, 2020.

For details, please refer to the "Consolidated Statements of Changes in Equity' included in the Accountants' Report as set out in Appendix I to this Document.

As advised by our PRC Legal Adviser, our PRC subsidiaries cannot pay dividends if our PRC subsidiaries are in an accumulated loss position. According to the PRC Company Law, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. Our PRC subsidiaries may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. In addition, as advised by Harney Westwood & Riegels, our Cayman Islands Legal Adviser, despite of our accumulated losses, we may declare and pay a dividend at any time, provided that we shall be able to pay our debts as they fall due in the ordinary course of business and to the extent that it is permitted by our articles of association. There is no net asset value test which must be satisfied before a dividend is paid by us. Dividends can be sourced from (i) our realized or unrealized profits; and/or (ii) the proceeds of a fresh issue of new shares; and/or (iii) amounts standing to the credit of our share premium account.

**Summary of Consolidated Statements of Cash Flow**

The following table sets forth a summary of our consolidated cash flow statements for the periods indicated.

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | | *RMB'000* | |
| Net cash flows from operating activities | 171,064 | 130,001 | 164,486 |
| Net cash flows from/(used in) investing activities | (136,298) | (998,022) | 79,835 |
| Net cash from/(used in) financing activities | (75,471) | 856,356 | 72,843 |
| Net increase/(decrease) in cash and cash equivalents | (40,705) | (11,665) | 317,164 |
| Cash and cash equivalents at beginning of year | 387,688 | 332,762 | 307,490 |
| Effect of foreign exchange rate changes, net | (14,221) | (13,607) | (15,658) |
| Cash and cash equivalents at end of year | 332,762 | 307,490 | 608,996 |

**Key Financial Ratios**

The following table sets forth our key financial ratios as of the dates or for the periods indicated.

| | As of/for the year ended December 31, | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| Gross profit margin (%)[(1)] | 41.9 | 45.3 | 46.9 |
| Current ratio[(2)] | 2.3 | 0.6 | 2.5 |
| Quick ratio[(3)] | 1.8 | 0.4 | 1.9 |
| Gearing ratio (%)[(4)] | (87.2)[(5)] | 2,261.5 | (151.8)[(5)] |

(1) Equals gross profit for the year divided by revenue for the year and multiplied by 100%.

(2) Current ratio represents current assets divided by current liabilities as of the same date.

(3) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.

(4) Gearing ratio represents total interest-bearing borrowings (including interest-bearing bank borrowings and other borrowings, lease liabilities, and loan at fair value through profit and loss) divided by net assets or liabilities as of the ends of the period and multiplied by 100%.

(5) The gearing ratios as of December 31, 2019 and December 31, 2021 were negative because the Company recorded net liabilities under the IFRS as of December 31, 2019 and December 31, 2021.

The significant decrease of the current ratio and the quick ratio (together, "**liquidity ratios**") as of December 31, 2020 reflected our utilisation of cash resources and the short-term borrowing we obtained to fund the acquisition of Teleon. On December 18, 2020, we entered into a bridge facility agreement with, among other lenders, Credit Suisse, to obtain a bridge loan of no more than EUR100 million, which was fully repaid on April 22, 2021 using proceeds from the Senior Facility Loan and the Mezzanine Facility Loan. See "History, Reorganization and Development — Our Major Subsidiaries in Germany and the Netherlands — Acquisition of Teleon." and "Financial Information — Indebtedness — Bank Borrowings" for more details. In addition, the gearing ratio fluctuated during the years of 2019, 2020 and 2021, which is mainly caused by the significant increase of interest-bearing bank borrowings in 2020.

## OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Gao Tieta through GT HoldCo will control an aggregate of approximately [**REDACTED**]% of the issued share capital of our Company. Therefore, Gao Tieta and GT HoldCo will be our Controlling Shareholders.

Gao Tieta is our executive Director, chairman of the Board and chief executive officer. For further background information, see "Directors and Senior Management."

## [REDACTED] INVESTMENTS AND REORGANIZATION

Since the incorporation of our Company, we have received several rounds of [**REDACTED**] Investments, with the final round completed in October 2021. Our [**REDACTED**] Investors include investment funds and international financial services firm. For further details of the identity and background of our [**REDACTED**] Investors and the principal terms of the [**REDACTED**] Investments, see "History, Reorganization and Development — [**REDACTED**] Investments."

## APPLICATION FOR [REDACTED] ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the [**REDACTED**] of, and permission to deal in, (a) the Shares in issue (including the Shares to be converted from the Preferred Shares) and (b) the Shares to be issued pursuant to the [**REDACTED**] (including any Shares which may be issued under the exercise of the [**REDACTED**]), under Rule 8.05(3) of the Listing Rules.

## [REDACTED]

The statistics in the following table are based on the assumptions that the [**REDACTED**] are completed and [**REDACTED**] shares are issued in the [**REDACTED**].

| | **Based on an [REDACTED] of HK$[REDACTED] per Share** | **Based on an [REDACTED] of HK$[REDACTED] per Share** |
|---|---|---|
| [**REDACTED**] of our [**REDACTED**][(1)] | HK$[**REDACTED**] | HK$[**REDACTED**] |
| Unaudited pro forma adjusted net tangible assets attributable to owners of the Company per [**REDACTED**][(2)] | HK$[**REDACTED**] | HK$[**REDACTED**] |

(1) The calculation of [**REDACTED**] is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**].

(2) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per [**REDACTED**] is calculated after making adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information" to this document.

## USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**], after deducting [**REDACTED**] commissions, fees and estimated expenses payable by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range stated in this Document.

We currently intend to apply these net [**REDACTED**] for the following purposes:

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to improve our research and development capability and accelerate the commercialization of our patents within five years from the [**REDACTED**]. We would allocate [**REDACTED**]% to continuously upgrading our R&D capability of IOL products and hydrophobic and hydrophilic materials, [**REDACTED**]% to the R&D of ophthalmic diagnosis products and [**REDACTED**]% to the R&D as to optometric products to take on the industry trend of myopia prevention and domestic substitution;

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to improve our production capacity and strengthen our manufacturing capabilities within five years from the [**REDACTED**];

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to expand our sales and marketing within five years from the [**REDACTED**];

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to fund potential strategic investment and acquisitions that could complement and expand our product portfolio and technologies, and in turn further drive our business growth within five years from the [**REDACTED**];

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for our working capital and general corporate purposes; and

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to repay our interest-bearing borrowings.

See "Future Plans and Use of [**REDACTED**]" for details.

## IMPACT OF COVID-19 PANDEMIC

On March 11, 2020, WHO declared the COVID-19 outbreak a global pandemic. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel and business restrictions, quarantines and social distancing policies.

Since its outbreak in 2020, while it caused temporary disruption to our business and marketing efforts in China in 2020, COVID-19 pandemic did not have a material impact on our overall business development, results of operations and financial conditions during the Track Record Period and up to the Latest Practicable Date as a whole. Due to the COVID-19 pandemic, demand for our medical devices declined in 2020 after many surgeries were rescheduled and outpatient services were suspended in response to COVID-19 policies, and we experienced a temporary contraction in our business and results of operation, which is reflected in the decrease in the revenue in 2020. However, our sales and service offerings recovered and significantly increased since the third quarter of 2020 and such recovery and growth continued in 2021, as market demand bounced back and hospitals in China substantially resumed normal operations and unmet medical needs accumulated due to disruptions during the outbreak were escalated and addressed.

On the other hand, the COVID-19 pandemic did not have a material effect on our inventory and supply capacity. Our consumables inventory during the COVID-19 outbreak were sufficient to support our operations, and our brand partners have been able to sustain their supply. As a result, we have been able to manage and ensure a reasonable level of product supply and inventory.

Furthermore, the new variants of COVID-19 pandemic have not had a material effect on our overall business development, operation and financial performance, either. The virus continues to evolve and mutates into new variants, which are Delta and Omicron. At the end of 2021, Delta started to rapidly affect Xi'an City, which led to the lockdown in the first month of 2022. In addition, since the beginning of January 2022, Tianjin City has been affected by the outbreak of the Omicron variant and He'nan Province has been affected by both Delta and Omicron, which has led to the lockdown of several regions. Since March 2022, the outbreak of the Omicron variant has led to the citywide lock down of Shanghai and lockdown of several regions in Jilin, among other regions in China. A number of our end-customers are located in these regions and some of our end-customers have reduced and suspended operations during this period of time, causing delays in placing orders for our products (including ophthalmic medical equipment and ophthalmic medical consumables). As the recent COVID-19 resurgence may have adversely affected the operation of our end customers, the distribution of the ophthalmic medical consumables we sold to our domestic distributors may be suppressed. We believe our end customers determine their purchases primarily based on their estimated usage. On the other hand, we generally keep the physical possession of our ophthalmic medical equipment until the equipment being installed with the end customers. Therefore, we do not believe there would be any material amount of stocks locked up in the distributor level before on-sell to the end-customers caused by the recent COVID-19 resurgence. Instead, these have caused temporary disturbance to our operation by limiting our sales and marketing activities and interrupting the delivery and installment of our products, which resulted in the decline in our sales for the four months ended April 30, 2022 when compared with our sales for the same period in 2021. As the demand for our products and services was suppressed, instead of dissipated, during the recent COVID-19 resurgence, we believe such revenue would gradually recover after the situation has improved. The geographical concentration of our revenue in China was not significant, with customers located in our largest revenue generating province in 2021 in aggregate contributing less than 10% of our revenue from China for the year ended December 31, 2021. As the outbreak continue to the evolve, we aim to work closely with our customers and brand partners to minimize any impact any future outbreaks and corresponding outbreak control efforts may have on our operations and financial position.

On February 20, 2020, the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration published the Notice on Reducing and Sparing the Social Security Contribution by the Enterprises by Phase, pursuant to which we were exempt from certain social security contribution in light of the COVID-19 pandemic. There were no other subsidies except for such unified policy of social insurance and provident funds exemptions.

As policies vary among different countries, with some opting to live with COVID-19 and others continuing to try to pursue a zero-COVID-19 strategy, it is uncertain how COVID-19 will continue to impact lives and economies globally. The above analysis is made by our management based on currently available information concerning COVID-19. We cannot guarantee that the COVID-19 outbreak will not further escalate or have a material adverse effect on our results of operations, financial position or prospects. For details, see "Risk Factors — Risks Relating to Our Business and the Industry — Our business may be affected by the occurrence of contagious diseases, such as COVID-19."

## DIVIDEND POLICY

We do not have a specific dividend policy or a predetermined dividend payout ratio. The decision to pay dividends in the future will be made at the direction of our Board and will be based on our profits, cash flows, financial condition, capital requirements and other conditions that our Board deems relevant. The payment of dividends may be limited by other legal restrictions and agreements that we may enter into in the future.

## [**REDACTED**] EXPENSES

[**REDACTED**] expenses to be borne by us are estimated to be approximately HK$[**REDACTED**] (including [**REDACTED**] commission and other expenses), representing approximately [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, which is the mid-point of the indicative [**REDACTED**] range stated in this Document, and assuming that the [**REDACTED**] is not exercised). Approximately HK$[**REDACTED**] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately HK$[**REDACTED**] is expected to be accounted for as a deduction from equity upon the [**REDACTED**]. The table below sets forth the breakdown of our [**REDACTED**] expenses.

[**REDACTED**]

The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such [**REDACTED**] expenses to have a material adverse impact on our results of operations for the year ending December 31, 2021.

## RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Preferred Shares will be converted into Shares upon the [**REDACTED**] and we expect that we will no longer record further fair value loss on Preferred Shares after the [**REDACTED**]. However, the fair value loss on Preferred Shares for the year ending December 31, 2022 is expected to substantially increase when compared to the year ended December 31, 2021, which is primarily resulted from the improving valuation of the Company upon the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, which is the mid-point of the indicative [**REDACTED**] range stated in this Document. Such increase in the fair value loss on Preferred Shares is expected to result in substantial increase in our net loss for the year ending December 31, 2022.

Our Directors confirm that, as far as they are aware, there had been no material adverse change in our financial, trading position or prospects since December 31, 2021, being the latest date of our consolidated financial statements as set out in "Appendix I — Accountants' Report" of this Document, up to the date of this Document.

## RISK FACTORS

There are certain risks in our operations and in connection with the [**REDACTED**], many of which are beyond our control. We believe the most significant risks we face include but not limit to:

- The PRC ophthalmology medical device industry is rapidly evolving and highly competitive. We are subject to intense competition from domestic and international competitors, and we may face challenges in maintaining or enhancing our market share in this industry for a variety of reasons.

- Our business is subject to complex and evolving laws and regulations. We may not be able to successfully obtain, maintain or renew the regulatory filings or complete product registration testing or clinical trials in a timely manner and at acceptable costs, or at all, which may affect the sale and marketing of our products.

- We may not be successful in the public tender process, and lower bidding prices of our competitors and volume-based discounts and/or lower ex-factory and sale prices offered by these competitors may undermine our position in the public tender process and in turn adversely impact our sales performance.

- We are subject to changing legal and regulatory requirements in the PRC healthcare industry, and new laws, rules and regulations may impose significant compliance burdens on us. Our results of operations could be materially and adversely affected by the "Two-Invoice System" and volume based procurement initiative.

- Our success is tied to our ability to retain and attract brand partners as well as the success of our brand partners and the Distribution Products.

- Any damage to the reputation and recognition of our proprietary brand or our brand partners' brand names may materially and adversely affect our business operations and prospects.

- We recorded significant amount of goodwill. If we determine our goodwill to be impaired, our results of operations and financial condition may be adversely affected.

- We recorded significant amount of intangible assets (other than goodwill). If we determine our intangible assets (other than goodwill) to be impaired, our results of operations and financial condition may be adversely affected.

- We have incurred net losses and net liabilities in the past and may not be able to achieve or maintain profitability in the future. In addition, our financial performance may be adversely affected by fair value changes in our convertible redeemable preferred shares, which will not continue to affect the Group's financial performance until its conversion upon the [**REDACTED**].

## THE INCIDENT

Before the Track Record Period, one of our former directors served as a witness in a bribery case against an Independent Third Party, who had solicited illegal payments from such former director in 2005. No charge has been laid against such former director or the Group by any judicial authorities in connection with such incident. See "Business — Legal Proceedings and Regulatory Compliance — The Incident." The Incident has revealed certain deficiencies and weaknesses in our internal control system. In light of this, we have taken steps to identify and address deficiencies in our internal controls and established a compliance program. See "Business — Risk Management and Internal Control."

***In this Document, unless the context otherwise requires, the following terms shall have the same meanings set out below. Certain other terms are explained in "Glossary of Technical Terms" of this Document.***

| | |
|---|---|
| "Accountants' Report" | the accountants' report on financial information of our Group for the financial years ended December 31, 2019, 2020 and 2021 prepared by Ernst & Young, the text of which is set out in Appendix I to this Document |
| "Articles of Association" or "Articles" | sixth amended and restated articles of association of our Company conditionally adopted on [●] to take effect on the [**REDACTED**], a summary of which is set out in the section headed "Summary of the Constitution of the Company and the Company Laws of the Cayman Islands" in Appendix III to this Document |
| "associates" | has the meaning ascribed to it under the Listing Rules |
| "Board" or "Board of Directors" | the board of directors of our Company, whose names are set out in the section headed "Directors and Senior Management" |
| "Bridge Facility Loan" | the secured loan granted by Credit Suisse to Gaush Netherlands pursuant to a bridge facility agreement of EUR100 million dated December 18, 2020 to partially finance the acquisition of Teleon and which had been fully repaid as of the Latest Practicable Date |
| "Business Day" | a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong |
| "BVI" | the British Virgin Islands |
| "CAGR" | compounded annual growth rate, which is calculated by dividing the amount at the end of the period by the amount of the beginning of that period, raising the result to an exponent of one divided by the number of years in the period, and subtracting one from the subsequent result |

[**REDACTED**]

[**REDACTED**]

| | |
|---|---|
| "China", "PRC" or "State" | People's Republic of China, but for the purpose of this Document and for geographical reference only and except where the context requires otherwise, references in this Document to "China" and the "PRC" do not include Hong Kong, Macau and Taiwan |
| "close associate(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Companies (Winding Up and Miscellaneous Provisions) Ordinance" | the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time |
| "Companies Act" or "Cayman Companies Act" | the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modifies from time to time |

| | |
|---|---|
| "Companies Ordinance" | the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time |
| "Company" or "our Company" | Gaush Meditech Ltd 高视医疗科技有限公司, an exempted company incorporated under the laws of the Cayman Islands with limited liability on November 1, 2017 |
| "connected person" | has the meaning ascribed to it under the Listing Rules |
| "connected transaction" | has the meaning ascribed to it under the Listing Rules |
| "Controlling Shareholder(s)" | has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Gao Tieta and GT HoldCo |
| "Corporate Governance Code" | the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules |
| "Credit Suisse" | Credit Suisse AG, Singapore Branch which is the Singapore branch of Credit Suisse AG, an international financial services firm, incorporated in Switzerland. Credit Suisse AG, Singapore Branch is a licensed wholesale bank regulated by the Monetary Authority of Singapore (MAS) and provides banking and financial services, and it is an authorized institution as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong). |
| "CS Facility" | a bank facility in respect of US$23,000,000 granted by Credit Suisse to GT HoldCo pursuant to a facility agreement dated June 22, 2021 and secured by the Share Charge and which remained outstanding as of the Latest Practicable Date |
| "CSRC" | China Securities Regulatory Commission (中國證券監督管理委員會) |
| "CS Warrants" | the warrants issued by the Company to Credit Suisse on April 22, 2021 pursuant to a warrant instrument entered into by the Company on December 31, 2020 in connection with the Mezzanine Facility Loan and which were fully exercised on October 25, 2021 |

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|---|---|
| "Cuprite Gem" | Cuprite Gem Investments Ltd, an exempt company incorporated under the laws of Cayman Islands with limited liability on August 24, 2020, further details of which are set out in "History, Reorganization and Development — [**REDACTED**] Investments — Information on the [**REDACTED**] Investors" |
| "Director(s)" or "our Director(s)" | the director(s) of our Company |
| "Distribution Products" | products of our brand partners which we distribute |
| "Domestic substitution" | the policy initiative that advocates substituting foreign imports with domestic manufactured products |
| "ECL(s)" | expected credit loss(es) |
| "EIT Law" | the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time |
| "EU" | European Union |
| "EUR" or "Euro" | the lawful currency of the European Union |
| "Extreme Conditions" | extreme conditions caused by a super typhoon as announced by the government of Hong Kong |
| "Frost & Sullivan" | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party |
| "Frost & Sullivan Report" | an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this Document |
| "Gaush BVI" | Gaush Medicare Ltd, a BVI business company duly incorporated under the laws of the British Virgin Islands on November 8, 2017 and a wholly owned subsidiary of our Company |
| "Gaush Consumables" | Gaush Consumables Ltd* (深圳市高視耗材科技有限公司), a company with limited liability incorporated under the laws of the PRC on February 8, 2017 and a 60.00% indirect subsidiary of our Company |

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|---|---|
| "Gaush CRO" | Gaush CRO Ltd* (海南高視醫學研究有限公司), a company with limited liability incorporated under the laws of the PRC on August 27, 2020 and an indirect wholly owned subsidiary of our Company |
| "Gaush Diopsys" | Gaush Diopsys Ltd* (天津高視大奧醫療科技有限公司), a company with limited liability incorporated under the laws of the PRC on October 13, 2016 and a 60.00% indirect subsidiary of our Company |
| "Gaush Germany" | Gaush Europe GmbH, a limited liability company (Gesellschaft mit beschränkter Haftung) duly incorporated under the laws of Germany which was founded with its first entry in the commercial register on January 21, 2020 and an indirect wholly owned subsidiary of our Company |
| "Gaush HK" | Gaush Medical Limited (高視醫療投資有限公司), a company duly incorporated and validly existing under the laws of Hong Kong on November 15, 2017 and an indirect wholly owned subsidiary of our Company |
| "Gaush Jingpin" | Gaush Jingpin Ltd* (天津高視晶品醫療技術有限公司), a company with limited liability incorporated under the laws of the PRC on February 15, 2016 and an indirect wholly owned subsidiary of our Company |
| "Gaush Medica" | Gaush Medica Ltd* (寧波高斯醫療科技有限公司), a company with limited liability incorporated under the laws of the PRC on August 10, 2017 and a 52.00% indirect subsidiary of our Company |
| "Gaush Medical Corporation" | Gaush Medical Corporation* (高視醫療科技集團有限公司), a company with limited liability incorporated under the laws of the PRC on May 25, 2016 and an indirect wholly owned subsidiary of our Company |
| "Gaush Medical Service" | Gaush Medical Service Ltd* (天津高視醫療技術服務有限公司), a company with limited liability incorporated under the laws of the PRC on May 13, 2019 and an indirect wholly owned subsidiary of our Company |
| "Gaush Netherlands" | Gaush Coöperatief U.A., a cooperative (coöperatie) company duly incorporated under the laws of the Netherlands on October 29, 2020 and an indirect wholly owned subsidiary of our Company |

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|---|---|
| "Gaush Raymond" | Wenzhou Gaush Raymond Photoelectric Technology Co., Ltd* (溫州高視雷蒙光電科技有限公司), a company with limited liability incorporated under the laws of the PRC on May 31, 2006 and a 52.00% indirect subsidiary of our Company |
| "Gaush Technology" | Gaush Technology Ltd* (上海高視醫療技術有限公司), a company with limited liability incorporated under the laws of the PRC on February 23, 2016 and an indirect wholly owned subsidiary of our Company |
| "Gaush Teleon" | Gaush Teleon Ltd* (高視泰靚醫療科技有限公司), a company with limited liability incorporated under the laws of the PRC on June 22, 2021 and an indirect wholly owned subsidiary of our Company |
| "GF HoldCo" | GMC STAR Ltd, a company duly incorporated under the laws of the British Virgin Islands on October 27, 2017, which was wholly owned by Gao Fan as of the Latest Practicable Date |
| "GL Capital" | GL Instrument Investment L.P., a limited partnership registered in Alberta, Canada on January 8, 2016, further details of which are set out in "History, Reorganization and Development — [**REDACTED**] Investments — Information on the [**REDACTED**] Investors" |
| | [**REDACTED**] |
| "Global Vision Corporation" | Global Vision Corporation* (北京高視遠望科技有限責任公司), a company with limited liability incorporated under the laws of the PRC on August 27, 1998 and an indirect wholly owned subsidiary of our Company |
| "Global Vision HK" | GLOBAL VISION HONGKONG LIMITED (高視遠望香港有限公司), a company with limited liability incorporated under the laws of Hong Kong on December 19, 2013 and an indirect wholly owned subsidiary of our Company |
| "GMC BVI" | GMC MEDSTAR LIMITED, a company duly incorporated under the laws of the British Virgin Islands on June 21, 2017 and a direct wholly owned subsidiary of our Company |

| | |
|---|---|
| "GMC HK" | GMC Medstar Limited, a company duly incorporated and validly existing under the laws of Hong Kong and an indirect wholly owned subsidiary of our Company |
| "GMC IV" | GMC FOUR Ltd, a company duly incorporated under the laws of the British Virgin Islands on October 27, 2017 which was owned as to 74.42% by Zhang Jianjun, 12.79% by Gao Feng, 7.67% by Wang Cheng and 5.12% by Wu Hui as of the Latest Practicable Date |
| "GMC Teleon" | GMC Teleon Ltd, a company duly incorporated under the laws of the British Virgin Islands on May 18, 2021 which was owned as to 62.22% by Liu Xinwei, 33.33% by Zhang Jianjun, 2.00% by Mark Lansu, 1.11% by Hendrik Ligt, 1.11% by Rik Renssen and 0.23% by Alexey Simonov as of the Latest Practicable Date |
| "GMC V" | GMC FIVE Ltd, a company duly incorporated under the laws of the British Virgin Islands on October 27, 2017 which was owned as to 66.67% by Gao Jinta and 33.33% by Zhao Xinli as of the Latest Practicable Date |
| "GMC VI" | GMC SIX Ltd, a company duly incorporated under the laws of the British Virgin Islands on October 27, 2017 which was owned as to 27.57% by Zhao Xinli, 17.54% by Zhang Jianjun, 16.20% by Lv Gechang, 13.19% by Wu Hui, 12.78% by Wang Cheng and 12.72% by Gao Feng as of the Latest Practicable Date |
| "GMC VII" | GMC SEVEN Ltd, a company duly incorporated under the laws of the British Virgin Islands on October 27, 2017 and a previous Shareholder |
| "Greater China" | the PRC, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| | [**REDACTED**] |
| "Group" or "our Group" | our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be) |

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| "GT HoldCo" | GAUSH HOLDING Ltd, a company duly incorporated under the laws of the British Virgin Islands on October 27, 2017 which was wholly owned by Gao Tieta as of the Latest Practicable Date |
| "Guangzhou Gaush" | Guangzhou Gaush Technology Ltd.* (廣州高視醫療科技有限公司), a company with limited liability incorporated under the laws of the PRC on October 27, 2020 and an indirect wholly owned subsidiary of our Company |
| "HK$" or "Hong Kong Dollars" | Hong Kong dollars, the lawful currency of Hong Kong |

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| "HL Capital" | Highlight Capital Partners I L.P., a limited partnership formed under the laws of the Cayman Islands on May 13, 2014, further details of which are set out in "History, Reorganization and Development — [**REDACTED**] Investments — Information on the [**REDACTED**] Investors" |
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC |

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| "IFRSs" | International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board |
| "Independent Third Party(ies)" | party or parties that, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is or are not a connected person within the meaning of the Listing Rules |

[**REDACTED**]

[**REDACTED**]

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| "Joint Sponsors" | the joint sponsors as named in the section headed "Directors and Parties Involved in the [**REDACTED**]" of this Document |
| "Latest Practicable Date" | May 21, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication |

[**REDACTED**]

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| "Listing Committee" | the listing sub-committee of the board of directors of the Stock Exchange |

[**REDACTED**]

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| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time |
| "LXD HoldCo" | GMC THREE Ltd, a company duly incorporated under the laws of the British Virgin Islands on October 27, 2017 which was wholly owned by Liu Xidong as of the Latest Practicable Date |

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| "M&A Rules" | Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定), which were jointly promulgated by MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC, and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, as amended, supplemented or otherwise modified from time to time |
| "Main Board" | the stock exchange operated by the Stock Exchange (excluding the option market) and which stock market continues to be operated by the Stock Exchange in parallel with the Growth Enterprise Market of the Stock Exchange (for the avoidance of doubt, the Main Board excludes the Growth Enterprise Market) |
| "Management HoldCos" | GMC IV, GMC V, GMC VI and GMC Teleon |
| "Memorandum of Association" or "Memorandum" | sixth amended and restated memorandum of association of our Company conditionally adopted on [●] to take effect on the [**REDACTED**], as amended from time to time, a summary of which is set out in the section headed "summary of the Constitution of the Company and the Cayman Laws of the Cayman Islands" in Appendix III to this Document |
| "Mezzanine Facility" | the secured loan granted by Credit Suisse to the Company pursuant to a mezzanine facility agreement of EUR25 million dated December 31, 2020 to partially refinance the Bridge Facility Loan and which will mature in 2024 |
| "Mingwang Medical" | Mingwang Medical Ltd.* (上海明望醫療器械有限公司), a company with limited liability incorporated under the laws of the PRC on November 10, 2009 and an indirect wholly owned subsidiary of our Company |
| "MOF" | Ministry of Finance of the PRC (中華人民共和國財政部) |
| "MOFCOM" or "Ministry of Commerce" | the Ministry of Commerce of the PRC (中華人民共和國商務部) |
| "NDRC" | National Development and Reform Commission (中華人民共和國國家發展和改革委員會) |

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| "NEEQ" | the National Equities Exchange and Quotations, a PRC over-the-counter system for trading shares of public companies |
| "NHC" | National Health Commission of the PRC (中華人民共和國國家衛生健康委員會) |
| "NHSA" | National Healthcare Security Administration of the PRC (國家醫療保障局) |
| "Ningbo Gaush Precision" | Ningbo Gaush Precision Inc* (寧波高視精密醫療技術有限公司), a company with limited liability incorporated under the laws of the PRC on January 6, 2016 and an indirect wholly owned subsidiary of our Company and deregistered on December 29, 2021 |
| "NMPA" | National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局) |
| "Non-PRC Resident Enterprise" | as defined under the EIT Law, means companies established pursuant to a non-PRC law with their *de facto* management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC |
| "NPC" | the National People's Congress of the PRC (中華人民共和國全國人民代表大會) |

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| "OrbiMed Asia" | Orbimed Asia Partners III, L.P., an exempted limited partnership registered under the laws of the Cayman Islands on June 10, 2013, further details of which are set out in "History, Reorganization and Development — [**REDACTED**] Investments — Information on the [**REDACTED**] Investors" |
| | [**REDACTED**] |
| "PBOC" | the People's Bank of China (中國人民銀行), the central bank of the PRC |
| "PRC Legal Adviser" | Commerce & Finance Law Offices, our legal adviser as to PRC laws |
| "Preferred Shares" | preferred shares of the Company consist of Series A1 Preferred Shares, Series A2 Preferred Shares and Series B Preferred Shares |
| "[**REDACTED**] Investment(s)" | the [**REDACTED**] investment(s) in our Company, the details of which are set out in "History, Reorganization, and Development — [**REDACTED**] Investments" |
| "[**REDACTED**] Investor(s)" | the [**REDACTED**] investor(s) in our Company, the details of which are set out in "History, Reorganization, and Development — [**REDACTED**] Investments" |
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[**REDACTED**]

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| "Proprietary Products" | products that we develop and manufacture |

[**REDACTED**]

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| "QIB" | a qualified institutional buyer within the meaning of Rule 144A |
| "Regulation S" | Regulation S under the U.S. Securities Act |
| "Renminbi" or "RMB" | the lawful currency of the PRC |
| "Reorganization" | the reorganization steps underwent by our Company to streamline our shareholding structure in preparation for the [**REDACTED**], particulars of which are set out in the section headed "History, Reorganization and Development" in this Document |
| "Roland" | Roland Consult Stasche & Finger GmbH, a limited liability company (Gesellschaft mit beschränkter Haftung) duly incorporated under the laws of Germany and founded on November 29, 1995 and an 80% indirect subsidiary of the Company |
| "Rule 144A" | Rule 144A under the U.S. Securities Act |
| "SAFE" | the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) |
| "SAFE Circular 37" | the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE with effect from July 4, 2014 |
| "SAMR" | the PRC State Administration for Market Regulation (中華人民共和國國家市場監督管理總局), formerly known as the PRC State Administration for Industry and Commerce (中華人民共和國國家工商行政管理總局) ("**SAIC**") |
| "SAT" | the State Administration of Taxation (國家税務總局) |

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| "SCNPC" | Standing Committee of the National People's Congress (全國人民代表大會常務委員會) |
| "Senior Facility Loan" | the secured loan granted by Credit Suisse and other lenders to Gaush Netherlands pursuant to a senior facility agreement of EUR75 million dated December 30, 2020 to partially refinance the Bridge Facility Loan and which will mature in 2024 |
| "Series A Investors" | collectively, OrbiMed Asia, Zhan Ye, Highlight Capital and GL Capital |
| "Series A Preferred Shares" | collectively, Series A1 Preferred Shares and Series A2 Preferred Shares |
| "Series A1 Preferred Shares" | the series A1 preferred shares of our Company |
| "Series A2 Preferred Shares" | the series A2 preferred shares of our Company |
| "Series B Preferred Shares" | series B preferred shares of the Company |
| "SFC" | the Securities and Futures Commission of Hong Kong |
| "SFO" or "Securities and Futures Ordinance" | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time |
| "Share(s)" | ordinary shares in the share capital of our Company with a par value of US$0.0001 each |
| "Shareholder(s)" | holder(s) of our Share(s) |
| "Share Charge" | the share charge dated June 22, 2021 pursuant to which 36,892,670 Shares were mortgaged by GT HoldCo in favor of Credit Suisse, representing approximately 26.25% and [**REDACTED**]% of the issued share capital of our Company as of the date of this Document and immediately upon completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), respectively |
| "Shenzhen Gaush Clear" | Gaush Clear Inc* (深圳高視高清醫療技術有限公司), a company with limited liability incorporated under the laws of the PRC on August 9, 2021 and an indirect wholly owned subsidiary of our Company |

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| "Shenzhen Gaush Technology" | Shenzhen Gaush Technology Limited* (深圳高視科技有限公司), a company with limited liability incorporated under the laws of the PRC on January 6, 2022 and an indirect wholly owned subsidiary of our Company |
| "SPV(s)" | special purpose vehicle(s) |
| | [**REDACTED**] |
| "State Council" | the PRC State Council (中華人民共和國國務院) |
| "Stock Exchange" or "Hong Kong Stock Exchange" | The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| "subsidiary(ies)" | has the meaning ascribed to it in section 15 of the Companies Ordinance |
| "substantial shareholder(s)" | has the meaning ascribed to it under the Listing Rules |
| "Suzhou Gaush Clear" | Gaush Clear Ltd* (蘇州高視高清醫療技術有限公司), a company with limited liability incorporated under the laws of the PRC on February 24, 2021 and an 80.00% indirect subsidiary of our Company |
| "Suzhou Gaush Precision" | Gaush Precision Ltd* (高視精密醫療器械(蘇州)有限公司), a company with limited liability incorporated under the laws of the PRC on May 10, 2018 and an 85.00% indirect subsidiary of our Company |
| "Takeovers Codes" | the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time |
| "Teleon" | collectively, Teleon Holding B.V., Teleon Surgical B.V., Teleon IP B.V., Teleon Surgical Vertriebs GmbH and Teleon Surgical GmbH |
| "Tianjin Fengshan" | Tianjin Shijie Fengshan Management Consulting L.P.* (天津視界峰山企業管理諮詢合夥企業(有限合夥)), a limited partnership formed under the laws of the PRC on September 6, 2016 and a previous shareholder of Gaush Medical Corporation |

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| "Tianjin Gaoshan" | Tianjin Shijie Gaoshan Management Consulting L.P.* (天津視界高山企業管理諮詢合夥企業(有限合夥)), a limited partnership formed under the laws of the PRC on May 19, 2017 and a previous shareholder of Gaush Medical Corporation |
| "Track Record Period" | the period comprising the financial years ended December 31, 2019, 2020 and 2021 |
| "U.S.", "US" or "United States" | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| "US dollars", "USD" or "US$" | United States dollars, the lawful currency of the United States |
| "U.S. persons" | U.S. persons as defined in Regulation S |
| "U.S. Securities Act" | the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder |

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| "VAT" | value-added tax and for the purpose of this Document, all amounts are exclusive of VAT except where indicated otherwise |
| "Vendor Loan" | the secured loan granted by Stichting Administratiekantoor OPM to Gaush Netherlands pursuant to a facility agreement of EUR24.25 million dated December 23, 2020 to partially finance the acquisition of Teleon and which shall mature in 2025 |
| "we", "us" or "our" | the Company or the Group, as the context requires |
| "Zhan Ye" | Zhan Ye International Group Limited* (展業國際集團有限公司), a BVI business company incorporated under the laws of the British Virgin Islands on April 25, 2017, and a previous shareholder of our Company |

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

*The English translation and/or transliteration of the names of PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations included in this Document is provided for identification purposes only.*

*In the event of any inconsistency between the English translation and/or transliteration and the Chinese versions, the Chinese versions shall prevail.*

# GLOSSARY OF TECHNICAL TERMS

***The following is a glossary of certain terms used in this Document in connection with us and/or our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.***

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| **"BDSG"** | Federal Data Protection Act of Germany |
| **"CAGR"** | compound annual growth rate |
| **"cataract"** | a dense, cloudy area that forms in the lens of the eye which begins when proteins in the eye form clumps that prevent the lens from sending clear images to the retina |
| **"CE"** | a type of marking on commercial products (including commercialized medical devices) sold in the EU, indicating their compliance with the general safety and performance requirements and quality system requirements of the applicable regulatory framework |
| **"Class III hospitals"** | a top-level hospital in China, as China's hospitals are categorized as Class I hospitals, Class II hospitals and Class III hospitals according to, among other factors, the hospital's size, technical level, medical equipment, management expertise, and service quality, and Class III hospitals are at the highest level |
| **"corneal diseases"** | a variety of conditions that affect the cornea which is the clear outer layer of the eye |
| **"CRO"** | a contract research organization that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis |
| **"DCC"** | Dutch Civil Code |
| **"electrophysiological equipment"** | electrophysiological equipment uses an objective and non-invasive diagnostic technique, which can evaluate visual disorder by measuring electrical signals produced by the visual system |
| **"EDoF"** | extended depth of focus |
| **"GDP"** | gross domestic product |
| **"GFA"** | gross floor area |

# GLOSSARY OF TECHNICAL TERMS

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| **"GMP"** | Good Manufacturing Practice, which are the practices required in order to conform to the guidelines recommended by agencies that control the authorization and licensing of the manufacture and sale of medical devices |
| **"glaucoma"** | a group of eye diseases that are usually characterized by progressive structural and functional changes of the optic nerve, which is caused by fluid builing up in the front part of the eye |
| **"GDPR"** | General Data Protection Regulation of the EU |
| **"GSP"** | Good Supply Practice, specifications established to ensure the quality and effectiveness of transportation, storage and sales in drug distribution |
| **"IOL"** | Intraocular lens, an artificial replacement for the lens of human eye removed during cataract surgery |
| **"ISO"** | International Organization for Standardization |
| **"IT"** | information technology |
| **"KOL"** | key opinion leaders, being physicians with influence on their peers' medical practice for the purpose of this Document |
| **"LASEK"** | Laser-Assisted Subepithelial Keratomileusis, laser eye surgery intended to correct nearsightedness, farsightedness, presbyopia, and astigmatism, reducing dependency on glasses or contact lenses, which could permanently change the shape of the anterior central cornea by removing the outer layers of skin (the epithelial tissue), benefiting patients with thin cornea |
| **"LASIK"** | Laser-Assisted in-situ Keratomileusis, a type of refractive surgery using laser or microkeratome for the correction of myopia, hyperopia, and astigmatism, which could permanently reshape the eye's cornea, but has necessary requirements for corneal thickness. |
| **"major ophthalmic diseases"** | for the purpose of this Document, include allergic conjunctivitis, dry eye, cataract, myopia, blepharitis, fundus disease, glaucoma, uveitis, which are among the most prevalent ophthalmic diseases in China |

# GLOSSARY OF TECHNICAL TERMS

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| **"MDD"** | Medical Devices Directive of the EU |
| **"MDR"** | Medical Devices Regulation of the EU |
| **"OCT"** | Optical Coherent Tomography, a representative vitreoretinal diseases diagnostic device which provides high resolution cross-sectional images of the retina, enabling the differentiation of retinal layers as well as the measurement of each layer's thickness and reflectivity, aiding the early detection and diagnosis of vitreoretinal diseases and conditions |
| **"OK-Lens"** | orthokeratology lenses, also known as orthokeratology, is a 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 |
| **"ophthalmic medical device" or "ophthalmic medical device market"** | for the purpose of this Document, such device or market excludes generally contact lens and lens solution |
| **"R&D"** | research and development |
| **"refractive error"** | eye disorder caused by irregularity in the shape of the eye, which makes it difficult for the eyes to focus images clearly |
| **"ROP"** | Retinopathy of Prematurity, an eye disorder caused by abnormal blood vessel growth in the light sensitive part of the eyes (retina) of premature infants, which generally affects infants born before week 31 of pregnancy and weighing 2.75 pounds (about 1,250 grams) or less at birth, leading to partial or complete retinal detachment and potential blindness |
| **"SLO"** | Scanning Laser Ophthalmoscopy, a method of examination of the eye, which utilizes the technique of confocal laser scanning microscopy for diagnostic imaging of the retina or cornea of the human eye |
| **"SMILE"** | Small Incision Lenticule Extraction, a type of laser based refractive eye surgery used to correct myopia, and astigmatism, which involves in cleaving a thin lenticule from the corneal stroma and has specific requirements for corneal thickness |

# GLOSSARY OF TECHNICAL TERMS

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| **"sq.m"** | square meter |
| **"USP"** | ultrasonic phacoemulsification, a cataract surgery method that utilizes the phacoemulsification ultrasound probe to deliver energy into the eye and break up the cataract to facilitate emulsification and aspiration |
| **"vitreoretinal diseases"** | diseases that develop from the back surface of the eye and the vitreous fluid around it, with the most representative vitreoretinal diseases being wet age-related macular degeneration (wAMD), diabetic macular edema (DME), retinal vein occlusion (RVO) and myopic choroidal neovascularization (mCNV) |
| **"wAMD"** | wet Age-Related Macular Degeneration, a chronic eye disorder caused by abnormal blood vessels growing into the macula, resulting in blurred vision or rapid loss of central vision |

# FORWARD-LOOKING STATEMENTS

***We have included in this Document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.***

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

- our operations and business prospects;
- our financial conditions, operating results and performance;
- future developments, trends and conditions in the industry and markets in which we operate;
- our pipeline products under development or planning;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our abilities to attract customers and build our brand image;
- general economic, political and business conditions in the market in which we operate;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to manage our sales and distribution network;
- our ability to continue to maintain strong relationships with our brand partners and logistics service providers;
- the approval, pricing and reimbursement of medical device products of the brand partners we serve;

- our ability to maintain an effective quality control system;
- our ability to continue to maintain our leadership position in the industry;
- our ability to control or reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- our future debt levels and capital needs;
- the competitive environment of the industry and markets in which we operate;
- the actions and developments of our competitors;
- certain statements in the sections headed "Business" and "Financial Information" in this Document with respect to trends in prices, operations, margins, overall market trends, and risk management;
- change of volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other statements in this Document that are not historical facts.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to the cautionary statements in this section.

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

***You should carefully consider all of the information set out in this Document, including the risks and uncertainties described below, before making an investment in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The* [REDACTED] *of our Shares could decline due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations.***

## RISKS RELATING TO OUR BUSINESS AND THE INDUSTRY

### The PRC ophthalmology medical device industry is rapidly evolving and highly competitive. We are subject to intense competition from domestic and international competitors, and we may face challenges in maintaining or enhancing our market share in this industry for a variety of reasons.

The PRC ophthalmology medical device industry is highly competitive and fragmented and rapidly evolving as a result of technological developments in the industry, economic growth, changes in government policies, increasing competition and other factors. We face competition from both domestic and international competitors across most of our product lines in terms of functionality, the timing and scope of regulatory approvals required, sales and marketing capabilities, availability and cost of supply and patent position. In general, we primarily face pricing competition from domestic competitors, and competition on product quality and brand recognition from international competitors. In addition, some of our competitors may possess, among other things:

- greater financial and other resources;
- product portfolios comprising great variety of brands and products that are better recognized by physicians;
- more extensive R&D and better technical capabilities and human resources;
- stronger manufacturing capabilities;
- more extensive sales networks; or
- better support in terms of technical training provided.

Further, as our exclusive arrangements with our brand partners are on a product-by-product basis, our brand partners may choose to enter into arrangements with our competitors (whether on an exclusive or non-exclusive basis) to sell their other products, thereby depriving us the opportunity to complete our product portfolio and subject us to increased competition. In addition, although we have taken great care in selecting our Distribution Products, the non-compete clauses in the exclusive distribution agreements with our brand partners may impede us from cooperating with other global leading ophthalmology medical device providers who may have access to more

advanced and innovative products than our brand partners before the terms of such agreements expire. See "Business — Our Brand Partners." We did not incur any material loss of revenue due to the non-compete clauses in the exclusive distribution agreements with our brand partners during the Track Record Period given that such arrangement is integral with the exclusive arrangements with our brand partners which allows us to secure revenue without competition for the same products. Nevertheless, we may not be able to successfully compete with our competitors and cannot ensure you that we will be able to demonstrate the advantages in quality, functionality and/or convenience of our Distribution Products to overcome competition with comparable products which we may not be able to distribute due to the non-compete clauses and to be commercially successful.

**Our business is subject to complex and evolving laws and regulations. We may not be able to successfully obtain, maintain or renew the regulatory filings or complete product registration testing or clinical trials in a timely manner and at acceptable costs, or at all, which may affect the sale and marketing of our products.**

Major aspects of our operations, including product registration or filing, manufacturing, packaging, sales and distribution, pricing, environmental protection, among other things, are regulated by comprehensive local, regional and national regulatory regimes.

Our products are required to complete regulatory filings or obtain registration certificates from the NMPA or its local branches at the provincial or prefectural city level or from the competent regulatory authorities in other jurisdictions where we sell our products before they can be marketed and sold. In China, medical devices are classified into Class I, Class II and Class III with reference to the degree of risks associated with each medical device and the extent of control needed to ensure safety and effectiveness. The domestic Class I medical devices shall be filed with the local branches at the prefectural city level of the NMPA and the imported Class I medical devices shall be filed with the NMPA before they may be commercialized. The domestic Class II and Class III medical devices are examined by the provincial branches of the NMPA and the NMPA, respectively, and the imported Class II and Class III medical devices are examined directly by the NMPA, and registration certificates from competent authorities shall be obtained for their commercialization. As of the Latest Practicable Date, we had 15 key pipeline products, all of which are Class II or Class III medical devices. They are in various stages of clinical trials, product registration and regulatory filing procedures with the NMPA. See "Business — Business Model."

In order to obtain product registration certificates, Class II and Class III medical devices shall undergo product registration testing and clinical trials, to demonstrate their safety and effectiveness, unless they fall into the catalogue of the products that are exempted from clinical trials published by the NMPA. Such testing is conducted by third-party testing institutions recognized by the NMPA. The product registration testing schedule of these testing institutions are beyond our control, and we cannot assure you that our pipeline products will pass these tests in a timely manner, or at all. For the medical devices fall into the catalogue of Class III medical devices with higher risks to human health, NMPA approvals are required before clinical trials can be carried out. See "Regulatory Overview — Laws and Regulations related to our Business in the PRC — Laws and Regulations relating to Medical Devices — Regulations on the Supervision and Administration of Medical Devices."

Clinical trials may be expensive and the duration of a clinical trial generally varies substantially with the type, complexity, novelty and intended use of the product. With respect to

the Proprietary Product, we engaged one CRO (the "**Relevant CRO**") for the development and registration of our intraocular lens product during the year ended December 31, 2021. The responsibilities of the Relevant CRO were limited to the coordination of the clinical trial and the collection and analysis of clinical data, and it is not entitled to any intellectual property with respect to the relevant intraocular lens product. With respect to our Distribution Products, we help our brand partners to identify suitable CROs for the registration of their products in China. Our brand partners would enter into agreements with the CROs directly. 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. For details, see "Business — Research and Development — Research and Development Approach and Process." In our experience, clinical trials for our products may span one year, but could take longer. Delays or failures may occur in clinical trials for many reasons, including but not limited to:

- failure by our brand partners or by us or the CROs to begin or complete clinical trials due to disagreements with regulatory authorities;
- disagreement on the interpretation of data from clinical trials conducted in respect of our products;
- failure of clinical trial results to meet the level of statistical significance required for approval; or
- CROs, clinical sites or other participants in clinical trials deviating from a trial protocol or failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial.

We cannot guarantee that clinical trials for our products will show safety and effectiveness results as expected. Success in testing procedures does not warrant success in clinical trials. Negative or inconclusive results or safety issues caused by our pipeline products could cause us or the regulatory authorities to interrupt, delay, suspend or terminate clinical trials or result in the delay or denial of regulatory approval by the NMPA. Failure in product registration testing and clinical trials or any other failure to adequately demonstrate the safety and effectiveness of any of our pipeline products would prevent receipt of regulatory approvals in a timely manner or at all and would adversely affect the sale and marketing of these products, our ability to generate sales revenue from any of these products, the expansion and diversification of our product portfolio as well as our ability to help our brand partners expand their product offering in China.

The outcome of filing and registration process is unpredictable, and may be lengthy and costly, and depends on numerous factors, some of which are beyond our control, including the discretion of regulatory authorities. Regulatory authorities other than those of China, such as the U.S. Food and Drug Administration and the European Medicines Agency, also impose approval requirements for medical devices to be commercialized with which we must comply to sell our products in those jurisdictions. These requirements may vary from country to country, and may involve additional testing, validation and administrative review processes, which could be costly and time consuming. Even if we are able to obtain the registration certificates for our products, if safety issues are identified with respect to our products, we may be subject to compulsory sales and marketing suspension, and the registration certificates for such products may be cancelled.

Moreover, registration certificates for medical devices are subject to renewal. For example, registration certificates for medical devices in China have a five-year term and must be renewed by filing renewal applications with the NMPA or its provincial branches at least six months prior to the expiry of the certificate. When deciding whether or not to grant renewal, the NMPA or its provincial branches consider, among other things, whether the product conforms to the latest applicable standards or quality requirements, and whether the product was involved in any adverse event during the past five years. If the NMPA or its provincial branches decide not to grant the renewal of our registration certificates, we will be unable to continue to manufacture and/or sell the relevant products, which would have a material and adverse effect on our business, financial condition and results of operations.

In addition to the registration certificates, companies engaging in manufacturing of Class II and Class III medical devices are required to obtain and maintain the Manufacture License for Medical Devices (醫療器械生產許可證) and companies engaging in the operation and sale of Class III medical devices are also required to obtain and maintain the Business Operation License of Medical Devices (醫療器械經營許可證). See "Regulatory Overview — Laws and Regulations Relating to Medical Devices — Regulations on the Production and Quality Management of Medical Devices." Such permits, licenses and certificates are subject to periodic reviews and renewals by relevant government authorities, and the standards of such reviews and renewals may change from time to time. There can be no assurance that authorities will approve the application for such permits, licenses and certificates or their renewal in the future. Failure to comply with relevant regulations or obtain or renew any permits, licenses and certificates necessary for our operations may result in penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our permits, licenses or certificates necessary to conduct our business, and may also result in being ordered to suspend or cease operations and being subject to confiscation of income derived from non-compliant activities.

**We may not be successful in the public tender process, and lower bidding prices of our competitors and volume-based discounts and/or lower ex-factory and sale prices offered by these competitors may undermine our position in the public tender process and in turn adversely impact our sales performance.**

We participate in public tender processes, through which our end customers determine the catalogue of the products that they would purchase, to compete for the right to sell our Distribution Products or our Proprietary Products to our end customers. Our maximum retail prices largely depend on the bidding prices determined through such public tender process. The public tender process requirements, such as those relating to volume-based procurement, may negatively impact our sales, gross profit and profitability and hinder our ability to expand our overall sales network, and in turn, materially and adversely affect our business and results of operations. See "Regulatory Overview — Laws and Regulations Relating to Medical Devices — Tendering Processes for Medical Devices." See also "Business — Sales and Distribution — Pricing" and "Financial Information — Key Factors Affecting our Results of Operations — Regulatory Environment in China."

Our bids during the public tender process may not be successful and our products may not be chosen for a number of reasons, including among other things:

- our prices may not be competitive. For example, our competitors may have lower bidding prices. In addition, as we endeavor to maintain stable ex-factory and sale prices, we may face pressure to set competitive bidding prices comparable to competitors that offer volume-based discounts and/or lower ex-factory and sale prices to their distributors, which may undermine our position on pricing in the public tender process and in turn may negatively impact our sales performance;

- our products fail to meet the technical or quality requirements imposed by the hospitals or are less clinically effective or efficient than competing products;

- our product quality or any other aspect of our operation fails to meet the relevant requirements;

- even if our products become qualified for procurement by public hospitals and other not-for-profit medical institutions in a particular region, there is no guarantee that such entities would purchase our products, as they have the sole discretion to select between our products and other qualified competing products; or

- our reputation is adversely affected by unforeseeable events.

**We are subject to changing legal and regulatory requirements in the PRC healthcare industry, and new laws, rules and regulations may impose significant compliance burdens on us. Our results of operations could be materially and adversely affected by the "Two-Invoice System" and volume based procurement initiative.**

The healthcare industry in China is subject to extensive government regulation and supervision as well as monitoring by various government authorities. In particular, the current regulatory framework addresses all aspects of a medical company's operations, including approval, production, licensing, certification requirements and procedures, periodic renewal and reassessment processes, registration of new medical devices, quality control, pricing of medical devices and environmental protection. Any violation of the relevant laws, rules and regulations may constitute a criminal offense under certain circumstances. Certain other laws, rules and regulations may affect the pricing, demand and distribution of products of our brand partners, such as those relating to procurement, prescription and dispensing of essential and other medical devices by hospitals and other medical institutions, retail stores and government funding for private healthcare and medical services. In recent years, the PRC government implemented a pilot program, known as "Two-Invoice System" (兩票制), which refers to the system that allows a maximum of two invoices to be issued across the pharmaceutical supply chain, namely, one invoice to be issued from pharmaceutical manufacturers to pharmaceutical distributors and the other invoice to be issued from pharmaceutical distributors to medical institutions thereby eliminating multiple layers of distributors and reducing the multi-tiered margins involved. The Notice on Printing and Distributing the Reform Plan for the Management of High-value Medical Consumables (《關於印發〈治理高值醫用耗材改革方案〉的通知》) issued on July 19, 2019 by the General Office of the PRC State Council (the "**Circular on High-Value Medical Consumables**") encouraged local governments to adopt the "Two-Invoice System" on a case-by-case basis to

reduce resales of high-value medical consumables and promote the transparency of purchase and sales. 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 on July 23, 2019 by the National Healthcare Security Administration, the "Two-Invoice System" for high-value medical consumables needs to be further discussed given the huge differences between high-value medical consumables and pharmaceuticals and the complexity of clinical use and after-sales service. See "Regulatory Overview — Laws and Regulations Relating to Medical Devices — Two-Invoice System." While the implications remain uncertain, should such pilot program become mandatory nationwide, given that a portion of our business is conducted through sales to other distributors, we may need to adjust our business model, which could result in a material and adverse effect on our business, financial condition and results of operations.

Furthermore, in recent years, the PRC government also strengthened the implementation and expanded the scope of application of the "volume-based procurement" (帶量採購), which refers to a centralized procurement regime based on public tender processes in an effort to regulate prices of medical devices through group procurement at the provincial level. The Circular on High-Value Medical Consumables proposed to explore the classification of high-value medical consumables in accordance with the principles of volume-based procurement, volume-price linkage, and promotion of market competition, and to conduct centralized procurement. See "Regulatory Overview — Laws and Regulations Relating to Medical Devices — Regulations on Centralized Volume-Based Procurement" for details.

The policies of centralized procurement of medical consumables set by the PRC government have covered our medical consumable products, e.g. intraocular lens, and may cover our pipeline products in the future, the prices of which have experienced and may experience downward changes, which in turn may have a material adverse impact on our revenue, financial condition and results of operation. Although such centralized procurement only applied to our medical consumable products and we have adopted business strategies including acquiring our upstream brand partners to adapt to such procurement initiative, it is uncertain whether the centralized procurement scope would be expanded in the future, resulting in the inclusions of our other products.

For the years ended December 31, 2019, 2020 and 2021, we had six, seven and eight domestic distributors covering the provinces where sales of our ophthalmic medical consumables are subject to the Two-Invoice System, and our sales that are subject to such system represented less than 2.5% of our aggregate revenue during the Track Record Period. 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 regime. See "Financial Information — Key Factors Affecting our Results of Operations — Regulatory Environment in China" and "Business — Sales and Distribution — Pricing".

In addition, the medical device manufacturing, medical device distribution, medical device retail, healthcare services and medical device industries in China are each subject to extensive and evolving government regulations and supervision. Any unfavorable regulatory changes in these industries may also increase compliance burden of ours as well as that of our brand partners, and

materially and adversely affect our business, profitability and prospects. We cannot predict the likelihood, nature or extent of regulatory changes of the existing or future legislation in China. Furthermore, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect, we may be required to obtain any additional permits, licenses or certificates. There is no assurance that we will respond successfully and timely to such changes, or at all. Such changes may also result in increased compliance costs or prevent our successful development, manufacture or commercialization of products in China, which would adversely affect our business, financial condition and results of operations.

**Our success is tied to our ability to retain and attract brand partners as well as the success of our brand partners and the Distribution Products.**

We provide our brand partners with one-stop solutions with respect to their sales of ophthalmology medical devices in China by helping them to obtain regulatory registration, managing the distribution of their products and handling the inventory and logistics in light of the regulatory and market complexities and difficulties of the medical device market in China. By entering into the supply and distribution agreements, we purchase from our brand partners the Distribution Products which we then on-sell to our customers in China. For the years ended December 31, 2019, 2020 and 2021, our revenue attributed to the sales of the Distribution Products amounted to RMB986.0 million, RMB793.1 million and RMB811.0 million, respectively, accounting for 98.9%, 97.0%, and 72.0% of our revenue from sales of products, respectively. If the extent of such complexities and difficulties decline as a result of changes in the ophthalmology medical device landscape or otherwise, or if our brand partners choose to establish or increase their proprietary operation presence as an alternative or supplement to our one-stop solutions, our one-stop solutions may become less important or attractive to our brand partners, and demand for our one-stop solutions may decline.

Furthermore, as we strategically approach brand partners in the global ophthalmology medical device industry who may provide Distribution Products that complement and diversify our existing portfolio, our revenue and profitability are also tied to the success of our brand partners and their products. We cannot assure you that our efforts to expand and optimize our brand partner base or our product portfolio will be successful, and our brand partners may not be able to provide products that meet the market demand in China or they may not supply us with such products at all. Failure to expand and optimize our product portfolio through our brand partners may have material adverse impact on our business performance or results of operation. For example, we enter into exclusive distributorship arrangements with brand partners on a product-by-product basis and some of our contracts with existing brand partners contain non-compete provisions prohibiting us from selling competing products of, or providing related services to, competitors of our brand partners. Such provisions have restricted and may continue to restrict our ability to do business with potential brand partners and our ability to diversify our product mix. Furthermore, if our brand partners were to experience any significant difficulty with respect to their operation or products, such as newly identified quality, safety issues or loss of competitive strength, or if they were to have any financial or supply difficulties, suffer impairment of their brands or if the profitability of, or demand for, their products decreases for any other reason, it could adversely affect our results of operations and our ability to maintain and grow our business. Our business could also be adversely affected if our Distribution Products sales, marketing or branding are not successful.

Moreover, we provide one-stop solutions to our brand partners pursuant to agreements with brand partners with a term generally ranging from three to ten years. These contracts may not be renewed on the same or more favorable terms for us, or at all. We may not be able to accurately predict future trends in brand partners renewals, and scope of cooperation with our brand partners may change due to level of satisfaction with our sales performance and results of operation with respect to the Distribution Products, as well as factors beyond our control, such as the emergence of competitive products in the PRC ophthalmology medical device market. While we have built strong partnerships with most brand partners, in the past, some brand partners did not renew their business relationships with us and we cannot assure you that our existing brand partners will renew their business relationships with us in the future. If some of our existing brand partners, in particular brand partners with years of cooperation with us, terminate or do not renew their business relationships with us, renew on less favorable terms or for fewer services and solutions, and we do not acquire replacement brand partners or otherwise grow our brand partner base, our results of operations may be materially and adversely affected.

**Any damage to the reputation and recognition of our proprietary brand or our brand partners' brand names may materially and adversely affect our business operations and prospects.**

We depend on our and our brand partners' reputation and brand names in many aspects, including, but not limited to:

- gaining access to, and for products of our brand partners to be perceived favorably by, hospitals, other medical institutions and doctors, which are the main driving force behind the demand for our brand partners' medical device products in China;
- winning the public tender processes;
- gaining the trust of customers and, in turn, competitively increasing our market share through brand recognition; and
- successfully attracting employees, distributors, retail chain stores and third-party promoters to work with us and, in particular, enhancing our core competencies with respect to research and development activities.

However, our and our brand partners' reputation and brand names may be materially and adversely affected by a number of factors, many of which are beyond our control, including:

- adverse associations with our services, including with respect to products produced by our brand partners and other service providers;
- lawsuits, product recalls or regulatory investigations against us or our brand partners or related products;
- improper or illegal conduct by our brand partners, employees, or distributors, whether or not authorized by us; and
- adverse publicity associated with us, our brand partners, our services or our industry, whether founded or unfounded.

Any damage to our or our brand partners' reputation or brand names as a result of these or other factors may cause us or the products we sell to be perceived unfavorably by hospitals, other medical institutions, doctors, regulators and patients and the existing and prospective employees, distributors, our other brand partners and our business operations and prospects could be materially and adversely affected as a result.

**We depend on the major products of a limited number of our brand partners. If we are unable to maintain the sales volumes, pricing levels and profit margins of our major Distribution Products, our revenue and profitability could be materially and adversely affected.**

We purchase ophthalmology medical devices from our brand partners and then on-sell them primarily to distributors under our management and we generate revenue from such sale of products with our brand partners being our suppliers. In 2019, 2020 and 2021, the revenue from sales of our Distribution Products accounted for 89.1%, 82.4% and 62.6% of our total revenue, respectively. For the same periods, all of our five largest suppliers were our brand partners, which accounted for approximately 71.3%, 70.1% and 66.9% of the total purchases for the years ended December 31, 2019, 2020 and 2021, respectively. See "Business — Our Suppliers."

Because a substantial portion of our revenue is, and we expect will continue to be, derived from a limited number of major brand partners, we may be particularly susceptible to factors materially and adversely affecting the sales volumes, pricing levels or profitability of any of these products, such as unfavorable government price controls, lack of success in the centralized tender processes necessary for sales to PRC public hospitals and other medical institutions, interruptions in the supply of key raw materials, increases in the costs of key raw materials, issues with product quality or side effects, sales of substitute products by competitors, intellectual property infringements, adverse changes in medical device distribution and retail channels, and unfavorable policy or regulatory changes. Many of the foregoing factors are beyond our control, and the occurrence of any of them may materially and adversely affect the sales volumes and pricing of our major products, which may, in turn reduce our revenue and profitability.

**We may face challenges in acquisition integration, which could result in operating difficulties, divert management attention and harm our financial condition.**

We acquired Roland in 2020 and Teleon in 2021, respectively. See "History, Reorganization and Development — Corporate Development — Our Major Subsidiaries in Germany and the Netherlands." The integration of the businesses of Roland and Teleon or the business of future acquisition targets into our business landscape requires significant attention from our management, in particular to deal with the management challenges arising from operational and cultural differences, to ensure that the expansion does not disrupt any existing operations and to unify and execute our internal control policy over these acquisition targets. Integration of these acquisition targets, along with future expansion, may require significant time and commitment from our management, as well as substantial operational, financial and other resources to monitor the operation and development of Roland and Teleon. We may also face difficulties as to the migration of the technology and knowhow to our business in China. Disagreement or departure of key employee or management of the acquisition targets may also cause additional difficulties as to the integration. We cannot guarantee that we will be able to successfully integrate the businesses of Roland and Teleon, whose integration work remains in its early stages, or be able to realize anticipated benefits or synergies, and we may incur costs in excess of what we anticipate. Although

the acquisition agreements by which we acquire Roland and Teleon or any future acquisition targets may contain typical indemnification provisions requiring the sellers to indemnify us against potential losses arising from the operation of Roland and Teleon prior to completion of the acquisition, these indemnities are normally subject to limitations in monetary amounts and in time, among other limitations on liabilities of the sellers. Further, we cannot assure you that even if we are entitled to make a claim against the sellers of Roland and Teleon under the respective acquisition agreements, we will be able to recover the full amount of our losses against the sellers. If these indemnification provisions cannot fully protect us, we may face unexpected liabilities which may have a material adverse effect on our business, financial condition and results of operations. Furthermore, any post-acquisition disputes with respect to representations, warranties or other material terms of the merger, acquisition, investment or partnership agreements would divert management attention and incur additional costs and may adversely affect our results of operations and financial condition.

We plan to actively seek strategic opportunities for acquisitions or investments to grow our business, expand our product portfolio, strengthen our R&D and enhance our market position. See "Business — Our Strategies" and "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]." We may not be able to identify acquisition targets that meet our strategies or achieve optimal results in future acquisitions, investments, partnerships or new businesses, or may encounter difficulties in integrating and developing the acquired assets or investments successfully. Our business strategy involves acquisitions, investments, or partnerships in our core businesses or establishing new businesses.

Acquisitions involve a number of risks, including:

- the possibility that the acquired companies will not be successfully integrated or that anticipated cost savings, synergies, or other benefits will not be realized;
- the acquired businesses will lose market acceptance or profitability;
- the diversion of our management's attention and other resources;
- the potential for post-transaction disputes;
- the incurrence of unexpected liabilities; and
- the loss of key personnel and clients or customers of acquired companies.

In addition, the success of our long-term growth and repositioning strategy will depend in part on our ability to:

- identify suitable acquisition targets or compete for attractive acquisition targets;
- obtain the necessary financing;
- combine operations;
- integrate departments, systems and procedures; and

- obtain cost savings and other efficiencies from the acquisitions.

Any acquisition or investment may also cause us to assume liabilities, increase our expenses and working capital requirements, or subject us to litigation, which would reduce our return on invested capital. Failure to effectively integrate or manage acquisitions may adversely affect our existing businesses and harm our operational results due to large write-offs, contingent liabilities, substantial depreciation, adverse tax or other consequences. We cannot ensure that all of the planned synergies will be realized. The anticipated benefits of our future expansion may not materialize. Furthermore, integrating the business of acquisition targets involves uncertainties and may result in unforeseen operating difficulties and expenditures associated with integrating employees from acquisition targets into our network and integrating each acquisition target's accounting, information management, human resources, procurement or supply chain management and other administrative systems to permit effective management. Failure to realize expected synergies, growth opportunities and other benefits from such acquisitions could materially and adversely affect our business, financial condition, results of operations and prospects.

**Our future success depends on our ability to attract, retain and motivate key personnel in our R&D team.**

Our business and growth depend on the continued service of key personnel in our R&D team, including the personnel who joined us after our acquisition of Teleon and Roland, to develop our Proprietary Products. Although we entered into employment arrangement with each of our employees, these do not prevent them from terminating their employment with us at any time. We do not maintain key person insurance for any of our key personnel in our R&D team. The loss of the services of any of these persons could impede our research, development and commercialization effort and seriously harm our ability to successfully implement our business strategy. Furthermore, it may be difficult and time-consuming to replace any key personnel in our R&D team because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products. Competition for R&D personnel is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

**If we and our brand partners fail to anticipate and respond to changes in medical professionals' purchase preferences, our results of operation may be materially and adversely impacted.**

Our success depends, in part, upon our ability and our brand partners' ability to anticipate and respond to trends with respect to ophthalmology medical devices sold through us. Evolving preferences of medical professionals have affected and will continue to affect the medical device industry. We and our brand partners must stay abreast of such emerging preferences and anticipate product trends that will appeal to existing and potential customers, so as to accurately predict medical professionals' needs and avoid overstocking or understocking products. If we or our brand partners fail to anticipate and respond to changes in customers' preferences, sales of our products could suffer and we or our brand partners could be required to mark down unsold inventory, which could negatively impact our financial results.

**We may fail to maintain or renew relationships with distributors, or further expand our network of distributors. If our distributors fail to expand or maintain their sales network, or if we fail to educate or manage our distributor effectively, our sales may decline.**

We maintain an extensive sales network whereby we sell a majority of our products to domestic and international distributors. For the year ended December 31, 2021, we had 917 distributors for our sales in China and 122 distributors for our sales overseas. The performance of our distributors and the ability of our distributors to on-sell the products of our branding partners and our own and expand their businesses and their sales network are crucial to the growth of our business and may directly affect our sales and profitability. Any reduction, delay or cancellation of orders from our distributors, or our failure to renew distribution agreements, maintain good relationships with existing distributors, or timely identify and engage additional or replacement distributors upon the loss of one or more of our distributors, may cause material fluctuations or declines in our revenue or the sustainability of our growth and have a material and adverse effect on our business, financial condition and results of operations. In addition, the decline in our distributors' performance could lead to a decline in the productivity of our network of distributors and could have a negative impact on our results of operations.

We review the performance of our distributors from time to time, and seek to retain and engage more competent distributors to maintain and expand our overall network of distributors. We may experience challenges when developing our distribution network, especially in regions where we have relatively low or no presence, such as unfamiliarity with local business and market practices and local laws and regulations, as well as fierce competition with local or overseas competing brands. We may not be able to offer the most favorable arrangements to our distributors as compared to competitors who may be larger and possess better-funded sales and marketing campaigns. Competitors may require their distributors to sign exclusive distribution agreements that prohibit such distributors from selling the products of our branding partners and our Proprietary Products. In addition, the implementation of the "Two-Invoice System" or similar systems in the medical device industry may require us to adjust our sales model. See "Regulatory Overview — Laws and Regulations Relating to Medical Devices — Two-Invoice System."

If our distributors fail to expand or maintain their sales network, or otherwise encounter any difficulties in selling our products, our sales will decline and our business, results of operations and prospects may be materially and adversely affected.

In addition to ensuring that our reputation is associated with high quality products and responsive services, our highly trained sales team works with our distributors to help them become more effective. We also provide our distributors with technical support, including training in the basic technologies of our products and participating in presentations to physicians and hospitals. Our distributors face a learning process with respect to our products and pipeline products, particularly for those newly introduced to the market. We cannot assure you that our distributors will be able to gain the required knowledge in order to market our products and pipeline products (upon commercialization) effectively in a timely manner or at all.

**Actions taken by our distributors in violation of the distribution agreements could materially and adversely affect our business, prospects and reputation.**

We have limited control over the operations and actions of our distributors, all of whom, to our Directors' knowledge, are Independent Third Parties during the Track Record Period. We rely on the distribution agreements and the policies and measures we have in place to manage our distributors, including their compliance with laws, rules, regulations and our policies. See "Business — Sales and Distribution — Management of Distributors." We cannot guarantee that we will be able to effectively manage our distributors, or that our distributors would not breach our agreements and policies. If our distributors take one or more of the following actions, our business, results of operations, prospects and reputation may be adversely affected:

- breaching the distribution agreements or our policies and measures, including by selling products outside their designated territories or by selling products that they are not authorized to sell;
- failing to adequately promote our products;
- failing to maintain the requisite licenses, permits or approvals, or failure to comply with applicable regulatory requirements when selling our products; or
- violating anti-corruption, anti-bribery, competition or other laws and regulations of China or other jurisdictions.

Any violation or alleged violation by our distributors of the distribution agreements, our policies or any applicable laws and regulations could result in the erosion of our goodwill, a decrease in the market value of our brand and an unfavorable public perception about the quality of our products, resulting in a material adverse effect on our business, financial condition, results of operations and prospects.

**We rely on third-party distributors to place our products into the market and we may not be able to control our distributors and their sub-distributors.**

We rely on third-party distributors to sell our products. Purchases by distributors accounted for a material portion of our sales in China. In 2019, 2020 and 2021, our sales to domestic distributors accounted for 52.4%, 57.4% and 61.2% of our revenue in China, respectively. As we sell and distribute our products through distributors, any one of the following events could cause fluctuations or declines in our revenue and could have an adverse effect on our financial condition and results of operations:

- reduction, delay or cancellation of orders from one or more of our distributors;
- selection or increased sales by our distributors of our competitors' products;
- failure to renew distribution agreements and maintain relationships with our existing distributors;
- failure to establish relationships with new distributors on favorable terms; and

- inability to timely identify and appoint additional or replacement distributors upon the loss of one or more of our distributors.

We may not be able to compete successfully against larger and better-funded sales and marketing campaigns of some of our current or future competitors, especially if these competitors provide their distributors with more favorable arrangements. We cannot assure you that we will not lose any of our distributors to our competitors, which could cause us to lose some or all of our favorable arrangements with such distributors and may result in the termination of our relationships with other distributors. In addition, we may not be able to successfully manage our distributors and the cost of any consolidation or further expansion of our distribution and sales network may exceed the revenue generated from these efforts. There can be no assurance that we will be successful in detecting any non-compliance by our distributors with the provisions of their distribution agreements. Non-compliance by our distributors could, among other things, negatively affect our brand, demand for our products and our relationships with other distributors. Furthermore, if the sales volumes of our products to consumers are not maintained at a satisfactory level or if distributor orders fail to track consumers demand, our distributors may not place orders for new products from us, or decrease the quantity of their usual orders. The occurrence of any of these factors could result in a significant decrease in the sales volume of our products and therefore adversely affect our financial condition and results of operations.

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 customer. 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. In general, we do not enter into contracts with such sub-distributors, thus having no control over sales activities of such sub-distributors. We cannot assure you that the sub-distributors will at all times comply with our sales policies or that they will not compete with each other for market share in respect of our products. If any of the sub-distributors fail to distribute our products to their customers in a timely manner, overstock, or carry out actions which are inconsistent with our business strategy, it may affect our future sales. This may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

**We may be unable to react in a cost-effective manner to changes in global transportation patterns resulting from disruptions to international shipping patterns.**

In many of our supply agreements with our brand partners, we are responsible for the products once they are available at a designated location (i.e. ex works). Accordingly, we take inventory risks when the products we purchase from our brand partners begin their shipping journey. Global shipping routes and land transportation routes are vulnerable to the threat of social or political instability and international hostilities, including war, as well as climate change, natural disasters, work stoppages and longshoreman strikes. In recent times, the cost and time for transportation of our products in certain regions of the world also increased as a result of the impact of the COVID-19 pandemic. See "– Our business may be affected by the occurrence of contagious diseases, such as COVID-19" below for more details. If our efforts to spread the costs, manage inventory levels for key products, work around disruptions in transportation routes or

otherwise reduce the effects of changes in global transportation patterns are inefficient or costly, our business, financial condition or results of operations may be materially and adversely affected.

**Our results of operations are subject to seasonal fluctuations.**

We have experienced, and expect to continue to experience, seasonality in our business. These seasonal patterns were primarily due to fluctuations of the procurement needs of public hospitals. We typically experienced the highest sales during the second half or the fourth quarter of a year, when public hospitals generally tend to utilize more budgets to procure medical device. The current seasonal trends may become more extreme, and other seasonal trends that affect us or China's medical device market may develop, all of which would contribute to fluctuations in our results of operations. As a result, historical patterns of our results of operations may not be indicative of our future performance, and period-to-period comparisons of our results of operations may not be meaningful. Our results of operations in future quarters or years may fluctuate and deviate from the expectations of securities analysts and investors, and any occurrence that disrupts our business during any particular quarter could have a disproportionately material adverse effect on our liquidity and results of operations.

**Our business may be affected by the occurrence of contagious diseases, such as COVID-19.**

The outbreak of the coronavirus disease 2019 ("**COVID-19**"), which was declared a "pandemic" by the World Health Organization in March 2020. Its continued spread worldwide and new variants such as Delta and Omicron have introduced uncertainty and volatility in global markets. As policies vary among different countries, with some opting to live with COVID-19 and others continuing to try to pursue a zero-COVID-19 strategy, it is uncertain how COVID-19 will continue to impact lives and economies globally. The outbreak has resulted in restrictions on travel, public transport and prolonged closures of workplaces which has had and may continue to have a material adverse effect on the global economy and may cause interruptions to our business. Furthermore, the COVID-19 pandemic and the resultant restrictions and closures may impact demand, supply and efficient functioning of markets.

While we have resumed normal business operations, we have experienced certain disruptions in our operations as a result of the government-imposed suspensions due to the COVID-19. Some of our offices were closed for certain days in the first quarter of 2020 and our employee had to work from home from time to time. Furthermore, the stay-at-home orders and interruptions caused by the COVID-19 pandemic have led to supply chain disruptions which in turn affected the production schedules of our brand partners and the delivery schedules of our products. The cost and time for transportation of our products also increased as a result of the impact of the COVID-19 pandemic. In addition, the outbreak of highly-transmissible Delta and Omicron variants in various regions of China since the middle of 2021 has caused authorities to reimpose restrictions such as lock-down or suspension of operation, which may lead to further influence on our sales. Since May 2022, the outbreak of the Omicron variant has led to the city-wide lock down of Shanghai and lockdown of several regions in Jilin, among other regions in China. The resurgence of COVID-19 have caused temporary disturbance to our operation by limiting our sales and marketing activities and resulted in decline in our revenue for the four months ended April 30, 2022 comparing to our revenue for the same period in 2021.

While we believe that the COVID-19 pandemic has not had a material adverse impact on our results of operations and that we have implemented appropriate measures to mitigate the impact of the ongoing COVID-19 pandemic on our operations, we cannot assure you that, going forward, these factors will not result in further disruptions to our operations, supply chains on which our business may rely and the movement of goods across borders and potentially dampen demand of our products and services. The continued impacts of COVID-19, the new variants of Delta and Omicron, or any future outbreak of a contagious disease may have an adverse impact on our business, financial condition or results of operations. For details, please also refer to "Summary — Impact of COVID-19 Pandemic".

**Delivery delays and poor handling by third-party logistics service providers may adversely affect our business, financial condition and results of operations.**

We rely on our third-party logistics service providers for the transportation of most of our products. According to the distribution agreements with our brand partners, we are expected to transport and store the Distribution Products under secure conditions and at temperatures and other physical conditions as determined by our brand partners and ship the Distribution Products to our customers. The services provided by these logistics service providers may be suspended and cause interruption to the supply of our products due to unforeseen events. Delivery delays may occur for various reasons beyond our control, including poor handling by our logistics companies, labor disputes or strikes, acts of war or terrorism, health epidemics, earthquakes and other natural disasters, and could lead to delayed or lost deliveries. Any major interruptions to or failures in these third parties' services could prevent the timely or successful delivery of products. If products are not delivered on time or are delivered in a damaged state, customers may refuse to accept products and may claim refund from us or our brand partners, and brand partners and customers may have less confidence in our services. Poor handling of our products could also result in product contamination or damage, which may in turn lead to product recalls, product returns or exchanges, product liability, increased costs and damage to our reputation, thereby adversely affect our business, financial condition and results of operations.

**We may be unable to introduce, develop or successfully market new or commercially viable products and technologies or improve our existing product portfolio and technologies in a timely manner, or at all.**

Our ability to continuously introduce and launch new products of our brand partners or products we develop and expand our product portfolio is crucial to our success. We cannot guarantee that we will be successful in introducing or developing new products or that we will be able to identify promising product development opportunities. Introduction and development of new products and technologies and improvements of existing products and technologies require substantial technical, financial and human resources. We conduct extensive in-house research and development in developing pipeline products, but we cannot assure you that such efforts will be able to deliver the intended results.

Even if we are able to develop and introduce new products and obtain the necessary registration certificates to commercialize such products, we cannot assure you that the new products will be commercially successful or that such products will yield the anticipated returns to cover our investment. Medical technology is a fast-developing field with breakthroughs being made and new treatments and technologies being developed frequently. We cannot assure you that

we will always be able to respond to emerging market trends by developing and introducing new products in a timely and effective manner, or at all. Moreover, if our competitors consolidate the market faster than we do by developing and introducing more advanced products to the end customers, our business may not continue to grow as we expected. All of the above could dampen the demand for our products or cause our products to become obsolete, and we may not be able to respond and adapt to the introduction of new treatments, examinations, products or technologies or develop products that continue to be in demand, in which case our business, results of operations and prospects will be materially and adversely affected.

In addition, our products may not receive market recognition from physicians or hospitals. Our competitors may launch new and competing products earlier than us or market such products in a more effective manner, or our end customers may prefer their products, which may have a negative impact on the pricing, market share or demand for our products. We may focus our efforts and resources on pipeline products or other potential technologies that ultimately prove to be unsuccessful, and our business, financial condition and results of operations may be materially and adversely affected as a result.

**There may be quality defects in our products, which may cause safety issues and expose us to potential product liability claims.**

The products we sell are designed for clinical diagnosis, treatments and surgeries, and any quality defect may result in serious clinical incidents and product liability claims. Product liability claims against our products may include allegations of defects in design and manufacturing, improper handling or transportation of products, negligence, strict liability and breach of warranties. We may be subject to product liability claims if our products have latent quality issues that were undetected during our inspections and quality control. Even if our products do not have latent defects, other factors that are out of our control, such as handling of our products during shipping and transportation, the quality and skill of physicians using our products, the choice and usage of products for specific type of medical treatment, may affect the safety and outcome of the medical treatment. Patients may still initiate legal proceedings against us, and the hospitals and physicians may claim, with or without merit, that our products have latent defects. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our products;
- damage to our reputation;
- withdrawal of clinical trial participants;
- costs to defend the related litigation;
- a diversion of management's time and our resources;
- substantial monetary compensation to trial participants or patients;
- product recalls, withdrawals or marketing or promotion restrictions;
- loss of revenue;

- revocation of regulatory approvals for the relevant products or the relevant production facilities;
- the inability to commercialize our pipeline products; and
- a decline in our Share price.

Furthermore, although our brand partners may purchase product liability insurance for our Distribution Products, we do not maintain product liability insurance for each of our Distribution Products or Proprietary Products. We may not be able to seek compensation under insurance policy for losses that we sustain as a result of product liability claims. We may also be unable to acquire such insurance at a reasonable cost or in an amount adequate to satisfy any liability that may arise. In any such event, our business, financial condition and results of operations would be adversely and materially affected.

**We are exposed to risks of product recall, returns or exchange which may adversely affect our business and financial performance and our results of operations.**

We generally do not accept product returns, unless our products are found to be defective after their arrival at our customers. In case of defective products, we will arrange the return or replacement of products after completing our internal approval procedures. During the Track Record Period, we made three voluntary product recalls of three pieces of our Distribution Products. For details of our historical product recall incidents, see "Business — Legal Proceedings and Regulatory Compliance — Product Recall." Our product recall incidents and the total product returns and compensation claims were insignificant. However, we cannot assure you that we will not be exposed to risks associated with product returns or exchange in the future.

**The manufacture of our products is highly exacting and complex and subject to strict quality controls. Our business could suffer if our products and pipeline products are not manufactured in compliance with all the applicable quality standards.**

We manufacture our Proprietary Products. The manufacture of our products is highly complex and subject to strict quality controls. In addition, quality is extremely important due to the serious and costly consequences of a product failure. We mainly manufacture (i) implants, which mainly refers to various intraocular lens, and (ii) diagnosis equipment including electrophysiology equipment. We have manufacturing facilities in China, the Netherlands and Germany and we have established a comprehensive quality control and assurance system and adopted standardized operating procedures in order to prevent quality issues with respect to our products and operation processes. See "Business — Manufacturing" and "Business — Quality Control." Despite our quality control and assurance system and procedures, we cannot eliminate the risk of product defects or failure. Problems can arise during the manufacturing process for a number of reasons, including equipment malfunction, failure to follow protocols and procedures, defects or other issues in raw material, or human error. If problems arise during the production of a batch of product, that batch of product may have to be discarded and we may experience product shortages and incur added expenses. This could, among other things, lead to increased costs, lost revenue, damage to customer relationships, time and expense spent investigating the cause and, depending

on the cause, similar losses with respect to other batches or products. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred.

Furthermore, if contaminants are discovered in our supply of products or pipeline products, or in the manufacturing facilities, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. Stability failures and other issues relating to the manufacture of our products or pipeline products could occur in the future. In addition, disruptions can occur during the implementation of new equipment and systems to replace aging equipment, as well as during production line transfers and expansions.

**Our pricing strategy and downward change in pricing of our products may have a material adverse effect on our business and results of operations.**

We generally price our Distribution Products and Proprietary Products by taking into consideration a variety of factors, including pricing guidelines set by the government authorities, bargaining power and preferences of hospitals, prices of similar products offered by our competitors, our operating costs and the continuous upgrades of existing products, among others, and some of which are beyond our control:

- If the PRC government issues pricing guidelines for our Distribution Products and Proprietary Products, it may negatively affect the price at which we can sell our products and therefore have a material adverse effect on our business and results of operations. See "— Our products might not be eligible for coverage under reimbursement schemes or other national or regional pricing guidelines and may be subject to price controls."

- When setting the prices for our products, hospitals may gain more bargaining power depending on the availability of alternative products, demands of patients and the preferences of physicians. If hospitals seek to lower retail prices of our products and therefore reduce the profitability of our distributors, our distributors may have less incentive to purchase and promote our products, and we may need to lower the order price we set for our distributors.

- Along with our increasing efforts to promote our products, as well as our competitors' continuous development of their products in the same field, awareness of our products is expected to increase. More competing products may become available, which will offer alternatives for hospitals and patients to choose.

- With the development of technologies and increasing competition in the industry, we may experience reduced pricing from our existing products, particularly along with the launch of new products that can replace or further improve the safety and efficacy profile of our existing products, while the manufacturing and material costs may remain constant or increase. If we are unable to successfully introduce more advanced and/or more profitable new products to the market, or if we fail to effectively control our operating and manufacturing costs, our business, financial condition and results of operations could be materially and adversely affected.

We may experience reduced pricing power and gross profit margin erosion from our existing products generally as their sales in a given mature market, while manufacturing and material costs may remain constant or increase. Our profitability depends on our ability to successfully launch new products, enter new markets, control costs during the manufacturing process by increasing the efficiency of our manufacturing processes and increasing production yields. If we are unable to successfully design, develop, manufacture and market new products, which typically generate higher gross margins, or if we fail to effectively increase the efficiency of our manufacturing processes or control manufacturing costs, our business, financial condition and results of operations could be harmed.

**Our products might not be eligible for coverage under reimbursement schemes or other national or regional pricing guidelines and may be subject to price controls.**

Demand for, prices of, and our ability to sell our products may depend on the extent to which our Distribution Products and Proprietary Products as well as the related treatments are covered by reimbursement schemes and national or regional pricing guidelines, which control the prices charged by hospitals for medical devices. We may strategically develop and position our product portfolio taking into consideration these schemes and standards. However, if the reimbursement eligibility of our products and coverage under the pricing guidelines is not favorable, we may not be able to successfully commercialize our products. Moreover, as China's healthcare system undergoes reform, we cannot assure you that the PRC government will not amend the pricing guidelines or change, reduce or eliminate the government insurance coverage and reimbursement level currently available for treatments using our products, which may lower demand for our products.

In addition, there have been and may continue to be proposals from legislators, regulators and third-party payors to lower medical costs. Legislators, regulators, and third-party payors have attempted and may continue to attempt to control costs by limiting the scope of reimbursement schemes or the amount of reimbursement for ophthalmology medical devices. Moreover, third-party payors are increasingly requiring that companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. Such continuing efforts to contain or reduce medical costs could restrict our end-users' ability to obtain adequate coverage and reimbursement and therefore harm our business and results of operations by adversely affecting the demand for our products or the price at which we can sell our products.

**We rely on relationships with KOLs, physicians, hospitals and medical associations in the development and marketing of our products.**

Our relationships with KOLs, physicians, hospitals and medical associations play an important role in our R&D, sales and marketing activities. We implement a clinical demand-oriented and highly responsive R&D strategy by establishing extensive interaction channels with KOLs, physicians, hospitals and medical associations to gain first-hand knowledge of unmet clinical needs, physicians' preferences and clinical practice trends, which is critical to our ability to develop and introduce new market-responsive products and improve our existing products. In addition, we engage with KOLs, physicians, hospitals and medical associations as a part of our academic promotion and marketing strategy, which enables us to establish a quality end-user base, especially with Class IIIA hospitals with ophthalmology department. See "Business — Our Strengths."

We cannot assure you that we will be able to maintain or strengthen our relationships with these industry participants, or that our efforts to maintain or strengthen such relationships will yield the successful development and introduction of new products or increase in sales. These industry participants may depart from their roles, change their business or practice focus, decide to no longer cooperate with us or cooperate with our competitors instead. Even if they continue to cooperate with us, their market insights and perceptions, which we take into account in our research and development and product introduction process, may be inaccurate and lead us to develop products without significant market potential. Even if their insights and perceptions are correct, we may fail to develop commercially viable products. Moreover, we cannot assure you that our academic promotion and marketing strategy will continue to serve as an effective marketing strategy. Industry participants, particularly in the specialties of ophthalmology, may no longer want to collaborate with us or attend our conferences, and our marketing strategy may no longer be able to yield larger hospital coverage or increased sales commensurate to our efforts spent. In addition, the KOLs, physicians and hospitals that we focus on may not continue to have a significant demand for ophthalmology medical devices covered by our product lines. If we are unable to develop new products or generate returns from our relationships with industry participants as anticipated, or at all, our business, financial condition and results of operations may be materially and adversely affected.

**We are exposed to the credit risk of our customers. Substantial reductions in purchases by or delays in collecting receivables from our customers could have a material adverse effect on our business, financial condition and results of operations.**

Our customers included hospitals and clinics. We cannot assure you that these customers will continue to maintain relationships with us or that they will continue to purchase products of our brand partners at similar volumes or prices, or at all. In addition, we are exposed to the credit risk of our customers and we cannot assure you that our customers might not experience any deterioration in their financial position, such as bankruptcy, insolvency or general liquidity problems, which may materially and adversely affect their ability to conduct business with us. Moreover, any slowdown in the growth of the PRC economy, and any corresponding effects on the levels of consumer and commercial spending, may cause customers to reduce, modify, delay or cancel plans to purchase products of our brand partners.

As of December 31, 2021, our impairment loss recognized on trade receivables amounted to RMB10.1 million, or 5.6% of our total trade receivables as of the same date. We cannot assure you that our past provisioning practice will not change in the future or that our provision levels will be sufficient to cover defaults in our trade and bills receivables. See "Financial Information — Critical Accounting Policies and Estimates — Provision for Expected Credit Losses (ECL) on Trade Receivables and Contract Assets" for the details of our provisioning practice. Our liquidity and cash flows from operations may be materially and adversely affected if our receivable cycles or collection periods lengthen further or if we encounter a material increase in defaults of payment or an increase in provisions for impairment of our receivables from customers, particularly those in respect of our business. Should these events occur, we may be required to obtain working capital from other sources, such as third-party financing, in order to maintain our daily operations, and such financing may not be available on commercially acceptable terms, or at all.

**We may be subject, directly or indirectly, to applicable anti-kickback, false claims laws or similar healthcare laws and regulations in China and other jurisdictions, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.**

We may be subject, directly or indirectly, to applicable anti-kickback, false claims laws or similar healthcare laws and regulations in China and other jurisdictions, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, physicians and others play a primary role in the recommendation of any products for which we obtain regulatory approval. Our operations are subject to various applicable anti-kickback, false claims laws or similar healthcare laws and regulations in China and other jurisdictions we operate, including, without limitation, the Criminal Law of the PRC (《中華人民共和國刑法》), the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and the Administrative Measures for the Registration and Filing of Medical Devices (《醫療器械註冊與備案管理辦法》). These laws and regulations may impact, among other things, our proposed sales, marketing and education programs.

Law enforcement authorities are increasingly focused on enforcing these laws, and efforts to ensure that our business arrangements with third parties comply with applicable laws and regulations will involve substantial costs. Governmental authorities could conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in governmental healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations. In addition, we are subject to equivalents of each of the healthcare laws described above in other jurisdictions, among others, some of which may be broader in scope and may apply to healthcare services reimbursed by any source, not just governmental payors, including private insurers. There are ambiguities as to what is required to comply with these requirements, and if we fail to comply with any applicable law requirement, we could be subject to penalties.

We may be exposed to fraud, bribery or other misconduct committed by our employees or third parties that could subject us to financial losses and sanctions imposed by governmental authorities, which may adversely affect our reputation. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud, bribery, and other misconduct involving employees and other third parties that had any material and adverse impact on our business and results of operations. However, we cannot assure you that there will not be any such instances in the future. Despite our internal control policies and procedures in place, we may be unable to prevent, detect or deter all such instances of misconduct. Any such misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business and results of operations.

If any of the physicians or other providers or entities with whom we do business are found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, which may also adversely affect our business.

**We cannot assure you that our directors, senior management, employees, distributors or sub-distributors, customers, suppliers or other parties we cooperate with will not engage in bribery or corrupt practices or other illegal or unethical conduct.**

We may be exposed to fraud, bribery or other misconduct committed by our directors, senior management, employees, distributors, sub-distributors, customers, suppliers or other parties we cooperate with in China or other jurisdictions. Any actual or alleged wrongdoing or misconduct, over which we may not have full control, could subject us to financial losses, sanctions imposed by governmental authorities and negative publicity, which may adversely affect our reputation and prospects. Before the Track Record Period, one of our former directors was a witness in a bribery case against an Independent Third Party, who had solicited illegal payments from such director in 2005. See "Business — Legal Proceedings and Regulatory Compliance — The Incident." The Incident has revealed certain historical deficiencies and weaknesses in our internal control system. In light of this, we have taken steps to identify and address deficiencies in our internal controls and established a compliance program. See "Business — Risk Management and Internal Control." The healthcare sector in the China, including the ophthalmic industry, is featured with elevated risks of violations of anti-bribery laws. Although the government has implemented various measures against bribery in the healthcare sector and we have taken steps to strengthen our internal control, we cannot assure you that similar events will not occur in the future if our internal controls fail to detect or deter against such events or due to other factors, in which case members of our Group may be subject to further investigation by the relevant government authorities. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud, bribery, or other misconduct involving employees or other third parties that had any material and adverse impact on our business and results of operations. Nevertheless, we cannot assure you that if similar incidents occur or other incidents involving bribery or corruption occurs involving our Group, Directors or senior management in the future, we will be able to take effective remedial measures, which could impair our ability to operate our Group, harm our reputation and materially and adversely affect our business, financial condition and results of operation.

**Our historical operating results may not be representative of future performance.**

For the years ended December 31, 2019, 2020 and 2021, our revenue was RMB1,106.7 million, RMB962.1 million and RMB1,298.2 million, respectively. For the same periods, our gross profit was RMB463.3 million, RMB436.2 million, and RMB609.5 million, respectively. We cannot assure you that our historical operating results, such as our revenue and gross profit, will be indicative of future performance for various reasons, including uncertainties of the success of our existing and new products, and in the market and the regulatory environment, as well as our ability to develop and introduce new product, expand production capacity and improve manufacturing capabilities as planned, and manage our sales network and intensified competition in the ophthalmology medical device market in China. Investors should not rely on our historical results as an indication of our future financial or operating performance.

**We recorded net current liabilities as of December 31, 2020.**

We had net current liabilities of RMB531.5 million as of December 31, 2020. See "Financial Information — Description of Certain Items from the Consolidated Statements of Financial Position." We cannot assure you that we will not have net current liabilities position in the future. A net current liabilities position would expose us to liquidity risks, since we may be unable to refinance certain loans when they become due. There can be no assurance that we will always be able to obtain the necessary funding to refinance our borrowings upon maturity to finance our capital commitments. If we were unable to refinance such borrowings when due, and we were not otherwise able to repay such amounts at maturity, we may be in default of such loans, which may trigger cross-defaults. In such circumstances, our business, liquidity, financial condition, results of operations and prospects could be materially and adversely affected.

**We have historically received government grants and we may not receive such grants in the future.**

We have historically received government grants, primarily representing subsidies received from the local governments primarily for the purposes of compensation for expenses arising from research and development activities, reward for financial contribution and capital expenditure incurred on certain projects. We recognized government grants of RMB7.3 million, RMB10.4 million and RMB13.9 million in profit or loss for each of the three years ended December 31, 2021, respectively. See "Financial Information — Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items — Other Income and Gains." Our eligibility for government grants is dependent on a variety of factors, including the assessment of our R&D process, our improvement on existing technologies, relevant government policies, the availability of funding at different granting authorities. In addition, the policies according to which we historically received government grants may be halted by the relevant government authorities at their sole discretion. There is no assurance that we will continue to receive such government grants or receive similar level of government grants, or at all, in the future.

**The discontinuation of any of the preferential tax treatments currently available to us could reduce our profitability.**

Gaush Raymond, one of our subsidiaries, is qualified for a lower EIT rate of 15%, instead of the standard EIT rate of 25%, as a High and New Technology Enterprise (高新技術企業). Continued eligibility to these preferential tax treatments is subject to review and evaluation by the relevant government authorities in the PRC, for example, the qualification as a High and New Technology Enterprise is subject to review by the relevant Chinese authorities every three years. Gaush Raymond extended its High and New Technology Enterprise certificate in 2020 for a period of three years to 2023. We cannot assure you that we will continue to receive such preferential tax treatment at historical levels, or at all. In the event that any of the preferential tax treatment currently enjoyed by us is reduced, discontinued or withdrawn by the government authorities, and the affected subsidiaries fail to obtain any alternative preferential tax treatment, our results of operations and growth prospects may be materially and adversely affected.

**We may need to seek additional financing for our future operation and expansion, which may not be available at favorable terms, or at all.**

Our operations require significant capital investment. Historically, we have financed our business activities primarily through cash generated from our operations as well as external bank loans. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our indebtedness was RMB705.0 million, RMB1,744.9 million, RMB2,621.7 million and RMB2,635.3, respectively. If our current sources are insufficient to satisfy our cash requirements, we may seek additional debt or equity financing or obtain additional credit facility. The issuance of additional equity securities or convertible debt securities could result in dilution to our Shareholders. The incurrence of indebtedness could result in increased debt service obligations, increased finance costs and operating and financing covenants that would restrict our operations and liquidity and negatively impact our financial performance.

Our ability to obtain additional capital on acceptable terms is subject to, among other things, investors' perception of and demand for our securities, our financial performance and gearing ratio, and the economic, market, political and regulatory conditions in the PRC. Any failure by us to raise additional funds that are necessary for our operations on terms favorable to us could have a material adverse effect on our liquidity and financial condition.

**Our loan agreements may have included arrangements that impose material and adverse effect on our financial condition, results of operations, cash flows and business prospects.**

We enter into loan agreements to finance our business activities including acquisitions. See "Financial Information — Indebtedness — Bank Borrowings" and "Financial Information — Indebtedness — Loan at Fair Value through Profit or Loss and Warrants" for the details of our bank borrowings. As of March 31, 2022, the equity interest of our certain operating subsidiaries has been pledged. In the event of default, the lenders may foreclose the equity interest of such subsidiaries, and we may not be able to consolidate the results of such subsidiaries into our financial statements, which could have a material adverse effect on our results of operation. Our loan agreements may contain financial and other covenants that require us to maintain certain financial ratios or impose certain restrictions on the disposition of our assets or the conduct of our business. In addition, the utilization of the remaining balance of these secured banking facilities is subject to certain conditions, including time limits and certain financial performance requirements. Furthermore, such loan agreements also include, and our future loan agreements may include, certain restrictive covenants whereby we may be required to obtain approval from our lenders to, among other things, incur additional debt, pledge assets, undertake guarantee obligations and dispose of or sell assets. If we are not granted such approvals, we may not be able to obtain additional financing or conduct certain other business activities that may be viewed as favorable to us, and we cannot assure you that our financial resources will be adequate to support our operations, and our financial condition, results of operations, cash flows and business prospects may be materially and adversely affected. During the Track Record Period and up to the Latest Practicable Date, we have complied with the major covenants in our loan agreements.

**Enforcement of certain share charges by our Controlling Shareholder in case of default under the relevant facilities could materially and adversely affect the prevailing market price of our Shares, and could have a negative impact on our business, operation and financial results.**

Gao Tieta, through GT HoldCo, was beneficially interested in approximately 45.01% of the issued share capital of our Company as of the Latest Practicable Date and will be beneficially interested in approximately [**REDACTED**]% of the issued share capital of our Company immediately upon the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised) and is therefore, a Controlling Shareholder of our Group. To secure the CS Facility entered into between GT HoldCo and Credit Suisse AG, Singapore Branch (an authorised institution as defined in the Banking Ordinance (Cap 155)) in June 2021, GT HoldCo mortgaged 36,892,670 Shares in favor of Credit Suisse pursuant to the Share Charge, representing approximately 26.25% and [**REDACTED**]% of the issued share capital of our Company as of the Latest Practicable Date and immediately upon completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), respectively. For details, see "History, Reorganization and Development — Summary of Shareholding Changes since Completion of the Reorganization."

Pursuant to the terms of the CS Facility, GT HoldCo shall repay the principal amount of US$23 million in full on June 23, 2022 and shall pay interest at a rate of LIBOR plus 4.0% per annum for every three months. The aggregate amount of interests payable under the CS Facility have been deposited into an account charged to Credit Suisse and timely payments of the interests of the CS Facility have been and will be deducted from such account in accordance with the terms of the CS Facility. Notwithstanding the above, upon the occurrence of an [**REDACTED**] of the Company, all outstanding Loan, together with accrued interest, and all other costs or amounts accrued under the CS Facility will become immediately due and payable within certain business days (the "**Mandatory Prepayment Upon** [**REDACTED**]").

Considering that the CS Facility will become due on June 23, 2022, GT HoldCo and Credit Suisse will, on or before June 23, 2022, enter into a 364-day senior secured term loan facility (the "**Replacement Facility**") of up to US$24 million to repay the outstanding amounts under the CS Facility. The major terms and conditions of the Replacement Facility (including the share charge and the Mandatory Repayment Upon [**REDACTED**]) will be substantially consistent with the CS Facility.

In light of the Mandatory Prepayment Upon [**REDACTED**] of the Replacement Facility (such due date being the "[**REDACTED**] **Prepayment Due Date**"), Credit Suisse and GT HoldCo will, on or before the [**REDACTED**] Prepayment Due Date, enter into a senior secured term loan facility (the "**Refinancing Facility**") of up to an amount not less than US$24 million or its equivalent. The proceeds of the Refinancing Facility will be mainly used to, directly or indirectly, fully repay the Replacement Facility before or upon the [**REDACTED**] Prepayment Due Date. The Refinancing Facility will be secured by the Shares held by GT Holdco. [**REDACTED**] Shares (calculated based on HK$[**REDACTED**] per Share, being the lower end of the indicative [**REDACTED**] range) and representing approximately [**REDACTED**]% and [**REDACTED**]% of the total issued Shares as of the Latest Practicable Date and immediately upon completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), respectively,] will initially be charged to Credit Suisse to secure the Refinancing Facility. Additional number of Shares or cash may be deposited with Credit Suisse to satisfy the loan-to-value ratio stipulated under the terms of the Refinancing Facility. The term of the Refinancing Facility will be 364 days and its total principal amount shall be repaid in full upon the expiry of its term. The Refinancing Facility will

include other terms and conditions substantially consistent with those of the CS Facility. After communicating with Credit Suisse, as of the Latest Practicable Date, the Company was not aware of anything material that would render the plan to enter into the Replacement Facility before June 23, 2022 and to enter into the Refinancing Facility before the [**REDACTED**] Prepayment Due Date not feasible.

The Share Charge in connection with the CS Facility was, and the share charge in connection with the Replacement Facility and the Refinancing Facility will be, taken as security in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan in accordance with the Listing Rules, including, without limitation Rule 10.07 in respect of restrictions of disposal of shares by controlling shareholders. [**REDACTED**] Gao Tieta has also undertaken to the Company that he will, and will procure GT HoldCo to (i) make timely payments in accordance with the CS Facility, the Replacement Facility and the Refinancing Facility as and when it becomes due; and (ii) fulfill his and GT HoldCo's relevant obligations and comply with relevant terms of the CS Facility, the Replacement Facility and the Refinancing Facility to avoid the enforcement of the share charges in connection with the relevant facility. [**REDACTED**]

In the unlikely event of default by GT HoldCo under the CS Facility, the Replacement Facility or the Refinancing Facility and if there is no alternative source of funding available to GT Holdco (including seeking facilities from other authorised financial institutions and disposing of properties under Gao Tieta's name or other assets of Gao Tieta and GT HoldCo) to repay relevant amounts, Credit Suisse may enforce the respective share charges in connection with the relevant facility and our Controlling Shareholders' shareholding in the Company may be affected accordingly, which could have a negative impact on our business, operation and financial results. The above may also result in sales or a perception of the likelihood of sales of our Shares in the market which could have a material and adverse effect on the market price of our Shares.

**We may not be successful in implementing our business strategy.**

Our business objectives and strategies as set out in this Document are based on our existing plans and intentions. However, our objectives and strategies are based on prevailing circumstances and the development trends of our industry currently known to our Directors, the bases and assumptions that certain circumstances will or will not occur, as well as the risks and uncertainties inherent in various stages of development. There are significant challenges and uncertainties involved in our strategic plans, including whether (i) we will be able to complete these plans, such as expansion of our production capacity, product portfolio and sales and marketing capabilities, on schedule and within the anticipated budget, or at all; (ii) we will be able to generate anticipated revenues and profits from these plans to cover our indebtedness, costs or contingent liabilities associated with such plans; and (iii) these plans will be in line with the market demand and national and local policies in the future. Our future prospects should be considered in light of the risks, expenses and difficulties which may be encountered by us in our various stages of development of

business. We cannot assure you that we will be successful in implementing our strategies or that our strategies, even if implemented, will lead to successful achievement of our objectives. If we are not able to implement our strategies effectively, our business, financial condition and results of operations may be adversely affected.

**If we fail to establish or increase our production capacity as planned, our business prospects could be materially and adversely affected.**

We plan to expand our manufacturing capacity in our production facilities in China and the Netherlands. Changes in the manufacturing process or procedure, including a change in the location where the product is manufactured, require prior review by regulatory authorities and/or approval of the manufacturing process and procedures in accordance with applicable requirements.

Other than the risks relating to application of requisite licenses and permits, we could also face other risks in implementing our expansion plan, including construction delays, failure to adopt new manufacturing techniques, implement effective quality control, or recruit a sufficient number of qualified staff to support the increase in production capacity. New manufacturing staff are generally required to undergo approximately two months of training before they can commence work on our production lines. There can be no assurance that we will be able to increase our overall production capacity, develop advanced manufacturing techniques, process controls in the manner we contemplate or recruit a sufficient number of qualified manufacturing staff, or at all. In the event we fail to increase our production capacity, we may not be able to capture the expected growth in demand for our products, or to successfully commercialize new products, each of which could materially and adversely affect our business prospects. Moreover, our plans to increase our production capacity require significant capital investment, and the actual costs of our expansion plan may exceed our original estimates, which could materially and adversely affect the realization of expected return on our expenditures.

There can be no assurance that our existing and future production facilities will manufacture products in sufficient volumes in the event of any significant change in market demand. In such event, we may not be able to find external subcontractors to help manufacture our products, and even if we could engage third parties to manufacture a portion of such products, we would be exposed to the risks of increased pricing for our sub-contracted production and that the third parties may not manufacture products meeting our specifications or in sufficient volumes to meet market demand. As a result, our sales volumes and margins for the relevant products could be materially and adversely affected, and we could be subject to liabilities if such third parties deliver products and pipeline products with latent defects.

**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.**

Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China, the Netherlands and Germany, where our operation is primarily carried out. Our business could also be under the threat of climate change, flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or, most recently, the worldwide COVID-19 since January 2020. See "Risk Factors — Our business may be affected by the occurrence of contagious diseases, such as COVID-19."

**We are subject to the risks of doing business globally.**

As a result of the acquisition of Roland and Teleon, we successfully expanded our global presence. Since then, revenue contribution from overseas sales accounted for approximately 0.6% and 20.4%, respectively, of our total revenue for 2020 and 2021. Accordingly, our business and financial results in the future could be adversely affected due to a variety of factors, including but not limited to:

- changes in a specific country's or region's political and cultural climate or economic condition;
- unexpected changes in or difficulties or failure to comply with laws and regulatory requirements in local jurisdictions;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- potential disputes with foreign parties we work with;
- exposure to litigation or third-party claims outside of China;
- concerns of local governments and regulators on our research and products and on the relevant management arrangements;
- inadequate intellectual property protection in certain countries;
- economic sanctions, trade restrictions, tariffs, discrimination, protectionism or unfavorable policies;
- enforcement of anti-corruption and anti-bribery laws, such as the FCPA;
- the effects of applicable local tax regimes, royalties and other payment obligations owed to local governments, and potentially adverse tax consequences; and
- significant adverse changes in local currency exchange rates.

**We purchase goods from our brand partners from different countries and jurisdictions.**

Substantially all of our import of our Distribution Products are subject to customs requirements and to tariffs and quotas set by governments through mutual agreements, bilateral actions or, in some cases, unilateral action. Adverse changes in these trading restrictions, or our brand partners' failure to comply with customs regulations or similar laws, could harm our business.

Our operations are also subject to the effects of international trade agreements and regulations and the activities and regulations of the World Trade Organization. Trade agreements generally have positive effects on trade liberalization, sourcing flexibility and cost of goods by reducing or eliminating the duties and/or quotas assessed on products manufactured in a particular country. However, trade agreements can also impose requirements that adversely affect our

business, such as setting quotas on products that may be imported, or making it easier for other companies to compete, by eliminating restrictions on products from countries where our competitors source products. Our ability to purchase products from different countries and jurisdictions in a timely and cost-effective manner may also be affected by conditions at ports or issues that otherwise affect transportation and warehousing providers, such as port and shipping capacity, labor disputes or severe weather. These issues could delay cross-border trading of products or require us to locate alternative ports or warehousing providers to avoid disruption to customers. These alternatives may not be available on short notice or could result in higher transit costs, which could have an adverse impact on our business and financial condition.

**We are exposed to market risk from changes in foreign currency exchange rates which could materially and negatively impact our profitability.**

We purchase our products from brand partners in many countries throughout the world. As a result, there is exposure to foreign currency risk as we enter into transactions denominated in multiple currencies. For example, changes in currency exchange rates may affect our costs of goods sold and our competitiveness against our domestic competitors or competitors who are multi-national companies whose multi-national operations provide a natural hedge to currency fluctuation risks. We predominantly purchase our products in US dollar, Euro. We sell our goods to distributors and hospitals and clinics in China in Renminbi. For the year ended December 31, 2019, 2020 and 2021, our exchange differences on translation of foreign operations recorded loss of RMB0.4 million, gains of RMB7.6 million and loss of RMB58.6 million. See "Financial Information — Quantitative and Qualitative Disclosure about Market Risk — Foreign Currency Risk." If the Renminbi weakens relative to the US dollar or Euro, our earnings could be negatively impacted. The translational and transactional impacts will vary over time and may be more material in the future. Although we utilize risk management tools, including hedging, as it deems appropriate, to mitigate a portion of potential market fluctuations in foreign currencies, there can be no assurance that such measures will reduce or eliminate our exposure to fluctuations in foreign exchange rates.

The exchange rate of the Renminbi against the US dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in China's and international political and economic conditions, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the US dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policy goals.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a significant appreciation of Renminbi against the US dollar, the Hong Kong dollar or other foreign currencies.

Our [**REDACTED**] from the [**REDACTED**] will be denominated in Hong Kong dollars and our financial statements are prepared denominated in Renminbi. As a result, any appreciation of the Renminbi against the US dollar, the Hong Kong dollar or any other foreign currencies may result in a decrease in the value of our foreign currency-denominated assets and our [**REDACTED**] from the [**REDACTED**]. Conversely, any depreciation of the Renminbi may adversely affect the

value of, and any dividends payable on our Shares in foreign currencies. There are limited instruments available for us to reduce our foreign currency risk exposure at reasonable cost in China, and we have not utilized, and may not in the future utilize, any such instrument.

All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

**The relationships between China and other countries may affect our business operations.**

During the Track Record Period, we purchased medical devices from our brand partners and as part of our business strategy, we plan to explore distributorships and partnerships with entities in foreign countries and regions as well as register our products in other jurisdictions. We also sell our products to certain foreign countries and plan to continue to do so in the future. Our business may therefore be subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in those foreign countries and regions. As a result, China's relationships with those foreign countries and regions may affect the prospects of maintaining existing or establishing new distributorships and partnerships, expanding our team, making investments, registering our products, conducting clinical trials, commercializing and importing/exporting in these countries and regions.

It is notably that the United States government has in recent years made significant changes in its trade policy and has taken certain actions that may materially impact international trade, such as announcing import tariffs which have led to other countries, including China and members of the European Union, imposing tariffs against the United States in response. The United States has also threatened to impose further export controls, sanctions, trade embargoes, and other heightened regulatory requirements on China and Chinese companies. These have raised concerns that there may be increasing regulatory challenges or enhanced restrictions against China and other Chinese companies in a wide range of areas. Any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our future products, the competitive position of our future products, the hiring of scientists and other research and development personnel, and import or export of raw materials in relation to product development, or prevent us from selling our future products in certain countries. Moreover, there can be no assurance that our potential business partners will not alter their perception of us or their preferences as a result of adverse changes to the relationships between China and foreign countries or regions where they are located. Any tensions and political concerns between China and such foreign countries or regions may adversely affect our business, financial condition, results of operations, cash flows and prospects.

**Failure to pass regulatory inspections and any other disruption or suspension of manufacturing activities may affect our business and results of operations.**

Our manufacturing facilities are subject to regular inspections by the relevant government authorities as part of the process of maintaining or renewing the permits, licenses and certificates required for our business and operations. Such inspections require us to comply with, among other things, GMP regulations. We cannot guarantee that we will be able to adequately follow and document our adherence to such GMP regulations or other regulatory requirements. When inspecting our manufacturing facilities, the NMPA or other comparable regulatory authorities may

cite GMP deficiencies. Remediating deficiencies can be laborious, time consuming and costly. Moreover, the NMPA or other comparable regulatory authorities will generally re-inspect the facility to determine whether the deficiency was remediated to its satisfaction, and may note further deficiencies during re-inspection. We may be required to delay, suspend or cease manufacturing activities if we fail to pass these regulatory inspections, which will affect our ability to fulfill product orders and sell our products, and in turn, have a material and adverse effect on our business, financial condition and results of operations.

We may also encounter problems with maintaining consistent and acceptable production costs, experience shortages of qualified personnel and raw materials, unexpected damage to our facilities and equipment malfunction. Furthermore, if contaminants are discovered in our raw materials, products or in the manufacturing facilities, our manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. In these cases, we may be required to delay, suspend or cease manufacturing activities. We may be unable to secure temporary, alternative manufacturers for our products with the terms, quality and costs acceptable to us, or at all. Moreover, we may spend significant time and costs to remedy these deficiencies before we can continue production at our manufacturing facilities.

**Our future success depends on our ability to retain members of our management team and other key personnel and to attract, retain and motivate qualified personnel.**

Our future success depends on the continued service of the key members of our senior management. In particular, Gao Tieta, our executive Director, Chairman of the Board and chief executive officer, has over 20 years of experience in the medical device industry. Zhang Jianjun, our executive Director and vice general manager, has over 20 years of experience in the medical device industry. The expertise, industry experience and contributions of our executive Directors and other members of our senior management are crucial to our success. If we lose any of our key management members and are unable to recruit and retain replacement personnel with equivalent qualifications or talents in a timely manner, the growth of our business could be adversely affected.

Our success also depends on our ability to attract and retain qualified and skilled management, technical, research and development, sales and marketing, production and other personnel. We cannot assure you that we will be able to attract, hire and retain sufficient personnel for our business. We also cannot guarantee that any shortages in qualified and skilled personnel will not increase our staff costs as the competition for these individuals could cause us to offer higher compensation and other benefits in order to attract and retain them and consequently materially and adversely affect our financial condition and results of operations.

**Failure to maintain and predict inventory levels in line with demand for our products could cause us to lose sales or face excess inventory risks and holding costs.**

We maintain an inventory level based on anticipated product demand and production schedule. For the years ended December 31, 2019, 2020 and 2021, our inventory turnover days were 111 days, 152 days, and 129 days, respectively. We cannot guarantee that we will be able to maintain proper inventory levels for our products and raw materials. Inventory levels in excess of product demand may result in inventory write-downs, expiration of products and increase in inventory holding costs. Conversely, we may experience inventory shortages if we underestimate demand for our products, which may result in unfilled orders and have a negative impact on our

relationship with distributors, hospitals and doctors. To manage our inventory level, we implemented certain measures. See "Business — Raw Material and Suppliers — Inventory Control Measures." However, we cannot assure you that these measures will be effective and our inventory level will decrease in the future. If our inventory level increases further in the future, our financial condition and cash flow could be materially and adversely affected.

**Our business may be affected by the availability of warehouse facilities and the related rental expenses.**

As of the Latest Practicable Date, we rented 13 warehouses with total gross floor area of approximately 5,232.82 sq.m. in Beijing, Tianjing, Shanghai, Guangzhou, Shenzhen and Wenzhou for the storage of our Proprietary Products and Distribution Products and we did not own any warehouse. We also engaged a logistics service provider to provide storage and shipment services to us, as we deem suitable to our operation needs. The tenancy agreements for the warehouses we currently occupy are for a fixed duration. It is uncertain whether these tenancy and service agreements can be renewed at all upon expiry or on terms acceptable to us. Even if we are able to renew or extend the tenancy agreements, the rental expenses may increase significantly and any increase in rental and service expenses will increase our costs of operation and may therefore adversely affect our business and financial performance if we are unable to pass on the increased costs to our customers. In addition, the landlords of the warehouses or the logistics service provider may exercise their right of early termination to terminate the agreements in accordance with the terms of respective agreements. In such cases, we may be unable to find suitable locations to relocate our warehouses in a timely manner and on commercially acceptable terms, or at all, which could have an adverse impact on our business due to our decreased warehousing and storage space.

**If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities.**

We may from time to time become subject to various litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including but not limited to various disputes with or claims from our suppliers, customers, contractors, business partners and other third parties that we engage for our business operations. On-going or threatened litigation, legal or contractual disputes, investigations or administrative proceedings may divert our management's attention and consume their time and our other resources. In addition, any similar claims, disputes or legal proceedings involving us or our employees may result in damages or liabilities, as well as legal and other costs and may cause a distraction to our management. Furthermore, any litigation, legal or contractual disputes, investigations or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. If any verdict or award is rendered against us or if we settle with any third parties, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business projects. In addition, negative publicity arising from litigation, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect the image of our brands and products. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

**If we fail to comply with environmental, health and safety laws and regulations, we could be subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.**

We are subject to numerous environmental, health and safety laws and regulations, including the handling, use, storage, treatment and disposal of waste. Our manufacturing process may produce hazardous waste. We may not be able to eliminate the risks of contamination or personal injury from these wastes. We maintain workers' statutory compensation insurance to cover costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials. This insurance may not provide adequate coverage against potential liabilities. We outsource the disposal of relevant hazardous waste to qualified Independent third parties. In the event of contamination or personal injury resulting from our exposure to or third parties' disposal of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties. We may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production activities. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

**Failure to make adequate contributions to various government-sponsored employee benefits plans as required by PRC regulations may subject us to penalties.**

Companies operating in China are required to participate in various government-sponsored employee benefit plans, mainly including certain social insurance and housing provident fund. During the Track Record Period, we had not made full contributions to social insurance for our employees. As of December 31, 2021, we made provision in an aggregate amount of RMB3.4 million to cover the unpaid amount of social insurance of the Track Record Period, which did not include the fines and penalties in relation to such unpaid amount. As of the Latest Practicable Date, we had ensured that full contributions to social insurance for our employees will be made according to relevant laws and regulations with respect to social insurance contributions. As of same 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 our historical unpaid amount.

Pursuant to applicable laws and regulations, we may be ordered by the relevant government authorities to pay the historical shortfall amount within a prescribed period and the historical shortfall in social insurance contributions shall 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 an additional fine ranging between one to three times the historical shortfall in social insurance contributions. However, we cannot assure you that local authorities will not impose late fees, pecuniary penalties or other administrative actions on us for our historical noncompliance. If local authorities determine that we failed to make adequate contributions to any employee benefits as required by relevant PRC regulations, we may face late fees or fines in relation to the underpaid employee benefits. In addition, our provision for these liabilities may not be adequate. As a result, our financial condition and results of operations may be materially and adversely. See "Business — Employees" for more details.

In addition, given the nationwide nature of our business, certain of our employees, especially our sales person and engineers, are local residents of different provinces and cities in the

PRC. According to the prevailing PRC regulations and practices, we are permitted to directly make social insurance and housing provident fund contributions in a particular province or city only if we have a business venue (such as a subsidiary or branch) in such province or city. During the Track Record Period, we did not have any business venue except in Beijing, Shanghai, Tianjin and six other cities, and were therefore not permitted to directly make social insurance and housing provident fund contributions in other provinces and cities. However, most of our employees who are local residents of other provinces and cities were unwilling to have us make social insurance and housing provident fund contributions in cities where we have a business venue because this would mean that they could not practically enjoy most of the benefits of the social insurance and housing provident fund. As a result, during the Track Record Period, certain of the social insurance fund and housing provident fund contributions for our employees were paid on behalf of us by a third party institution, which, together with its affiliates, is a nationwide human resources service provider with a business venue in different provinces and cities in the PRC. This arrangement, while not uncommon in China, is not in strict compliance with the relevant PRC laws and regulations. During the Track Record Period and as of the Latest Practicable Date, to our best knowledge, our employees had not lodged any report or complaint against us to the relevant PRC regulatory authorities with respect to social insurance fund and housing provident fund contributions. As of the Latest Practicable Date, we had not received any notice of warning or been subject to any administrative penalties from the relevant PRC regulatory authorities directly.

As advised by our PRC Legal Adviser, the aforesaid payment of social insurance and housing provident fund contributions through a third party institution will not in itself directly lead to fines or other penalties under the relevant PRC laws and regulations, and would attract fines only if the relevant regulatory authorities order us to make ratification but we fail to rectify within the time period specified.

In addition, the relevant employees have signed confirmation letters authorizing us to entrust the third party institutions to pay social insurance and housing provident fund contributions in different places and undertaking not to bring claims to relevant regulatory authorities as a result of such third-party payments. However, we cannot guarantee that we will not be subject to any fines or other penalties.

**Taxation authorities could challenge our allocation of taxable income which could increase our consolidated tax liability**

During the Track Record Period, we have carried out certain intra-group transactions. Please see "Business — Transfer Pricing Arrangements" for details. We expect that the transfer pricing arrangements will continue in the foreseeable future. We have determined transfer pricing arrangement that we believe are the same as the arrangement that would be charged by unrelated third parties on an arms' length basis. However, there is no assurance that tax authorities reviewing such arrangements would agree that we are in compliance with transfer pricing related laws and regulations, or such laws and regulations will not be modified. In the event that an authority of any relevant jurisdiction determines that the transfer prices were not on an arms' length basis that affect taxable income, such authority could require our relevant subsidiaries to re-determine the transfer prices and thereby reallocate revenue, deduct costs and expenses or adjust taxable income of the relevant subsidiary in order to accurately reflect the taxable income. Any such reallocation or adjustment could result in higher overall tax liability for us, which may adversely affect our business, financial condition and results of operations.

**Our insurance coverage may be inadequate to protect us from the liabilities we may incur.**

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. See "Business — Insurance." In line with industry practice in the PRC, we have elected not to maintain certain types of insurances, such as product liability insurance, business interruption insurance and key man insurance. Our insurance coverage may be insufficient to cover any claim for product liability, damage to our fixed assets or employee injuries. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

**Failure of our information technology systems could disrupt our operations.**

Our information technology systems play a significant part in our operations. We rely on our information technology systems to effectively manage accounting and financial functions, product orders, inventory, and our research and development data. We also rely on our information technology systems to collect and store data and information we obtain in the ordinary course of our business. Our information technology systems are vulnerable to (i) damage or interruptions from earthquakes, fire, flood and other natural disasters; (ii) attacks from computer viruses or hackers, power loss; and (iii) computer system, Internet, telecommunications or data network failure. We could be subject to risks caused by misappropriation, misuse, leakage, falsification or intentional or accidental release or loss of information maintained in our information systems. If a material breach of our information technology systems occurs, market perception of the effectiveness of our security measures could be harmed and our reputation and credibility could be damaged. We could be required to expend significant amounts of money and other resources to repair or replace information systems and be subject to regulatory actions and/or claims involving privacy issues related to data collection and use practices and other data privacy laws and regulations. The failure of our information technology systems to perform as we anticipate could disrupt our business and product development and could result in decreased sales and increased overhead costs, all of which could materially and adversely affect our business, financial condition and results of operations.

**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.**

We leased certain properties in the PRC in connection with our business operations. Some of these properties do not meet certain property-related requirements under PRC laws and regulations. For example, as of the Latest Practicable Date, leasing agreements of 20 of our leased properties for operation had not been registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Adviser has advised us that failure to complete the registration and filing of lease agreements will not affect the validity of such leases or impede our use of the relevant properties but could result in the imposition of fines up to RMB10,000 for each leased property that is unregistered if we fail to rectify the noncompliance within the time frame prescribed by the relevant authorities.

Furthermore, as of the Latest Practicable Date, one of the lessors of our lease properties has not provided us with the property ownership certificate. If the lessor is not the owner of the

property and the lessor has not obtained consent from the owner or their lessor, our lease could be invalidated or terminated as a result of challenges by third parties. In addition, the actual usages of one leased property which had been used as office was inconsistent with the usage set out in the respective title certificate. As such, authorities or third parties may challenge or initiate claims against the landlord with respect to the usage of the properties. If that occurs, we may have to renegotiate the leases with the landlords or other parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. Although we may seek damages from such lessors, such leases may be void and we may be forced to relocate, which may negatively influence our operations.

**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.**

The principal raw materials for our products include, among others, hydrophobic acrylic button and hydrophilic acrylic material blank for processing intraocular lens. See "Business — Raw Material and Suppliers — Our Raw Materials." Any disruption in production or inability of our suppliers to produce adequate quantities to meet our needs could impair our ability to manufacture products as scheduled and to operate our business on a day-to-day basis. Moreover, we expect our demand for such raw materials to increase as we expand our business scale and commercialize our products, and we cannot guarantee that current suppliers have the capacity to meet our demand. We are also exposed to the possibility of increased costs, which we may not be able to pass on to customers, and as a result, lower our profitability. In addition, although we have implemented quality inspection procedures on such materials before they are used in our manufacturing process and require our suppliers to maintain high quality standards, we cannot guarantee that we will be able to detect all quality issues in the supplies we use. We also cannot assure you that these third parties will be able to maintain and renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations. Failure to do so by them may lead to interruption in their business operations, which in turn may result in shortage of the raw materials supplied to us. If we are unable to do so and the quality of our products suffers as a result, we may have to delay manufacturing and sales, recall our products, be subject to product liability claims, fail to comply with continuing regulatory requirements and incur significant costs to rectify such issue, which may have a material and adverse effect on our business, financial condition and results of operations.

**Our business and reputation may be adversely affected by negative publicity involving us, our Shareholders, Directors, officers, employees, brand partners, distributors, sub-distributors, suppliers, KOLs or other parties we cooperate with, or by general negative publicity in the industry.**

We, our Shareholders, Directors, officers, employees, brand partners, distributors, sub-distributors, suppliers, KOLs or other parties we cooperate with may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our employees, brand partners, distributors, sub-distributors, suppliers, KOLs or other parties we cooperate with were non-compliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. Given our specialized industry, any negative publicity regarding our industry could also affect our reputation and confidence in our brand and products. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our investors, customers, hospitals and physicians.

**If we fail to fulfill our obligations under the contracts with customers, our results of operations and financial condition may be adversely affected.**

We may collect advance payments pursuant to our agreements with our customers before we start delivering our products. This gives rise to contract liabilities at the start of each service agreement that we enter into. As of December 31, 2019, 2020 and 2021, our contract liabilities amounted to RMB133.4 million, RMB150.7 million, and RMB123.1 million, respectively. See "Financial Information — Description of certain items from the consolidated statements of financial position — Contract liabilities." If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the payments we have received, which could adversely affect our cash flow and liquidity condition, our results of operations and financial condition. In addition, failure in fulfilling our obligations under our contracts with customers could adversely affect our relationship with such customers, which may in turn affect our reputation and results of operations in the future.

**We recorded a significant amount of goodwill. If we determine our goodwill to be impaired, our results of operations and financial condition may be adversely affected.**

As of December 31, 2021, we recorded goodwill of RMB882.7 million, which primarily arose from the acquisition of Teleon completed in January 2021. For more information about the acquisition of Teleon, see "History, Reorganization and Development — Corporate development — Our Major Subsidiaries in Germany and the Netherlands — Acquisition of Teleon." Goodwill represented a significant portion of the assets on our consolidated balance sheet as of December 31, 2021. The value of goodwill is based on a number of assumptions made by the management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and record a significant impairment loss, which could in turn adversely affect our results of operations. Any significant impairment of goodwill or other intangible assets could have a material adverse effect on our business, financial condition and results of operations. For more information regarding our impairment policy in relation to goodwill, see Note 15 to the Accountants' Report in Appendix I to this Document.

**We recorded a significant amount of intangible assets (other than goodwill). If we determine our intangible assets (other than goodwill) to be impaired, our results of operations and financial condition may be adversely affected.**

As of December 31, 2019, 2020 and 2021, we had intangible assets (other than goodwill) of RMB13.4 million, RMB21.8 million and RMB303.9 million, respectively, which primarily comprised computer softwares, patent rights and trademarks. Our intangible assets (other than goodwill) are generally amortised over their useful economic life and assessed for impairment where an indication of impairment exists. While we did not recognize impairment loss for our intangible assets (other than goodwill) during the Track Record Period, we cannot assure you that there will be no such charges in the future. In particular, if any indicator of impairment exists, our intangible assets will be subject to quantitative testing and we may recognize impairment loss for our intangible assets, which could have a material adverse effect on our business, financial condition and results of operations. For details of our intangible assets, see Note 16 to the Accountants' Report in Appendix I to this Document. Furthermore, our determination on whether

intangible assets are impaired requires an estimation of the carrying amount and recoverable amount of an intangible asset. If the carrying amount exceeds its recoverable amount, our intangible assets may be impaired. The impairment of intangible assets could have a material adverse effect on our financial condition and results of operations. For more information regarding our impairment policy in relation to intangible assets, see Note 3 to the Accountants' Report in Appendix I to this Document.

**If we determine our prepayments, other receivables and other assets to be impaired, our results of operations and financial condition may be adversely affected.**

As of December 31, 2019, 2020 and 2021, our allowance for impairment of our prepayments, other receivables and other assets amounted to RMB0.8 million, RMB1.2 million and RMB1.9 million, respectively, which is primarily attributed to the impairment for deposits and other receivables. For details of our prepayments, other receivables and other assets, see Note 21 to the Accountants' Report in Appendix I to this Document. Although our management's estimates have been made in accordance with information available to us, such estimates are subject to further adjustment if new information becomes known. In the event that the actual recoverability is lower than expected, or that our past allowance for impairment of prepayments, other receivables and other assets becomes insufficient in light of any new information, we may need to provide an additional allowance for impairment, and therefore materially and adversely affect our business, financial position and results of operations.

**We are exposed to changes in the fair value of financial assets measured at fair value through profit or loss.**

We recognized financial assets at fair value through profit or loss of RMB200.2 million, RMB0.01 million and nil as of December 31, 2019, 2020 and 2021, respectively, which reflected the wealth management products purchased by us. See Note 18 to the Accountants' Report in Appendix I to this Document. Although the last batch of wealth management products purchased by us reached its due date in 2021 and we did not hold any other wealth management products as of the Latest Practicable Dates, we may invest in wealth management products in future as part of our treasury management and the fair value changes of our future investments measured at fair value through profit or loss may negatively affect our financial performance.

The fair value changes of financial assets measured at fair value through profit or loss may significantly affect our financial position and results of operations. Factors beyond our control can significantly influence and cause adverse changes to the fair value of such assets. These factors include changes in general economic condition, market interest rates and stability of the capital markets. Changes in any of these factors could materially and adversely affect our results of operation and financial condition.

**Any significant decrease in our profitability in the future would have a material adverse effect on our ability to recover our deferred tax assets, which could have a material adverse effect on our results of operations.**

As of December 31, 2019, 2020 and 2021, we had deferred tax assets of RMB14.8 million, RMB13.8 million and RMB40.8 million, respectively. We recognize deferred tax assets to the extent that our management estimates that it is probable that we will generate sufficient taxable

profit in the foreseeable future to offset against the deductible losses. Therefore, the recognition of deferred tax assets involves significant judgment and estimates of our management on the timing and level of future taxable profits. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed, and the carrying amount of deferred tax assets may be reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized. Accordingly, if our profitability in the future is significantly lower than the estimates of our management when our deferred tax assets were recognized, our ability to recover such deferred tax assets would be materially and adversely affected, which could have a material adverse effect on our results of operations. For more information regarding our deferred tax, see Note 30 to the Accountants' Report in Appendix I to this Document.

**Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our loans.**

On December 31, 2020, we entered into a mezzanine facility agreement with Credit Suisse to obtain the mezzanine facility loan, which was to refinance the bridge facility loan taken out to finance our acquisition of Teleon. The annualised internal rate of the mezzaine facility loan will rise from 5% to 12% if a recognised [**REDACTED**] of the Company has not occurred. For details, see "Financial Information — Indebtedness — Bank Borrowings." As such, we realized fair value losses of loans at fair value through profit or loss of RMB4.7 million for the year ended December 31, 2021. The fair value changes in our loans represent the changes in fair value of the outstanding loans and relate to the changes in our valuation. We may issue new loans after the [**REDACTED**] and may incur losses from the fair value changes in the newly issued loans. In addition, we cannot assure you that we will not incur any losses from the fair value changes in our existing or any newly issued loans in the future. If we continue to incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. For further details, see Notes 31 to the Accountant's Report in Appendix I to this document.

**We have incurred net losses in the past and may not be able to maintain our revenue or control our costs and expenses.**

We incurred net losses of RMB38.0 million and RMB191.6 million for the years ended December 31, 2019 and 2021, respectively, primarily because our revenue fluctuated during the Track Record Period due to the disruption in supply chain caused by the outbreak of COVID-19 and we recorded significant fair value losses of convertible redeemable Preferred Shares. See "— Our financial performance may be adversely affected by fair value changes in our convertible redeemable Preferred Shares, which will be converted into Shares upon the [**REDACTED**]." After the [**REDACTED**], we may incur additional compliance, accounting, and other expenses that we did not incur as a private company. If our revenue does not grow faster than our expenses, we may not be able to achieve and maintain profitability. We may also incur net losses in the future for various reasons, many of which may be beyond our control. Additionally, we may encounter unforeseen expenses, operating delays, or other unknown factors that may result in net losses in the future. If our cost of sales and expenses continuously exceed our revenue, our business may be materially and adversely affected and we may not be able to achieve or maintain profitability.

**We have incurred net liabilities in the past and cannot assure you that we will not experience net liabilities in the future, which could expose us to liquidity risks.**

We had net liabilities of RMB69.8 million and RMB633.4 million as of December 31, 2019 and 2021, respectively, primarily because our convertible redeemable preferred shares were recorded as non-current liabilities of RMB644.2 million and RMB1,660.4 million, as of the same dates, which will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [**REDACTED**]. See "— Our financial performance may be adversely affected by fair value changes in our convertible redeemable preferred shares, which will be converted into ordinary shares upon the [**REDACTED**]." We cannot assure you that we will not experience net liabilities in the future and this may affect our abilities to obtain the required financing. If we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position will be adversely affected.

**Our financial performance may be adversely affected by fair value changes arising from our convertible redeemable preferred shares, which will be converted into ordinary shares upon the [REDACTED].**

We recorded losses from changes in fair value of Preferred Shares of RMB173.2 million, RMB64.6 million and RMB375.6 million for the years ended December 31, 2019, 2020 and 2021, respectively. The convertible redeemable preferred shares are designated as non-current liabilities on the consolidated balance sheets and the corresponding changes in their fair value are recognized as fair value loss on the consolidated income statement. The fair value changes arising from convertible redeemable preferred shares may significantly affect our financial position and results of operations.

The valuation of Preferred Shares is subject to uncertainty due to the various assumptions made as outlined in Note 32 to the Accountants' Report as set out in Appendix I to this Document, such as expected volatility, lack of marketability discount and risk-free interest rate. Such assumptions require us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the results of valuation. These factors include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition.

The fair value loss arising from convertible redeemable preferred shares is a non-cash item that will not recur in financial years after the [**REDACTED**], as the convertible redeemable preferred shares issued by us will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [**REDACTED**]. However, we may still retain accumulated losses due to the fair value loss arising from our convertible redeemable preferred shares prior to and upon the [**REDACTED**].

**If material provision is made for our inventory, our results of operations and financial condition may be adversely affected.**

As of December 31, 2019, 2020 and 2021, our inventories, including finished goods, goods in transit, raw materials, and work in progress, amounted to approximately to RMB195.8 million, RMB239.6 million, and RMB240.1 million, respectively, and our average inventory turnover days for the years ended December 31, 2019, 2020 and 2021 were approximately 111 days, 152 days and 129 days, respectively. During the Track Record Period, we recorded provision for inventories of RMB1.9 million, RMB1.2 million and RMB5.5 million, respectively. We cannot assure you that we will not experience any slow movement of inventories, which may result from our reduced sales due to changes in the market condition, customer preference or incorrect estimation of the market demand for our products. In addition, due to long production cycle of our products, we may not able to respond promptly to any unexpected change in circumstances, such as fluctuations in market demand and prices of graphite electrodes as well as our major raw materials. A significant decline in market price of graphite electrodes could materially and adversely affect the net realizable value of our inventories and a sudden surge in the market price of raw material may materially and adversely affect our cost control. As such, if we fail to manage our inventories effectively or are unable to dispose of excess inventories, we may face a risk of increase in the required working capital and/or significant inventory provisions, which may impose pressure on our operating cash flow, and materially and adversely affect our business, financial condition and results of operations.

## RISKS RELATING TO INTELLECTUAL PROPERTY RIGHTS

**We may not be able to protect our intellectual property rights which may adversely affect our reputation and disrupt our business.**

The success of our Proprietary Products depends in part on our ability to protect our proprietary technologies by obtaining intellectual property rights, including patent rights. We primarily focus on protecting our intellectual property rights in China and Europe. We also seek to protect trade secrets, proprietary know-how and other non-patentable technology through confidentiality and non-competition agreements with our senior management and certain key members of our research and development team. In addition, we include a confidentiality clause in our standard employment contract with employees and agreements with our partners in joint R&D activities and other third parties who may have access to our proprietary information. See "Business — Intellectual Property." We cannot assure you that these agreements will not be breached, or that our employees or other third parties have not disclosed, or will not disclose, any of our trade secrets, proprietary know-how or other non-patentable technology to our competitors or others. We may not have adequate remedies for any breach, and cannot assure you that our trade secrets, proprietary know-how and other non-patentable technology will not otherwise become known to, or be independently developed by, our competitors.

Filing, prosecuting, maintaining and defending patents on our Proprietary Products and pipeline products in all other countries throughout the world could be prohibitively expensive for us. The intellectual property rights in other countries can have a different scope and strength compared to those in China. In addition, the laws of certain countries may not protect intellectual property rights to the same extent as PRC laws. Many companies have encountered problems in protecting and defending intellectual property rights in other countries. The legal system in other

countries could make it difficult for us to stop the infringement, misappropriation or other violation of our patents or other intellectual property rights, or to prevent the marketing of competing products in violation of our proprietary rights in these countries.

Proceedings to enforce our intellectual property and proprietary rights could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not issuing, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Consequently, we may not be able to prevent third parties from using our patents in all other countries outside China, or from selling or importing products made using our patents in and into China or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to jurisdictions where we have patent protection, but where enforcement rights are not strong. These products may compete with our products or pipeline products and our patent rights or other intellectual property rights may not be effective or adequate to prevent them from competing.

China and other countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In China, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we are forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired, and our business, financial condition, results of operations, and prospects may be adversely affected.

**We may be unable to obtain and maintain effective patent and other intellectual property rights for our Proprietary Products and pipeline products, and the scope of such intellectual property rights obtained may not be sufficiently broad.**

Our success depends in large part on our ability to protect our proprietary technologies. Effective protection of our intellectual property is critical to maintaining our competitive position. As of the Latest Practicable Date, we had registered ten invention patents and 16 utility patents in China, which we believe are material to our business. In addition, a number of patent applications were in the process of registration as of the Latest Practicable Date. However, due to the complexity of patent application, the issuance of a patent may not be conclusive as to its inventorship, scope, validity or enforceability, and our patent applications may be challenged in courts or patent offices. Consequently, we do not know whether any of our technologies or products will be protectable or remain protected by valid and enforceable patents. If we are unable to obtain patent protection with respect to our technologies and products, third parties could develop and commercialize technologies and products similar or identical to ours and compete directly against us. Our ability to successfully commercialize any technology or product may be adversely affected, and our business, financial condition, results of operations and prospects could be materially harmed.

The scope of patent protection in various jurisdictions is uncertain. Changes in either the patent laws or their interpretation in China or other countries may diminish our ability to protect our inventions, obtain, maintain, defend, and enforce our intellectual property rights and, more generally, could affect the value of our intellectual property or narrow the scope of our patent rights. We cannot predict whether the patent applications we are currently pursuing and may pursue in the future will issue as patents in any particular jurisdiction or whether the claims of any future granted patents will provide sufficient protection from competitors.

The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage.

Furthermore, although various extensions may be available, the life of a patent, and the protection it affords, is limited. Even if we successfully obtain patent protection for an approved product, it may face competition from other providers once the patent has expired.

**Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.**

Periodic maintenance fees, renewal fees, annual fees and various other governmental fees on patents and patent applications are due to be paid to the China National Intellectual Property Administration (CNIPA) and other patent agencies in several stages over the lifetime of a patent. The CNIPA and other governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent application process.

Although an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which non- compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents. In any such event, our competitors might be able to enter the market, which would have a material adverse effect on our business.

**We may infringe upon the intellectual property rights of third parties.**

Our commercial success depends upon our ability to introduce, develop, manufacture, market and sell Distribution Products and Proprietary Products. We cannot guarantee that our Distribution Products and Proprietary Products, or any uses of such products do not and will not in the future infringe third-party patents or other intellectual property rights, including our brand partner's intellectual property rights. For example, we sell Distribution Products that are labeled with the brands and trademarks of our branding partners in China. We may not be able to verify or guarantee that such products do not infringe the intellectual property rights of a third party, and we may be unknowingly infringing upon third-party intellectual property rights by selling such

products in China. Third parties might allege that we are infringing their patent rights or that we have misappropriated their trade secrets, or that we are otherwise violating their intellectual property rights, whether with respect to the manner in which we have conducted our research, or use or manufacture the medical instruments or accessories we have developed or are developing. Such third parties might resort to litigation against us or other parties we have agreed to indemnify, which litigation could be based on either existing intellectual property or intellectual property that arises in the future. Since a substantial portion of our revenue is, and we expect will continue to be, derived from selling the Distribution Products, the sales volumes, pricing levels or profitability of any of these products may be materially and adversely affected when third-party intellectual property is infringed by distributing these products.

If third parties successfully assert their intellectual property rights against us or in order to avoid or settle potential claims, we might be barred from using certain aspects of our technology, or barred from developing and commercializing certain products. Prohibitions against using certain technologies, or prohibitions against commercializing certain products, could be imposed by a court or by a settlement agreement between us and a plaintiff. In addition, if we are unsuccessful in defending against allegations that we have infringed, misappropriated or otherwise violated patent or other intellectual property rights of others, we may be forced to pay substantial damage awards to the plaintiff. There is uncertainty in any litigation, including intellectual property litigation. There can be no assurance that we would prevail in any intellectual property litigation, even if the case against us is weak or flawed. If litigation leads to an outcome unfavorable to us, we may be required to obtain a license from the intellectual property owner in order to continue our research and development programs or to market any resulting product. It is possible that the necessary license will not be available to us on commercially acceptable terms, or at all. Alternatively, we may be required to modify or redesign our products in order to avoid infringing or otherwise violating third-party intellectual property rights. This may not be technically or commercially feasible, may render our products less competitive, or may delay or prevent the entry of our products to the market. Any of the foregoing could limit our research and development activities, our ability to commercialize one or more pipeline products, or both.

Defending against claims of patent infringement, misappropriation of trade secrets or other violations of intellectual property rights could be costly and time consuming, regardless of the outcome. Thus, even if we were to ultimately prevail, or to settle at an early stage, such litigation could burden us with substantial unanticipated costs. Some of our competitors are larger than we are and have substantially greater resources. They may be able to sustain the costs of complex intellectual property litigation longer than we could.

Moreover, during intellectual property litigation, there could be public announcements of the results of hearings, rulings on motions, and other interim proceedings in the litigation. If securities analysts or investors regard these announcements as negative, the perceived value of our products, programs or intellectual property could be diminished. Accordingly, the market price of our Shares may decline. Such announcements could also harm our reputation or the market for our future products, which could have a material adverse effect on our business.

**If we are unable to protect the confidentiality of our trade secrets, or if our employees wrongfully use or disclose alleged trade secrets of their former employers, our business would be harmed.**

If we are unable to protect the confidentiality of our trade secrets, or if our employees wrongfully use or disclose alleged trade secrets of their former employers, our business would be harmed.

In addition to our issued patent and pending patent applications, we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our products and pipeline products. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements or including such undertakings in the agreement with parties that have access to them, such as our employees, external scientific collaborators, external advisors, sponsored researchers, consultants, advisors and other third parties. However, any of these parties may breach such agreements and disclose our proprietary information, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming, and the outcome is unpredictable. If any of our trade secrets were lawfully obtained or independently developed by a competitor, we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.

Furthermore, many of our employees, including our senior management, were previously employed at other medical device companies, including our competitors or potential competitors. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. We are not aware of any material threatened or pending claims related to these matters or concerning the agreements with our senior management, but in the future litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while we typically require our employees involved in the development of intellectual property to hand over all documents and records related to intellectual property to us when they leave their positions under our non-competition agreements, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own, which may result in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our management and scientific personnel.

**If our trademarks, trade names and other proprietary rights are not adequately protected, we may not be able to build brand recognition in our markets of interest and our business may be adversely affected.**

We own a number of trademarks in China and other jurisdictions. Our registered or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build brand recognition among potential partners or customers in our markets of interest. During the Track Record Period, some of our distributors used our trademarks and brand name when conducting sales and marketing activities on our behalf or promoting our products. We may not be able to prevent unauthorized use of our trademarks and trade names by distributors, which may harm our brand and reputation. At times, competitors may adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. Moreover, we cannot assure you that our trademarks will not be imitated, or there will be no counterfeits sold to our customers under our trademarks. End-users may suffer from safety incidents caused by counterfeit products, which may subject us to costly investigations and counterfeit crack downs, and materially and adversely affect our business and reputation. Our efforts to enforce or protect our proprietary rights related to trademarks, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources and could adversely affect our competitive position, business, financial condition, results of operations, and prospects.

**Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our pipeline products.**

The scope of patent protection in various jurisdictions is uncertain. Changes in either the patent laws or their interpretation in China or other countries may diminish our ability to protect our inventions, obtain, maintain, defend, and enforce our intellectual property rights and, more generally, could affect the value of our intellectual property or narrow the scope of our patent rights. We cannot predict whether the patent applications we are currently pursuing and may pursue in the future will issue as patents in any particular jurisdiction or whether the claims of any future granted patents will provide sufficient protection from competitors. The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. In addition, the patent position of medical device companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

## RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

**China's political, economic and social conditions could affect our business, financial condition, results of operations and prospects, and adverse developments in China's economy or an economic slowdown in China may reduce the demand for our products and services and have a material adverse effect on our business, financial condition, results of operations and prospects.**

We conduct most of our business in China, and substantially all of our assets and operations are located, and substantially all of our revenue is derived from our operations, in China. Accordingly, our business, financial position, results of operations and prospects are subject to the political, economic and legal developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. We believe the PRC government has indicated its commitment to the continued reform of the economic system as well as the structure of the government. The PRC government's reform policies have emphasized the independence of enterprises and the use of market mechanisms. However, the PRC government continues to play a significant role in regulating industrial development, allocation of natural and other resources, production, pricing and management of currency, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

The economic growth over the past few decades in China was rapid; however, its continued growth has faced downward pressure since 2008 and its annual GDP growth rate has declined from 6.0% in 2019 to 2.3% in 2020, according to the National Bureau of Statistics of China (中華人民共和國國家統計局). There is no assurance that the future growth will be sustained at similar rates or at all. Any changes in the political, economic or social conditions in China may materially and adversely affect our business, financial condition and results of operations.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations. A large portion of our operations are conducted in China through our PRC subsidiaries, and are governed by PRC laws, rules and regulations. Our PRC subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes with prior court decisions and judgements having limited precedential value.

In the late 1970s, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general and protection of foreign investments. However, China has not developed a fully-integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. Different national, provincial or local government authorities may interpret and enforce laws, rules and regulations, such as those related to social insurance and housing provident funds, tax, healthcare, among others, differently and inconsistently. Moreover, their interpretation and enforcement may be subject to change, as a result of changes in political environments, regulatory system reforms or other reasons. In particular, because these laws, rules and regulations, including those related to social insurance and housing provident funds, tax and healthcare, among others, may give the relevant regulators at different administration levels and from different regions

significant discretion in how to interpret and enforce them, and because of the limited number of published decisions and the nonbinding nature of such decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. Their interpretations and enforcement may be subject to change, as a result of changes in political environments, regulatory system reforms or other reasons, and may subject us to higher compliance and operating costs and divert our management's attention. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

**Government control of currency conversion could have a material adverse effect on our business, results of operations, financial condition and prospects.**

The Renminbi is not presently a freely convertible currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. A substantial majority of our revenue and future income is expected to be denominated in Renminbi and we will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares. There is no assurance that, under a certain exchange rate, we will have sufficient foreign currencies to meet our foreign exchange requirements.

Under the current PRC foreign exchange control system, we are required to present documentary evidence of foreign exchange transactions under the current account conducted by us, including the payment of dividends following completion of the [**REDACTED**], and conduct such transactions at designated foreign exchange banks within China that have the requisite licenses to carry out foreign exchange business. In addition, foreign exchange transactions under the capital account conducted by us are subject to limitations and are required to obtain approvals from, or register with SAFE or other relevant PRC governmental authorities. There is no assurance that we will be able to receive these approvals or complete required registrations in time, or at all. The existing foreign regulations allow us, following completion of the [**REDACTED**], to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that the PRC government will continue to adopt this policy going forward. The PRC government may also restrict our access to foreign currencies for current account transactions at its discretion. Any insufficiency of foreign currencies may impair our ability to obtain sufficient foreign currencies for dividend payments to our Shareholders or to satisfy any other foreign exchange requirements.

**You may experience difficulties in effecting service of legal process and enforcing judgments or bringing original actions in China or Hong Kong based on foreign laws against us and our Directors and management.**

Substantially all of our assets are located in China and substantially all of our executive Directors and senior management reside in China. Therefore, it may not be possible to effect service of process within Hong Kong or elsewhere outside of China upon us or our Directors or senior management. Moreover, China has not entered into treaties for the reciprocal recognition and enforcement of court judgments with Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in China of a court judgment obtained in other jurisdictions may be difficult or impossible.

In addition, on July 14, 2006, China and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"). Pursuant to the Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

On January 18, 2019, China and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between the two places. The New Arrangement will be implemented by local legislation in Hong Kong. It will take effect after both China and Hong Kong have completed the necessary procedures to enable implementation and will apply to judgments made on or after the commencement date. The Arrangement will be abolished upon the effectiveness of the New Arrangement. However, it is unclear as to when the implementations of the New Arrangement in both places will be completed. As the Arrangement is still in force, it remains difficult or impossible for investors to enforce a Hong Kong court judgment against our assets or our Directors or senior management in China.

**We may be deemed to be a PRC resident enterprise under the Enterprise Income Tax Law and our global income may be subject to Chinese corporate withholding tax under the Enterprise Income Tax Law.**

Pursuant to the EIT Law, which came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, an enterprise established outside of China whose "*de facto* management body" is located in China is considered a "PRC resident enterprise" and will generally be subject to the uniform EIT rate of 25% on its global income. The Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) defines "*de facto* management body" as the organization body that effectively exercises management and control over aspects such as the business operations, personnel, accounting and properties of the enterprise.

On April 22, 2009, the SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) ("**Circular 82**"), as amended on January 29, 2014 and December

29, 2017, which sets out the standards and procedures for determining whether the "*de facto* management body" of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. Further to Circular 82, the SAT issued Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (《境外註冊中資控股居民企業所得税管理辦法(試行)》) ("**Bulletin 45**"), which took effect on September 1, 2011 and was most recently amended on June 15, 2018, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese controlled offshore incorporated resident enterprises." Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT's criteria for determining the tax residence of foreign enterprises in general. If our global income were to be taxed under the EIT Law, our financial condition and results of operations may be materially and adversely affected.

**Failure by the Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from distributing profits and could expose us and our PRC resident Shareholders to liability under the PRC laws.**

Circular 37 was promulgated by SAFE and became effective on July 14, 2014, which requires a PRC resident, including a PRC resident natural person or a PRC legal person, to register with the local branch of the SAFE before it contributes its assets or equity interest into a special purpose vehicle for the purpose of investment and financing. Following the initial registration, when the special purpose vehicle undergoes change of basic information, such as change in PRC resident natural person shareholder, name or operating period, or occurrence of a material event, such as change in share capital of a PRC resident natural person, performance of merger or split, the PRC resident shall register such change with the local branch of the SAFE in a timely manner. Failure to comply with the registration procedures of Circular 37 may result in penalties, including the imposition of restrictions on the ability of the Offshore SPV's Chinese subsidiary to distribute dividends to its overseas parent.

We may not at all times be fully informed of the identities of all our Shareholders who are PRC residents and we do not have control over our Shareholders. As such, we cannot assure you that all of our PRC resident beneficial owners will comply with SAFE's regulations. Any failure by our PRC resident Shareholders to register with SAFE or update SAFE's records, or the failure of future Shareholders who are PRC residents to comply with the registration requirements may result in penalties and the prohibition of payments to offshore parents from capital reductions, share transfers or liquidations of our Chinese subsidiaries and could materially adversely affect our ownership structure, acquisition strategy, business operations and ability to make dividend payments to the Shareholders.

**Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under Chinese tax laws.**

We intend to take the position that we, as legal entities organized outside the PRC, are not deemed a Chinese resident enterprise. However, under the EIT Law, we may be deemed a Chinese resident enterprise by the Chinese tax authorities for tax purposes. As such, we may be required to withhold Chinese income tax on capital gains realized from sales of our Shares and dividends distributed to Shareholders, as such income may be regarded as income from "sources within China." In this case, our foreign corporate Shareholders who are not deemed Chinese resident enterprises may become subject to a 10% withholding income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential withholding rate under a tax treaty. Any non-resident taxpayer meeting conditions for enjoying the treaty benefits may be entitled to the treaty benefits itself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities according to the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of Treaty Benefits (《非居民納稅人享受協定待遇管理辦法》) effective from January 1, 2020. If a competent tax authority, in the course of subsequent administration, finds out that a non-resident taxpayer enjoys treaty benefits without meeting the conditions thereof and underpays or fails to pay them at all, it may instruct the non-resident taxpayer to pay the overdue taxes within a prescribed period.

On February 3, 2015, the SAT issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("**Circular 7**"), which replaced certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (《關於加強非居民企業股權轉讓企業所得稅管理的通知》). Circular 7 provided comprehensive guidelines relating to, and also heightened the Chinese tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise (the "**Chinese Taxable Assets**").

For example, Circular 7 provides that where a non-resident enterprise transfers Chinese Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, Chinese tax authorities may disregard the existence of the overseas holding company and re-characterize the nature of the indirect transfer of Chinese Taxable Assets as a direct transfer of Chinese Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding Chinese EIT and without any other bona fide commercial purpose.

Except as provided in Circular 7, transfers of Chinese Taxable Assets under the following circumstances will be automatically deemed as having no bona fide commercial purpose, and are subject to Chinese enterprise income tax: (i) more than 75% of the value of the overseas enterprise is derived directly or indirectly from Chinese Taxable Assets; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of the Chinese Taxable Assets, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of the Chinese Taxable Assets; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold the Chinese Taxable Assets and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their ability to perform their

intended functions and withstand risks as their alleged organization forms suggest; or (iv) the tax from the indirect transfer of Chinese Taxable Assets payable abroad is lower than the tax in China that may be imposed on the direct transfer of such Chinese Taxable Assets.

Although Circular 7 contains certain exemptions, it is unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of China involving Chinese Taxable Assets, or whether the Chinese tax authorities will reclassify such transaction by applying Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of China involving Chinese Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities.

During the Track Record Period, we have taken some corporate restructuring steps in preparation for the [**REDACTED**]. See "History, Reorganization and Development — Reorganization." These corporate restructuring steps taken by us may be subject to Circular 7. In particular, there is a risk that the relevant transfer of equity may be considered by the relevant Chinese tax authority as having no "reasonable commercial purpose" and thus subject to the EIT Law. It is currently unclear how the relevant Chinese tax authorities will implement or enforce Circular 7.

## RISKS RELATING TO THE [REDACTED] AND OUR SHARES

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

Prior to the [**REDACTED**], there has been no public market for our Shares. The initial [**REDACTED**] for our Shares was the result of negotiations between us and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and the [**REDACTED**] may differ significantly from the market price for our Shares following the [**REDACTED**]. We have applied for [**REDACTED**] of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the [**REDACTED**] will result in the development of an active, liquid [**REDACTED**] market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the [**REDACTED**] to vary significantly from the [**REDACTED**]:

- our financial results;
- stability of Hong Kong's economy and financial markets;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- changes in laws and regulations in China;

- our inability to compete effectively in the market;
- our inability to obtain or maintain regulatory approval for our operations;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance;
- political, economic, financial and social developments in China and Hong Kong and in the global economy; and
- involvement in material litigation.

In addition, shares of other companies [**REDACTED**] on the Stock Exchange with operations and assets in China have experienced significant price volatility in the past. As a result, it is possible that our Shares may be subject to changes in price not directly related to our performance, and as a result, investors in our Shares may suffer substantial losses.

**We may be subject to the approval or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.**

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (關於依法從嚴打擊證券違法活動的意見) (the "Opinions on Securities Activities"), which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. As of the Latest Practicable Date, due to the lack of further clarifications and detailed rules and regulations, there were still uncertainties regarding the interpretation and implementation of the Opinions on Securities Activities.

On December 24, 2021, the CSRC released the Administrative Provisions of the State Council on the Overseas Offering and Listing of Securities by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)) and the Administrative Measures for the Overseas Offering and Listing of Securities Record-filings by Domestic Companies (Draft for Comments) (境內企業境外發行證券和上市備案管理辦法(徵求意見稿)) (collectively the "**Draft Regulations on Listing**") for public comments, which had a comment period that expired on January 23, 2022. Pursuant to the Draft Regulations on Listing, PRC domestic companies (including (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests) that directly or indirectly offer or list their securities in an overseas market are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. There are uncertainties regarding the final form of the Draft Regulations on Listing as well as the interpretation and implementation thereof after promulgation. The Draft Regulations on Listing are not clear on the exact criteria of qualified

issuers who must complete the CSRC filing procedures after submitting the application for an initial public offering overseas, and are not clear on whether qualified issuers which have submitted the application for initial public offering overseas but have not yet completed the whole listing process shall be subject to the said CSRC filing procedures, after the Draft Regulations on Listing become effective. If the Draft Regulations on Listing become effective in their current form before the [**REDACTED**] is completed, we may be required to go through the filing procedures with the CSRC with respect to the [**REDACTED**]. Nevertheless, we cannot accurately predict the impact of the Draft Regulations on the proposed [**REDACTED**], because the provisions and anticipated adoption or effective date are subject to changes.

As of the date of this document, the Draft Regulations on Listing are still in their draft forms and have not come into effect, and we had not received any inquiry, notice, warning, or sanctions regarding the proposed [**REDACTED**] or our corporate structure from the CSRC or any other PRC government authorities with respect to the filing requirement under the new regulatory regime proposed in the Draft Regulations on Listing. However, we cannot guarantee that new rules or regulations promulgated in the future, including without limitation to the Draft Regulations on Listing, will not impose any additional requirements on us. If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements, we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial condition.

**Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of other Shareholders.**

Immediately following the completion of the [**REDACTED**] and without taking into account any Shares that may be issued pursuant to the [**REDACTED**], our Controlling Shareholders will be entitled to exercise voting rights of [**REDACTED**]% of the total issued share capital of our Company. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. In addition, to the extent the interests of our Controlling Shareholders conflict with the interest of our other Shareholders, the interests of our other Shareholders may be disadvantaged or harmed.

**Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.**

Sales of substantial amounts of Shares in the public market after the completion of the [**REDACTED**], or the perception that these sales could occur, could adversely affect the market price of our Shares. Although our Controlling Shareholders are subject to [**REDACTED**] of Shares within [**REDACTED**] from the [**REDACTED**] as described in "[**REDACTED**]" in this Document, future sales of a significant number of our Shares by our Controlling Shareholders in the public market after the [**REDACTED**], or the perception that these sales could occur, could cause the

market price of our Shares to decline and could materially impair our future ability to raise capital through [**REDACTED**] of our Shares. We cannot assure you that our Controlling Shareholders will not dispose of Shares held by it or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in "Appendix IV — Statutory and General Information" or otherwise, upon the expiration of [**REDACTED**] set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by our Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

**Since there will be a gap of several days between [REDACTED] and [REDACTED] of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before [REDACTED] of our Shares begins.**

The [**REDACTED**] of our [**REDACTED**] is expected to be determined on the [**REDACTED**]. However, our Shares will not commence [**REDACTED**] on the Stock Exchange until they are delivered, which is expected to be several business days after the [**REDACTED**]. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before [**REDACTED**] begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time [**REDACTED**] begins.

**Future financing may cause a dilution in your shareholding or place restrictions on our operations.**

We may raise additional funds in the future to finance the expansion of our capacity, the enhancement of our research and development capabilities, the development of our operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of our new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that may take priority over those conferred by the Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consent for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

**Potential investors will experience immediate and substantial dilution as a result of the [REDACTED].**

Potential investors will pay a price per Share in the [**REDACTED**] that substantially exceeds the per Share value of our tangible assets after subtracting our total liabilities as of June 30, 2021. Therefore, purchasers of our Shares in the [**REDACTED**] will experience a substantial immediate dilution in pro forma net tangible assets, and our existing Shareholders will receive an increase in the pro forma adjusted net tangible assets per Share on their Shares. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the [**REDACTED**], potential investors would receive less than the amount they paid for their Shares. See "Appendix II — Unaudited Pro Forma Financial Information."

**We cannot assure you that we will declare and distribute any amount of dividends in the future and dividends distributed in the past may not be indicative of our dividend policy in the future.**

Our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. Under applicable laws and the constitutional documents of our operating subsidiaries, the payment of dividends may be subject to certain limitations. The calculation of certain of our operating subsidiaries' profit under applicable accounting standards differs in certain respects from the calculation under IFRSs. As a result, our operating subsidiaries may not be able to pay a dividend in a given year even if they have profit as determined under IFRSs. Accordingly, since we derive all of our earnings and cash flows from dividends paid by our operating subsidiaries, we may not have sufficient distributable profit to pay dividends to our Shareholders. In addition, any future dividend declaration and distribution will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and Cayman Islands laws, including, where required, the approvals from our Shareholders and/or our Directors. Our Shareholders at a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. Moreover, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. In any event, no dividend may be declared or paid other than out of our profits or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As a result, we cannot assure you that we will make any dividend payments on our Shares in the future.

**We have discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.**

Our management may spend the net [**REDACTED**] from the [**REDACTED**] in ways you may not agree with or that do not yield a favorable return. For details of our intended use of [**REDACTED**], see "Future Plans and Use of [**REDACTED**]." However, our management will have discretion as to the actual application of our net [**REDACTED**]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net [**REDACTED**] from this [**REDACTED**].

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

Certain facts, statistics and data contained in this Document relating to China, Hong Kong, the ophthalmology medical device industry has been derived from various official government publications or other third-party reports we generally believe to be reliable. We have taken reasonable care in the reproduction or extraction of the official government publications or other third party reports for the purpose of disclosure in this Document and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside China and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this Document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give due consideration as to how much weight or importance they should attach to or place on such facts.

**You should read the entire Document carefully, and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industry or the [REDACTED].**

There may have been prior to the publication of this Document, and there may be subsequent to the date of this Document but prior to the completion of the [**REDACTED**], press and/or media regarding us, our business, our industries and the [**REDACTED**]. None of us, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] or any other person involved in the [**REDACTED**] has authorized the disclosure of information about the [**REDACTED**] in any press or media and none of these parties accepts any responsibility for the accuracy or completeness of any such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our Shares, the [**REDACTED**], our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed in any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this Document, we disclaim them. Accordingly, you are cautioned to make your investment decisions on the basis of the information contained in this Document only and should not rely on any other information.

In preparation for the [**REDACTED**], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

## WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a listing applicant applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong, and this normally means that at least two of the executive directors of such listing applicant must be ordinarily resident in Hong Kong.

In addition, Guidance Letter HKEX-GL9-09 provides that the listing applicant should normally have the following arrangements for maintaining regular communication with the Stock Exchange for the purpose of its granting waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules: (a) the authorized representatives of the listing applicant will act as the principal channel of communication with the Stock Exchange; (b) the authorized representatives of the listing applicant should have means for contacting all its directors promptly at all times as and when the Stock Exchange wishes to contact the directors on any matters; (c) each director of the listing applicant who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; (d) the compliance advisor(s) of the listing applicant will act as an additional channel of communication with the Stock Exchange; and (e) each director of the listing applicant will provide their respective mobile phone numbers, office phone numbers, email addresses and fax numbers to the Stock Exchange.

Since substantially all of the Group's business operations are managed and conducted outside of Hong Kong, it would be impractical and commercially unnecessary for the Company to appoint Directors based in Hong Kong. As all of the executive Directors currently reside in the PRC, the Company does not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. We have applied to the Stock Exchange for, and [have obtained], a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

(a) the Company has appointed Gao Tieta and Liu Xinwei as authorized representatives of the Company (the "**Authorized Representatives**") pursuant to Rule 3.05 of the Listing Rules to serve as the principal channel of communication with the Stock Exchange. In addition, Leung Shui Bing, who is ordinarily resident in Hong Kong, has been appointed as the alternative authorized representative of the Company in order to assist the Authorized Representatives to communicate with the Stock Exchange. The Company has provided the Stock Exchange with their contact details, and they will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and readily contactable by telephone, facsimile and email. The Company will also inform the Stock Exchange in respect of any changes in the Authorized Representatives as soon as practicable;

(b) as and when the Stock Exchange wishes to contact the Directors on any matters, each of the Authorized Representatives will have means to contact all of the Directors promptly. The Company will implement measures such that (i) each Director will provide their respective mobile phone numbers, office phone numbers, email addresses and facsimile numbers to the Authorized Representatives and the Stock Exchange; and (ii) in the event that a Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to the Authorized Representatives. The Company has provided the Stock Exchange with the contact details of each Director to facilitate communication with the Stock Exchange;

(c) each Director who is not an ordinary resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time, if required;

(d) the Company has appointed Haitong International Capital Limited as the compliance advisor pursuant to Rules 3A.19 of the Listing Rules, which will act as the Company's additional and alternative channel of communication with the Stock Exchange for a period commencing on the [**REDACTED**] and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [**REDACTED**], and its representative(s) will be fully available to answer enquiries from the Stock Exchange. The compliance advisor will advise the Company on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the [**REDACTED**], and will have access at all times to the Authorized Representatives, the Directors and the other senior management of the Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of the Company; and

(e) any meeting between the Stock Exchange and the Directors will be arranged through the Authorized Representatives or compliance advisor or directly with the Directors within a reasonable time frame. The Company will inform the Stock Exchange promptly in respect of any changes in the Authorized Representatives or compliance advisor.

## WAIVER IN RELATION TO JOINT COMPANY SECRETARY

Rule 8.17 of the Listing Rules provides that a listing applicant must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules provides that the company secretary of a listing applicant must be a person who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Note (1) to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable: (a) a member of The Hong Kong Institute of Chartered Secretaries; (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and (c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong

Kong)). Pursuant to Note (2) to Rule 3.28 of the Listing Rules, in assessing "relevant experience," the Stock Exchange will consider the followings of the individual: (a) length of employment with the listing applicant and other listed issuers and the roles he or she played; (b) familiarity with the Listing Rules and other relevant laws and regulations including but not limited to the SFO, the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and The Codes on Takeovers and Mergers and Share Buy-backs; (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and (d) professional qualifications in other jurisdictions.

In addition, Guidance Letter HKEX-GL108-20 provides that the waiver from strict compliance with Rule 3.28 of the Listing Rules, if granted, will be for a fixed period of time (the "**Waiver Period**") and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the Company.

We have appointed Li Wenqi (李文奇) ("**Ms. Li**") as one of the joint company secretaries. Ms. Li joined our Group in August 1998 and served as our vice president since January 2018 and is responsible for the financial management of our Group's overall operation in the PRC (including Hong Kong). She has accumulated abundant knowledge about the business operations and corporate governance with a strong recognition of the corporate culture of the Company. However, Ms. Li does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules. Therefore, we has also appointed Leung Shui Bing (梁瑞冰) ("**Ms. Leung**"), who meets the requirements under Rule 3.28 of the Listing Rules, to act as the other joint company secretary. For more details of Ms. Li's and Ms. Leung's biographies, see "Directors and Senior Management."

Over the initial period of the three years from the [**REDACTED**], we will implement the following measures to assist Ms. Li to satisfy the requisite qualifications as prescribed in Rules 3.28 and 8.17 of the Listing Rules:

(a) Ms. Leung will assist Ms. Li to enable her to discharge her duties and responsibilities as a joint company secretary of the Company. Given Ms. Leung's relevant experience, Ms. Leung will be able to advise both Ms. Li and us on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;

(b) Ms. Li will be assisted by Ms. Leung for an initial period of three years commencing from the [**REDACTED**], which should be sufficient for Ms. Li to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;

(c) we will ensure that Ms. Li has access to the relevant trainings and support to enable her to familiarize herself with the Listing Rules and the duties required of a company secretary of a Hong Kong [**REDACTED**] company, and Ms. Li has undertaken to attend such trainings;

(d) Ms. Leung will communicate with Ms. Li on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to the operations and affairs of the Company. Ms. Leung will work closely with, and provide assistance to Ms. Li with a view to discharging her duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders' meetings; and

(e) pursuant to Rule 3.29 of the Listing Rules, Ms. Li and Ms. Leung will also attend no less than 15 hours of relevant professional training courses in each financial year to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Ms. Li and Ms. Leung will be advised by the Company's legal advisers as to Hong Kong laws and the Company's compliance advisor as and when appropriate and required.

Accordingly, we have applied to the Stock Exchange for, and [have obtained], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules for an initial period of three years from the [**REDACTED**], on the condition that (i) Ms. Leung is engaged as a joint company secretary and provides assistance to Ms. Li during this period; and (ii) there are no material breaches of the Listing Rules by the Company. Prior to the expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Ms. Li to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied, and we will liaise with the Stock Exchange to assess whether Ms. Li, having had the benefit of Ms. Leung's assistance for three years, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules such that there is no need to further apply for a waiver.

## WAIVER IN RESPECT OF DISCLOSURE OF PRE-ACQUISITION FINANCIAL INFORMATION

Rule 4.05A of the Listing Rules provides that where a new applicant acquires any material subsidiary or business during the trading record period and such an acquisition if made by a listed issuer would have been classified at the date of application as a major transaction or a very substantial acquisition, it must disclose pre-acquisition financial information on that material subsidiary or business from the commencement of the trading record period (or if the material subsidiary or business commenced its business after the commencement of the trading record period, then from the date of the commencing of its business) to the date of acquisition. Pre-acquisition financial information on the material subsidiary or business must normally be drawn up in conformity with accounting policies adopted by the new applicant and be disclosed in the form of a note to the accountants' report or in a separate accountants' report.

We completed the acquisition of 100% of the equity interests in Teleon Holding B.V. on January 4, 2021, and the financial statements of Teleon had been consolidated into our Group since then. For details of the acquisition of Teleon, see "History, Reorganization and Development — Corporate development — Our Major Subsidiaries in Germany and the Netherlands — Acquisition of Teleon."

Pursuant to Rule 4.05A of the Listing Rules, the acquisition of Teleon is classified as a major transaction and thus the pre-acquisition financial information of Teleon from the commencement of the Track Record Period to the date of acquisition is required to be presented in this Document. The pre-acquisition financial information of Teleon for the period from January 1, 2019 to December 31, 2020, which was drawn up in conformity with the accounting policies adopted by our Group, has been disclosed in the section headed "III. Supplementary Pre-Acquisition Financial Information of Teleon Holding B.V. (the "**Target Company**") and its Subsidiaries (together, the "**Target Group**")" in Appendix I to this Document and the section headed "Financial Information — Financial Information of Teleon" in this Document. To strictly comply with the requirements of Rule 4.05A of the Listing Rules, we are also required to disclose the pre-acquisition financial information (the "**Four-day Financials**") of Teleon from January 1 to January 4, 2021 (the "**Four-day Period**").

We have applied to the Stock Exchange for, and [have obtained], a waiver from strict compliance with the requirements under Rule 4.05A of the Listing Rules to present in this Document the Four-day Financials based on the following grounds:

(1) The financial information disclosed in this Document will be sufficiently comprehensive for the investors to assess the financial performance of Teleon and the combined business of our Group, and there will be no gap in financial information of Teleon which would prejudice the interest of the investors or result in any undue risks to the investors. This is primarily due to the following:

    (a) The pre-acquisition financial information of Teleon for the two years ended December 31, 2019 and 2020 has been disclosed in this Document, which provides sufficiently comprehensive financial information to enable the investors to assess the overall financial performance of Teleon over a meaningful period of time prior to acquisition;

    (b) The addition of the Four-day Period does not provide any meaningful information to investors. The Four-day Financials is of minor importance and would not be materially useful for investors to evaluate the business and financial performance of Teleon, not simply because the Four-day Period is an extremely short period of time but also because three days in the Four-day Period are public and bank holidays when Teleon was closed for business; and

    (c) No material revenue-generating transactions of Teleon took place during the Four-day Period and no material operating expenses were recorded in Teleon's accounting ledgers during the Four-day Period.

(2) Requiring us to prepare the Four-day Financials would be unduly burdensome since it would require our Group and certain third parties to undertake a considerable amount of work, which would be onerous in terms of time, resources and costs, and disproportionate to the necessity and meaningfulness of such disclosure.

Particularly, it would take considerable amount of time for the Reporting Accountants to conduct audit procedures in order to prepare the audited financial statements for the Four-day Period, including a consolidated statement of profit or loss and other comprehensive income, a consolidated statement of financial position, a consolidated statement of changes in equity and a consolidated statement of cash flows, with notes to the financial statements. This would present challenges, including but not limited to the following:

(a) Prior to the acquisition, the financial statements of Teleon were prepared under Dutch GAAP. Even if the Four-day Financials can be prepared on the basis of the accounting policies adopted by our Group under IFRS, the Reporting Accountants would still need to conduct the audit procedures in relation to these conversions between IFRS and Dutch GAAP; and

(b) In order to prepare the Four-day Financials, Teleon would need to seek audit confirmations from certain third parties such as customers and suppliers for the Four-day Period ending January 4, 2021. However, it would be impractical or difficult for the customers and suppliers of Teleon to respond to these confirmations given that companies in general seldom close their books and reconcile their own records on the fourth day of a month.

(3) With a view of providing investors with sufficient information, the following information which is comparable to the Four-day Financials that is required to be disclosed under Rule 4.05A of the Listing Rules, would provide appropriate and fair indicators and will be presented in this Document:

(a) the unaudited revenue, operating profit and net profit of Teleon for the Four-day Period ended January 4, 2021, which were prepared in accordance with IFRSs, were EUR0.35 million, EUR0.22 million, and EUR0.16 million, respectively; and

(b) the fair value of the identifiable assets and liabilities of Teleon as of the date of acquisition of Teleon (i.e. January 4, 2021). For details, see Note 35(d) in the Accountants' Report set out in Appendix I to this Document.

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

## DIRECTORS

| Name | Address | Nationality |
|---|---|---|
| **Executive Directors** | | |
| Gao Tieta<br>(高鐵塔) | No. 0504, Tower 1,<br>1 Huayuan Road<br>Haidian District<br>Beijing, China | Chinese |
| Zhang Jianjun<br>(張建軍) | Building 3 - 4D<br>Jinli Plaza<br>Liuzhou Road<br>Xuhui District<br>Shanghai, China | Chinese |
| Liu Xinwei<br>(劉新偉) | Room 1501, Unit 3-5<br>Xin'an Zhongli<br>Baizhifang Street<br>Xicheng District<br>Beijing, China | Chinese |
| Zhao Xinli<br>(趙新禮) | A3-501<br>Yufujiayuan<br>Haidian District<br>Beijing, China | Chinese |
| **Non-executive Directors** | | |
| David Guowei Wang | 34 Green Lane<br>Weston, MA 02493<br>U.S.A. | American |
| Shi Long (施瓏) | Room 1001 Unit 3<br>968 Tianyaoqiao Road<br>Xuhui District<br>Shanghai, China | Chinese |

| Name | Address | Nationality |
|---|---|---|
| **Independent Non-executive Directors** | | |
| Feng Xin (馮昕) | Room 17 Houshayu Mingdu East Street Shunyi District Beijing, China | Chinese |
| Wang Li-Shin (王立新) | No. 43, Section 4, Huayuanyi Road, Xindian District, New Taipei City, Taiwan | Chinese (Taiwan) |
| Chan Fan Shing (陳帆城) | Flat C, 6/F, Chiap Thong Building 321 To Kwa Wan Road To Kwa Wan, Kowloon Hong Kong | Chinese (Hong Kong) |

For further information regarding our Directors, see "Directors and Senior Management."

## PARTIES INVOLVED IN THE [REDACTED]

**Joint Sponsors**

**Morgan Stanley Asia Limited**
Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

**Haitong International Capital Limited**
Suites 3001–3006 and 3015–3016
One International Finance Centre
No. 1 Harbour View Street
Central
Hong Kong

[REDACTED]

[**REDACTED**]

**Legal Advisers to our Company**

*As to Hong Kong law:*
**Tian Yuan Law Firm LLP**
Suites 3304–3309, 33/F
Jardine House
One Connaught Place
Central
Hong Kong

*As to U.S. laws:*
**O'Melveny & Myers**
31/F, AIA Central
1 Connaught Road Central
Hong Kong

*As to PRC law:*
**Commerce & Finance Law Offices**
12–14th Floor, China World Office 2
No.1 Jianguomenwai Avenue
Beijing
China

*As to Cayman Islands law:*
**Harney Westwood & Riegels**
3501, The Center
99 Queen's Road Central
Central
Hong Kong

| | |
|---|---|
| **Legal Advisers to the Joint Sponsors and the [REDACTED]** | *As to Hong Kong and U.S. laws:*<br>**Sullivan & Cromwell (Hong Kong) LLP**<br>20th Floor, Alexandra House<br>18 Chater Road<br>Central<br>Hong Kong<br><br>*As to PRC law:*<br>**Jingtian & Gongcheng**<br>34/F, Tower 3, China Central Place<br>77 Jianguo Road<br>Beijing, China |
| **Auditor and Reporting Accountants** | **Ernst & Young**<br>*Certified Public Accountants*<br>*Registered Public Interest Entity Auditor*<br>27/F, One Taikoo Place<br>979 King's Road<br>Quarry Bay<br>Hong Kong |
| **Industry Consultant** | **Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.**<br>Suite 2504<br>Wheelock Square<br>1717 Nanjing West Road<br>Shanghai 200040<br>China |
| **Internal Control Consultant** | **Protiviti Shanghai Co., Ltd.**<br>Rm. 1915-16, Bldg. 2,<br>International Commerce Centre,<br>No. 288 South Shaanxi Road,<br>Xuhui District,<br>Shanghai 200030,<br>CHINA |
| **Compliance Adviser** | **Haitong International Capital Limited**<br>Suites 3001-3006 and 3015-3016<br>One International Finance Centre<br>No. 1 Harbour View Street<br>Central<br>Hong Kong |
| | **[REDACTED]** |

# CORPORATE INFORMATION

| | |
|---|---|
| **Registered Office** | 4th Floor, Harbour Place<br>103 South Church Street<br>PO Box 10240, Grand Cayman<br>KY1-1002, Cayman Islands |
| **Head Office and Principal Place of Business in PRC** | Room 1901, Building A, Zhonghui Plaza,<br>No.11 Dongzhimen South Avenue,<br>Dongcheng District, Beijing, China |
| **Principal Place of Business in Hong Kong** | 31/F, Tower Two, Times Square,<br>1 Matheson Street,<br>Causeway Bay, Hong Kong |
| **Company's Website** | **www.gaush.com** |
| **Joint Company Secretaries** | Li Wenqi (李文奇)<br>Room 202, Block 7, Fengyayuan<br>Huilongguan Cultural Residence,<br>Changping District,<br>Beijing, China<br><br>Leung Shui Bing (梁瑞冰)<br>*(Chartered Secretary, Chartered Governance Professional)*<br>31/F, Tower Two, Times Square,<br>1 Matheson Street,<br>Causeway Bay, Hong Kong |
| **Authorized Representatives** | Gao Tieta (高鐵塔)<br>11 Dongzhimen South Ave,<br>Grand Central Plaza, Tower A,<br>Room 1901, Dongcheng District,<br>Beijing, China<br><br>Liu Xinwei (劉新偉)<br>11 Dongzhimen South Ave,<br>Grand Central Plaza, Tower A,<br>Room 1901, Dongcheng District,<br>Beijing, China |
| **Audit Committee** | Chan Fan Shing (陳帆城) *(Chairman)*<br>David Guowei WANG<br>Feng Xin (馮昕) |

| | |
|---|---|
| **Remuneration Committee** | Feng Xin (馮昕) *(Chairman)*<br>Gao Tieta (高鐵塔)<br>Wang Li-Shin (王立新) |
| **Nomination Committee** | Wang Li-Shin (王立新) *(Chairman)*<br>Gao Tieta (高鐵塔)<br>Feng Xin (馮昕) |
| **Compliance Adviser** | **Haitong International Capital Limited**<br>Suites 3001-3006 and 3015-3016<br>One International Finance Centre<br>No. 1 Harbour View Street<br>Central<br>Hong Kong |

[**REDACTED**]

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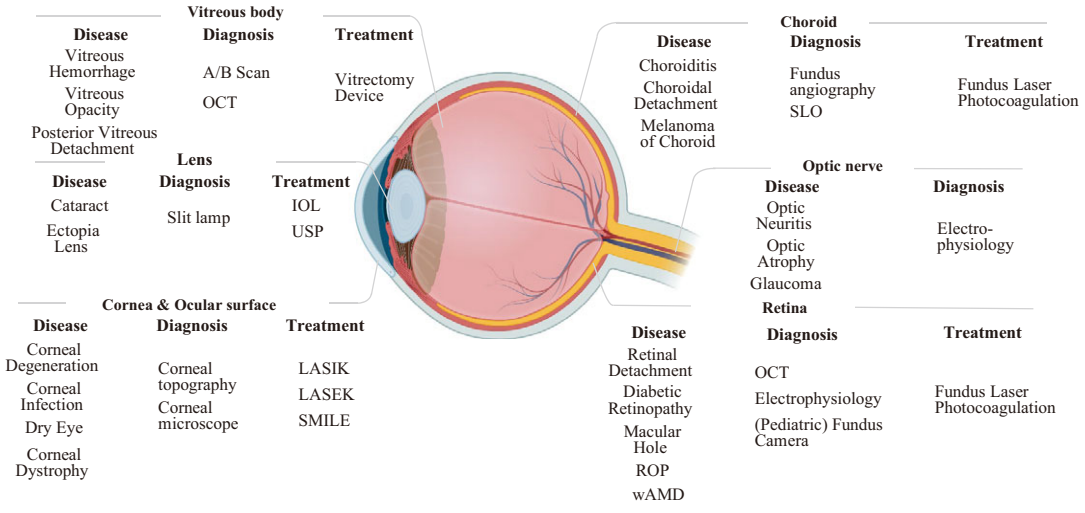
|---|---|
| **Principal Banks** | **Citibank (China) Co., Ltd. Beijing Branch**<br>17F Excel Center<br>No. 6, Wudinghou Street<br>Xicheng District<br>Beijing, China |
| | **East West Bank, Hong Kong Branch**<br>Suite 1108, 11/F,<br>Two International Finance Centre<br>8 Finance Street<br>Central<br>Hong Kong |

*The information and statistics set out in this section and other sections of this Document were extracted from materials and filings by other industry participants as well as information from trade associations. In addition, we engaged Frost & Sullivan for preparing the Frost & Sullivan Report, an independent industry report in respect of the* [**REDACTED**]. *We believe that the sources of the information in this section and other sections of this Document are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, Joint Sponsors, any of the* [**REDACTED**]*, or any other persons or parties involved in the* [**REDACTED**] *except Frost & Sullivan, and no representation is given as to its accuracy. Accordingly, the information from official government sources contained herein may not be accurate and should not be unduly relied upon. Except as otherwise noted, all of the data and forecasts contained in this section have been derived from the Frost & Sullivan Report.*

## KEY TRENDS IN THE DIAGNOSIS AND TREATMENT OF OPHTHALMIC DISEASES

Ophthalmic diseases refer to the conditions that affect any of the eye components including cornea and ocular surface, lens, vitreous body, retina, choroid and optic nerve in the eye anatomy as illustrated below. The most common ophthalmic diseases include refractive error, dry eye, glaucoma, cataract and vitreoretinal diseases. Diagnosis and treatment of ophthalmic diseases normally require both devices and consumables or at least one of them. Ophthalmic medical device manufacturers have differentiated product portfolios according to their distinctive business strategies and R&D expenditure. However, according to the Frost & Sullivan Report, a comprehensive portfolio covering both devices and consumables is a goal pursued by most of the major ophthalmic medical device manufacturers, to maximize their knowledge in each subspeciality of ophthalmology and capture the business opportunities, especially the cross-selling opportunities.




*Source: Frost & Sullivan Analysis*

*Note:* As purchasers of ophthalmic medical devices usually require technical support for repair, maintenance and optimization purpose, ophthalmic device related technical service is included in the above market size analysis.

The major ophthalmic diseases and their corresponding treatment methods are as follows:

- *Vitreoretinal Diseases*. Vitreoretinal diseases develop from the inside of the vitreous body, and the back surface of the eye which is made up of the retina, macula, optic disc, fovea and blood vessels. Vitreoretinal diseases can be very complicated and contain dozens of subtypes, the most representative subtypes of which are wet age-related macular degeneration (wAMD), diabetic macular edema (DME), retinal vein occlusion (RVO) and myopic choroidal neovascularization (mCNV). With the aging of the global population, the patient pool can be expected to increase steadily. For instance, retinopathy has a high prevalence in diabetes patients. In 2021, the number of diabetics in China reached 136.3 million and the age-gender-standardized prevalence of diabetic retinopathy (DR) and sight-threatening diabetic retinopathy (STDR) were 27.9% and 12.6%, respectively. Devices such as angiography, optical coherence tomography (OCT) and scanning laser ophthalmoscope are used to promote the accuracy of the diagnosis of vitreoretinal diseases. Photocoagulation and photodisruption lasers as well as dual-functional cataract/vitrectomy surgical device are applied in the treatment of vitreoretinal diseases.

- *Cataract*. Cataract is the most common cause of vision loss in the elderly. The number of cataract patients aged over 45 increased from 140.8 million in 2017 to 171.2 million in 2021 and is projected to reach 206.9 million by 2025. A cataract can be defined as a clouding of the natural lens due to various reasons, among others, long-term exposure to ultraviolet light, radiation, advanced age, eye injury or trauma and diseases such as diabetes and hypertension. There are no pharmacological treatments known to eliminate existing cataracts or to retard their progression, which makes surgery the only treatment for cataract. In all types of surgical treatments for cataract, intraocular lens (IOL) are implanted in most cases to replace the opacified lens. Devices such as ultrasonic phacoemulsification system and femtosecond laser assisted cataract surgical device are applied in cataract surgeries.

- *Glaucoma*. Glaucoma is a group of eye diseases that are usually characterized by progressive structural and functional changes of the optic nerve, which is caused by fluid building up in the front part of the eye. Glaucoma may cause irreversible vision loss if untreated. Glaucoma is the second leading cause of blindness, after cataracts, affecting approximately 64.3 million individuals worldwide. Both laser and conventional surgeries are performed to treat glaucoma. Tonometer and ultrasonic biomicroscope are widely used in the diagnosis of glaucoma. The treatment of glaucoma is often realized by photocoagulation and photodisruption lasers.

- *Refractive Error*. Refractive errors, which include myopia (shortsightedness), hyperopia (farsightedness), astigmatism and presbyopia, are the most common causes of visual disorders. In 2021, the total number of myopia and presbyopia patients in China reached 625.6 million and 433.3 million, respectively. For the treatment of myopia, refractive surgery utilizing excimer laser and femtosecond laser systems are efficient ways to realize vision correction. Presbyopia is highly correlated with age, which occurs within the proteins in the lens, making the lens harder and less elastic. Multifocal and EDoF IOLs would become ideal solutions for presbyopia patients to re-acquire clear vision.

## OVERVIEW OF THE OPHTHALMIC MEDICAL DEVICE MARKET

### Overview

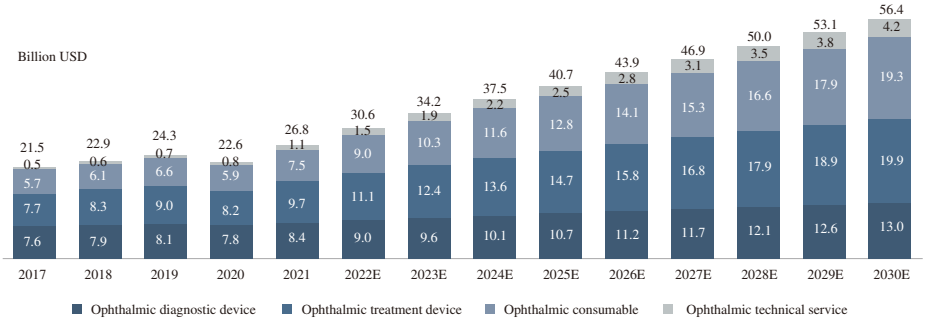
Ophthalmic medical device comprises ophthalmic equipment and related medical instruments, supporting instruments, as well as implantables used in the diagnosis and treatment of ophthalmic diseases, which can be classified into ophthalmic consumables, ophthalmic diagnostic device and ophthalmic treatment device. For the purpose of this Document, the ophthalmic medical device and the ophthalmic medical device market discussed exclude generally contact lens and lens solution.

### Global Ophthalmic Medical Device Market

From 2017 to 2021, global ophthalmic medical device market has increased from USD21.5 billion to USD26.8 billion, representing a CAGR of 5.6%. With an expanding patient population and development of advanced technology, the global ophthalmic medical device market is expected to generate healthy growth in the future, reaching a market size of USD40.7 billion in 2025 and USD56.4 billion in 2030, with a CAGR of 11.1% from 2021 to 2025 and 6.7% from 2025 to 2030, respectively. The following chart illustrates the growing trend and breakdown of global ophthalmic medical device market from 2017 to 2030:

**Breakdown of Global Ophthalmic Medical Device Market (Contact Lens and Lens Solution Excluded) by Diagnostic Device/Treatment Device/Consumable/Technical Service, 2017–2030E**

| Period | Ophthalmic diagnostic device | Ophthalmic treatment device | Ophthalmic consumable | Technical Service | Total |
|---|---|---|---|---|---|
| 2017–2021 | 2.5% | 6.0% | 7.3% | 21.8% | 5.6% |
| 2021–2025E | 6.2% | 10.9% | 14.3% | 22.4% | 11.1% |
| 2025E–2030E | 4.0% | 6.3% | 8.5% | 10.6% | 6.7% |




*Note:* As purchasers of opthalmic devices usually require technical service providers to educate them as to how to use such equipment and to provide after-sale maintenance and repair services, the ophthalmic device market also includes the provision of related technical services.

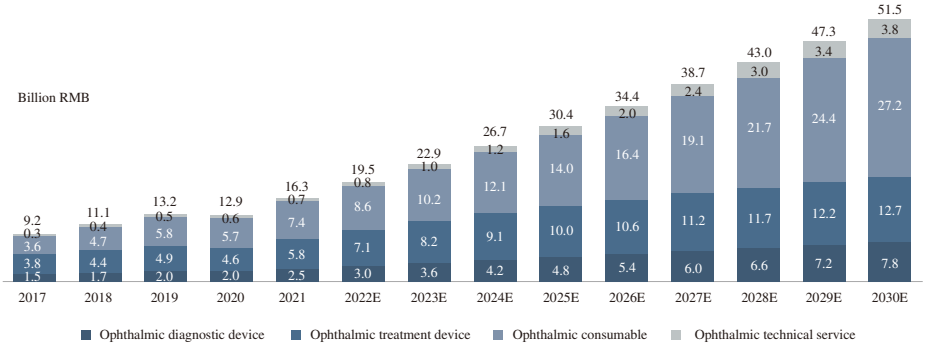
*Source:* *Frost & Sullivan Analysis*

## Ophthalmic Medical Device Market in China

China's ophthalmic medical device market increased from RMB9.2 billion in 2017 to RMB16.3 billion in 2021, representing a CAGR of 15.5%, demonstrating faster growth than the global ophthalmic medical device market. It is noted that during 2020, China's ophthalmic medical device market slightly contracted, decreasing from RMB13.2 billion to RMB12.9 billion. This was primarily because many hospitals in China temporarily suspended the operation of their ophthalmic departments (together with some other medical departments) in response to COVID-19 outbreak in the first quarter of 2020, which substantially reduced their procurement of ophthalmic devices. The market is expected to experience a higher growth in the coming five years and is expected to grow to RMB30.4 billion and RMB51.5 billion in 2025 and 2030, respectively. The following chart illustrates the growing trend and breakdown of ophthalmic device market in China:

**Breakdown of China Ophthalmic Medical Device Market (Contact Lens and Lens Solution Excluded), 2017–2030E**

| Period | Ophthalmic diagnostic device | Ophthalmic treatment device | Ophthalmic consumable | Ophthalmic technical service | Total |
|---|---|---|---|---|---|
| 2017–2021 | 14.0% | 11.6% | 19.3% | 21.1% | 15.5% |
| 2021–2025E | 18.0% | 14.4% | 17.5% | 24.5% | 16.8% |
| 2025E–2030E | 10.1% | 5.0% | 14.1% | 19.6% | 11.1% |

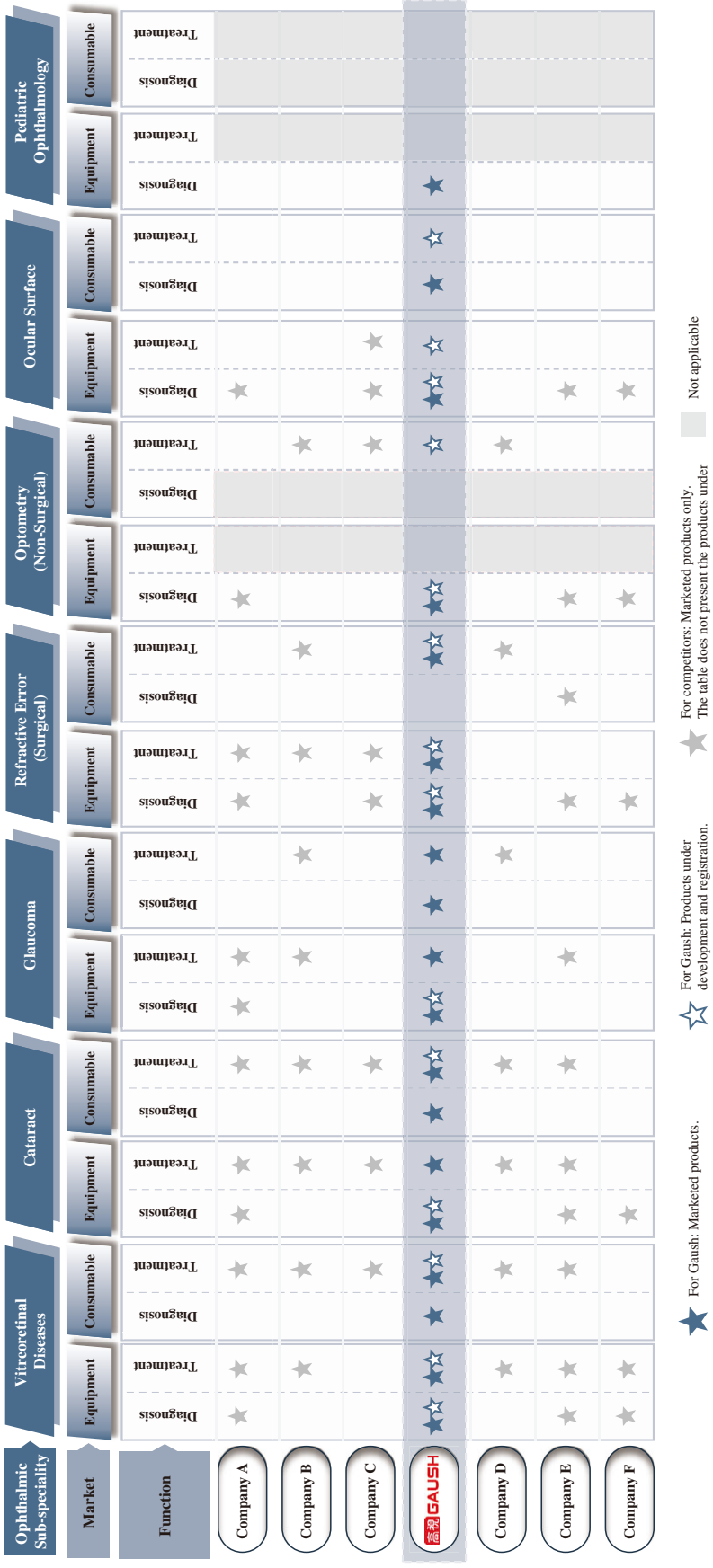



*Source: Frost & Sullivan Analysis*

## Competitive Landscape

Ophthalmic treatment has seven major sub-specialties, including vitreoretinal disease, cataract, glaucoma, refractive error, optometry, ocular surface and pediatric ophthalmology. Diagnosis and treatment within each sub-specialty normally require either devices or consumables or both. Major market players with comprehensive product portfolio covering both equipment and consumables within all seven sub-specialties are generally more competitive. The following tables set forth the leading market players and their product coverage in China's ophthalmic device market in terms of devices and consumables. According to the breakdown of China's ophthalmic device market in 2021, the Company ranked fourth among all the ophthalmic medical device providers in China and ranked first among all the domestic ophthalmic medical device providers in China in terms of total revenue.

## Competitive Landscape of China Ophthalmic Medical Device Market



*Source: Frost & Sullivan Analysis*

*Notes:*

1. Contact lens and lens solutions are not included.

2. Optometry treatment does not involve surgical procedures.

3. Optometry diagnosis are commonly performed without consumables.

4. Currently, there is no marketed treatment equipment, diagnostic consumables, or treatment consumable for Pediatric Ophthalmology.

5. The tables showed all seven ophthalmology specialties in which medical devices (including medical equipment and consumables) are utilized for the diagnosis, treatment or surgeries of the diseases. For the product offering of the Company's competitors, the table included their marketed products only and did not include their products under development and registration.

6. Company A is a German company listed on Deutsche Börse, Frankfurt. It is a medical technology company specializing in the field of ophthalmology and microsurgery. Regarding Ophthalmology, the company provides product portfolio covering diagnosis and treatment of multiple ophthalmic diseases including cataract, glaucoma, vitreoretinal diseases and refractive error. Also, the company provides data connectivity solutions for patient data transfer and archiving. Company A, the products of which are sold in the PRC and overseas, held a market share of 22.5% and ranked first in China ophthalmic medical device market (contact lens and lens solution excluded) in terms of total revenue in 2021.

7. Company B is a NYSE-listed medical company based in Switzerland. Its products include surgical products and vision care products. Its surgical products include the devices for cataract, retinal and refractive surgery and advanced technology intraocular lenses (ATIOLs). Its vision care products include contact lenses and comprehensive ocular health products. Company B, the products of which are sold in the PRC and overseas, held a market share of 13.6% and ranked second in China ophthalmic medical device market (contact lens and lens solution excluded) in terms of total revenue in 2021.

8. Company C is the subsidiary of a NYSE-listed pharmaceutical company based in the United States. It offers intraocular lenses, products used in cataract and refractive surgery, laser vision correction systems, phacoemulsification systems, viscoelastic and microkeratomes. Company C, the products of which are sold in the PRC and overseas, held a market share of 10.3% and ranked third in China ophthalmic medical device market (contact lens and lens solution excluded) in terms of total revenue in 2021.

9. Company D is a NYSE-listed company based in Canada. It delivers eye health products and services including contact lenses, lens care products, intraocular lenses, other eye surgery products and pharmaceuticals. Company D, the products of which are sold in the PRC and overseas, held a market share of 2.9% and ranked eighth in China ophthalmic medical device market (contact lens and lens solution excluded) in terms of total revenue in 2021.

10. Company E is a Japanese company specialized in providing eye and optics products and services. It specialized in the combination of optical and electronic engineering to provide eye and optics products and services covering the examination, diagnosis and treatment of ophthalmology and optometry as well as lens edging and coating. Company E, the products of which are sold in the PRC and overseas, held a market share of 2.6% and ranked ninth in China ophthalmic medical device market (contact lens and lens solution excluded) in terms of total revenue in 2021.

11. Company F is a Tokyo Stock Exchange listed manufacturer of optical equipment based in Japan. It provides diagnostic solutions with intelligent data technology and advanced imaging capability to eye diseases that occur frequently among the aging population, including glaucoma, cataract and refractive. Company F, the products of which are sold in the PRC and overseas, held a market share of 2.3% and ranked eleventh in China ophthalmic medical device market (contact lens and lens solution excluded) in terms of total revenue in 2021.

## Entry Barriers to China's Ophthalmic Medical Device Market

The entry barriers to China's ophthalmic medical device market include:

- *Product Portfolio and Distribution Network.* Ophthalmic medical device providers with a comprehensive product portfolio are more competitive in China's ophthalmic medical device market because such providers may offer medical institutions one-stop and tailor-made solutions notwithstanding the complexity and variety of ophthalmic diseases. These providers are also in a better position to develop long-term relationship with qualified distributors and KOLs who could contribute to the development of their distribution network. Establishing a comprehensive product portfolio and distribution network may be costly, time-consuming and challenging for new entrants to compete with established market players.

- *Brand Reputation and Market Share.* Ophthalmic medical device providers normally need to conduct long-term clinical education on their products among the ophthalmic professionals because it takes time for such professionals to fully understand and trust the efficacy of these ophthalmic medical device products. Thus, companies with a longer development history tend to have better reputation among ophthalmic professionals and stronger influence on the market. First movers within the industry can benefit from first-in-post advantage and have a higher market share, while new entrants have to pay more effort to demonstrate the superiority of their products.

- *R&D Capability.* The ever-growing need for precise and minimal invasive ophthalmic treatment drives the market demand for high-end ophthalmic medical devices. Since the structure of human eye is fragile and the categorization of ophthalmic diseases is complicated, ophthalmic diagnostic devices require the support of advanced technologies. For the companies aiming to develop in-house R&D capabilities which would contribute to their long term development, developing and manufacturing advanced ophthalmic medical device demands solid R&D capabilities and significant R&D investment, both of which create a significant barrier for small or start-up companies.

## Growth Drivers and Future Trends of China's Ophthalmic Medical Device Market

### *Growth Drivers*

- *Aging population.* According to the Frost & Sullivan Report, persons aged 65 years or over reached 200.6 million in 2021 in China, which accounted for 14.2% of the total population, and is projected to reach 247.1 million in 2025, representing a CAGR of 5.4% from 2021 to 2025. The prevalence of age-related ophthalmic diseases, including cataract, glaucoma and vitreoretinal diseases, will expand the patient population and stimulate the demand of ophthalmic diagnostic and treatment. Thus, the aging population will create a large market for ophthalmic medical services in China.

- *Strong Government Support.* The Chinese government has dedicated strong effort to increase the accessibility and affordability of healthcare services through the healthcare reform. Huge investment has been made to promote private healthcare services, upgrade healthcare infrastructure and expand medical insurance coverage. The Chinese government has issued supportive policies including "Health China 2030" to promote the development of China medical device market and encourage the establishment of ophthalmic hospitals. From 2016 to 2020, the total number of ophthalmic hospitals significantly increased from 537 to 1,061. Such rapid growth will stimulate the demand for ophthalmic medical devices.

- *Increased Attention to Visual Health.* Vision impairment and associated complications caused by ophthalmic diseases not only affect patients' quality of life, but also impose burdens on their caregivers and the society as a whole. During the last decade, the Chinese government launched the nationwide charitable cataract programs which significantly contributed to the growth of cataract surgical rate (CSR). In addition, "Comprehensive Prevention and Control of Myopia in Children and Adolescents Implementation Plan" issued in 2018 was aimed to improve myopia prevention and control. Such programs drew public attention to visual health. With the improved living standards in China and increased attention to visual health, the demand for eye healthcare will keep growing in the future and drive the overall growth of China's ophthalmic medical device market.

- *Continuous Technology Innovation.* Technology innovation of ophthalmic medical device will address the unmet clinical needs of ophthalmic patients. For example, the IOL with EDoF characteristics patients with the possibility of improving their intermediate visual acuity. In addition, the dual-functional cataract/vitrectomy surgical device enables surgeons to perform surgeries for patients who suffer from both vitreoretinal diseases and cataract with one single device. The technology innovations embedded in these cutting-edge medical devices are believed to stimulate massive ophthalmic medical demand.

***Future Trends***

- *Expanding Market Size.* In China, the implementation of the hierarchical diagnosis and treatment system and the improvement of doctors' diagnosis and treatment capabilities have increased the demand for ophthalmic equipment in medical institutions outside the first-tier cities. The Chinese ophthalmic medical device providers may also expand its business to overseas markets by promoting Chinese native brands in foreign markets or acquiring foreign brands. Along with the R&D of China based ophthalmic medical device companies, especially for the companies which manufacture high-end IOLs with advanced technology, the trend of domestically developed products being exported to overseas countries and realizing globalization will gradually become more significant in the future. Ophthalmic medical device providers with a comprehensive product portfolio and a positive brand reputation will be more likely to leverage their existing strengths to establish a leading position in the expanding market.

- *Increasing Market Demand for High-end Medical Devices.* According to the Frost & Sullivan Report, future ophthalmic disease treatments will be devised for realizing better vision and reducing disease relapse. Ophthalmic medical devices will become more automated to allow more precise control over the surgery. The technology development of computers, software and image storage cloud will facilitate the research and development of high-end medical devices, which will provide ophthalmic professionals with more convenient and powerful tools to analyze and treat ophthalmic diseases.

- *Increasing Market Demand for Technical Service.* Eye care service providers may pay an annual fee to technical service providers for the repair and maintenance of high-end and frequently used ophthalmic diagnostic and treatment equipment. As the technologies applied to ophthalmic equipment are getting more advanced, standardized technical service provided by well-trained and experienced technical service teams would be necessary for ophthalmic equipment users. Ophthalmic equipment providers with technical service team will be able to obtain recurring income from providing technical services. Additionally, high quality technical service would help ophthalmic equipment providers establish strong relationship with ophthalmic equipment users, which can promote the sales of consumables in the long run.

## OPHTHALMIC MEDICAL DIAGNOSTIC DEVICE MARKET

### Overview

Ophthalmic diagnosis starts with collection of demographic information including age, gender and medical record, among others, which is followed by general ophthalmic examinations inspecting vision, visual field and other primary screenings of the patients as well as the examinations of ophthalmic medical diagnostic devices, including auto or manual refractor, perimeter, slit lamp and others. The diagnosis of most ophthalmic diseases needs comprehensive examination through ocular surface to vitreoretinal. Devices for vitreoretinal examination are able to offer more precise resolution and more structural features that can help ophthalmic professionals with diagnosis and preoperative evaluation.

Categorized by source of energy, ophthalmic medical diagnostic devices can be broadly divided into non-laser optical diagnostic devices, laser diagnostic devices, ultrasonic diagnostic devices and visual electrophysiology. Laser diagnostic devices utilize laser as the main source of energy for the diagnosis of ophthalmic diseases. Representative laser diagnostic devices include OCT, retinal angiography, retinal tomography and optical biometry. Apart from optical biometry which is used for the measuring of anatomical structure of the eye, the rest are all widely applied in the diagnosis of vitreoretinal diseases. Vitreoretinal diagnostic devices are a major part in ophthalmic diagnosis, not only because of the complexity of vitreoretinal structure, but also their importance in clinical decision making. Ultrasound is a form of energy transmission, which usually propagates in elastic media in the form of longitudinal waves. In accordance with the principle of sound propagation, ultrasonic diagnostic devices return the soundwaves to the ultrasonic probe, convert them into electrical signals and present them on the monitor in images. These images could help to visualize the detailed eye structure and evaluate the eye diseases, such

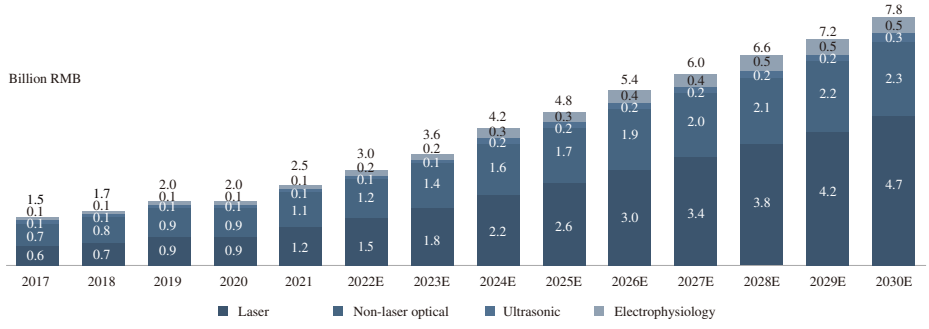
as retroreflective, cataract and glaucoma, which is conducive to improving the safety profile of the surgery. Visual electrophysiology is particularly suitable for the early diagnosis of glaucoma because it can detect tiny physiological changes which always occur before morphological changes. The global visual electrophysiology market increased steadily from USD144.8 million in 2017 to USD169.4 million in 2021, representing a CAGR of 4.0%, which is expected to grow to USD281.6 million and USD365.8 million in 2025 and 2030, with the CAGR of 13.6% and 5.4%, respectively. Non-laser optical diagnostic devices are non-invasive and easy-to-use. Typical non-laser optical diagnostic devices include vitreoretinal camera, slit lamp, corneal topography, perimeter, direct ophthalmoscope and visual tester.

## Market Size

China's ophthalmic medical diagnostic device market grew from RMB1.5 billion in 2017 to RMB2.5 billion in 2021, representing a CAGR of 14.0%. In the coming decade, the market is projected to grow with higher speed, and is expected to reach RMB4.8 billion and RMB7.8 billion in 2025 and 2030, with a CAGR of 18.0% from 2021 to 2025 and 10.1% from 2025 to 2030, respectively, as shown in the following chart.

**Breakdown of China Ophthalmic Medical Diagnostic Device Market, 2017–2030E**

| Period | Laser | Non-laser optical | Ultrasonic | Electro-physiology | Total |
|---|---|---|---|---|---|
| 2017–2021 | 18.2% | 10.7% | 7.6% | 15.8% | 14.0% |
| 2021–2025E | 22.3% | 12.3% | 12.4% | 25.0% | 18.0% |
| 2025E–2030E | 12.2% | 6.5% | 8.4% | 10.7% | 10.1% |




*Source: Frost & Sullivan Analysis*

### Competitive Landscape

Our Group ranked first among all the ophthalmic diagnostic device providers in China in 2021 in terms of revenue. The chart below illustrates the market share of leading ophthalmic diagnostic device providers in China's ophthalmic diagnostic device market.

**Breakdown of China's Ophthalmic Medical Diagnostic Device Market by Revenue, 2021**

Million RMB

| Company | Revenue | Share |
|---|---|---|
| Gaush | 452.4 | 18.2% |
| Company A | 444.6 | 17.9% |
| Company F | 336.3 | 13.5% |
| Company G | 305.7 | 12.3% |
| Company E | 229.3 | 9.2% |
| Others | 716.0 | 28.8% |

*Source: Frost & Sullivan Analysis*

1. Company G is a domestic medical device company based in Taiwan. It provides products relating to the ophthalmic and auditory devices.

## OPHTHALMIC MEDICAL TREATMENT DEVICE MARKET

### Overview

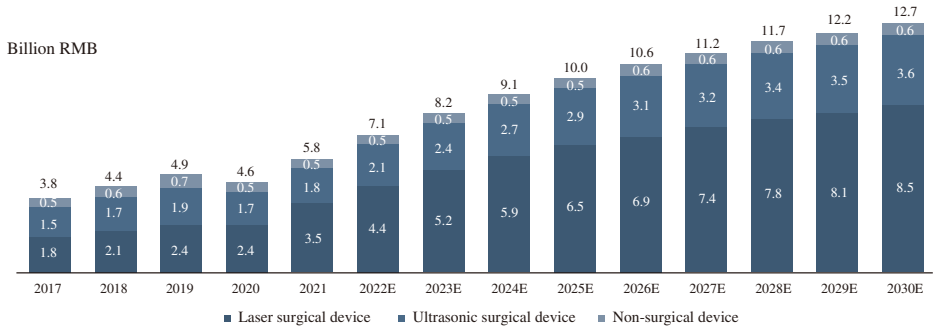
Ophthalmic medical treatment devices can be divided into surgical devices and non-surgical devices. Ophthalmic surgical devices comprise ophthalmic surgical equipment and surgical supporting instruments. Differentiated by source of energy, ophthalmic surgical equipment can be divided into ultrasonic surgical equipment, including dual functional cataract/vitrectomy surgical device and ultrasonic phacoemulsification equipment, and laser surgical equipment, including laser photocoagulator, laser photodisruptor, excimer laser and femtosecond laser. Surgical supporting instruments principally refer to handpieces, probes and other disposable consumables that are connected to surgical devices or used during ophthalmic surgeries. Non-surgical devices refer to surgical microscope and devices for the treatment of ophthalmic diseases through non-invasive methods such as dry eye machines. Surgical equipment supporting consumables are also within the ophthalmic medical treatment device market because they support the performance of other ophthalmic medical equipment during surgeries. In some ophthalmic surgeries, supporting consumables and the performing device have to be manufactured by the same brand to pass the authentication step before proceeding the surgery.

## Market Size

From 2017 to 2021, the overall China's ophthalmic medical treatment device market has increased from RMB3.8 billion to RMB5.8 billion, representing a CAGR of 11.6%. With an expanding patient population and increasing clinical need, China's ophthalmic medical treatment device market is expected to grow rapidly in the future, reaching a market size of RMB10.0 billion in 2025 and RMB12.7 billion in 2030, with CAGR of 14.4% from 2021 to 2025 and 5.0% from 2025 to 2030, respectively.

**Breakdown of China Ophthalmic Medical Treatment Device Market, 2017–2030E**

| Period | Laser surgical device | Ultrasonic surgical device | Non-surgical device | Total |
|---|---|---|---|---|
| 2017–2021 | 18.1% | 5.6% | 0.5% | 11.6% |
| 2021–2025E | 16.7% | 12.2% | 2.9% | 14.4% |
| 2025E–2030E | 5.5% | 4.5% | 1.5% | 5.0% |




*Source: Frost & Sullivan Analysis*

## Competitive Landscape

Our Group ranked third among all the ophthalmic treatment device providers in China in 2021 in terms of revenue. The chart below illustrates the market share of leading ophthalmic treatment device providers in China's ophthalmic treatment device market.

**Breakdown of China's Ophthalmic Medical Treatment Device Market by Revenue, 2021**

Million RMB

| Company | Revenue | Share |
|---|---|---|
| Company A | 2,575.9 | 44.2% |
| Company B | 1,080.3 | 18.5% |
| Gaush | 397.6 | 6.8% |
| Company C | 334.4 | 5.7% |
| Company D | 250.4 | 4.3% |
| Others | 1,188.5 | 20.4% |

*Source: Frost & Sullivan Analysis*

## OPHTHALMIC MEDICAL CONSUMABLE MARKET

### Overview

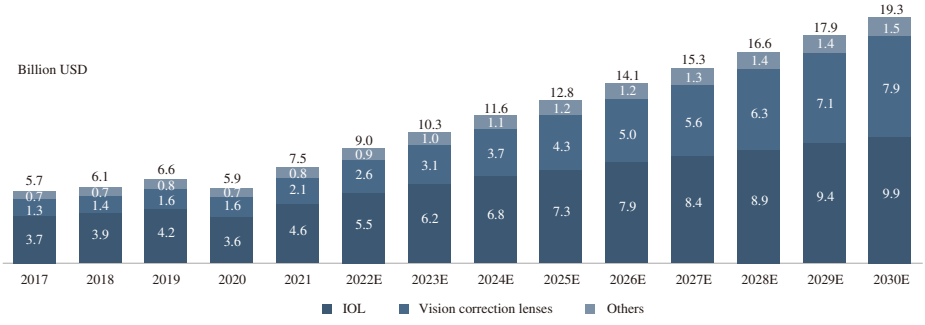
Ophthalmic medical consumables mainly include IOL, vision error correction lenses, and other consumables, which can be applied in different scenarios. As a representative of surgical implant, IOL, an artificial replacement for the lens of human eye removed during cataract surgery. Vision correction lenses include refractive error correction lenses and artificial iris. Refractive error correction lenses refer to orthokeratology lenses (OK-Lens), Rigid Gas Permeable lenses (RGP) and scleral lenses, which have vision improvement effect towards refractive error treatment, prevent disease like myopia from further progression and reduce pain for patients suffering from dye eye as well. Artificial iris is an implant for the treatment of damage or absence of the iris of the eye. Other consumables include surgical implants (other than IOL) and surgical instrument. Surgical implants other than IOL mainly include perfluorooctane, silicone oil and ophthalmic gases. Surgical instruments include measuring instruments, eye speculum, lid retractors, corneal trephines, iris knives, scissors, scrapers, chisels, etc. Surgical instruments are widely applied in all types of ophthalmic surgeries.

### Market Size

From 2017 to 2021, total global ophthalmic medical consumable market has increased from USD5.7 billion to USD7.5 billion, representing a CAGR of 7.3%. With the increasing clinical need, global ophthalmic medical consumable market is expected to grow rapidly in the future, reaching a market size of USD12.8 billion in 2025 and USD19.3 billion in 2030, with a CAGR of 14.3% from 2021 to 2025 and 8.5% from 2025 to 2030, respectively. The following chart illustrates the historical trend and forecast of the breakdown of global ophthalmic medical consumable market from 2017 to 2030:

**Breakdown of Global Ophthalmic Medical Consumable Market, 2017–2030E**

| Period | IOL | Vision correction lenses | Others | Total |
|---|---|---|---|---|
| 2017–2021 | 5.6% | 12.6% | 4.8% | 7.3% |
| 2021–2025E | 12.3% | 20.3% | 8.5% | 14.3% |
| 2025E–2030E | 6.1% | 12.7% | 5.3% | 8.5% |

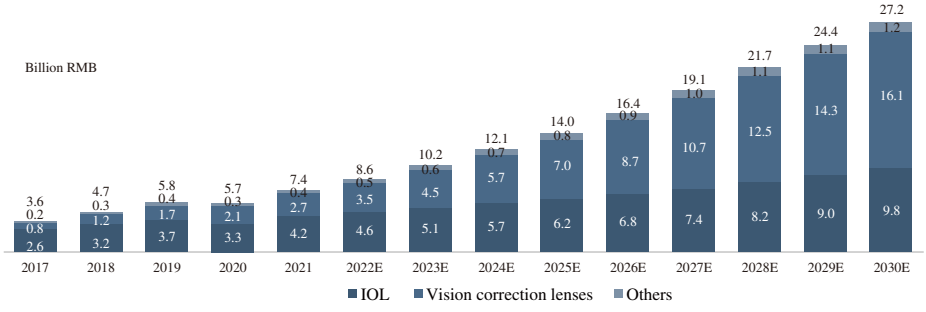



*Source: Frost & Sullivan Analysis*

China's ophthalmic medical consumable market grew from RMB3.6 billion in 2017 to RMB7.4 billion in 2021, representing a CAGR of 19.3%, which is much higher than that of the global market. In the coming decade, the market is projected to grow with higher speed, and is expected to reach RMB14.0 billion and RMB27.2 billion in 2025 and 2030, respectively, as shown in the following chart:

**Breakdown of China Ophthalmic Medical Consumable Market, 2017–2030E**

| Period | IOL | Vision correction lenses | Others | Total |
|---|---|---|---|---|
| 2017–2021 | 12.9% | 36.6% | 12.2% | 19.3% |
| 2021–2025E | 10.3% | 26.5% | 18.8% | 17.5% |
| 2025E–2030E | 9.5% | 18.1% | 9.5% | 14.1% |




*Source: Frost & Sullivan Analysis*

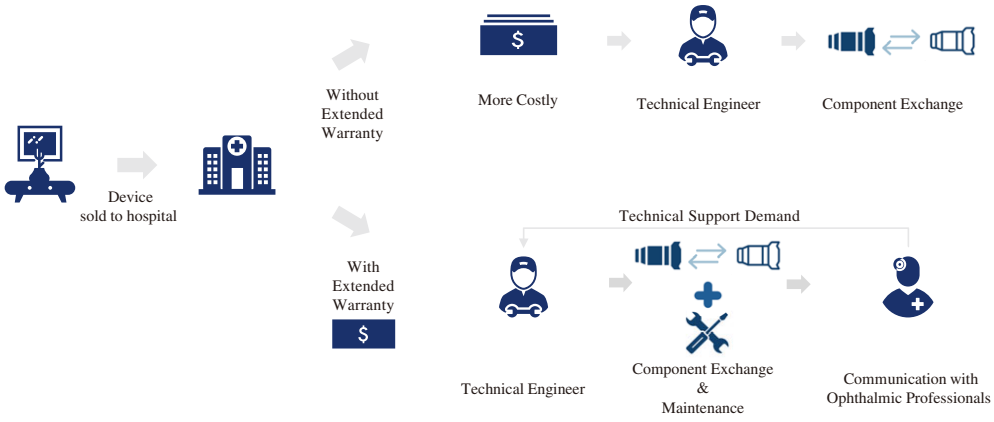
## Competitive Landscape

The ophthalmic medical consumable market is highly competitive and fragmented. In 2021, the total market size of global intraocular lens is USD4.6 billion where the Company ranked sixth. From 2017 to 2021, China's intraocular lens market has increased from RMB2.6 billion to RMB4.2 billion, representing a CAGR of 12.9% and is expected to reach the market size of RMB6.2 billion in 2025 and RMB9.8 billion in 2030, at a CAGR of 10.3% from 2021 to 2025 and 9.5% from 2025 to 2030, respectively. Functional IOL includes multifocal IOL, trifocal IOL and EDoF IOL. Compared with monofocal IOLs which provide focus at only one distance, functional IOLs are able to provide vision across varying distances. Thus, functional IOLs will be offering patients with better vision and life quality after surgery, and are expected to be the future trend of IOL market because of their leading technical advantages. IOLs with EDoF characteristic are designed to realize the improvement of intermediate vision through creating an elongated focus. Among IOLs with EDoF characteristic, those designed based on refractive mechanism can reduce side effects like glare, halo and starburst with minimum energy loss. The Company ranked fourth in China's functional IOL market in 2021.

## OPHTHALMIC MEDICAL DEVICE TECHNICAL SERVICE MARKET

Ophthalmic medical device technical service mainly refers to the repair, maintenance and optimization service package designed for ophthalmic medical devices. Although devices include manufactures' warranty upon sales, such coverage is normally limited to one year. Considering the fact that advanced diagnostic and surgical devices can be very expensive, and are used with high frequency for daily diagnosis and surgical treatments, hospitals would prefer paying an additional fee for an extended warranty for repair, maintenance and optimization in order to avoid loss caused by device depreciation.

Core optical components of an ophthalmic medical device can be costly, the maintenance of which needs support from professional engineers. With technical support, ophthalmic medical device purchasers can not only benefit from free or much more affordable core component replacement, but also experience regular maintenance service from professional team trained by medical device manufacturers. For ophthalmic medical device manufacturers, the number of engineers employed is one of the important figures to assess the companies' competitiveness, as more engineers employed would provide their clients with more comprehensive device solution for better after-sales experience.




*Source: Frost & Sullivan Analysis*

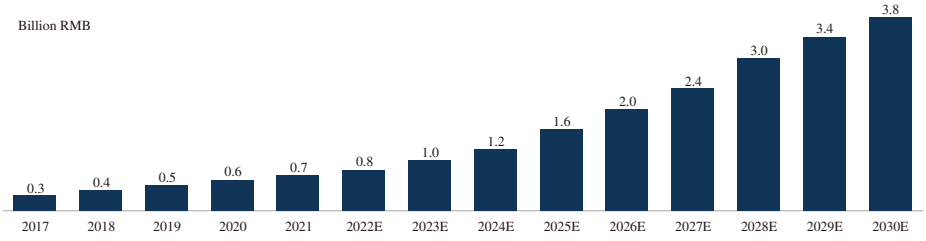
Medical device suppliers with powerful technical service capabilities may establish strong relationship with their customers though periodic repair, maintenance and optimization after medical devices are sold. Such synergistic interactions between the sales and technical service will not only generate recurring maintenance-related income, but also help establish long-term consumable supply relationships for such medical device suppliers.

## Market Size

China's ophthalmic medical device technical service market has increased rapidly from RMB0.3 billion in 2017 to RMB0.7 billion in 2021, representing a CAGR of 21.1%. China's ophthalmic medical device technical service market is expected to continue its growth trajectory, reaching to RMB1.6 billion in 2025 and RMB3.8 billion in 2030, with a CAGR of 24.5% from 2021 to 2025 and 19.6% from 2025 to 2030, respectively.

**China Ophthalmic Medical Device Technical Service Market, 2017–2030E**

| Period | CAGR |
|---|---|
| 2017–2021 | 21.1% |
| 2021–2025E | 24.5% |
| 2025E–2030E | 19.6% |




*Source: Frost & Sullivan Analysis*

### Competitive Landscape

The ophthalmic medical device technical service includes preventive maintenance and corrective maintenance, both of which require skillful engineers with in-depth ophthalmic medical device expertise. The ophthalmic medical device maintenance is vital to the efficient and accurate operation of ophthalmic medical devices held by the end customers and thereby contribute to patients' diagnosis and treatment process. As more expensive ophthalmic medical devices are used by public hospitals and specialized hospitals, the demand for well-trained ophthalmic medical device maintenance engineers continues to increase. The ophthalmic medical device maintenance service providers are ranked below in terms of revenue in 2021:

In 2021, our Group and Company A occupied more than half of the market share. Benefiting from full coverage of product line and a highly qualified engineer team, Gaush ranked second in China's ophthalmic medical device technical service market in 2021.

**Breakdown of China's Ophthalmic Medical Device Technical Service Market, 2021**

Million RMB

| Company | Revenue | Share |
|---|---|---|
| Company A | 241.5 | 37.1% |
| Gaush | 167.7 | 25.7% |
| Company B | 78.5 | 12.0% |
| Company C | 61.7 | 9.5% |
| Company E | 32.4 | 5.0% |
| Others | 69.9 | 10.7% |

*Source: Frost & Sullivan Analysis*

## RAW MATERIALS

Raw materials needed for the manufacture of IOL include hydrophobic substance, hydrophilic substance, radiation blocking substance, as well as some additives used in small volume for IOL performance improvement. Even though hydrophobic and hydrophilic substances have already been widely applied to the manufacture of IOL during the past decades and can be procured in relatively low price, IOL manufacturers are still working on the R&D of IOL raw material formulation. The additives, even added in small volume, are able to significantly improve the performance of IOL if applied in an balanced volume with hydrophobic and hydrophilic substances, which is the reason for their relatively high price and increases the general cost of IOL manufacture. Prices for the raw materials mentioned above range from RMB15,000 per ton to RMB75,000 per kilogram. The prices remain stable from 2018 to 2020 and there was no significant price fluctuation observed during the same period.

## THE FROST & SULLIVAN REPORT

In connection with the [**REDACTED**], we commissioned Frost & Sullivan, an Independent Third Party, to prepare a report on global and China's ophthalmic medical device market (excluding contact lens and lens solution for the purpose of this Document). We have agreed to pay a total of RMB0.7 million in fees for the preparation of the Frost & Sullivan Report. Frost & Sullivan is a market research and consulting company that provides market research on a variety of industries including healthcare. In preparing the report, Frost & Sullivan collected and reviewed publicly available data such as government-derived information, annual reports and industry association statistics, as well as market data collected by conducting interviews with key industry experts and leading industry participants. Frost & Sullivan has exercised due care in collecting and reviewing the information so collected. Except as otherwise noted, all data and forecasts in this section come from the Frost & Sullivan Report. Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there has been no adverse change in market information since the date of the Frost & Sullivan Report which may qualify, contradict or impact the information disclosed in this section.

## LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE PRC

We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section sets out a summary of the major relevant laws, regulations, rules and policies of PRC which may have material impacts on our business.

### Laws and Regulations relating to Medical Devices

#### *Regulations on the Supervision and Administration of Medical Devices*

According to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) (the "**2021 Medical Device Regulations**") which was issued by the State Council on January 1, 2000 and amended on February 9, 2021 and came into effect on June 1, 2021, the drug regulatory department under the State Council shall be responsible for the supervision and administration of medical devices nationwide. The relevant departments under the State Council shall be responsible for the supervision and administration relating to medical devices within the scope of their respective duties. We are now principally subject to the supervision of the National Medical Products Administration (國家藥品監督管理總局) and its local counterparts. The National Medical Products Administration was established in accordance with the Institutional Reform Program of the State Council (《國務院機構改革方案》) promulgated by the National People's Congress (the "**NPC**") on March 18, 2018, and the predecessor of the National Medical Products Administration is the China Food and Drug Administration (國家食品藥品監督管理總局) (the "**CFDA**," together with the National Medical Products Administration, hereinafter collectively, the "**NMPA**"). The NMPA is a newly established regulatory authority responsible for registration and supervision of pharmaceutical products, cosmetics and medical devices under the supervision of the State Administration for Market Regulation (國家市場監督管理總局) (the "**SAMR**"), a newly established institution for supervising and administrating the market in China. The relevant departments of the local people's governments at the county level and above are responsible for the supervision of medical devices within their respective scope of duties.

In the PRC, medical devices have been classified into three categories based on their risk degree. Class I medical devices refer to those devices with low risks and whose safety and effectiveness can be ensured through routine administration. Class II medical devices refer to those devices with moderate risks and whose safety and effectiveness shall be strictly controlled and administered. Class III medical devices refer to those devices with relatively high risks and whose safety and effectiveness must be strictly controlled and administered with special measures. The classification of specific medical devices is stipulated in the Medical Device Classification Catalog (《醫療器械分類目錄》), which was issued by the NMPA on August 31, 2017 and became executive on August 1, 2018.

The products we currently sell in China are Class I, Class II and Class III medical devices.

***Regulations on Medical Device Products Import Registration***

According to the 2021 Medical Device Regulations, if an overseas party seeks to export Class I medical devices into China, the domestic enterprise legal person designated by it shall have to prove that such medical devices are approved to be marketed by the competent authority of the country (region) where the record-filing party is located by filing the relevant materials and supporting materials to the drug regulatory department under the State Council for record-keeping purposes. And if an overseas registration applicant export Class II and Class III medical devices to China, the domestic enterprise legal person designated by it shall submit registration application materials and the supporting documents to the drug regulatory department under the State Council.

An exporter of Class I, Class II or Class III medical devices into China shall perform the following obligations and the domestic enterprise legal person designated by it shall assist in the following:

- establish a quality management system suitable for the products and maintain its effective operation;
- formulate a post-marketing research and risk control plan and ensure its effective implementation;
- carry out monitoring and re-evaluation of adverse events in accordance with the law;
- establish and implement a product traceability and recall system; and
- other obligations provided for by the drug regulatory department under the State Council.

Only medical devices which have been registered or filed for record in PRC can be imported into China. The imported medical devices shall be attached with instructions and labels in Chinese. The instructions and labels shall be in compliance with the relevant regulations and compulsory standards, and the instructions shall specify the origin of medical devices and the name, address and contact information of the domestic enterprise legal person designated by the overseas registrant or record-filing party of the medical devices. No medical devices may be imported in the absence of such instructions and labels in Chinese or if the instructions and labels are not in compliance with the 2021 Medical Device Regulations.

The Administrative Measures for the Registration and Filing of Medical Devices (《醫療器械註冊與備案管理辦法》) was promulgated by the SAMR on August 26, 2021 and came into effect on October 1, 2021. At the same time, the Administrative Measures for the Registration of Medical Devices (《醫療器械註冊管理辦法》) has been repealed. According to the Administrative Measures for the Registration and Filing of Medical Devices, the name and address of the overseas registrant and its designated domestic enterprise legal person are items subject to record-filing and change of the registration.

Where a domestic enterprise legal person designated by an overseas registrant or record-filing party of medical devices fails to perform the above obligations in the 2021 Medical Device Regulations, the drug regulatory department of the people's government of the province, autonomous region or municipality directly under the Central Government may impose rectification orders, issue a warning or impose a fine. In serious cases, the legal representative, principal, person directly in charge and other liable persons may be banned from engaging in the production of medical devices or similar business operations within five years. Where the overseas registrant or record-filing party of medical devices refuses to perform the decision on administrative penalty made in accordance with the 2021 Medical Device Regulations, it shall be banned from importing medical devices within ten years.

***Regulations on the Registration of Domestic Medical Devices***

According to the Administrative Measures for the Registration and Filing of Medical Devices, for the filings of Class I medical devices, the filing materials shall be submitted to the local branches at the city level of the NMPA. In case of any amendments made to matters stated in the filings, such amendments shall be filed with the original filing department. Class II and Class III medical devices must obtain their respective product registrations before they can be marketed and sold in China. Class II medical devices shall be examined by the provincial branches of the NMPA and Class III medical devices shall be examined by the NMPA, and a Medical Device Registration Certificate (醫療器械註冊證) for such medical device shall be issued upon approval. In case of any substantial changes of the designs, raw materials, production technologies, scopes of application and application methods, among other things, of the registered Class II or Class III medical devices, which may affect the safety and effectiveness of such medical devices, the registrants shall submit the application for change of registration with the original registration departments within 30 days. The Medical Device Registration Certificate is valid for five years and the registrant shall file for renewal with NMPA at least six months prior to its expiration date.

***Clinical Evaluation and Clinical Trials of Medical Devices***

According to the 2021 Medical Device Regulations and the Administrative Measures for the Registration and Filing of Medical Devices, clinical evaluation is required for the registration and filing of medical devices. Clinical evaluation of medical devices refers to activities in which clinical data are analyzed and evaluated by adopting scientific and reasonable methods to confirm the safety and effectiveness of medical devices within the scope of application. However, clinical evaluation may be exempted under any of the following circumstances:

- the medical device has clear and definite working mechanisms, finalized designs and mature manufacturing techniques, the marketed medical devices of the same category have been put into clinical application for years with no record of severe adverse event, and their general purposes remain unchanged;

- the safety and effectiveness of such medical devices can be proved through non-clinical evaluation.

Clinical evaluation of medical devices may be carried out through clinical trials or analysis and evaluation of clinical literature materials and clinical data of medical devices of the same kind to prove the safety and effectiveness of medical devices in light of product characteristics, clinical risks, existing clinical data and other circumstances. Pursuant to the Notice on Release of Catalogue of Medical Devices Exempted from Clinical Evaluation (《關於發佈免於臨床評價醫療器械目錄的通告》) (the "**Exemption Catalogue**") issued by the NMPA on September 16, 2021 and came into effect on October 1, 2021, for medical devices that are not included in the Exemption Catalogue, clinical evaluations shall be conducted before the registration or filing.

Clinical trials shall be conducted in accordance with the Good Clinical Practice for Medical Device Trials (《醫療器械臨床試驗質量管理規範》) (the "**Good Clinical Practice**"), which was issued by the NMPA and the NHC jointly on March 24, 2022 and came into effect on May 1, 2022. The Good Clinical Practice set forth the necessary procedures of clinical trials for medical devices, including, among others, the protocol design, conduct, monitoring, verification, inspection, and data collection, recording, analysis and conclusion and reporting procedure of a clinical trial. Prior to commencement of a clinical trial, the applicant must complete the pre-clinical research of the medical device, including product performance verification and confirmation, product inspection report based on the technical requirements, risk-benefit analysis, the results of which should support the clinical trial. Prior to the commencement of a clinical trial, approval by the ethics committees of the relevant clinical trial organization should be obtained and the applicant, the clinical trial organization and the principal investigators must enter into agreements in writing to arrange their rights and obligations during the trial.

***Import of Urgently Needed Medical Devices in Boao Pilot Zone***

The State Council issued the Decision on Suspension of Implementation Regulations on the Supervision and Administration of Medical Devices in Boao Lecheng International Medical Tourism Pilot Zone of Hainan Province (《國務院關於在海南博鰲樂城國際醫療旅遊先行區暫停實施〈醫療器械監督管理條例〉有關規定的決定》) on April 2, 2018, according to which, for medical devices that are urgently needed in the Boao Lecheng International Medical Tourism Pilot Zone and have not been registered in China for the same type of medical devices, the State Council empowers the People's Government of Hainan Province (the "**Hainan Government**") to approve the import and use of the Urgently Needed Medical Devices in certain medical institutions.

The Hainan Government promulgated The Notice of Provisions on the Administration of Imported Medical Devices of Urgent Need in Boao Lecheng International Medical Tourism Pilot Zone of Hainan Province (《海南省人民政府關於印發〈海南自由貿易港博鰲樂城國際醫療旅遊先行區臨床急需進口醫療器械管理規定〉的通知》) on June 2, 2020, according to which, a qualified medical institution in the Boao Pilot Zone may apply for the import of certain Urgently Needed Medical Devices. Such application shall be subject to the evaluation and approval of Hainan Provincial Health Commission and the Medical Products Administration of Hainan Province, as well as the customs formalities with Haikou Customs.

***Regulations on the Production and Quality Management of Medical Devices***

The Measures on the Supervision and Administration of Medical Devices Production (《醫療器械生產監督管理辦法》) (the "**Measures on of Medical Devices Production**"), which was promulgated on March 10, 2022 and came into effect on May 1, 2022, stipulates that manufacturer of medical devices shall satisfy the following conditions:

- it has production sites, environmental conditions, production equipment and professional technicians that are suitable for medical device production;
- it has organizations or professional examination staffs and examination equipment for carrying out quality examinations for such medical device production;
- it has formulated a management system that ensures the quality of such medical device;
- it has the capability of after-sale services that is suitable for such medical device production; and
- it satisfies the requirements as prescribed in R&D and production technique documents.

Medical device manufacturers shall be responsible for the quality of medical devices they manufacture. The enterprises engaging in the production of Class I medical devices shall make filings for such Class I medical devices with the local branches at the prefecture city level of the NMPA and submit materials to prove that it is qualified to engage in the production of such medical devices. The enterprises engaging in the production of Class II or Class III medical devices shall apply for a Manufacture License for Medical Devices (醫療器械生產許可證) with provincial branches of the NMPA, and submit materials proving it is qualified to engage in the production of such medical devices and a Medical Device Registration Certificate for the production of such medical devices. A Manufacture License for Medical Devices is valid for five years and the registrant shall file for renewal application with the original branch of the NMPA at least six months prior to its expiration date.

***Regulations on the GMP Rules for Medical Devices***

The Good Manufacturing Practice Rules for Medical Devices (《醫療器械生產質量管理規範》) (the "**GMP Rules for Medical Devices**") was promulgated on December 29, 2014 and came into effect on March 1, 2015. According to abovementioned rules, an enterprise engaging in the production of medical devices shall establish and effectively maintain a quality control system. The enterprise shall establish its procurement control procedure and assess its suppliers by establishing an examination system to ensure that the purchased products are in compliance with the statutory requirements. The enterprise shall record the procurement, production and inspection of raw materials. Such records shall be true, accurate, complete and traceable. The enterprise shall apply risk management to the whole process of design and development, production, sales and after-sale services. The measures being adopted shall apply to risks associated with the related products.

Pursuant to The Notice of Four Guidelines including On-site Inspection Guidelines for the GMP Rules for Medical Devices (《關於印發〈醫療器械生產質量管理規範現場檢查指導原則〉等

四個指導原則的通知》) which was promulgated by the NMPA on September 25, 2015 and came into effect on September 25, 2015, during the course of on-site verification of the registration of medical devices and on-site inspection for the issuance of production permit (including the change and renewal of production permit), the inspection team shall, in accordance with the guidelines, issue recommended conclusions for on-site inspections, which include "passed", "failed" or "reassessment after rectification." During the supervision and inspection, if it is found that the requirements of the key items or ordinary items that may have a direct impact on product quality are not satisfied, the enterprise shall suspend production and be subject to rectification orders. If it is found that the requirements of the ordinary items that do not directly affect product quality are not satisfied, the enterprise shall rectify such issue in a prescribed time. The regulatory authorities shall examine and verify the recommended conclusions and on-site inspection materials submitted by the inspection group and issue the final inspection results.

***Regulations on Supervision and Administration of Medical Devices Operation***

According to the Measures for the Supervision and Administration of Medical Devices Operation (《醫療器械經營監督管理辦法》) promulgated by the SAMR on March 10, 2022 and came into effect on May 1, 2022, an enterprise engaging in the operation of medical devices shall have business premises and storage conditions suitable for the operation scale and scope, and shall have quality control department or personnel suitable for the medical devices it operates. An enterprise engaged in the operation of Class I medical devices, the license or record is not required for business activities, while an enterprise engaged in the operation of Class II medical devices shall file with the municipal level food and drug supervision and administration department and provide materials to provide it satisfies the relevant conditions of engaging in the operation of medical devices, and an enterprise engaged in the operation of Class III medical devices shall apply for a Business Operation License of Medical Devices (醫療器械經營許可證) to the municipal level drug supervision and administration department and provide material to provide that it satisfies the relevant conditions of engaging in the operation of such medical devices.

The relevant local department of NMPA which receives operation permit application shall grant the Business Operation License of Medical Devices if the enterprise meets the prescribed requirements. A Business Operation License of Medical Devices is valid for five years and maybe renewed pursuant to the relevant regulations. An enterprise engaging in medical devices operation shall not operate or use any medical device that has not been legally registered or filed, without qualification certificate, outdated, invalid, or disqualified.

A medical device operator shall establish a quality control system and quality control measures covering the entire process including purchase, acceptance inspection, storage, sales, transport and after-sales service, in accordance with laws, regulations and GSP requirement and keep relevant records to ensure continuous compliance in its business conditions and acts.

- A wholesaler of Class II and Class III medical devices and a retailor of Class III medical devices shall establish a system of sale records. Records of quality control and sale shall be authentic, accurate complete and traceable.

- A medical device operator shall purchase medical devices from legally qualified registrants, record-filing parties or operators of medical devices.

- A medical device operator shall take effective measures to ensure that devices are transported and stored as required in their instructions and labels, and keep records thereof so as to ensure quality and safety.

***Tendering Processes for Medical Devices***

The Chinese government has implemented measures to encourage centralized procurement of expensive medical consumables through tendering processes. On June 21, 2007, the National Health Commission of the PRC, formerly known by the names the Ministry of Health and National Health and Family Planning Commission (the "**NHC**") issued the Notice on Further Strengthening the Administration of Centralized Procurement of Medical Devices (《關於進一步加強醫療器械集中採購管理的通知》), which requires that all nonprofit medical institutions established by local governments, associations or state-owned enterprises participate in the centralized procurement. Public tendering will be the principal method for centralized procurement.

Pursuant to the Notice of Opinions on Reform of Pricing System of Pharmaceuticals and Medical Services (《關於印發改革藥品和醫療服務價格形成機制的意見的通知》) issued on November 9, 2009, the management on the pricing of medical devices will be strengthened. For high-value medical devices, especially for implantable and interventional medical devices, reasonable price formation can be guided by measures such as limiting the price difference rate in circulation links and publishing market price information. High-value medical devices usually refer to medical devices that directly use on the human body, have strict requirements on safety, have large consumption for clinical use and have relatively high prices.

According to the Administrative Norms on Centralized Procurement of High-Value Medical Consumables (《高值醫用耗材集中採購工作規範(試行)》) issued on December 17, 2012, the online centralized procurement (the "**Centralized Procurement**") works of high-value medical consumables will be led by the government and conducted by each province (region and municipality). Medical institutions and medical consumables production and operation enterprises shall make procurement through the Centralized Procurement platform established by each province (region and municipality). The administrative authorities in charge of the Centralized Procurement in each province (region and municipality) shall be responsible for formulating and preparing a Centralized Procurement list of high-value medical devices within its administrative region. High-value medical consumables listed on the Centralized Procurement list may be procured by way of public tenders and invitational tenders or by other means stipulated by laws and regulations of the State. After the procurement prices are determined, public medical institutions within relevant regions shall make procurement strictly at bidding prices.

On July 19, 2019, the General Office of the State Council issued the Circular on Reform Plan on Managing High-Value Medical Consumables (《關於印發〈治理高值醫用耗材改革方案〉的通知》) (the "**Circular on High-Value Medical Consumables**"). According to the Circular on High-Value Medical Consumables, high-value medical consumables are defined as medical consumables directly used on the human body, with strict requirements on safety, in great demand clinically, relatively highly-priced, and that can pose heavy burdens on patients. The Circular on High-Value Medical Consumables releases several reform initiatives aiming at managing high-value medical consumables, including: (i) the classification and codes of high-value medical consumables in the national medical insurance system will be unified gradually, and rules on

unique device identification in full life cycle of the high-value medical consumables, including but not limited to registration, procurement and usage, will be implemented by the National Healthcare Security Administration (the "**NHSA**"), the NMPA, and the NHC by the end of 2020; (ii) the mechanism for including high-value medical consumables in basic medical insurance shall be built, and a list of high-value medical consumables shall be compiled, to strengthen the dynamic adjustment mechanism. The access regulations shall be promulgated by the National Healthcare Security Administration and the Ministry of Finance (the "**MOF**") by the end of June 2020; (iii) for high-value medical consumables with large clinical consumption, high procurement amount and mature clinical use which are produced by multiple enterprises, centralized procurement by category shall be explored, medical institutions are encouraged to jointly carry out procurement through negotiation based on the quantity, and the procurement executed by cross-provincial alliance shall be actively explored. The price markups placed on medical consumables at public hospitals will be abolished, and all medical consumables, including high-value medical consumables, will be sold at procurement price at all public hospitals by the end of 2019; and (iv) the medical insurance payment policy shall be formulated and implemented by the National Healthcare Security Administration, the MOF and the NHC. Meanwhile, the medical insurance payment standards on high-value medical consumables will be formulated and the dynamic adjustment mechanism will be established. The medical insurance funds and patients will share the cost of high-value medical consumables according to the medical insurance payment standards, and medical institutions shall further reduce procurement prices under the guidance of the Circular on High-Value Medical Consumables.

***Regulations on Centralized Volume-Based Procurement***

On July 19, 2019, the General Office of the State Council released the Notice of the General Office of the State Council on Promulgation of the Reform Plan for the Control of High-value Medical Consumables (《國務院辦公廳關於印發〈治理高值醫用耗材改革方案〉的通知》), the State Council officially proposed to strengthen the standardized administration of high-value medical consumables. It was required to explore the classification of high-value medical consumables in accordance with the principles of volume-based procurement, volume-price linkage, and promotion of market competition, and conduct centralized procurement. On March 11, 2021, the NPC approved the Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Vision for 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), proposing to promote the reform of centralized and large-scale procurement and use of drugs and consumables organized by the State and develop high-end medical devices. The Guiding Opinions on National Organization of Centralized Volume-based Procurement and Use of High-Value Medical Consumables (《關於開展國家組織高值醫用耗材集中帶量採購和使用的指導意見》) which was issued by NHSA and other seven PRC authorities clearly stipulates that some high-value medical consumables with increased clinical usage, high purchase amount, mature clinical use, sufficient market competition, and high level of homogeneity will be included in the scope of volume-based procurement. On May 24, 2021, the General Office of the State Council released Notice of the General Office of the State Council on the Key Tasks of Deepening the Reform of the Medical and Health System in 2021 (《國務院辦公廳關於深化醫藥衛生體制改革2021年重點工作任務的通知》), the State Council stipulated to expand the scope of volume-based procurement of high-value medical consumables.

Pursuant to the Notice of the General Office of the State Council on Promulgation of the Reform Plan for the Control of High-value Medical Consumables (《國務院辦公廳關於印發〈治理高值醫用耗材改革方案〉的通知》) and other related regulations, the scope of volume-based procurement of high-value medical consumables is gradually expanding. The Key Control List of the First Batch of National High-value Medical Consumables (《第一批國家高值醫用耗材重點治理清單》) which was issued by the General Office of the National Health Commission on January 8, 2020, clarifies 18 types of high-value medical consumables for key control. Pursuant to the Notice on the Rapid Collection of the Second Batch of High-value Medical Consumables Centralized Procurement Data and Price Monitoring (《關於開展高值醫用耗材第二批集中採購數據快速採集與價格監測的通知》) which was issued by the NHSA on November 20, 2020, the list of the second batch of medical consumables mainly included six kinds of high-value disposables and supplemented the first batch of medical consumables including ophthalmic products.

***Two-Invoice System***

On December 26, 2016, eight government departments including the NMPA issued the Notice on Opinions on the Implementation of the "Two-Invoice System" in Drug Procurement by Public Medical Institutions (for Trial Implementation) (《關於在公立醫療機構藥品採購中推行「兩票制」的實施意見(試行)的通知》), or the Notice. According to the Notice, the "Two-Invoice System" refers to issuing invoice at the time from a pharmaceutical manufacturer to a distributor, and issuing invoice again at the time from a circulating enterprise to a medical institution. The domestic general distributor could be treated as a pharmaceutical manufacturer in the "Two-Invoices System."

On March 5, 2018, six government departments including the NHC of the PRC issued the Notice on Consolidating the Achievements of Cancelling Drug Markups and Deepening Comprehensive Reforms in Public Hospitals (《關於鞏固破除以藥補醫成果持續深化公立醫院綜合改革的通知》), which stipulates the implementation of the centralized purchase of high-value medical consumables, and that the "Two-Invoice System" in relation to high-value medical consumables shall be gradually implemented.

On July 19, 2019, the General Office of the State Council issued the Circular on High-value Medical Consumables, local governments are encouraged to adopt the "Two-Invoice System" combined with actual situation in order to reduce the circulation of high-value medical consumables and promote the transparency of purchase and sales.

***Regulations on Advertisements of Medical Devices***

The State Administration for Market Regulation promulgated the Interim Measures for the Administration of the Examination and Administration of Drugs, Medical Devices, Health Foods, and Formula Foods for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) (the "**Examination Interim Measures**") on December 24, 2019, which came into effect on March 1, 2020. The Examination Interim Measures stipulates that the advertisements for medical devices shall not be released without being reviewed. The contents of a medical device advertisement shall be based on the contents of the registration certificate or filing certificate approved by the drug administrations, or the registered or filed product instructions. Where the medical device advertisement includes the name, scope of application, functional mechanism or structure or composition of the medical device, the information in such

advertisement must not exceed that as set out in the product registration certificate or filing certificate. The validity period of an advertisement for medical device shall not exceed that of its registration certificate or filing certificate or production license, whichever is shorter. If no valid period is prescribed in the product registration certificate, filing certificate or production license, the valid period of the advertisement shall be two years.

The advertisement of a medical device shall be true and lawful, and its content shall not be false, exaggerated or misleading. A publisher of a medical device advertisement shall verify approval documents and their authenticity prior to the publication. If no approval document was obtained or the authenticity of any approval document has not been verified or the content of the advertisement is inconsistent with the approval documents, such medical device advertisement shall not be published.

***Regulations on Medical Device Recalls***

Pursuant to the Administrative Measures for Medical Device Recalls (《醫療器械召回管理辦法》), which was promulgated on January 25, 2017 and came into effect on May 1, 2017, in terms of the severity of the case, medical device recalls are divided into three classes, namely: (i) Class I recall, where the circumstances leading to the recall may cause or have caused serious harm to health; (ii) Class II recall, where the circumstances leading to the recall may cause or have already caused temporary or reversible harm to health; or (iii) Class III recall, where the circumstances leading to the recall are not likely to cause any harm but a recall is necessary.

Medical device manufacturers shall determine the recall class based on the situation and properly design and implement the recall plan based on the recall class and the sale and use of the medical devices. In terms of Class I recall, the recall notice shall be published on the website of the NMPA and major media. In terms of Class II and Class III recalls, the recall notice shall be published on the website of the provincial level of food and drug administrative authority.

**National Medical Insurance Program**

The national medical insurance program was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program (《關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on December 14, 1998, under which all employers in urban cities are required to enroll their employees in the Urban Employee Basic Medical Insurance Program and the insurance premium is jointly contributed by the employers and employees. Pursuant to the Opinions on the Establishment of the New Rural Cooperative Medical System (《關於建立新型農村合作醫療制度意見的通知》) forwarded by the General Office of the State Council on January 16, 2003, China launched the New Rural Cooperative Medical System to provide medical insurance for rural residents in selected areas which has spread to the whole nation thereafter. The State Council promulgated the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) on July 10, 2007, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. In 2015, the PRC government announced the Outline for the Planning of the National Medical and Health Service System (2015-2020) (《全國醫療衛生服務體系規劃綱要(2015-2020年)》) which aims to establish a basic medical and health care system that covers both rural and urban citizens by 2020.

On January 3, 2016, the State Council issued the Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》) to integrate the Urban Resident Basic Medical Insurance and the New Rural Cooperative Medical System and the establishment of a unified Basic Medical Insurance for Urban and Rural Residents, which will cover all urban and rural non-working residents except for rural migrant workers and persons in flexible employment arrangements who participate in the basic medical insurance for urban employees.

The General Office of the State Council further released the Guidance On Further Deepening the Reform of the Payment Method of Basic Medical Insurance (《關於進一步深化基本醫療保險支付方式改革的指導意見》) in June 2017. The main objectives are to implement a diversified reimbursement mechanism including diagnosis related groups, per-capita caps, and per-bed-day caps. Local administration of healthcare security will introduce a total budget control for their jurisdictions and decide the amount of reimbursement to public hospitals based on hospitals' performance and the spending targets of individual basic medical insurance funds.

With regard to reimbursement for medical devices and diagnostic tests, the Notice of Opinion on the Diagnosis and Treatment Management, Scope and Payment Standards of Medical Service Facilities Covered by the National Urban Employees Basic Medical Insurance Scheme (《關於印發〈城鎮職工基本醫療保險診療項目管理、醫療服務設施範圍和支付標準意見〉的通知》), which was issued on June 30, 1999 and became effective on the same day, prescribes the coverage of diagnostic and treatment devices and diagnostic tests where part of the fees are paid through the basic medical insurance scheme. It also includes a negative list that precludes certain devices and medical services from governmental reimbursement. Detailed reimbursement coverage and rate for medical devices and medical services (including diagnostic tests and kits) are subject to each province's local policies.

**Regulations Relating To Importation And Exportation Of Goods**

According to the Customs Law of the PRC (《中華人民共和國海關法》) which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on January 22, 1987 and became effective on July 1, 1987, and latest amended and came into force on April 29, 2021, the import of goods throughout the period from the time of arrival in the territory of China to the time of customs clearance, the export of goods throughout the period from the time of declaration to the customs to the time of departure from the territory of China, and the transit, transshipment and through-shipment goods throughout the period from the time of arrival in the territory of China to the time of departure from the territory of China shall be subject to customs control.

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) which was promulgated by the SCNPC on May 12, 1994 and became effective on July 1, 1994, and latest amended and came into force on November 7, 2016, any foreign trade business operator that is engaged in the import and export of goods or technology shall be registered for archival purposes with the administrative authority of foreign trade of the State Council or the institution entrusted thereby, unless it is otherwise provided for by any law, administrative regulation or the foreign trade department of the State Council. Where any foreign trade business operator that fails to file for archival registration according to relevant provisions, the customs may not handle the procedures of customs declarations and release of the import or export goods.

According to the Administrative Provisions on the Filling of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》), promulgated by the General Administration of Customs of the PRC on November 19, 2021 and came into effect on January 1, 2022. Consignors or consignees of imported or exported goods or customs declaration enterprises that apply for filing shall obtain market entity qualifications. Also, consignors or consignees of imported or exported goods that apply for filing shall also complete the record-filing formalities for foreign trade business operators.

Pursuant to the Regulations on the Administration of Export Sales Certificates of Medical Devices (《醫療器械產品出口銷售證明管理規定》) promulgated by the NMPA on June 1, 2015 and coming into effect on September 1, 2015, if the registration certificate for a medical device and production permit for a medical device has been obtained in China, or the medical device registration and production recordation have been completed, the food and drug supervision and administration department may issue a Medical Device Product Export Sales Certificate (醫療器械產品出口銷售證明) to the relevant manufacturing enterprise. The validity term of the Medical Device Product Export Sales Certificate should not exceed the earliest deadline for the various documents submitted by the enterprise in the application materials, and the maximum validity term shall also not exceed two years.

**Production Safety and Liability**

***Production Safety Law of the PRC***

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) amended on June 10, 2021 and coming into effect on September 1, 2021, an enterprise shall (i) provide production safety conditions as stipulated in this law and other relevant laws, administrative regulations, national and industry standards, (ii) establish a comprehensive production safety accountability system and production safety rules, and (iii) develop production safety standards to ensure production safety. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

The person-in-charge of an enterprise shall be fully responsible for the safety of production of the enterprise. An enterprise having more than 100 employees shall establish a department or engage in personnel managing production safety specifically. Personnel who is responsible for managing production safety shall inspect the safety of production regularly based on the characteristics of production of the enterprise and shall deal with any safety issue identified during the inspection in a timely manner. Any unsolved issue shall be reported to the person-in-charge in a timely manner and the person-in-charge shall solve such issue immediately. The inspection and measures taken shall be duly recorded. Enterprises and institutions shall provide their employees with training on production safety and shall truthfully inform their employees of any potential risks in relation to the workplace and duties, preventive measures and emergency measures. In addition, an enterprise shall provide its employees with protective equipment that meets the national or industry standards and supervise and train them to use such equipment.

***Product Quality Law of the PRC***

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) was promulgated by the SCNPC on February 22, 1993, and amended and came into effect on December 29, 2018, producers and sellers shall have their own proper regulations for the management of product quality, rigorously implementing post-oriented quality regulations, quality liabilities and relevant measures for their assessment. Producers and sellers are responsible for the product quality according to the provisions of the laws.

The product quality supervision and administration departments of the State Council are responsible for the supervision and administration of the quality of products of the whole country. All relevant departments of the State Council shall be responsible for the supervision of product quality within their own functions and duties.

Quality of products shall pass standard examinations and it is not allowed to pass off sub-standard products as standard ones. Industrial products which may be hazardous to the health of the people and the safety of lives and property shall conform to the State and trade standards for ensuring the health of the people and safety of lives and property. In absence of such State or trade standards, the products shall conform to the minimum requirements for ensuring the health of the people and the safety of lives and property. It shall be prohibited to produce or sell industrial products that do not meet the requirements and demands for physical health and safety of body and property. Producers or sellers shall be responsible for any compensation arising from their unlawful acts such as production or sales of defective, eliminated or ineffective products, faking the place of origin or quality marks, mixing or adulterating products or passing off imitations as genuine, substandard products as quality ones or non-conforming products as conforming. Proceeds from the sales may be confiscated, the business license may be revoked, and penalties may be imposed. If the case is serious, criminal responsibilities shall be investigated. Producers or sellers shall be liable for any damage to any person or property due to the defects of products resulting from the default of the producers or sellers.

***Tort Law of the PRC***

Pursuant to the Tort Law of the PRC (《中華人民共和國侵權責任法》) promulgated on December 26, 2009 and coming into effect on July 1, 2010, in the event of product defects which have caused others to suffer damages, the manufacturer shall bear tort liability. In the event of product defects as a result of the seller's negligence which has caused others to suffer damages, the seller shall bear tort liability. Where the seller is unable to specify the manufacturer and the distributor of the defective products, the seller shall bear tort liability. In case of damages caused by product defects, the infringed party may seek compensation from the manufacturer of the products or the seller of the products. Where the product defects are caused by the manufacturer, the seller shall have the right to seek recourse against the manufacturer after the seller has made compensation. In the event of product defects as a result of the seller's negligence, the manufacturer shall have the right to seek recourse against the seller after the manufacturer has made compensation. On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) was adopted by the third session of the 13th NPC, which came into effect on January 1, 2021 and simultaneously replaced the current effective Tort Law of the PRC. The Civil Code of the PRC does not make material changes on the substance of the aforementioned provisions of the Tort Law of the PRC.

**Regulations Relating to Environmental Protection**

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated on December 26, 1989 and became effective on the same day, latest amended on April 24, 2014 and became effective on January 1, 2015, the waste discharge licensing system has been implemented in the PRC and entities that discharge wastes shall obtain a Waste Discharge License (排污許可證). Furthermore, facilities for the prevention and control of pollution at a construction project shall be designed, constructed and put into operation simultaneously with the major construction works of the construction project.

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated on October 28, 2002, became effective on September 1, 2003 and latest amended on December 29, 2018, the State implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction unit shall prepare an environmental impact report or an environmental impact form or complete an environmental impact registration form (the "**Environmental Impact Assessment Documents**") for reporting and filing purposes. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction unit is prohibited from commencing construction works.

Pursuant to Interim Measures on Administration of Environmental Protection for Acceptance Examination Upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) which was promulgated on November 20, 2017 and came into effect on the same day, the construction unit is the responsible party for the acceptance of the environmental protection facilities for the completion of the construction project, and shall, in accordance with the procedures and standards stipulated in relevant regulations, organize the acceptance of the environmental protection facilities, prepare the acceptance report, disclose the relevant information, accept social supervision, ensure that the environmental protection facilities to be constructed for the construction project are put into operation or used at the same time as the main project, and be responsible for the content, conclusion and public information of the acceptance. The construction unit shall be responsible for the truthfulness, accuracy and completeness of the acceptance content, conclusions and information disclosed, and shall not falsify the acceptance process. The major construction works of the construction project cannot be put into operation until the supporting facilities for environmental protection pass the inspection.

Pursuant to Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) which was promulgated on October 30, 1995 and latest amended on April 29, 2020 and came into effect on September 1, 2020, the construction of projects which discharge solid waste and the construction of projects for storage, use and treatment of solid waste shall be carried out upon the appraisal regarding their effects on the environment and comply with the relevant state regulations concerning the management of environmental protection in respect of construction projects. The necessary supporting facilities for the prevention and control of environmental pollution caused by solid wastes as specified in the environmental impact assessment documents of the construction project shall be designed, constructed and put into operation simultaneously with the major construction works of the construction project.

Pursuant to the Law of the PRC on Prevention and Treatment of Water Pollution (《中華人民共和國水污染防治法》) which was promulgated on May 11, 1984, latest amended on June 27, 2017, and came into effect on January 1, 2018, the environmental impact assessment shall be conducted on new construction, reconstruction and construction expansion projects or other installations on water which directly or indirectly discharge pollutants into the water according to law. The water pollution prevention and treatment facilities of a construction project must be designed constructed and put into operation simultaneously with the major construction works of the construction project. The water pollution prevention and treatment facilities shall comply with the requirements of approved or filed environmental impact assessment documents.

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

**Regulations on Foreign Investment**

***Regulations on Foreign Investment***

Investment activities in the PRC by foreign investors were principally governed by the Special Administrative Measures (Negative List) for Access of Foreign Investment (2021 version) (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the 2021 Negative List, and the Catalogue of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄(2020年版)》), or the Encouraging List. The Negative List, which came into effect on January 1, 2022, sets out special administrative measures (restricted or prohibited) in respect of the access of foreign investments in a centralized manner, and the Encouraging List which came into effect on January 27, 2021, sets out the encouraged industries for foreign investment.

***Foreign-Invested Enterprises***

On December 29, 1993, the SCNPC issued the PRC Company Law (《中華人民共和國公司法》), or the Company Law, which was lasted amended on October 26, 2018. The Company Law regulates the establishment, operation and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares. According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) promulgated by the SCNPC on March 15, 2019 and came into effect on January 1, 2020, the state shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, and shall give national treatment to foreign investment beyond the negative list. Simultaneously, Sino-foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》), the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法》) and Sino-foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) have been repealed since January 1, 2020.

On December 26, 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020. After the Regulations on Implementing the Foreign Investment Law of the PRC came into effect, the Regulations on Implementing the Sino-Foreign Equity Joint Venture of the PRC (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture of the PRC (《中華人民共和國中外合作經營企業法實施細則》) have been repealed simultaneously.

On December 30, 2019, the Ministry of Commerce of the PRC (the "**MOFCOM**") and the SAMR issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and replaced the Interim Measures for the Recordation Administration of the Incorporation and Change of Foreign-Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), for carrying out investment activities directly or indirectly in PRC, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

***Regulations on Overseas Investment***

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) which was issued by the MOFCOM on September 6, 2014 and became effective on October 6, 2014, the MOFCOM and the commerce departments at provincial levels shall subject the overseas investment of enterprises to recordation or confirmation management, depending on the actual circumstances of investment. Overseas investment involving any sensitive country or region, or any sensitive industry shall be subject to confirmation management. Overseas investment under other circumstances shall be subject to recordation management.

Pursuant to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》) which was issued by the NDRC on December 26, 2017 and became effective on March 1, 2018, an enterprise in the territory of the PRC (the "**Investor**") shall, in overseas investment, undergo the formalities for the confirmation or recordation, among others, of an overseas investment project (the "**Project**"), report the relevant information, and cooperate in supervisory inspection. Sensitive projects conducted by investors directly or through overseas enterprises controlled by them shall be subject to approval management. Non-sensitive Projects directly conducted by Investors, namely, non-sensitive Projects involving Investors' direct contribution of assets or rights and interests or provision of financing or security, shall be subject to recordation management. The aforementioned sensitive Project means a Project involving a sensitive country or region or a sensitive industry. The NDRC promulgated the Catalogue of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018年版)》), effective on March 1, 2018, to list the sensitive industries in detail.

**Laws and Regulations Related to Overseas Listing**

On December 24, 2021, the CSRC released the Administrative Provisions of the State Council on the Overseas Offering and Listing of Securities by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)) and the Administrative Measures for the Overseas Offering and Listing of Securities Record-filings by Domestic Companies (Draft for Comments) (境內企業境外發行證券和上市備案管理辦法(徵求意見稿)) (collectively the "**Draft Regulations on Listing**") for public comments. Pursuant to the Draft Regulations on Listing, PRC domestic companies (including (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests) that directly or indirectly offer or list their securities in an overseas market are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. Overseas offerings and listings (i) that are prohibited by specific laws and regulations, (ii) that constitute threat to or endanger national security as reviewed and determined by competent authorities, (iii) that involve material ownership disputes, (iv) where the PRC domestic companies, their controlling shareholder or actual controller are convicted of investigated for certain criminal offences, or directors, supervisors and senior management of the issuer involved in certain criminal offences or severe administrative penalties (together the "**Forbidden Circumstances**"), among other circumstances, are explicitly forbidden.

To our best knowledge, none of the Forbidden Circumstances applies to us, and our PRC Legal Adviser also confirms to us that as of the date of this document, there are no specific clauses or relevant provisions in PRC laws and regulations that explicitly prohibited us from [**REDACTED**] overseas. In addition, based on the results of public searches conducted by our PRC Legal Adviser against our PRC-incorporated subsidiaries, Gao Tieta (our Controlling Shareholder and Chairman), as well as our other directors and senior management, there is no evidence revealing any of them having been convicted of any criminal offences or severe administrative penalties that would prohibit us from conducting overseas [**REDACTED**] and [**REDACTED**] under the Draft Regulations on Listing, nor did any of our PRC-incorporated subsidiaries are involved in material ownership disputes. Moreover, as of the date of this document, we have not received any notifications from the competent authority that our [**REDACTED**] and [**REDACTED**] threatens or endangers national security. Based on the foregoing, our PRC Legal Adviser does not find that we fall within the Forbidden Circumstances as provided under the Draft Regulations on Listing. Therefore, if the Draft Regulations on Listing become effective in their current form before the proposed [**REDACTED**] is completed, subject to the specific filing procedures expected to be detailed in implementation rules subsequently, the Draft Regulations on Listing can be complied with, as our Directors do not foresee and our PRC Legal Adviser is not aware of any legal impediment for us to comply with the Draft Regulations on Listing in any material aspects.

**Regulations on Data Security**

On December 28, 2021, thirteen government departments including the Cyberspace Administration of China (國家互聯網信息辦公室, the "**CAC**") jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》) which will be effective on February 15, 2022. The Cybersecurity Review Measures provide that, to ensure the security of the supply chain of critical information infrastructure, security of network and data and safeguard national security, a

cybersecurity review is required when national security has been or may be affected where critical information infrastructure operators (關鍵信息基礎設施運營者) purchase network product or service and network platform operators (網絡平台運營者) process data. When a network platform operator in possession of personal information of over one million users apply for a listing overseas (國外), it must apply to CAC for a cybersecurity review. We believe that the said cybersecurity review is not applicable to us, primarily because we are not critical information infrastructure operators and we are seeking to [**REDACTED**] on the Main Board of the Stock Exchange instead of [**REDACTED**] in foreign countries.

On November 14, 2021, the CAC released the Network Data Security Management Regulations (Draft for Comment) (the "**Draft Data Security Regulations**") (《網絡數據安全管理條例(徵求意見稿)》), data processors seeking a public listing in Hong Kong that influence or may influence national security must apply to the CAC for a cybersecurity review. However, the Draft Regulations provides no further explanation or interpretation of "influence or may influence national security". As advised by our PRC Legal Adviser, according to the National Security Law (國家安全法), national security refers to the condition in which the state power, sovereignty, unity and territorial integrity, people's welfare, sustainable economic and social development and other vital interests of the State shall relatively face no danger or encounter no internal and external threats, as well as the capability to safeguard sustainable safety condition. The specific scope of what situations would be considered "influence or may influence national security" will be subject to the identification and interpretation of the PRC government authorities. At present, the Draft Data Security Regulations had been released for consultation purposes, as such, there still remain uncertainties as to its final content, anticipated adoption or effective date, final interpretation and implementation, and other aspects.

Based on the literal interpretation of the Draft Data Security Regulations, our PRC Legal Adviser is of the view that, given that (i) our customers are corporate customers and we do not access any data owned or held by our customers before or during the sale of products; (ii) for after-sale technical services, we resolve technical issues of the medical devices, and not in any way participating or assisting the corporate customers with data processing activities; (iii) we do not purchase in any other way any personal information, or carry out any other form of cooperation in respect of exchange, cleaning and processing of personal information, and neither do we process any important data based on the definition under the Draft Data Security Regulations, our business operations do not have a bearing on national security and would not likely to render the vital interests of the State with danger or encounter internal or external threats and hence, if the Draft Data Security Regulations are implemented in the current form, it may be unlikely that we would be required to undergo a cybersecurity review for the proposed [**REDACTED**].

Given the proposed [**REDACTED**] is [**REDACTED**] in Hong Kong and considering the nature of our business, our PRC Legal Adviser is of the view that the Company was not required to notify the CAC of the proposed [**REDACTED**] under PRC laws as of the Latest Practicable Date. As of the date of this Document, we had not been notified by any authorities of being classified as a data processor carrying out data processing activities that influence or may influence national security, neither had we been subject to any cybersecurity review, enquiry, investigation or notice by the CAC or any other authorities in connection with the proposed [**REDACTED**]. Based on the foregoing as well as the confirmation of our PRC Legal Adviser, our Directors currently do not expect the Cybersecurity Review Measures and the Draft Data Security Regulation will have a material adverse impact on our business, results of operations, or the proposed [**REDACTED**].

Our Directors believe that we are compliant with the regulations and policies in effect issued by the CAC to date. Nevertheless, there remain uncertainties with respect to any future development of the relevant regulatory regime. There can be no assurance that the relevant authorities will not take a view that is contrary to or otherwise different from that of our Directors and our PRC Legal Adviser above, and it is also possible that the PRC government authorities may require us to apply for the cybersecurity review for other reasons. We will continue to closely monitor the rule-making process and will assess and determine whether we are required to apply for the cybersecurity review when and once the Draft Data Security Regulation is formally promulgated.

**Regulations on Employment and Social Security**

***Regulations on Employment***

The major PRC laws and regulations that govern employment relationship are the Labor Law of the PRC (《中華人民共和國勞動法》), or the Labor Law (issued by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and latest revised on December 29, 2018), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) or the Labor Contract Law (promulgated by the SCNPC on June 29, 2007 and became effective on January 1, 2008, and then amended on December 28, 2012 and became effective on July 1, 2013) and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), or the Implementation Rules of the Labor Contract Law (issued by the State Council on September 18, 2008 and came into effect on the same day). According to the aforementioned laws and regulations, labor relationships between employers and employees must be executed in written form. The laws and regulations above impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations, employers shall ensure their employees have the right to rest and the right to receive wages no lower than the local minimum wages. Employers must establish a system for labor safety and sanitation that strictly abides by state standards and provide relevant education to its employees. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

***Regulations on Social Insurance***

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was issued by the SCNPC on October 28, 2010 and revised on December 29, 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance, medical insurance and other welfare plans. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its formation. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to make correction within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and its directly liable person will be fined. Meanwhile, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) prescribes the details concerning the social insurance.

Apart from the general provisions about social insurance, specific provisions on various types of insurance are set out in the Regulation on Work-Related Injury Insurance (《工傷保險條例》) which was issued by the State Council on April 27, 2003, came into effect on January 1, 2004 and revised on December 20, 2010, the Regulations on Unemployment Insurance (《失業保險條例》) which was issued by the State Council on January 22, 1999 and came into effect on the same day, the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), which was issued by the Ministry of Labor on December 14, 1994 and came into effect on January 1, 1995. Enterprises subject to these regulations shall provide their employees with the corresponding insurance.

***Regulations on Housing Provident Fund***

According to the Regulation Concerning the Administration of Housing Provident Fund (《住房公積金管理條例》), which was implemented on April 3, 1999 and latest amended on March 24, 2019, any newly established entity shall make deposit registration at the housing accumulation fund management center within 30 days as of its establishment. After that, the entity shall open a housing accumulation fund account for its employees in an entrusted bank. Within 30 days as of the date an employee is recruited, the entity shall make deposit registration at the housing accumulation fund management center and seal up the employee's housing accumulation fund account in the bank mentioned above within 30 days from termination of the employment relationship.

Any entity that fails to make deposit registration of the housing accumulation fund or fails to open a housing accumulation fund account for its employees shall be ordered to complete the relevant procedures within a prescribed time limit. Any entity failing to complete the relevant procedure within the time limit will be fined RMB10,000 to RMB50,000. Any entity that fails to make payment of housing provident fund within the time limit or has a shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court.

**Regulations on Intellectual Property**

***Regulations on Trademarks***

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and latest amended on April 23, 2019 and came into effect on November 1, 2019, the Implementation Regulations of the Trademark Law of PRC (《中華人民共和國商標法實施條例》) which was issued on August 3, 2002 and amended on April 29, 2014, the Trademark Office under the State Administration for Industry and Commerce of the PRC (the "**Trademark Office**") shall handle trademark registrations and grant a term of ten years to registered trademarks, which may be renewed for additional ten year period upon request from the trademark owner. The Trademark Law of the PRC has adopted a "first-to-file" principle with respect to trademark registration. Where an application for trademark for which application for registration has been made is identical or similar to another trademark which has already been registered or is under preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right of others,

nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use. A trademark registrant may, by entering into a trademark licensing contract, license another party to use its registered trademark. Where another party is licensed to use a registered trademark, the licenser shall report the license to the Trademark Office for recordation, and the Trademark Office shall publish it. An unrecorded license may not be used as a defense against a third party in good faith.

***Regulations on Patents***

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on March 12, 1984 and latest amended on October 17, 2020 which became effective on June 1, 2021 and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the China Patent Bureau Council on January 19, 1985, and last amended on January 9, 2010 and effective from February 1, 2010, there are three types of patents in the PRC invention patents, utility model patents and design patents. The protection period of a patent right for invention patents shall be 20 years, the protection period of a patent right for utility model patents shall be 10 years, and the protection period of design patent right is 15 years, both commencing from the filing date.

On October 17, 2020, the SCNPC issued the Patent Law of the PRC (Revised in 2020) (《中華人民共和國專利法(2020年修正)》) (the "**2020 Patent Law**"), which came into effect on June 1, 2021. Compared with the Patent Law of the PRC (Revised in 2008), changes in the 2020 Patent Law mainly include: (i) clarifying the incentive mechanism for inventor or designer relating to service inventions; (ii) extending the duration of design patent; (iii) establishing a new system of "open licensing" (開放許可); (iv) strengthening the joint liability of internet service providers for network patent infringement; (v) improving the distribution of the burden of proof in patent infringement cases; (vi) increasing the compensation for patent infringement; and (vii) patent term adjustment to compensate delays of the NIPA in the review of patent applications.

Pursuant to the Measures for the Filling of Patent Licensing Contracts (《專利實施許可合同備案辦法》) promulgated by the State Intellectual Property Office on June 27, 2011 and became effective on August 1, 2011, the State Intellectual Property Office shall be responsible for recordation of patent licensing contracts nationwide and the parties concerned shall complete recordation formalities within three months from the effective date of a patent licensing contract.

***Regulations on Domain Names***

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology (the "**MIIT**") on August 24, 2017 and became effective on November 1, 2017, the MIIT is responsible for supervision and administration of domain name services in the PRC. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of "first apply, first register." A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

**Regulations Relating to Foreign Exchange and Overseas Investment**

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and latest amended on August 5, 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On November 19, 2012, the State Administration of Foreign Exchange ( the "**SAFE**") issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), (the "**SAFE Circular 59**"), which came into effect on December 17, 2012 and latest amended on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, as well multiple capital accounts for the same entity may be opened in different provinces. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment(《關於進一步簡化和改進直接投資外匯管理政策的通知》) on February 13, 2015, which was partially abolished on December 30, 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

On May 10, 2013, the SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) (the "**SAFE Circular 21**"), which became effective on May 13, 2013 and latest amended on December 30, 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the Notice on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, the domestic companies shall register the overseas listing with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the **"SAFE Circular 19**") promulgated on March 30, 2015, coming effective on June 1, 2015 and partially abolished on December 30, 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been on-lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On June 9, 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**"), which came into effect on the same day. The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt [**REDACTED**] and remitted foreign [**REDACTED**], and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there remain substantial uncertainties with respect to SAFE Circular 16's interpretation and implementation in practice.

On October 23, 2019, SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on January 1, 2020). The notice canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas [**REDACTED**] revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

## Regulations Relating to Taxation

### *Enterprise Income Tax ("EIT")*

Pursuant to the Enterprise Income Tax Law (《中華人民共和國企業所得税法》) amended by the SCNPC and coming into effect on December 29, 2018 and the Implementation Rules of the EIT Law (《中華人民共和國企業所得税法實施條例》) amended by the State Council and coming into effect on April 23, 2019, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign countries (regions) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or

encouraged by the State. High and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%.

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**") on August 21, 2006 and came into effect on December 8, 2006. According to the Arrangement, if a Hong Kong resident company owns at least 25% equity interests in a PRC company and is the beneficial owner of the dividends paid by the PRC company, the PRC withholding tax on the dividends shall not exceed 5% of the gross amount of the dividends.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81) which was promulgated by the State Administration of Taxation (the "**SAT**") and became effective on February 20, 2009, all of the following requirements shall be satisfied before a fiscal resident of the other party to a tax agreement can be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the twelve months prior to receipt of the dividends, reach a percentage specified in the tax agreement.

According to the Announcement on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the SAT Public Notice [2015] No. 7) which was promulgated by the SAT on February 3, 2015 and came into effect on the same day), where a non-resident enterprise indirectly transfers equities and other assets of a PRC resident enterprise to avoid the EIT payment obligation by making an arrangement with no reasonable business purpose, such indirect transfer shall be redefined and recognized as a direct transfer in accordance with the provisions of the EIT Law. Where the EIT on the income from the indirect transfer of real estate or equities shall be paid in accordance with the provisions of this Announcement, the entity or individual that directly assumes the obligation to make relevant payments to the transfer or according to the provisions of the relevant laws or as agreed upon in the contract shall be the withholding agent.

***Value-Added Tax***

The major PRC law and regulation governing value-added tax are the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (issued on December 13, 1993 by the State Council, came into effect on January 1, 1994, and latest amended on November 19, 2017), as well as the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) (issued on December 25, 1993 by the MOF, came into effect on the same day and latest amended on October 28, 2011), any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in

accordance with the law and regulation. The rate of Value-added tax (the "**VAT**") for sale of goods is 17% unless otherwise specified, such as the rate of VAT for sale of transportation is 11%. With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and the SAT issued the Notice of on Adjusting VAT Rates (《關於調整增值税税率的通知》) on April 4, 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, this adjustment became effect on May 1, 2018. Subsequently, the MOF, the SAT and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值税改革有關政策的公告》) on March 20, 2019 to make a further adjustment, which came into effect on April 1, 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

## LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE EU

### Regulation of Medical Devices

Under European medical devices law, medical devices are assigned to regulatory classes based on their intended purpose and inherent risk which determine the level of control deemed necessary to assure their safety and effectiveness. Medical devices are classified as: class I (low risk), class IIa or IIb (medium risk), or class III (high risk).

The regulatory framework concerning the commercialization of medical devices is harmonized by EU Regulation 2017/745 (Medical Devices Regulation, "**MDR**") as well as local implementing or supplementary laws in the countries in which the MDR applies (the "Union," which currently comprises of the EU member states, EEA member states that are not EU member states and Turkey). Non-Union countries in Europe, such as the UK and Switzerland, apply their own national medical devices legislation, which may be more or less convergent with the MDR.

Certain medical devices CE marked before May 26, 2021 may also continue to comply with the essential requirements set out in Annex I of EC Directive 93/42/EEC (Medical Devices Directive, "**MDD**") under the transitional regime provided under article 120 MDR. However, also for these products important elements of the MDR apply already. The MDR applies directly in all EU Member States with the intention to provide more legal certainty for market stakeholders as compared to EU Member States having to transpose EU Directives into national law.

This regulatory framework aims at protecting the health and safety of patients and users of medical devices and govern, among other things, the following product-related activities in which medical device manufacturers, their contract manufacturers and suppliers, as well as their importers and distributors, are involved, in particular development, manufacturing, labelling, safety, market access, advertising and promotion, import and export, sales and distribution.

In order to commercialize medical devices, medical devices are required to comply with the general safety and performance requirements and quality system requirements of the applicable regulatory framework. Compliance with its requirements entitles medical device providers to affix the CE conformity marking to their medical devices, without which the products cannot be commercialized in the Union. The European Standard setting bodies, mainly the European Committee for Standardization (CEN/CENELEC), have adopted numerous harmonized standards covering a wide range of essential requirements and general safety and performance requirements

for medical devices and accessories. Compliance with the relevant harmonized standards applicable to a given essential or general safety and performance requirement for a medical device or accessory provides presumption of conformity with the requirements concerned. The Medical Devices Coordination Group ("**MDCG**") has adopted various guidelines, consensus statements and interpretative documents aimed at ensuring the uniform application of the provisions of the applicable regulatory framework under the MDR. MEDDEV guidelines issued under the MDD may still be relevant for devices covered by the essential requirements of the MDD as provided in the transitional regime set out in article 120 (3) MDR.

In order to demonstrate compliance with the essential or general and safety performance requirements and obtain the right to affix the CE conformity marking to a device, medical device manufacturers must perform a so-called conformity assessment procedure, which varies according to the category of medical device and its classification. Except for low-risk medical devices in class I, where the manufacturer can normally issue an EC Declaration of Conformity based on a self-assessment of the conformity of its products with the essential or general safety and performance requirements of the applicable regulatory framework, a conformity assessment procedure requires the intervention of an independent and neutral institution accredited by a Member State of the Union (a "**Notified Body**") to conduct the conformity assessment. For higher risk classes than class I and in certain other specific cases (e.g. sterile devices or devices with a measuring function) a Notified Body will evaluate the conformity assessment application and follow an evaluation procedure depending on the classification of the product, after which it confirms separately if the device and quality system are sufficiently supported in the application to complete the conformity assessment. If the conformity assessment by the notified body completes a CE Certificate is issued as a prerequisite for the manufacturer to draft and issue an EU Declaration of Conformity for the respective product which allows the manufacturer to affix the CE marking to the products in scope of the CE certificate.

The lawful affixing of the CE marking authorizes the manufacturer to commercialize its products anywhere within the Union and in certain non-Union countries that recognize the CE mark. Additional national requirements of the respective Member States, such as language requirements for the instructions for use, may also apply.

Failure to comply with the applicable laws and regulations could result in, among other things, delays in obtaining market access, competent authority enforcement, product recalls, product seizures, interruptions of production, operating restrictions, suspension or withdrawal of product market access, injunctions, and civil or criminal sanctions.

Since May 26, 2021, the MDR sets the applicable regulatory framework for medical devices in the Union. Devices with a valid CE certificate under the MDD may still be placed on the market in the Union under certain conditions until the latest of either the date on which the CE certificate for the device expires or until May 26, 2024. Latest by May 26, 2024, all medical devices must have obtained CE-certification under the MDR.

The MDR, compared to the MDD, stipulates additional requirements, including e.g.:

- Renewed conformity assessment of products by the manufacturer regarding their intended purpose and risk class, leading for certain product types to up-classification and, consequently, increased involvement of Notified Bodies and higher regulatory standards to be met.

- Extension of retention period to ten year (or fifteen years in case of implantable devices) for related documents.

- Technical Documentation to contain more detailed information, supporting clinical data and requirements to provide information in the languages of the EU Member States targeted for sales will be widened.

- Additional regulatory responsibilities will be extended to importers, distributors, authorised representatives and persons responsible for regulatory compliance.

- A database (Eudamed) for product registrations, the Unique Device Identification (UDI), and for the identification of certain economic operators with regulatory responsibilities will be established.

- Content on labelling artifacts and promotional materials needs to be reviewed under partially new and more precise rules, *e.g.*, regarding specifics to be set out in Instructions for Use (IFU).

- The rules for systems and procedure packs have been amended with additional requirements, e.g. registration of the party that produces them and UDI for systems and procedure packs.

- Post Market Surveillance Plans and Post Market Clinical Follow-Up (as part of the products' technical documentation and to be implemented in quality system processes) need to be established for the entire life cycle of a product in order to actively collect post-market data from the supply chain, users and patients about the device's performance and safety.

- In addition, Post Market Surveillance Reports and Periodic Safety Update Reports are to be implemented. A maximum 15 day reporting timeline for serious incidents (formerly 30 days) needs to be followed, but depending on the risk associated with the serious incident timelines may be as short as two days.

- Broadened requirements on clinical evaluation.

Finally, the European guidelines for the interpretation of the MDR (MDCG Guidelines), which have been adopted by the MDCG are of high practical relevance.

To safeguard continued access to the Union market and other markets that depend on CE marking compliance needs be established with the MDR.

The applicable regulatory framework requires that confirmation of conformity with relevant MDR general safety and performance requirements under the normal conditions of the intended use of the device shall be provided by means of clinical evaluation ("**Clinical Evaluation**"), an evaluation procedure based on clinical data providing sufficient clinical evidence, unless, in exceptional cases with adequate justification reason, other data are sufficient.

**Regulations on Advertising, Promotion and Healthcare Compliance**

Apart from new specific advertising and promotion requirements in the MDR the advertising and promotion of medical devices is subject to additional horizontal EU Directives concerning misleading and comparative advertising and unfair commercial practices, as well as local Member State legislation or self-regulatory rules governing the advertising and promotion of medical devices. These laws may limit or restrict the advertising and promotion of medical devices to professional users as well as to the general public. In addition, local rules may impose limitations on medical device manufacturers' interaction with healthcare professionals ("**HCPs**"), e.g. as regards consultancy fees paid to HCPs, and may require the manufacturer to make local submissions of monetary interactions or other transfers of value to HCPs to local transparency registers.

**Reimbursement**

The rules for reimbursement of medical devices by health insurance schemes are not harmonized within the Union but vary greatly from Member State to Member State.

**Regulations on data protection**

German and/or (other) European companies are subject to the General Data Protection Regulation (EU) 2016/679 (GDPR), which is promulgated by the European Union. The GDPR prescribes a risk-based approach to the processing of personal data, i.e. that entities need to establish appropriate risk management practices in order to be able to document and demonstrate compliance, for instance, by conducting regular and ad-hoc risk assessments in various contexts related to the processing of personal data, or risk mitigation.

In addition to the GDPR, the Federal Data Protection Act (Bundesdatenschutzgesetz, BDSG) applies in Germany. Under the BDSG, companies in Germany with more than 20 employees regularly dealing with personal data have an obligation to formally appoint a data protection officer, which can be an employee or external service provider. The data protection officer is in charge of ensuring and monitoring data protection compliance and reports directly to the management of the entity.

The GDPR and BDSG require entities to process personal data in compliance with a set of general principles that are reflected in specific compliance requirements stipulated by them, for instance:

- Before processing personal data, an entity must ensure that the processing will comply with the general principles set out in the GDPR. These general principles are mainly related to the principle of lawfulness, transparency, purpose limitation, data minimization, accuracy, storage limitation, data security and accountability.

- Once the entity has assessed the specific intended processing activity, a legal basis for processing the personal data must be identified. The bases are stipulated in the GDPR and BDSG.

- The GDPR confers data subjects a number of rights with respect to the entity that is processing their personal data and, at the same time, imposes corresponding obligations on the entity. For example, the entity must be transparent about the processing of personal data and proactively give information to those persons whose personal data are intended to process. The data subjects also have a set of rights, such as the right to have their personal data deleted under certain circumstances, the right to have inaccurate data corrected and the right to access the personal data the entity processes about them.

- The GDPR requires an entity to maintain a record of its processing activities under its responsibility. This record must contain a list of information, such as the purposes of the processing, categories of personal data, categories of recipients etc.

- The GDPR also imposes a requirement to have data processing agreements with companies to whom processing of personal data is outsourced (the "**data processor**"). The purpose of the data processing agreement is to ensure that the data processor is contractually bound to implement appropriate technical and organizational measures that ensure compliance with the requirements in the GDPR and protect the rights of the data subjects.

- The GDPR imposes specific rules and requirements for the transfer of personal data to countries outside the European Union.

- The GDPR allows Member States to maintain or introduce further conditions, including limitations, with regard to the processing of genetic data, biometric data or data concerning health.

Non-compliance with the GDPR can result in fines of up to €20 million or 4% of the company's or group's total worldwide annual turnover, whichever is higher. Penalties such as imprisonment may also be imposed. Furthermore, an entity may be held liable for the damages suffered by the data subjects as a result of the non-compliant processing of personal data.

Complementing the GDPR and the BDSG, the (16) German Federal States have each adopted Health Data Protection Acts or Hospital Acts that foremost apply to hospitals (and which might have to be taken into account by a hospital's vendor), which may include specific definitions of patient data, specific regulations on the processing of patient data and the permissibility of outsourcing activities by hospitals.

**EU Product Liability Directive**

Companies may be subject to German or Dutch product liability law if the use of their medical products causes personal injury or property damage to patients, users or other persons after placement of the products on the market in Germany or in the Netherlands. For both of these EU Member States no-fault product liability is (partially) harmonized under EU Directive 85/374 on product liability ("**EU Product Liability Directive**"), while Member States remain able to maintain fault-based liability rules.

## LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN THE NETHERLANDS

### Regulation of Medical Devices

The Act on Medical Devices (*Wet Medische Hulpmiddelen*) and its implementing decrees and ordinances supplement the direct effect of the MDR for elements of market surveillance and policy choices allowed to Union Member States under the MDR, such as local language requirements, administrative fees and enforcement by Dutch authorities. This Act and ordinances apply to products still placed on the market under a valid MDD certificate under the MDR transitional regime as well as for products CE marked under the MDR. Thus, the applicable Dutch rules for medical devices, in addition to the Act on Medical Devices:

- Decree on Medical Devices (*Besluit Medische Hulpmiddelen*)
- Ordinance on Medical Devices (*Regeling Medische Hulpmiddelen*)

The Act on Medical Devices, the Decree on Medical Devices and the Ordinance on Medical Devices refer back to the MDR in many of their provisions.

### Fraud and Abuse

The Dutch Criminal Code (*Wetboek van Strafrecht*), applicable industry codes and the Act on Medical Devices prohibit both companies and healthcare professionals to engage in interactions promising, granting, receiving or offering any payment or other advantage to healthcare professionals in exchange for influence on the purchase decision, prescription or supply of medical devices. In addition, the Act on Medical Devices and the industry codes set limits to consultancy fees that may be paid to healthcare professionals.

The potential legal consequences of an infringement of these regulations are manifold: the person acting can be subject to criminal liability (imprisonment or fines), the agreement itself can be nullified and the companies or physicians may face administrative enforcement by the Healthcare Inspectorate or may be subject to a complaint at the self-regulatory Medical Devices Code Commission (*GMH Code Commissie*). Furthermore, the offering or receipt of payments or other incentives may be subject to criminal sanctions.

### Regulations on the Advertising and Promotion

In the Netherlands, the advertising and promotion of medical devices is regulated under article 7 MDR, the prohibition on misleading business-to-business advertising in the Civil Code (*Burgerlijk Wetboek*), the requirements for comparative advertising in the Civil Code and the prohibition on unfair business-to-consumer commercial practices, which include numerous prohibitions and restrictions. Inter alia, it prohibits misleading advertising of medical devices and imposes specific requirements to comparative advertising. The self-regulatory Netherlands Advertising Code (*Nederlandse Reclame Code*) and the Code for Advertising of Medical Devices to the Public (*Code Publieksreclame Medische Hulpmiddelen*) contain further restrictions for advertisements addressing the general public in advertisements for medical devices. Infringements of the Civil Code provisions on advertising may be enforced against as an unfair commercial practice constituting an administrative offense or may be subject to civil litigation by competitors

or consumer organizations; this may result in injunctive relief and public rectifications. Infringement of the self-regulatory Netherlands Advertising Code (*Nederlandse Reclame Code*) and the Code for Advertising of Medical Devices to the Public (*Code Publieksreclame Medische Hulpmiddelen*) may lead to complaints by consumers or competitors that can lead to recommendations by the self-regulatory body, which, in case not followed by the advertiser, may be communicated to the Healthcare Inspectorate that may enforce against the advertiser based on the Act on Medical Devices in case the advertisement constitutes an infringement of the Medical Devices Act, Decree on Medical Devices or Ordinance on Medical Devices.

**Reimbursement**

In the Netherlands, the conditions for reimbursement differ according to whether the patient is insured through the basic coverage ("*basispakket*") of statutory health insurance funds based on the Act on Medical Care Insurance (the "*Zorgverzekeringswet*") or is additionally privately insured. Medical devices used in intramural cure and care are covered in the reimbursement of medical treatment under the Zorgverzekeringswet. Assistive medical devices are reimbursed by municipalities under several other government acts, such as the Long Term Care Act ("*Wet langdurige zorg*") and the Act on Societal Support ("*Wet maatschappelijke ondersteuning*").

**Product Liability**

Under Dutch product liability law, the producer of defective goods may be liable for damages under the product liability regime in the Dutch Civil Code ("**DCC**") as well as under general tort law under the DCC.

***No fault liability***

Product liability is laid down in article 6:185 and following of the DCC. This implements the EU Product Liability Directive in Dutch law. It provides for pure strict liability for defective products, i.e. it does not require the producer to be at fault. The producer is liable for (i) construction errors that inevitably affect an entire series, (ii) manufacturing errors that occur during production only on individual pieces, and (iii) instructional errors that consist in inadequate instructions for use or insufficient warning of possible dangers of the product. A product is defective when it does not provide the safety which a person is entitled to expect, taking all circumstances into account, including (a) the presentation of the product; (b) the use to which it could reasonably be expected that the product would be put; and (c) the time when the product was put into circulation.

The injured party must prove the damage, the defect and the causal relationship between the defect and the damage. The producer's liability is reduced or eliminated having regard to all the circumstances if the damage was caused both by a defect in the product and by the fault of the injured party or a person for whom the injured party is responsible.

In the case of damage to property, the product liability under the DCC is only applicable if an object is damaged which is normally intended for private use or consumption and was mainly used for this purpose by the injured person.

***Liability in tort***

Instead of the product liability under the DCC or also in addition to it, the liability in tort according to DCC may be relevant. This is a fault-based liability. In contrast to product liability under the DCC, it covers not only product defects in the narrower sense, but also breaches of a general duty of care in relation to the product, provided that this breach is attributable to the producer.

## LAWS AND REGULATIONS RELATED TO OUR BUSINESS IN GERMANY

### Regulation of Medical Devices

The German Medical Devices Act (*Medizinproduktegesetz*) implements the MDD into German law for as long as the MDD framework is applicable (until expiry of MDR grace periods). Thus, for products still certified under the MDD, the prerequisites for the lawful commercialization of medical devices are primarily regulated by the German Medical Devices Act (and the ordinances passed thereunder (*Rechtsverordnungen*)), including but not limited to:

- Ordinance on Medical Devices (*Verordnung über Medizinprodukte*);
- Ordinance on the Provision of Medical Devices (*Verordnung zur Regelung der Abgabe von Medizinprodukten*);
- Ordinance on Clinical Trials with Medical Devices (Verordnung über klinische Prüfungen von Medizinprodukten);
- Ordinance on the Installation, Operation and Use of Medical Devices (*Verordnung über das Errichten, Betreiben und Anwenden von Medizinprodukten*);
- Ordinance on the Identifying, Analysing and Counteractive Measures (*Verordnung über die Erfassung, Bewertung, und Abwehr von Risiken bei Medizinprodukten*);
- Ordinance on the Database-Supported Information System of the German Institute for Medical Documentation and Information for Medical Devices (*Verordnung über das datenbankgestützte Informationssystem über Medizinprodukte des Deutschen Instituts für Medizinische Dokumentation und Information*); and
- Ordinance on the Fees linked to the Medical Devices Act and the Ordinances passed thereunder (*Gebührenverordnung zum Medizinproduktegesetz und den zu seiner Ausführung ergangenen Rechtsverordnungen*).

Both the German Medical Devices Act, and the ordinances, however, refer back to the MDD in many parts.

In addition, the MDR applies or will apply directly to medical devices once CE-certified under the MDR, as will the local German supplementary act for the MDR (*Medizinprodukterecht-Durchführungsgesetz — MPDG*).

**Fraud and Abuse**

The German Criminal Code, the German Fifth Social Security Code (the "**SGB V**"), applicable industry codes and the state rules for professional conduct of physicians prohibit promising, granting, receiving or offering any payment or other advantage for the recommendations of physicians as well as the prescription or supply of medical aids or devices. Any circumvention of the regulation is prohibited as well.

The potential legal consequences of an infringement of these regulations are manifold: the person acting can be subject to criminal liability (imprisonment or fines), the agreement itself can be nullified, the physicians may face professional sanctions, and a hospital may be excluded from the hospital plan. In addition, violations can also be deemed to constitute an infringement of the German Unfair Competition Act, which prohibits unfair business practices. The violation of the Unfair Competitions Act, in turn, may *inter alia* result in injunctive relief and liability for damages. Furthermore, the offering or receipt of payments or other incentives may be subject to criminal sanctions.

**Regulations on the Advertising and Promotion**

In Germany, the advertising and promotion of medical devices is primarily regulated by the Medical Product Advertisement Act (*Heilmittelwerbegesetz*), which includes numerous prohibitions and restrictions. Inter alia, it prohibits misleading advertising of medical devices and restricts the offer and granting of gifts or other advantages in connection with promotional activities. The Medical Product Advertisement Act contains further restrictions for advertisements addressing persons other than healthcare professionals. Infringements of the Medical Product Advertisement Act may be punished as an administrative offense; violations of the prohibition of misleading advertisement may even result in one year of imprisonment. Further, infringements may constitute an infringement of the Unfair Competition Act. This may result in injunctive relief and liability for damages.

**Reimbursement**

In Germany, the conditions for reimbursement differ according to whether the patient is insured through the statutory health insurance funds (the "**SHIF**") or is privately insured. About 85-90% of the German population is covered by the SHIF.

**Product Liability**

Companies may be subject to German product liability law if the use of their medical products causes personal injury or property damage to customers after placement of the products on the market in Germany.

Under German product liability law, the producer of defective goods may be liable for damages under the German Product Liability Act (ProdHaftG) as well as under tort law claims under the German Civil Code (BGB). Product liability under the ProdHaftG is more specific than the product liability under the BGB. In contrast to the latter, it is a pure strict liability, i.e. it does not require the producer to be at fault. The producer is liable for (i) construction errors that inevitably affect an entire series, (ii) manufacturing errors that occur during production only on

individual pieces, and (iii) instructional errors that consist in inadequate instructions for use or insufficient warning of possible dangers of the product. In the case of damage to property, the product liability under the ProdHaftG is only applicable if an object is damaged which is normally intended for private use or consumption and was mainly used for this purpose by the injured person. The ProdHaftG provides for a maximum liability amount for personal injury. If personal injury has been caused by a product or identical products with the same defect, the liable party is only liable up to a maximum amount of 85 million euros. Instead of the product liability under ProdHaftG or also in addition to it, the liability in tort according to BGB may be relevant. This is a fault-based liability. In contrast to product liability under the ProdHaftG, it covers not only product defects in the narrower sense, but also breaches of duty in product monitoring. The product monitoring obligation requires the manufacturer to keep an eye on the fate of the product even after it has been placed on the market and to react appropriately to damage reports, for example by recalling the product.

Other differences are that the product liability under the BGB also covers damage to property intended for commercial use and that no maximum liability limits are set.

## LAWS AND REGULATIONS RELATING TO TRANSFER PRICING IN HONG KONG

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**IRO**"), for a company carrying on a trade, profession or business in Hong Kong, its assessable profits arising in or derived from Hong Kong shall be chargeable to profits tax.

The Inland Revenue Department (the "**IRD**") may make transfer pricing adjustments by disallowing expenses incurred by Hong Kong residents under sections 16(1), 17(1)(b) and 17(1)(c) of the IRO and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the IRO if the IRD considers that the related party transactions are not conducted on an arm's length basis.

In April 2009, the IRD issued Departmental Interpretation and Practice Notes No. 45 ("**DIPN 45**"). DIPN 45 provides that where double taxation arises as a result of transfer pricing adjustments made by the tax authorities of another country, a Hong Kong taxpayer may potentially claim relief under the treaty between Hong Kong and that country (countries that entered into tax arrangements with Hong Kong include the PRC).

In December 2009, the IRD issued Departmental Interpretation and Practice Notes No. 46 ("**DIPN 46**"). DIPN 46 provides clarifications and guidance on the IRD's views on transfer pricing and how it intends to apply the existing provisions of the IRO to establish whether related parties are transacting at arm's length prices. In general, the practices followed by the IRD are based on the transfer pricing methodologies recommended by the Organisation for Economic Co-operation and Development (OECD) OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

Furthermore, the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the "**Amendment Ordinance**") was gazetted on July 13, 2018. The main objectives of the Amendment Ordinance are to codify the transfer pricing principles and implement certain measures under the Base Erosion and Profit Shifting ("**BEPS**") package promulgated by the OECD, such as the transfer pricing documentation requirements. The BEPS package seeks to counter the exploitation of gaps and

mismatches in tax rules by multinational enterprises to artificially shift profit to low or no-tax locations where there is little or no economic activity.

Section 50AAF of the IRO now codifies the arm's length principle and allows for an adjustment of a taxpayer's profit upwards/losses downwards if the taxpayer has entered into transaction(s) with an associated person, and the pricing of such transaction(s) differs from that between independent persons and has created a Hong Kong tax advantage. Section 82A of the IRO stipulates that a person is liable to be assessed to additional tax of the amount of tax undercharged resulting from transfer pricing adjustments, unless it is proved that reasonable efforts have been made to determine the arm's length price for the transaction(s).

## LAWS AND REGULATIONS RELATING TO TRANSFER PRICING IN GERMANY

### Overview of the German transfer pricing regulations

Under German tax law, there is not one consolidated set of statutory rules on transfer pricing, but several provisions in different legislative acts. The rules on constructive dividends and Section 1 of the Foreign Tax Act (FTA) are the most relevant legal base for transfer pricing which are interpreted and supplemented by various legislative regulations and administrative circulars (including the Administrative Principles on the Transfer of Functions as of 12 August 2008, the Administrative Principles on the Allocation of Profits to Permanent Establishments as of 22 December 2016, the Administrative Principles on Transfer Pricing as of 14 July 2021 and the Administrative Principles 2020 as of 3 December 2020).

German transfer pricing rules and principles cover all sorts of business transactions concluded between German taxpayers and related parties abroad. All related-party transactions, not based on the statutes of association between (direct and indirect) shareholder (or partner) and company (or partnership), are subject to the arm's-length standard, regardless of whether the transactions are income or capital transactions. Examples are the license of intangible such as trademarks, the provision of services and the transfer of assets. In addition, all transactions undertaken between employees at the head office and at a permanent establishment (PE) of the same corporate entity (dealings) are covered.

The definition of a related party includes group companies with direct or indirect shareholdings of at least 25 per cent, family members and relatives as well as any party that is in a position to exert influence on a taxpayer or that has a special interest in the income generated by the taxpayer going beyond a regular business interest.

A peculiarity of the German tax law is that it considers the internationally accepted arm's-length principle where empirical data is available to determine arm's-length prices (the fact-based arm's-length test) and the concept of the prudent and diligent businessman to determine an arm's-length transfer price for intercompany transactions where empirical data is not available (the hypothetical arm's-length test).

**Transfer Pricing Documentation Requirements**

Resident and non-resident taxpayers, subject to the German transfer pricing regulations, must prepare the following transfer pricing documentation reports: a local file on the taxpayer's intercompany transactions with other related parties and, unless the enterprise's annual revenue has been less than €100 million in the preceding financial year, a master file containing specific group information. Transfer pricing documentation for ordinary business transactions must be submitted within 60 days upon request by the German Tax Authority, typically in the course of a tax audit. Contemporaneous preparation of transfer pricing documentation is not required unless the related party is resident of a country which is on the European Union (EU) blacklist of non-cooperative jurisdictions for tax purposes.

An exception is that extraordinary business transactions (e.g., transfer of assets, conclusion and amendment of long-term contracts) have to be documented, at the latest, within six months after the end of the business year in which the transaction took place; the documentation report has to be submitted within 30 days upon the request.

The documentation requirements also cover permanent establishments which in addition have to prepare an 'auxiliary and ancillary statement' covering its dealings and allocated assets.

Where consolidated group sales revenues amount to €750m or higher, annual country-by-country reporting (CbCR) is required.

Enterprises with intercompany sales of goods of no more than €6m (paid or received) per annum or intercompany provisions of services of no more than €600,000 per annum (paid or received) are exempt from the documentation requirements (de-minimis rule).

**Mandatory transfer price adjustment, penalties and late interest**

The following penalties and mandatory transfer pricing adjustments apply where a taxpayer fails to comply with the German transfer pricing documentation requirements:

- If the transfer pricing documentation report is not submitted or is 'essentially unusable', German regulations establish the rebuttable presumption that the income of the German entity has been under-reported lowering the burden of proof for tax authorities and requesting by law a mandatory transfer price adjustment at the upper end of the arm's-length range. Further, penalties of at least 5 per cent but not more than 10 per cent of the income adjustment are imposed (minimum amount of €5,000).

- If the transfer pricing documentation report is essentially usable but submitted late, tax authorities may impose late fees or penalties of up to €1m with a minimum penalty of €100 for each late day after the due date. Penalties may be waived if the taxpayer is not responsible (or has only limited responsibility) for the lack of appropriate documentation.

- Separate penalties may be imposed if the taxpayer fails to submit the CbCR at all or on time, or in the event the CbCR is deemed insufficient. Penalties may amount to up to €10,000.

In any case where income adjustments result in an increased tax burden, non-deductible interest will be assessed at a rate of 6 per cent per annum for the period commencing 15 months after the end of the calendar year in which the tax liability arose. The interest rate of 6 per cent per annum has been rendered unconstitutional by the German Constitutional Court with the mandate for the legislator to introduce market rates starting FY 2019; for years before 1 January 2019, the 6 per cent interest rate remains in force. As of 30 March 2022, the German legislator has proposed to reduce the interest rate to 0.15% per month (i.e., 1.8% p.a.). The final parliamentary adoption is still pending but to be expected.

## LAWS AND REGULATIONS RELATING TO TRANSFER PRICING IN NETHERLANDS

Transactions between associated enterprises are subject to transfer pricing rules in the Netherlands, which generally follow the OECD Transfer Pricing Guidelines. In relevant part, those rules are included in Article 8b of the Corporate Income Tax Act (which also requires transfer pricing documentation for NL purposes under 8b(3)). A Documentation MasterFile report disclosing transfer pricing documentation for the whole group may be required if the group entities have a consolidated turnover of 50,000,000 (article 29f).

In case the Group has a consolidated turnover of 750,000,000 Euro, and the parent company is located in NL a country by country report as described under article 29(c) is required (article 29(e)).

Furthermore, the Transfer Pricing Decree of 22 April 2018, nr. 2018-6865 provides detailed guidance on several specific intercompany transactions. It should also be noted that the EU has implemented rules (referenced as "DAC6") in the Directive on Administrative Cooperation that apply to all EU Member States, and require mandatory disclosure of certain cross border transactions that involve so-called hard to value intangibles, which are defined in the (OECD) Transfer Pricing Guidelines.

## OVERVIEW

Our Company was incorporated in the Cayman Islands on November 1, 2017 as an exempted company with limited liability. We were founded in August 1998 by our Controlling Shareholder and executive Director, Gao Tieta with his family when Global Vision Corporation was established, through which we commenced our business operations focusing on ophthalmic medical devices in China.

During the past two decades, we underwent various acquisitions and we have also introduced high-quality investors into our shareholding structure, and developed into the largest among domestic players and the fourth largest among all players in China's ophthalmic medical device market in terms of revenue in 2021, according to Frost & Sullivan.

## MILESTONES

The following table sets forth certain key milestones of our development:

| Year | Event |
|---|---|
| 1998 | Global Vision Corporation was founded, through which we began the sale and distribution of our Distribution Products. |
| 1998 | We began our relationship with our brand partner Heidelberg in 1998 as the exclusive distributor in respect of Ophthalmic Imaging Systems. |
| 2002 | We began our relationship with our brand partner Optos in 2002 as the sole distributor of the Scanning Laser Ophthalmoscope of Optos. |
| 2009 | We established Mingwang Medical through which we expanded our business to distributing large ophthalmic devices.<br><br>We established Gaush Online platform, through which we provide the ophthalmology practitioners with free training sessions, academic lectures, industry and conferences information. |
| 2009 | We began our relationship with our brand partner SCHWIND eye-tech-solutions in 2009 as the exclusive distributor of the Refractive Surgery Laser System in China. |
| 2017 | We acquired Gaush Raymond, through which we began manufacturing our Gaush-branded Proprietary Products and built up our R&D team to develop our Gaush-branded Proprietary Products. |
| 2018 | We completed the Series A Financing and raised approximately US$50 million. |

| Year | Event |
|---|---|
| 2020 | We acquired Roland, a manufacturer or electrophysiological products, who was previously our brand partner and with whom we have cooperated for over 20 years prior to our acquisition. Through Roland, we expanded our portfolio of Proprietary Products to high-tech ophthalmic diagnostic systems.<br><br>We acquired and became the controlling shareholder of Suzhou Gaush Precision, through which we further expanded our portfolio of self-manufactured Gaush-branded ophthalmic consumables. |
| 2021 | We acquired Teleon, who was previously our brand partner and with whom we have entered into an exclusive distributorship agreement in 2017 prior to our acquisition. Through Teleon, we expanded our portfolio of Proprietary Products to include premium implants products. Following completion of the acquisition of Teleon, we also further expanded our footprint into the overseas markets, as well as enhancing our R&D capabilities.<br><br>We established Suzhou Gaush Clear and Gaush Teleon, with a view to enhance our research and development projects developing consumables under our Gaush brand.<br><br>We completed the Series B Financing and raised approximately US$100.5 million. |

## CORPORATE DEVELOPMENT

### Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 1, 2017. It is the holding company of our subsidiaries and its principal business activity is investment holding.

As of the Latest Practicable Date, assuming all preferred shares have been converted into Shares, our substantial shareholders comprised Gao Tieta (indirectly through GT HoldCo), OrbiMed Asia, and Cuprite Gem, which held 45.01%, 12.83%, 12.14%, of our issued Shares, respectively. 11.70% of our issued Shares (assuming all preferred shares have been converted into Shares) were held by certain directors, supervisors and/or management of our Group, through the Management HoldCos.

For detailed information of shareholding changes of our Company and subsidiaries, see "— [**REDACTED**] Investments" and "— Reorganization" in this section and "Appendix IV — Statutory and General Information — A. Further Information about Our Group — 2. Changes in Share Capital of Our Company" and "— 3. Changes in Share Capital of Our Subsidiaries."

## Our Major Subsidiaries

We currently operate and manage our business through our subsidiaries in the PRC, Hong Kong, Germany and the Netherlands. The following table sets out the details of our subsidiaries which made a material contribution to our results of operations during the Track Record Period:

| Name of Subsidiary | Date of Incorporation/ Date of Acquisition | Place of Incorporation | Shareholding held by our Company | Principal business activities |
|---|---|---|---|---|
| Global Vision Corporation | Incorporated on August 27, 1998 | PRC | 100% | Sale and distribution of ophthalmic medical devices |
| Mingwang Medical | Incorporated on November 10, 2009 | PRC | 100% | Sale and distribution of ophthalmic medical devices |
| Global Vision HK | Incorporated on December 19, 2013 | Hong Kong | 100% | Sale of ophthalmic medical devices and agency procurement |
| Gaush Raymond | Incorporated on May 31, 2006, acquired by us on October 20, 2017 | PRC | 52% | R&D and production and sale of ophthalmic medical devices |
| Gaush Jingpin | Incorporated on February 15, 2016 | PRC | 100% | Sale and distribution of intraocular lens and iris retractors |
| Gaush Medical Service | Incorporated on May 13, 2019 | PRC | 100% | Provision of ophthalmic medical device technical services |
| Roland | Founded on November 29, 1995, acquired by us on November 4, 2020 | Germany | 80% | Manufacturing and development of electrophysiological products |
| Teleon Surgical Vertriebs GmbH | Incorporated on November 21, 2016, acquired by us on January 4, 2021 | Germany | 100% | Sales of intraocular lenses (IOLs) and other ophthalmic products |

| Name of Subsidiary | Date of Incorporation/ Date of Acquisition | Place of Incorporation | Shareholding held by our Company | Principal business activities |
|---|---|---|---|---|
| Teleon Surgical GmbH | Incorporated on June 23, 2015, acquired by us on January 4, 2021 | Germany | 100% | Sales and distribution of ophthalmic medical devices |
| Teleon Surgical B.V. | Incorporated on October 22, 2014, acquired by us on January 4, 2021 | The Netherlands | 100% | Manufacturing of intraocular lenses (IOLs) and other ophthalmic products |

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

**Our Major Subsidiaries in the PRC**

***Global Vision Corporation***

We established Global Vision Corporation in the PRC on August 27, 1998 as a limited liability company with a registered capital of RMB5 million. As of the Latest Practicable Date, Global Vision Corporation was an indirect wholly owned subsidiary of the Company. It is principally engaged in the sale and distribution of devices for fundus surgeries and diagnosis and other ophthalmic medical devices.

***Mingwang Medical***

We established Mingwang Medical in the PRC on November 10, 2009 as a limited liability company with a registered capital of RMB10 million. As of the Latest Practicable Date, Mingwang Medical was an indirect wholly owned subsidiary of the Company. It is principally engaged in the sale and distribution of fundus cameras, refractive surgery lasers, femtosecond cataract equipment and other ophthalmic medical devices.

***Gaush Raymond***

Gaush Raymond was incorporated in the PRC on May 31, 2006 as a limited liability company with a registered capital of RMB3.5 million. Gaush Raymond is principally engaged in R&D and the production and sale of fundus cameras, corneal topographs, slit lamp microscopes, contrast sensitivity meters and other ophthalmic medical devices. We completed the acquisition of Gaush Raymond on November 27, 2017 through a series of transactions as further detailed below.

On September 20, 2017, Gaush Medical Corporation, our wholly owned subsidiary, entered into a share subscription agreement to subscribe for 52% of the registered capital (on a fully enlarged basis) of Gaush Medica for a consideration of RMB34.2 million (the "**Share**

**Subscription**"). The Share Subscription was properly and legally completed on September 22, 2017 and the consideration was settled by instalments with the last instalment settled on June 27, 2019. The other shareholders of Gaush Medica were Jin Nihai and Jin Chengpeng respectively, who would hold 28% and 20% of Gaush Medica on an enlarged basis following completion of the Share Subscription and a subsequent share transfer between Jin Nihai and Jin Chengpeng. Shortly thereafter, on October 20, 2017, Gaush Medica entered into a share transfer agreement to acquire 100% of the equity interests in Gaush Raymond from Jin Nihai for a consideration of RMB19.2 million ("**Gaush Raymond Acquisition**"). The proceeds received by Gaush Medica from the Share Subscription was used to pay the consideration for the Gaush Raymond Acquisition. The Gaush Raymond Acquisition was properly and legally completed on October 20, 2017 and the consideration was settled by instalments with the last instalment settled on July 2, 2019. Immediately following completion of the Gaush Raymond Acquisition, Gaush Raymond became our 52% indirect owned subsidiary. Other than its interest in Gaush Raymond, Gaush Medica did not hold any other asset as of the Latest Practicable Date.

Upon completion of the Share Subscription, Jin Nihai is a connected person at the subsidiary level of our Company by virtue of his interests and directorship in Gaush Medica. The Directors are of the view that the consideration for the Share Subscription and the Gaush Raymond Acquisition were determined after arm's length negotiations among the parties having regard to the product portfolio, research and development capabilities, business overview and prospects of Gaush Raymond.

***Gaush Jingpin***

We established Gaush Jingpin in the PRC on February 15, 2016 as a limited liability company with a registered capital of RMB7 million. As of the Latest Practicable Date, Gaush Jingpin was an indirect wholly owned subsidiary of the Company. It is principally engaged in the sale and distribution of intraocular lens and iris retractors and other ophthalmic medical devices.

***Gaush Medical Service***

We established Gaush Medical Service in the PRC on May 13, 2019 as a limited liability company with a registered capital of RMB10 million. As of the Latest Practicable Date, Gaush Medical Service was an indirect wholly owned subsidiary of the Company. It is principally engaged in the provision of ophthalmic medical device technical services.

**Our Major Subsidiary in Hong Kong**

***Global Vision HK***

We established Global Vision HK on December 19, 2013 as a limited liability company with an initial share capital of HK$10,000. As of the Latest Practicable Date, Global Vision HK was an indirect wholly-owned subsidiary of the Company. It is principally engaged in sale of ophthalmic medical devices in Hong Kong and Macau and the agency procurement business for our PRC operating subsidiaries.

## Our Major Subsidiaries in Germany and the Netherlands

### *Acquisition of Roland*

On September 23, 2020, our wholly owned subsidiary Gaush Germany and the then shareholders of Roland, Manfred Stasche and Joachim Finger, both of whom were then Independent Third Parties, entered into a share purchase agreement pursuant to which Gaush Germany agreed to acquire 80% of the equity interests in Roland at a consideration of EUR3.5 million. The consideration was determined after arm's length negotiations among the parties having regard to, amongst others, the financial performance of Roland for the year ended December 31, 2019. The acquisition of Roland was properly and legally completed and settled on November 4, 2020. Upon completion, Roland became a non-wholly owned subsidiary of our Company.

Roland is a limited liability company founded in Germany on November 29, 1995. It is principally engaged in manufacturing and development of electrophysiological products. Prior to our acquisition of Roland, Roland was our brand partner supplying electrophysiological products to our Group. With over 20 years of cooperation with Roland, we were familiar with the products and management team of Roland. 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. The Directors expect that the acquisition of Roland would help expand our footprint into overseas markets and to enable us to leverage Roland's R&D capabilities to develop our R&D and technology platform in Europe. We also believe that we could leverage the established distribution network of Roland to help sell and distribute our domestic products into the overseas markets.

### *Acquisition of Teleon*

On December 9, 2020, our wholly owned subsidiary Gaush Netherlands entered into a share purchase agreement with Teleon Holding B.V. with the then shareholder of Teleon Holding B.V., Stichting Administratiekantoor OPM, which was then an Independent Third Party, pursuant to which Gaush Netherlands agreed to acquire 100% of the equity interests in Teleon Holding B.V. at a consideration of EUR171,539,000 (subject to adjustments provided in the share purchase agreement). The consideration was determined after arm's length negotiations among the parties having regard to the EBITDA of Teleon Holding B.V. for the financial year ended December 31, 2019. We also engaged a third party consultant to provide valuation analysis based on the forecast revenue and free cash flow of Teleon up to the year ended December 31, 2024 and the consideration paid also took into account such capability of Teleon to generate revenue and cash. The acquisition of Teleon was properly and legally completed and settled on January 4, 2021. For the years ended December 31, 2019, 2020 and 2021, the gross profit margin of Teleon on a standalone basis was 62.8%, 50.3% and 56.4%, respectively.

The consideration for the acquisition of Teleon was settled as follows:

- approximately EUR47.45 million (representing approximately 27.6% of the total consideration) using our internal cash resources,

- approximately EUR124.25 million (representing approximately 72.4% of the total consideration) financed by external borrowings which consisted of (i) the Bridge Facility Loan of EUR100 million (representing approximately 58.2% of the total consideration) and (ii) the Vendor Loan of EUR24.25 million (representing approximately 14.1% of the total consideration).

The Bridge Facility Loan was subsequently fully refinanced on April 22, 2021 by the Senior Facility Loan and the Mezzanine Loan Facility, both of which will mature in 2024. The Vendor Loan will mature on June 30, 2025. See "Financial Information — Indebtedness — Bank Borrowings."

The Vendor Loan shall be repaid in six instalments, the first four of which will each represent 12.5% of the total principal amount of the Vendor Loan and the last two of which will each represent 25.0%. Details of the repayment schedule are set out as follow:

| Repayment date | Percentage of the total principal amount |
|---|---|
| March 31, 2024 | 12.5% |
| June 30, 2024 | 12.5% |
| September 30, 2024 | 12.5% |
| December 31, 2024 | 12.5% |
| March 31, 2025 | 25.0% |
| June 30, 2025 | 25.0% |

The Senior Facility Loan shall be repaid in five instalments, the first four of which will each represent 7.5% of the total principal amount of the Senior Facility Loan and the last of which will represent 70.0%. Details of the repayment schedule are set out as follow:

| Repayment date | Percentage of the total principal amount |
|---|---|
| 12 months after the utilisation date[1] | 7.5% |
| 18 months after the utilisation date[1] | 7.5% |
| 24 months after the utilisation date[1] | 7.5% |
| 30 months after the utilisation date[1] | 7.5% |
| 36 months after the utilisation date[1] | 70.0% |

*Note 1:* The utilisation date of the Senior Facility Loan was April 22, 2021.

The Mezzanine Loan Facility carries an interest rate of 5% per annum and shall be repaid in full on the date falling 36 months after April 22, 2021 (being the utilisation date of the Mezzanine Loan Facility).

The Directors confirm that up to the Latest Practicable Date, the Company has not been in breach of any major covenant of the Vendor Loan, the Senior Facility Loan or the Mezzanine Loan Facility.

Upon completion, each of Teleon Holding B.V. and its wholly-owned subsidiaries (being Teleon Surgical B.V., Teleon IP B.V., Teleon Surgical Vertriebs GmbH and Teleon Surgical GmbH) became a wholly owned subsidiary of our Company.

Teleon is primarily engaged in the manufacturing of intraocular lenses (IOLs) and other ophthalmic products. Prior to our acquisition of Teleon, Teleon was one of our brand partners supplying IOLs to our Group. Our cooperation with Teleon began in 2017 and we had been the exclusive distributor of Teleon's IOLs in China thereafter until our acquisition of Telecon. IOLs is a surgical implant and an artificial replacement for the lens of human eye removed during cataract surgery, and they are essential for cataract surgeries. IOLs has been an important part of our product portfolio and the R&D involved in developing IOLs requires extensive costs and sophisticated technology. According to Frost & Sullivan, as the number of cataract patients in China increases and the medical insurance coverage in China expands, the cataract surgical rate in China has maintained steady growth in recent years, which in turn means steadily increasing demand for IOLs. By acquiring Teleon, we believe we will have access to the core intellectual properties relating to sectoral refractive and EDoF IOLs, enabling us to develop our R&D capability relating to IOLs, enlarging our business scope to cover the full value chain of IOLs and reducing our reliance on the upstream brand partners. The strong R&D capabilities of Teleon with respect to IOLs will allow us to develop our proprietary domestically produced IOLs, which we believe would be important to manage any exposure to the evolving centralized procurement policies regarding IOLs and domestic substitutions. In addition, the acquisition of Teleon increased the contribution of consumables in our total revenue which would ensure a more balanced and stable revenue structure, with a view to increasing our gross profit margin. The acquisition of Teleon is in line with our long-term business strategy of increasing our portfolio of Proprietary Products. As Teleon has maintained considerable presence in Germany, Japan, China and South Korea, we believe that the acquisition of Teleon will also help us expand our global footprints and enlarged our global distribution network.

## MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and until the Latest Practicable Date, except as otherwise disclosed in this section, we did not conduct any acquisitions, disposals or mergers that we consider to be material to us.

## [REDACTED] INVESTMENTS

### Overview

The following table sets forth a summary of the details of the [**REDACTED**] Investments:

| | Series A Financing | Series B Financing | CS Warrants *Note 1* |
|---|---|---|---|
| **Date of relevant agreement(s)** | December 26, 2017 | March 30, 2021 | December 31, 2020 |
| **Date of settlement** | August 16, 2018 | April 9, 2021 | October 22, 2021 |
| **Names of [REDACTED] Investors** | (1) OrbiMed Asia,<br>(2) Zhan Ye<br>(3) HL Capital<br>(4) GL Capital | (1) Cuprite Gem<br>(2) OrbiMed Asia | Credit Suisse |

| | Series A Financing | Series B Financing | CS Warrants *Note 1* |
|---|---|---|---|
| **Number of shares subscribed** | 28,260,160 | 18,145,770 | 1,335,252 |
| **Cost per Share** | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] *Note 2* |
| **Total consideration** | US$50,000,000 *Note 3* | US$100,500,000 *Note 3* | N/A *Note 6* |
| **Corresponding post-money valuation of our Company** *Note 4* **(approximation)** | US$246,243,749 | US$770,260,006 | N/A |
| **Discount to the mid-point of the indicative [REDACTED] range** *Note 5* | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] *Note 2* |
| **Use of proceeds** | We mainly utilized the proceeds from Series A Financing to pay part of the consideration for our acquisition of Teleon and the proceeds from Series B Financing to repurchase our Shares in 2021 *Note 7* and to pay the expenses incurred in preparing for the [**REDACTED**]. As of the Latest Practicable Date, we had fully utilized the proceeds from Series A Financing and had utilized approximately 74.4% the proceeds from Series B Financing. | | N/A *Note 6* |
| **Lock-up period** | [Within 180 days following the [**REDACTED**], the [**REDACTED**] Investors in respect of the Series A Financing and Series B Financing could not dispose of any of the Shares held by them.] | | Credit Suisse is not subject to any lock-up. |
| **Strategic benefits** | At the time of the [**REDACTED**] Investments, our Directors were of the view that (i) our Company would benefit from the additional capital provided by the [**REDACTED**] Investors and their knowledge and experience; (ii) the [**REDACTED**] Investments would optimize the shareholding structure of our Company; and (iii) the [**REDACTED**] Investments demonstrated the [**REDACTED**] Investors' confidence in the operation and development of our Group. | | |

*Notes:*

1. On April 22, 2021, the Company issued the CS Warrants in connection with the Mezzanine Facility Loan which was to refinance the Bridge Facility Loan taken out to finance our acquisition of Teleon. For details, see "Financial Information — Indebtedness — Bank Borrowings" and the section headed "— CS Warrants" below. Credit Suisse exercised the CS Warrants in full on October 20, 2021 and settled the exercise price (being the par value of the Shares) on October 22, 2021.

2. The cost per share in respect of the 1,335,252 Shares issued upon exercise of the CS Warrants were determined with reference to the fair value of the CS Warrants as of September 30, 2021 as assessed by an independent third party valuer.

3. The considerations in respect of the Series A Financing and Series B Financing were determined based on arm's length negotiation between the parties taking into account the Company's R&D progress, pipeline candidates, business operations and future prospects and the valuation of comparable companies.

4. In respect of the Series A Financing and Series B Financing, the corresponding post-money valuation of our Company equals the valuation of our Company immediately following the respective investment. In respect of the CS Warrants, as the exercise price was par value of the Shares, the post-money valuation was not applicable.

5. The discount of cost per Share to the [**REDACTED**] is calculated based on the assumption that the [**REDACTED**] is HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range).

6. As the exercise price of the CS Warrants was par value of the Shares, no meaningful consideration was received and no meaningful proceeds was raised from the exercise of the CS Warrants.

7. For details, please see "Appendix IV — A. Further information about our Company and our subsidiaries — 2. Changes in share capital of our Company."

## Series A Financing

On December 26, 2017, our Company, Gaush BVI, Gaush HK, GMC BVI, GMC HK, Gaush Medical Corporation and the Series A Investors, amongst others, entered into a share subscription agreement, pursuant to which the Series A Investors agreed to invest in our Company by subscription of 16,956,096 Series A1 Preferred Shares and 11,304,064 Series A2 Preferred Shares at a total consideration of US$50,000,000.

*Series A1 Financing*

At the first stage of Series A Financing, OrbiMed Asia agreed to subscribe for 2,897,627 Series A1 Preferred Shares by transferring 100% of the equity interests in GMC BVI held by it to the Company, the value of which, as agreed by the Company and OrbiMed Asia, shall be US$5,126,700 in aggregate. Series A1 Financing was settled in December 2017.

*Series A2 Financing*

At the second stage of Series A Financing, the Series A Investors agreed to subscribed for 14,058,469 Series A1 Preferred Shares and 11,304,064 Series A2 Preferred Shares for a total consideration of US$44,873,300, detailed of which are set out below. Series A1 Financing was settled in August, 2018.

| | Number of Series A1 Preferred Shares | Number of Series A2 Preferred Shares | Consideration | Date of settlement |
|---|---|---|---|---|
| | | | *(US$)* | |
| OrbiMed Asia | 14,058,469 | – | 24,873,300 | January 19, 2018 |
| Zhan Ye | – | 4,239,024 | 7,500,000 | August 16, 2018 |
| HL Capital | – | 4,239,024 | 7,500,000 | January 26, 2018 |
| GL Capital | – | 2,826,016 | 5,000,000 | January 29, 2018 |
| **Total** | **14,058,469** | **11,304,064** | **44,873,300** | |

**Series B Financing**

On March 30, 2021, our Company, Gaush BVI, Gaush HK, GMC BVI, GMC HK, GV HK, Gaush Medical Corporation and the Series B Investors, among others, entered into a share subscription agreement, pursuant to which the Series B Investors agreed to invest in our Company by subscription of 18,145,770 Series B Preferred Shares at a total consideration of US$100,500,000, details of which are set out below. Series B Financial was fully settled in April, 2021.

| | Number of Series B Preferred Shares | Total consideration | Date of settlement |
|---|---|---|---|
| | | *(US$)* | |
| Cuprite Gem | 17,062,440 | 94,500,000 | April 1, 2021 |
| OrbiMed Asia | 1,083,330 | 6,000,000 | April 9, 2021 |
| **Total** | **18,145,770** | **100,500,000** | |

**CS Warrants**

On April 22, 2021, the Company issued the CS Warrants in connection with the Mezzanine Facility Loan which was to refinance the Bridge Facility Loan taken out to finance our acquisition of Teleon. For details, see "Financial Information — Indebtedness — Bank Borrowings." Credit Suisse exercised the CS Warrants in full on October 20, 2021 and settled the exercise price (being the par value of the Shares) on October 22, 2021. On October 25, 2021, 1,335,252 Shares in our Company were issued and allotted to Credit Suisse in connection with the exercise in full of the CS Warrants.

**Special Rights of the [REDACTED] Investors**

***Series A Financing and Series B Financing***

Pursuant to the [**REDACTED**] Investment agreements, the [**REDACTED**] Investors in respect of the Series A Financing and Series B Financing were granted certain special rights, including but not limited to the information right, divestment right, pre-emptive right, director nomination right, veto right for certain corporate actions and anti-dilution right, and more specifically:

(1) each holder of the Preferred Shares shall have a right of first refusal to purchase the additional ordinary shares that the Company may from time to time issue on *pro rata* basis;

(2) each of the Preferred Shares, at the option of the holder thereof shall have certain conversion rights to have the Preferred Shares converted into the Shares;

(3) upon the occurrence of certain events, each Preferred Share and any additional securities held by such [**REDACTED**] Investor shall be redeemable at its option;

(4) each holder of the Preferred Shares shall have the right to purchase up to the number of the Shares [**REDACTED**] in an [**REDACTED**] of the Company at the final [**REDACTED**] per Share that enables each holder of the Preferred Shares to maintain its ownership interest percentage in the Company immediately prior to the consummation of such [**REDACTED**].

Save for the special rights entered to in paragraph (3) above, each of the special rights shall terminate and cease to be effective upon [**REDACTED**]. The special rights referred to in paragraph (3) above shall cease to be exercisable immediately before the first filing of the [**REDACTED**] application by our Company with the Stock Exchange, and shall resume to be exercisable upon the failure by our Company to achieve a qualified [**REDACTED**] before specified dates.

***CS Warrants***

Pursuant to the warrant instrument in relation to the CS Warrants, Credit Suisse was granted certain special rights upon their respective exercise of the relevant warrants, including but not limited to customary information rights and the exit option right. The information rights will survive upon [**REDACTED**]. The information to be provided to Credit Suisse after the [**REDACTED**] will be published information or information which will be made available to the general public at the same time, and the Company will comply with the Inside Information Provisions (as defined in the Listing Rules) if any material price sensitive information is to be provided to Credit Suisse. The exit option rights shall be suspended and not exercisable immediately before the first filing of the [**REDACTED**] application by our Company with the Stock Exchange and shall only resume on the earlier of (A) the date on which such [**REDACTED**] application form ceases to be valid under the Listing Rules and (B) the date on which such [**REDACTED**] application is withdrawn or rejected, or otherwise expires.

**Information on the [REDACTED] Investors**

To the best of the Company's knowledge, information and belief and having made all reasonable enquiries, all the [**REDACTED**] Investors (except OrbiMed Asia and Cuprite Gem) are Independent Third Parties. The background information of our [**REDACTED**] Investors who remained as a Shareholder of our Company as of the Latest Practicable Date is set out below.

***OrbiMed Asia***

OrbiMed Asia is an exempted limited partnership registered under the laws of Cayman Islands on September 14, 2016. The general partner of OrbiMed Asia is OrbiMed Asia GP III, L.P., with OrbiMed Advisors III Limited acting as its general partner. The shareholders of OrbiMed Advisors III Limited comprise of Alexander M. Cooper, Carl L. Gordon, Geoffrey C. Hsu,William Carter Neild, Sunny Sharma, David Guowei Wang, Sam Block III, Sven H. Borho, Ryan Loggie, Douglas W. Coon, C. Scotland Stevens and David Bonita. OrbiMed Asia invests in the healthcare sector with investments ranging from early stage private companies to large multinational corporations.

***Cuprite Gem***

Cuprite Gem is an exempt company incorporated under the laws of the Cayman Islands with limited liability on August 24, 2020. Cuprite Gem is wholly owned by certain investment funds managed by their fund manager, Warburg Pincus LLC, among which, approximately 52.10% of Cuprite Gem is owned by Warburg Pincus China-Southeast Asia II (Cayman), L.P. The general partner of Warburg Pincus China-Southeast Asia II (Cayman), L.P. is Warburg Pincus (Cayman) China-Southeast Asia II GP, L.P., the general partner of which is Warburg Pincus (Cayman) China-Southeast Asia II GP LLC ("**WPC-SEA II Cayman GP LLC**"). The managing member of WPC-SEA II Cayman GP LLC is Warburg Pincus Partners II (Cayman), L.P., the general partner of which is Warburg Pincus (Bermuda) Private Equity GP Ltd.

***GL Capital***

GL Capital is a limited partnership registered in Alberta, Canada on January 8, 2016,the general partner of which is GL Capital Management GP II B.C. 4 Ltd. GL Capital Management GP II B.C. 4 Ltd. is wholly owned by GL Capital Management Limited, which is in turn owned as to approximately 49% by Lion River I, N.V. (a wholly owned subsidiary of Assicurazioni Generali, S.p.A., a company with its shares listed on the Milan Stock Exchange) and 51% by GL Partners Capital Management Ltd (a company controlled by Li Zhenfu). GL Capital is an investment fund that specializes in China's healthcare industry.

***HL Capital***

HL Capital is a limited partnership formed under the laws of Cayman Islands on May 13, 2014. Its general partner is Highlight Capital GP I Company Limited, which is 70% owned by Seq Medical Limited. Seq Medical Limited is in turn ultimately controlled by Wang Stephen Hui. HL Capital is an investment fund which principally focuses on investment opportunities in medical and healthcare industries and other related industries.

***Credit Suisse***

Credit Suisse AG, Singapore Branch is the Singapore branch of Credit Suisse AG, which is an international financial services firm, incorporated in Switzerland. Credit Suisse AG, Singapore Branch is a licensed wholesale bank regulated by the Monetary Authority of Singapore (MAS) and provides banking and financial services, and it is an authorized institution as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

**Public Float**

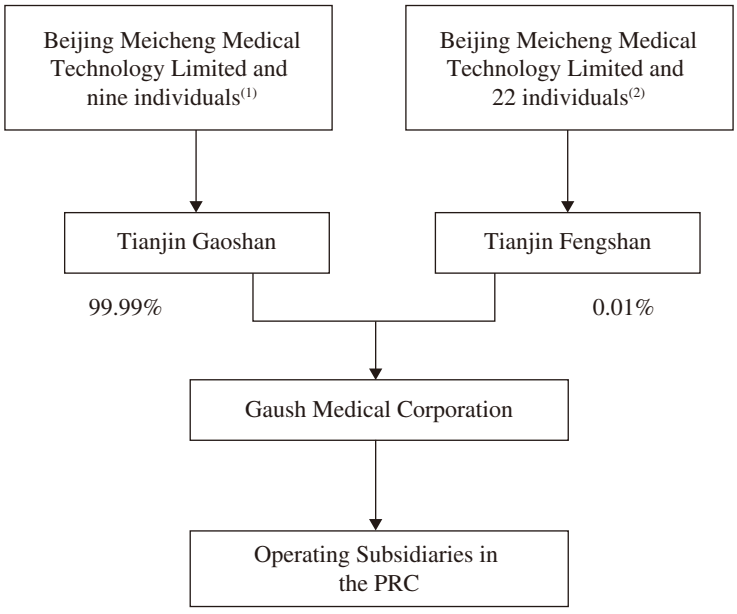
To the best of the Directors' knowledge, all [**REDACTED**] Investors (except OrbiMed Asia and Cuprite Gem) are Independent Third Parties. Upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the Shares held by certain of our Shareholders who are, or are indirectly controlled by, our core connected persons, will not be counted towards the public float. Such Shareholders include GT HoldCo, GMC IV, GMC V, GMC VI, GMC Teleon and OrbiMed Asia. As a result, upon completion of the [**REDACTED**], an aggregate of [**REDACTED**] Shares or approximately [**REDACTED**]% of the issued share capital of our Company (assuming the [**REDACTED**] is not exercised) held by our [**REDACTED**] Investors and Shareholders will be counted towards the public float. Hence, over 25% of our Company's total issued Shares will be held by the public upon completion of the [**REDACTED**] as required under Rule 8.08(1)(a) of the Listing Rules.

**Compliance with Interim Guidance**

The Joint Sponsors confirmed that the [**REDACTED**] Investments are in compliance with the Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and as updated in 2017, the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017, and Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

## REORGANIZATION

The following chart sets forth our Group's corporate and shareholding structure immediately prior to the Reorganization:




*Notes:*

(1) Beijing Meicheng Medical Technology Limited (北京美程醫療技術有限公司), a company incorporated in the PRC, was the general partner of Tianjin Gaoshan and was then owned as to 41.5% by Gao Tieta, 41.5% by Gao Fan and 17% by Liu Xidong. The nine individual limited partners of Tianjin Gaoshan comprise of Gao Tieta, Gao Fan, Liu Xidong, Zhang Jianjun, Zhao Xinli and four other individuals, each of whom is a director, supervisor or management of certain subsidiaries of our Company.

(2) Beijing Meicheng Medical Technology Limited (北京美程醫療技術有限公司) was the general partner of Tianjin Fengshan. The twenty-two individual limited partners of Tianjin Fengshan comprise Zhang Jianjun, Zhao Xinli, Liu Xinwei, Li Wenqi and eighteen other individuals, each of whom is a director, supervisor or management of certain subsidiaries of our Company.

"→" Unless otherwise stated, indicates 100%.

### (1) Incorporation of the Offshore Holding Vehicles

***Incorporation of Our Company***

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 1, 2017 and allotted and issued one Share to Sertus Nominees (Cayman) Limited at a par value of US$0.0001. On the date of incorporation, the initial subscriber of our Company, an Independent Third Party, transferred the one issued Share in our Company to GF HoldCo. On the same day, an additional 35,492,199, 35,492,200, 10,367,200, 5,550,500, 3,097,900, 5,320,000 and 4,680,000 Shares in our Company were allotted and issued to GF HoldCo, GT HoldCo, LXD HoldCo, GMC IV, GMC V, GMC VI and GMC VII, respectively. The aforesaid transfer and subscriptions were fully settled and paid on August 14, 2018.

***Incorporation of the Intermediate Holding Companies of Our Group***

*Incorporation of Gaush BVI*

In preparing for the [**REDACTED**], Gaush BVI was a BVI business company incorporated under the laws of BVI with limited liability on November 8, 2017. One share with a par value of US$1.00 each was allotted and issued to our Company on the date of incorporation.

*Incorporation of Gaush HK*

In preparing for the [**REDACTED**], Gaush HK was incorporated under the laws of Hong Kong with limited liability on November 15, 2017. One share of HK$1.00 was subscribed by Gaush BVI on the date of incorporation.

**(2) Capital Increase of Gaush Medical Corporation**

On September 20, 2017, GMC HK, a wholly owned subsidiary of OrbiMed Asia at the time through GMC BVI, Gaush Medical Corporation and certain other parties entered into a capital increase agreement, pursuant to which GMC HK subscribed for 20.3051% of the equity interests in Gaush Medical Corporation at the subscription price of US$ equivalent of RMB33,855,940. Such subscription price was determined having regard to an independent valuation report issued on September 14, 2017 by reference to the net asset value of Gaush Medical Corporation as of August 31, 2017.

The subscription price was paid on October 30, 2017, of which RMB15,287,200 was contributed to the registered capital of Gaush Medical Corporation and RMB18,568,740 was contributed to the capital reserve of Gaush Medical Corporation. The capital increase was registered with the local SAIC on September 30, 2017.

Immediately following completion of the aforesaid capital increase, Gaush Medical Corporation was held as to 20.3051%, 79.6869% and 0.0080% by GMC HK, Tianjin Gaoshan and Tianjin Fengshan, respectively.

**(3) Transfer of Equity Interests in Gaush Medical Corporation to Gaush HK**

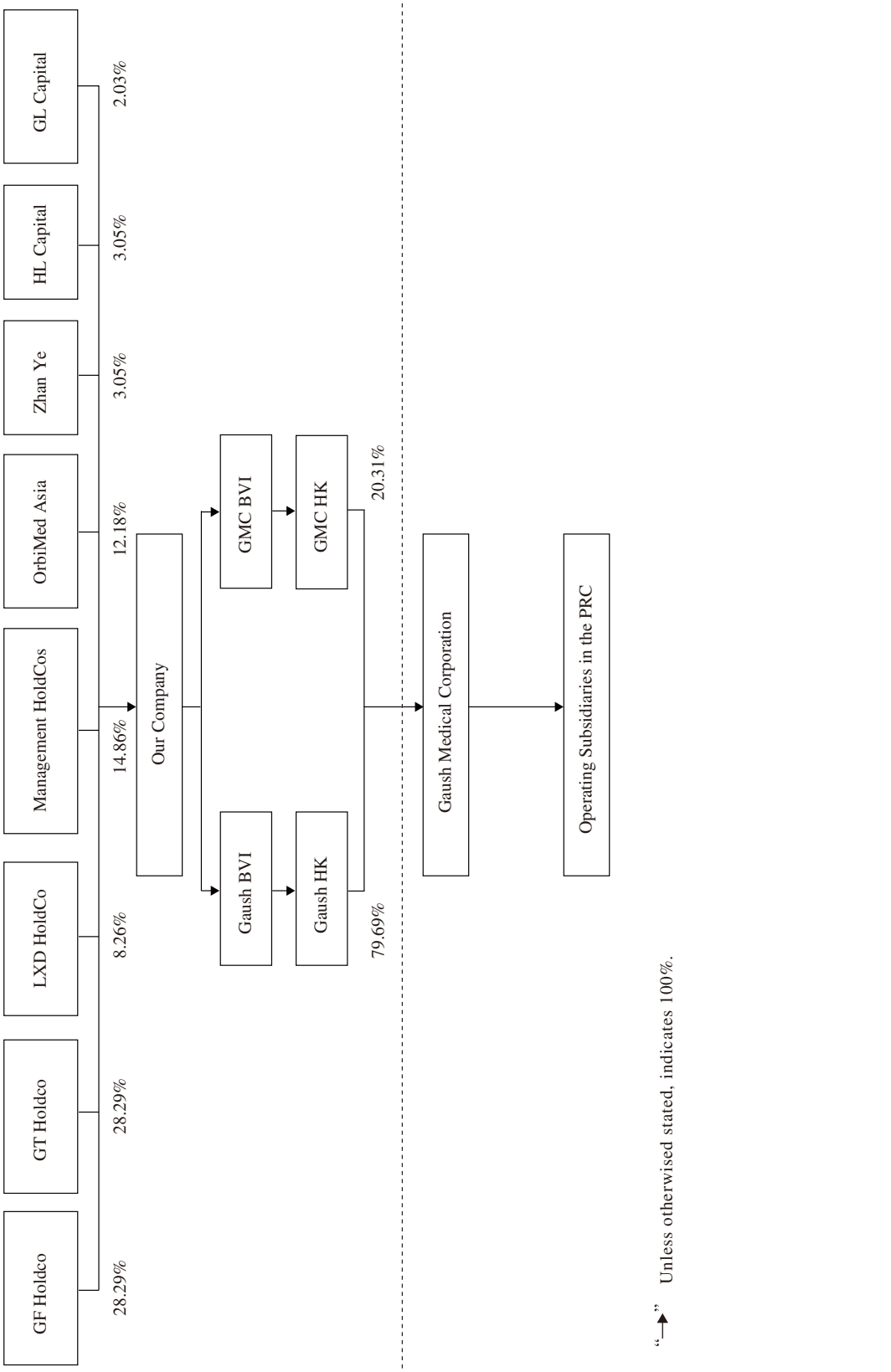
On November 24, 2017, Tianjin Gaoshan and Tianjin Fengshan as transferors entered into an equity transfer agreement with Gaush HK as transferee, pursuant to which the transferors transferred 79.6869% and 0.0080% (i.e., a total of 79.6949%) of the equity interests in Gaush Medical Corporation to Gaush HK at the consideration of RMB132,866,861 and RMB13,339, respectively. Such consideration was determined with reference to the same independent valuation issued on September 14, 2017 by reference to the net asset value of Gaush Medical Corporation as of August 31, 2017. The aforesaid transfer was registered with the local SAIC on December 25, 2017. Immediately following the registration of the aforesaid transfer, Gaush Medical Corporation was held as to 79.6949%by Gaush HK and 20.3051% by GMC HK.

**(4) Series A of [REDACTED] Investment and Capital Increase in Our Company**

On December 26, 2017, our Company, Gaush BVI, Gaush HK, GMC BVI, GMC HK, Gaush Medical Corporation and the Series A Investors, amongst others, entered into a share subscription agreement, pursuant to which the Series A Investors agreed to invest in our Company by subscription of 16,956,096 Series A1 Preferred Shares and 11,304,064 Series A2 Preferred Shares at a total consideration of US$50,000,000. As the consideration for subscribing the Series A1 Preferred Shares, OrbiMed Asia transferred 100% of the equity interests in GMC BVI held by it to the Company. For further details of the [**REDACTED**] Investment, see "— [**REDACTED**] Investments."

On January 19, 2018, an additional 3,874,894, 3,874,894, 1,131,849, 605,981, 338,216, 580,816 and 510,943 Shares in our Company were allotted and issued as fully-paid, to GF HoldCo, GT HoldCo, LXD HoldCo, GMC IV, GMC V, GMC VI and GMC VII, respectively.

Our shareholding structure immediately after the Reorganization was as follows:



## SUMMARY OF SHAREHOLDING CHANGES SINCE COMPLETION OF THE REORGANIZATION

### Summary of Shareholding Changes

| | Shareholding in our Company | | | |
|---|---|---|---|---|
| Shareholder | As of December 31, 2018 | As of January 2, 2020 | As of December 31, 2020 | As of Latest Practicable Date |
| GT HoldCo | 28.29% | 50.35% | 50.35% | 45.01% |
| GF HoldCo[(1)(2)] | 28.29% | 9.34% | 9.34% | 4.70% |
| LXD HoldCo | 8.26% | 7.56% | 7.56% | 4.62% |
| GMC IV[(3)] | 4.42% | 4.61% | 4.61% | 4.38% |
| GMC V[(4)] | 2.47% | 2.57% | 2.57% | 2.44% |
| GMC VI[(5)] | 4.24% | 4.42% | 4.42% | 4.20% |
| GMC VII[(6)] | 3.73% | – | – | – |
| OrbiMed Asia | 12.18% | 12.69% | 12.69% | 12.83% |
| Zhan Ye[(7)] | 3.05% | 3.17% | – | – |
| HL Capital | 3.05% | 3.17% | 3.17% | 3.02% |
| GL Capital[(7)] | 2.03% | 2.12% | 5.29% | 5.03% |
| Cuprite Gem | – | – | – | 12.14% |
| GMC Teleon[(8)] | – | – | – | 0.68% |
| Credit Suisse[(9)] | – | – | – | 0.95% |
| **Total** | 100% | 100% | 100% | 100% |

*Notes:*

(1) As part of our measures in response to the Incident, (a) on August 23, 2019, the Company repurchased 4,175,333 Shares from GF HoldCo at the consideration of US$7,387,200 which was determined with reference to the valuation of the Shares in Series A Financing and fully paid on August 15, 2019 in cash using the Company's internal resources, (b) on January 2, 2020, GT HoldCo acquired from GF HoldCo 22,713,810 Shares that were held by GF HoldCo at the consideration of US$42,195,113 which was determined with reference to the valuation of the Shares in Series A Financing with a 5% premium and fully paid on May 21, 2020 in cash. The consideration was wholly financed by a US dollar bank facility provided by an international commercial bank (the "**Acquisition Facility**") under a facility agreement entered into between GT HoldCo and such international commercial bank on March 19, 2020. The international commercial bank is an Independent Third Party and is not an associate of Gao Fan. On June 22, 2021, GT HoldCo was granted the CS Facility by Credit Suisse. The proceeds of the CS Facility was used to partially repay the Acquisition Facility whilst the remaining outstanding amount of the Acquisition Facility was repaid with the consideration money received by GT HoldCo from a share repurchase of 4,008,319 Shares by the Company from GT Holdco on March 30, 2021 at a total consideration of US$22,199,999, such consideration was determined with reference to valuation of the Shares in Series-B Financing and which was fully paid on April 8, 2021 in cash using the Company's internal resources. GT HoldCo charged 36,892,670 Shares to Credit Suisse as security pursuant to the CS Facility, and (c) on March 30, 2021, the Company repurchased 5,878,868 Shares from GF HoldCo at the consideration of US$32,559,999 which was determined with reference to valuation of the Shares in Series-B Financing and which was fully paid on April 8, 2021 in cash using the Company's internal resources.

(2) Following completion of the Series B Financing which further diluted GF Holdco's holding, as of the Latest Practicable Date, Gao Fan owned, through GF HoldCo, 4.70% of the equity interest of our Company. With respect to the Shares held by GF HoldCo, Gao Fan has unconditionally and irrevocably undertook to the Company and the Joint Sponsors that, amongst others, for as long as the Shares are [**REDACTED**] on the Stock Exchange, he will not exercise the voting rights of any Shares held by him directly or indirectly, or acquire any Shares or otherwise increase his shareholding in the Company. In addition, the Company has enhanced its internal control policies after the Incident to prevent bribery or corruption. For details on Gao Fan's undertakings and the internal control of the Company after the Incident, please see "Business — Legal Proceedings and Regulatory Compliance — The Incident."

(3) As of the Latest Practicable Date, GMC IV was owned as to by 74.42% by Zhang Jianjun, an executive Director of our Company, and 12.79% by Gao Feng, 7.67% by Wang Cheng, 5.12% by Wu Hui, each of whom was a director, supervisor or management of certain subsidiaries of our Company.

(4) As of the Latest Practicable Date, GMC V was owned as to by 66.67% by Gao Jinta, a supervisor of our Group and brother of Gao Tieta and brother-in-law of Zhang Jianjun, and 33.33% by Zhao Xinli, an executive Director of our Company.

(5) As of the Latest Practicable Date, GMC VI was owned as to 17.54% by Zhang Jianjun, 27.57% by Zhao Xinli, 12.78% by Wang Cheng, 12.72% by Gao Feng, 13.19% by Wu Hui and 16.20% by Lv Gechang, each of whom was a director, supervisor or management of our Group.

(6) On August 23, 2019, GMC VII which was then wholly owned by Gao Jinta, transferred 5,190,943 Shares to GT HoldCo.

(7) On September 18, 2020, Zhan Ye transferred 4,239,024 Series A2 Preferred Shares to Legend Medical Investment Ltd, an Independent Third Party, who then transferred such shares to GL Capital.

(8) On August 10, 2021, our Company issued and allotted 955,879 Shares to GMC Teleon at a subscription price of US$4,500,000, which was determined with reference to the valuation of the Shares in Series B Financing with a 15% discount and fully paid on August 16, 2021. As of the Latest Practicable Date, GMC Teleon was owned as to 62.22% by Liu Xinwei and 33.33% by Zhang Jianjun, two executive Directors of our Company, and 2.00% by Mark Lansu; 1.11% by Hendrik LIGT, 1.11% by Rik Renssen and 0.23% by Alexey Simonov, each of whom was a director or member of the management team of Teleon.

(9) On October 25, 2021, 1,335,252 Shares were issued and allotted to Credit Suisse upon exercise of the CS Warrants in full. For details, see "— [**REDACTED**] Investments — CS Warrants."

### Share Charge Created by our Controlling Shareholders

In connection with GT HoldCo's acquisition of 22,713,810 Shares from GF HoldCo, GT HoldCo obtained the CS Facility from Credit Suisse (an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)). To secure the CS Facility, GT HoldCo mortgaged 36,892,670 Shares in favor of Credit Suisse pursuant to the Share Charge. For details, see Note 1 to the section headed "—Summary of Shareholder Changes" above.

Pursuant to the terms of the CS Facility, GT HoldCo shall repay the principal amount of US$23 million in full on June 23, 2022 and shall pay interest at a rate of LIBOR plus 4.0% per annum for every three months. The aggregate amount of interests payable under the CS Facility have been deposited into an account charged to Credit Suisse and timely payments of the interests of the CS Facility have been and will be deducted from such account in accordance with the terms of the CS Facility. Notwithstanding the above, upon the occurrence of an [**REDACTED**] of the Company, all outstanding Loan, together with accrued interest, and all other costs or amounts accrued under the CS Facility will become immediately due and payable within certain business days (the "**Mandatory Prepayment Upon** [**REDACTED**]").

Considering that the CS Facility will become due on June 23, 2022, GT HoldCo and Credit Suisse will, on or before June 23, 2022, enter into a 364-day senior secured term loan facility (the "**Replacement Facility**") of up to US$24 million to repay the outstanding amounts under the CS Facility. The major terms and conditions of the Replacement Facility (including the share charge and the Mandatory Repayment Upon [**REDACTED**]) will be substantially consistent with the CS Facility.

In light of the Mandatory Prepayment Upon [**REDACTED**] of the Replacement Facility (such due date being the "[**REDACTED**] **Prepayment Due Date**"), Credit Suisse and GT HoldCo will, on or before the [**REDACTED**] Prepayment Due Date, enter into a senior secured term loan facility (the "**Refinancing Facility**") of up to an amount not less than US$24 million or its equivalent. The proceeds of the Refinancing Facility will be mainly used to, directly or indirectly, fully repay the Replacement Facility before or upon the [**REDACTED**] Prepayment Due Date. The Refinancing Facility will be secured by the Shares held by GT Holdco. [**REDACTED**] Shares (calculated based on HK$[**REDACTED**] per Share, being the lower end of the indicative [**REDACTED**] range) and representing approximately [**REDACTED**]% and [**REDACTED**]% of the total issued Shares as of the Latest Practicable Date and immediately upon completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), respectively, will initially be charged to Credit Suisse to secure the Refinancing Facility. Additional number of Shares or cash may be deposited with Credit Suisse to satisfy the loan-to-value ratio stipulated under the terms of the Refinancing Facility. The term of the Refinancing Facility will be 364 days and its total principal amount shall be repaid in full upon the expiry of its term. The Refinancing Facility will include other terms and conditions substantially consistent with those of the CS Facility. After communicating with Credit Suisse, as of the Latest Practicable Date, the Company was not aware of anything material that would render the plan to enter into the Replacement Facility before June 23, 2022 and to enter into the Refinancing Facility before the [**REDACTED**] Prepayment Due Date not feasible.

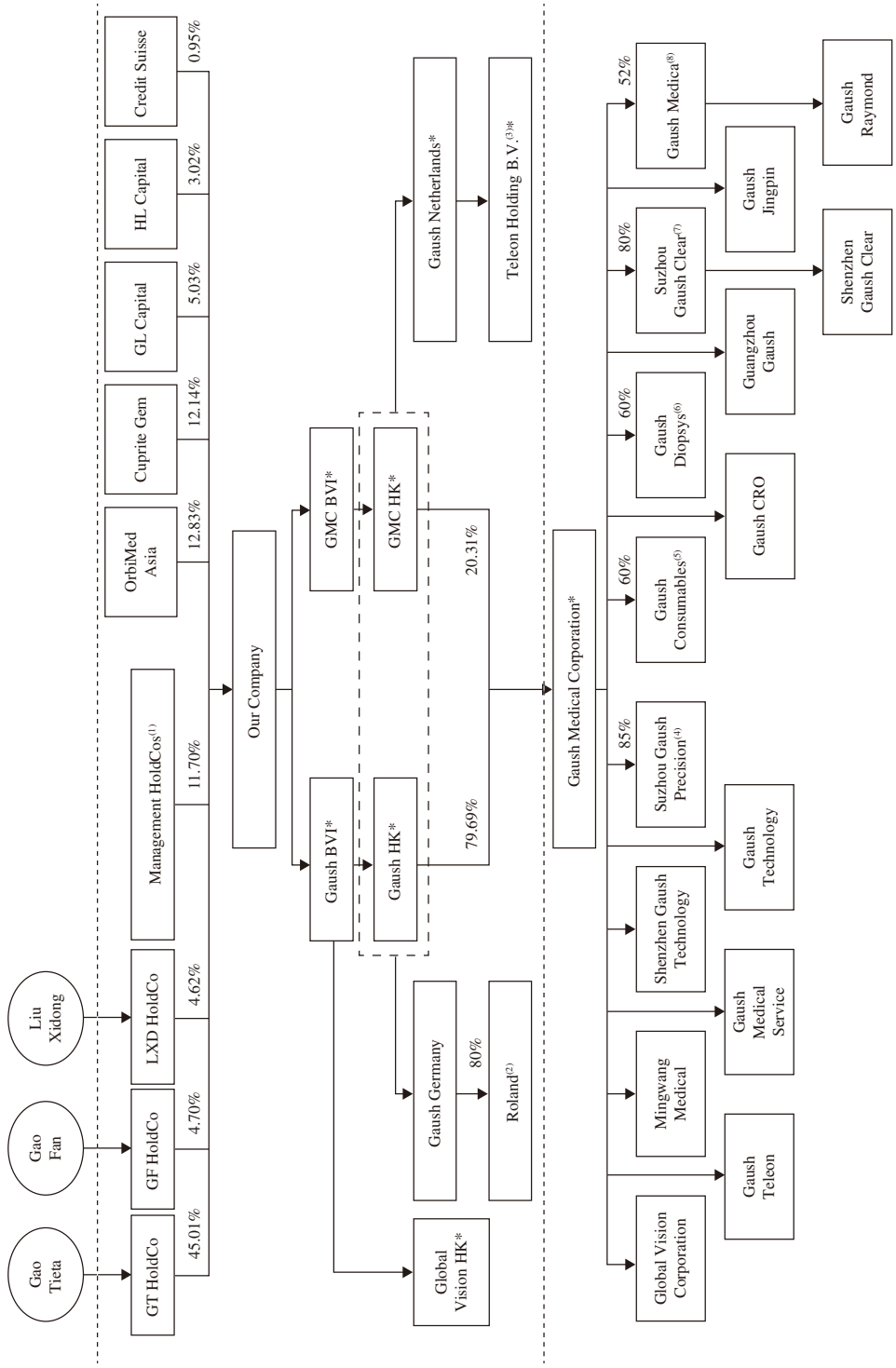
The Share Charge in connection with the CS Facility was, and the share charge in connection with the Replacement Facility and the Refinancing Facility will be, taken as security in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan in accordance with the Listing Rules, including, without limitation Rule 10.07 in respect of restrictions of disposal of shares by controlling shareholders. [**REDACTED**] Gao Tieta has also undertaken to the Company that he will, and will procure GT HoldCo to (i) make timely payments in accordance with the CS Facility, the Replacement Facility and the Refinancing Facility as and when it becomes due; and (ii) fulfill his and GT HoldCo's relevant obligations and comply with relevant terms of the CS Facility, the Replacement Facility and the Refinancing Facility to avoid the enforcement of the share charges in connection with the relevant facility. [**REDACTED**]

For details of risks relating to potential enforcement of the Share Charge, see "Risk Factors — Risks Relating to Our Business and the Industry — Enforcement of certain share charges by our Controlling Shareholder in case of default under the relevant facilities could materially and adversely affect the prevailing market price of our Shares, and could have a negative impact on our business, operation and financial results."

## CORPORATE STRUCTURE

### Immediately Before Completion of the [REDACTED]

The chart below sets out the shareholding structure of our Company immediately before completion of the [**REDACTED**]:



*Notes:*

(1) The Management HoldCos means GMC IV, GMC V, GMC VI and GMC Teleon. As of the Latest Practicable Date, our Company was owned as to 4.22% by Zhang Jianjun (through GMC IV, GMC VI and GMC Teleon), 1.97% by Zhao Xinli (through GMC V and GMC VI), 1.63% by Gao Jinta (through GMC V), 1.09% by Gao Feng (through GMC IV and GMC VI), 0.87% by Wang Cheng (through GMC IV and GMC VI), 0.78% by Wu Hui (through GMC IV and GMC VI) and 0.68% Lv Gechang (through GMC VI), 0.42% by Liu Xinwei (through GMC Teleon), 0.01% by Mark Lansu (through GMC Teleon), 0.01% by Hendrik Ligt (through GMC Teleon), 0.01% by Rik Renssen (through GMC Teleon), 0.002% by Alexey Simonov (through GMC Teleon), each of whom was a director, supervisor or management of our Company and/or certain subsidiaries of our Company.

(2) As of the Latest Practicable Date, Roland Consult Stasche & Finger GmbH was owned as to 80% by Gaush EUROPE GmbH, 10% by Oscar Stasche and 10% by Simon Finger, each a substantial shareholder of Roland Consult Stasche & Finger GmbH therefore a connected person at the subsidiary level of the Company.

(3) Teleon Holding B.V. is the holding company of Teleon Surgical B.V., Teleon IP B.V., Teleon Surgical Vertriebs GmbH and Teleon Surgical GmbH.

(4) As of the Latest Practicable Date, Suzhou Gaush Precision was owned as to 85% by Gaush Medical Corporation and three individuals, each of whom was an Independent Third Party, namely 6.75% by Guo Zhonglong, 6.75% by Feng Bin and 1.5% by Yu Jie.

(5) As of the Latest Practicable Date, Gaush Consumables was owned as to 60% by Gaush Medical Corporation and 40% by Yuan Shengyuan, who was a substantial shareholder of the Gaush Consumables and therefore a connected person of the Company. As of the Latest Practicable Date, the legal proceedings between the Group and Yuan Shengyuan in respect of the equity disputes in Gaush Consumables were still going. For details of the legal proceedings, see "Business — Legal Proceedings and Regulatory Compliance — Legal Proceedings."

(6) As of the Latest Practicable Date, Gaush Diopsys was owned as to 60% by Gaush Medical Corporation and 40% by Diopsys International LLC which was a substantial shareholder of the Gaush Diopsys and therefore a connected person of the Company.

(7) As of the Latest Practicable Date, Suzhou Gaush Clear was owned as to 80% by Gaush Medical Corporation and 20% by Tianjin Taihang Corporate Management Consultancy L.P.* (天津高視太行企業管理諮詢合夥企業(有限合夥)).

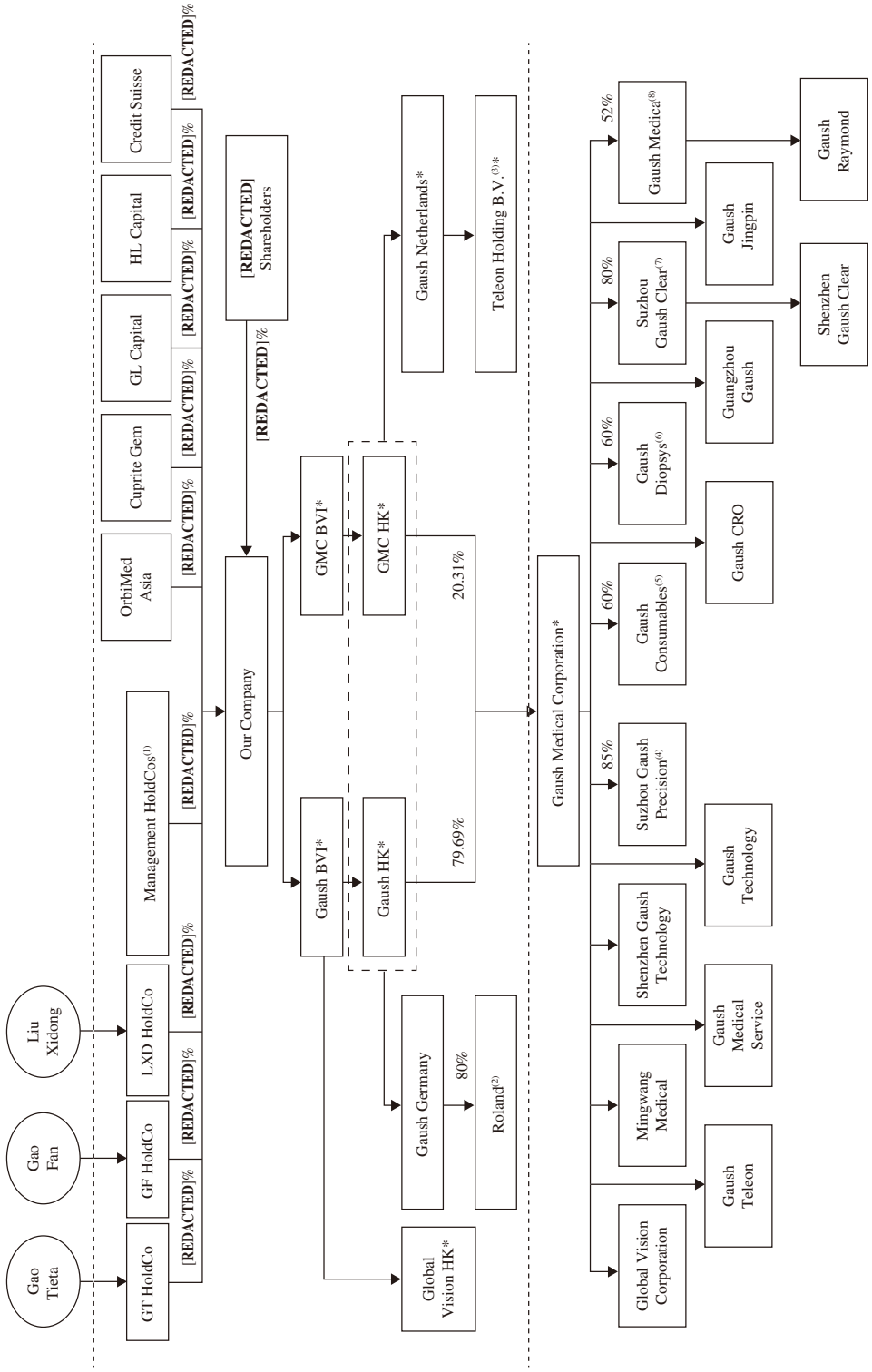
(8) As of the Latest Practicable Date, Gaush Medica was owned as to 52% by Gaush Medical Corporation and two individuals, namely 28% by Jin Nihai and 20% by Jin Chengpeng, each of whom was a substantial shareholder of Gaush Medica and therefore a connected person of the Company.

"→" Unless otherwised stated, indicates 100%.

"*" 100% equity interests of such subsidiary of the Company has been pledged to lenders. See "Financial Information — Indebtedness — Bank Borrowings" and "Financial Information — Indebtedness — Loan at Fair Value through Profit or Loss and Warrants" for the details of our bank borrowings.

**Immediately After Completion of the [REDACTED]**

The chart below sets out the shareholding structure of our Company immediately after completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised):



*Notes:*

(1) The Management HoldCos means GMC IV, GMC V, GMC VI and GMC Teleon. As of the Latest Practicable Date, our Company was owned as to 4.22% by Zhang Jianjun (through GMC IV, GMC VI and GMC Teleon), 1.97% by Zhao Xinli (through GMC V and GMC VI), 1.63% by Gao Jinta (through GMC V), 1.09% by Gao Feng (through GMC IV and GMC VI), 0.87% by Wang Cheng (through GMC IV and GMC VI), 0.78% by Wu Hui (through GMC IV and GMC VI) and 0.68% Lv Gechang (through GMC VI), 0.42% by Liu Xinwei (through GMC Teleon), 0.01% by Mark Lansu (through GMC Teleon), 0.01% by Hendrik Ligt (through GMC Teleon), 0.01% by Rik Renssen (through GMC Teleon), 0.002% by Alexey Simonov (through GMC Teleon), each of whom was a director, supervisor or management of our Company and/or certain subsidiaries of our Company.

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(3) Teleon Holding B.V. is the holding company of Teleon Surgical B.V., Teleon IP B.V., Teleon Surgical Vertriebs GmbH and Teleon Surgical GmbH.

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"→" Unless otherwised stated, indicates 100%.

"*" 100% equity interests of such subsidiary of the Company has been pledged to lenders. See "Financial Information — Indebtedness — Bank Borrowings" and "Financial Information — Indebtedness — Loan at Fair Value through Profit or Loss and Warrants" for the details of our bank borrowings.

## PRC REGULATORY REQUIREMENTS

### M&A Rules

According to the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產管理監督委員會), the SAT, the CSRC, State Administration of Industry and Commerce and the SAFE on August 8, 2006 and effective as of September 8, 2008 and amended in June 2009, where a domestic company, enterprise or natural person intends to acquire its/his/her related domestic company in the name of an offshore company which it/he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM, and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company, any overseas listing of that special purpose company shall be subject to approval by the CSRC. According to Article 11 of the M&A rules, if any domestic company, enterprise or natural person merges its affiliated domestic company in the name of a company legally established or controlled by the aforesaid domestic company, enterprise or natural person in foreign countries or regions, it shall be subject to the approval of MOFCOM.

As advised by our PRC Legal Adviser, the historical onshore acquisition and reorganization of our Group are not in violation with the M&A Rules and are not subject to a prior approval from the MOFCOM under the M&A Rules.

In relation to all the transfers of equity interests, investments and increases in registered capital in our subsidiaries established in China as described in this section, Our PRC Legal Adviser confirms that all necessary regulatory approvals from the Chinese authorities have been obtained and all relevant Chinese laws and regulations have been complied with.

### SAFE Registration in the PRC

On July 4, 2014, the SAFE issued the Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Round-trip Investment Conducted by Chinese Mainland Residents via Special-purpose Companies (Hui Fa [2014] No. 37) (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**"). According to the SAFE Circular 37, with respect to a registered special purpose vehicle, any changes made to the Chinese residency of its individual shareholders, its name, term of operation or other basic information, or other material information, such as the increase or reduction of capital contribution or transfer, or swap of equity by any shareholder, or merger or de-merger of such registered special purpose vehicle, the shareholders shall promptly re-register such changes with the competent foreign exchange authority.

On February 13, 2015, SAFE released the Notice on Further Simplifying the Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), which became effective from June 1, 2015. According to SAFE Circular 13, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37. However, there exists uncertainties with respect to its interpretation and implementation by governmental authorities and banks.

As confirmed by our PRC Legal Adviser, in relation to the incorporation of GT HoldCo, GF HoldCo, LXD HoldCo, GMC IV, GMC V, GMC VI and GMC VII, Gao Fan, Gao Tieta, Liu Xidong, Zhang Jianjun, Zhao Xinli, Gao Feng, Wang Cheng, Wu Hui, Gao Jinta and Lv Gechang, all of whom are Chinese citizens, completed the registration on December 8, 2017 according to SAFE Circular 37. In addition, as confirmed by our PRC Legal Adviser, in relation to the incorporation of Hima Holding Ltd and Huyang Group Ltd, both of which are shareholders of GMC Teleon Ltd, Liu Xinwei and Zhang Jianjun completed the registration on July 6, 2021 according to SAFE Circular 37.

## OVERVIEW

We are a comprehensive provider of ophthalmic medical devices in the PRC. 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, 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, we had offered comprehensive ophthalmic medical device solutions to over 4,000 end customers in China (including over 1,000 Class III hospitals and serving all provincial administrative regions in China), including ophthalmic diagnostic equipment, surgical and treatment equipment and consumables, as well as providing after-sale technical services.

We possess a comprehensive 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 rich product portfolio comprises 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 global brand partners, of which 17 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 1.7 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 rich and stable 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 solutions 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 comprehensive 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 both the number of in-house maintenance engineers and revenue from provision of technical services in 2021, according to Frost & Sullivan. As of the Latest Practicable Date, our technical service team comprised 125 technicians and our industry-leading technical service network covered all provincial administrative regions in China. With a comprehensive 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 we 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 16 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, our revenue amounted to RMB1,106.7 million, RMB962.1 million and RMB1,298.2 million, respectively, and our gross profit was RMB463.3 million, RMB436.2 million and RMB609.5 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 STRENGTHS

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

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

We are a comprehensive provider of ophthalmic medical devices in the PRC. 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 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 comprehensive product and service offerings to our customers to respond to clinical needs. We offered one-stop ophthalmic medical device solutions to over 4,000 end customers in China (including over 1,000 Class III hospitals) 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 1.7 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[1] 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 are an early mover in China's ophthalmic medical device industry and we have been leading its development trends. 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. 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 possess all the necessary operational and sales capabilities for a comprehensive 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 solution 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, comprehensive 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.

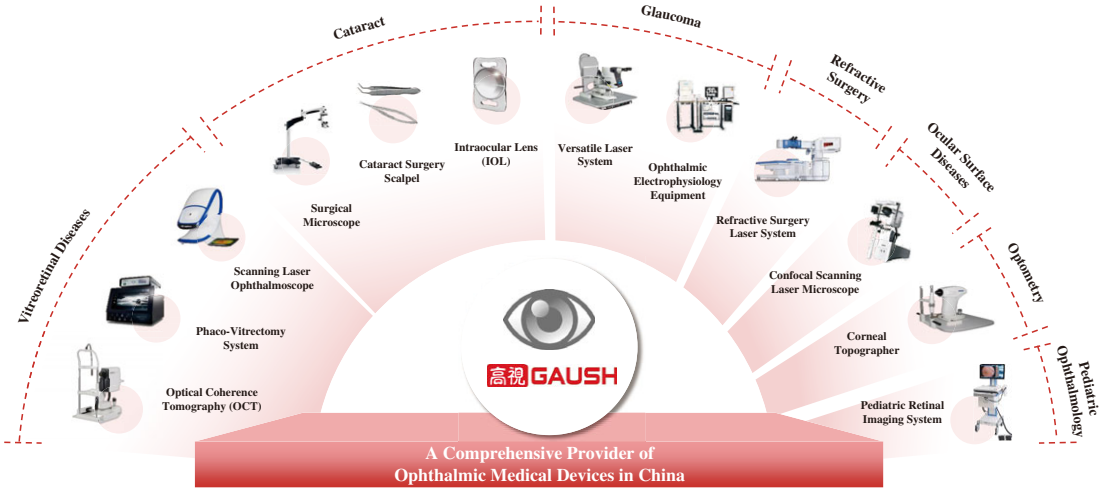
Based in China, we also carry out global research and development, production and sales of ophthalmology equipment products. We continually seek acquisition and collaboration opportunities for leading products, technologies and teams globally to enrich our product offering, and have completed many valuable 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 year ended December 31, 2021, our revenue generated from sales of Proprietary Products accounted for 28.0% 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, respectively. We believe our comprehensive product portfolio and multinational operations had greatly contributed to the growth of our business.

**Rich product portfolio covering all major ophthalmic medical device categories, providing our customers with comprehensive and integrated solutions**

We possess a comprehensive 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 comprehensive and integrated solutions for ophthalmic medical device. Our product portfolio is rich, covering multiple dimensions, 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 comprehensive 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 focused 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 most comprehensive product offering of ophthalmic medical devices in China.

Medical institutions and ophthalmologists have strong demands for comprehensive and integrated solutions for products and services, as this helped them improve efficiency and cost-effectiveness. Our comprehensive 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. 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 will benefit 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 equipment and surgical consumables***

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 key pipeline products include slit lamp, ocular fundus camera, scalpel, intraocular lens 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 possesses 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 comprehensive product portfolio, we bring value to our customers by providing them with the product solution 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 1,000 Class III 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 2018, we have recorded around 1,000 participations of lecturers for around 300

academic events held by the Gaush Online platform. During the Track Record Period, we held or sponsored over 100 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 Opthalmological 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 a comprehensive 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 and representing a CAGR of 22.4%. We believe the after-sale technical services for such devices possess 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 comprehensive 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 comprehensive 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 12 Proprietary Products under development or registration process and three 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 100 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 solution 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 comprehensive 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 comprehensive 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 be part of the solution in providing 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.

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.

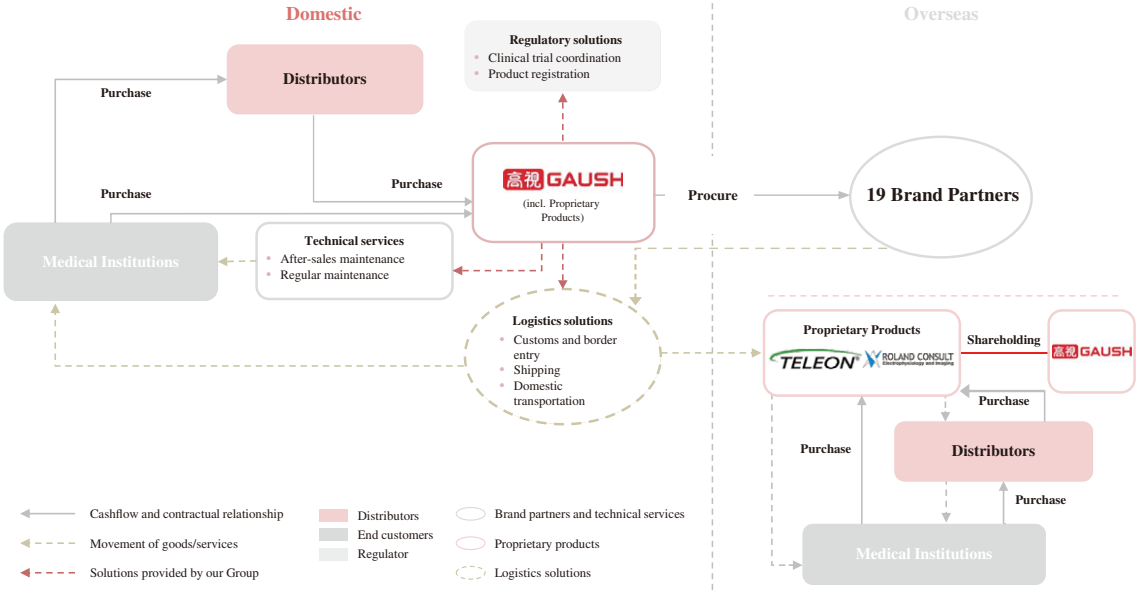
**Continue to attract, train and retain talent, align our employees with our core values and strengthen our organizational culture to lay a solid foundation for the development of our Company**

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

As a comprehensive provider of ophthalmic medical device in the PRC, we sell and distribute a comprehensive 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, 79 were our Distribution Products, 25 were products of Teleon and Roland and 25 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, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *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 |
| Surgical & treatment equipment | 351,372 | 31.8 | 297,393 | 30.9 | 257,793 | 19.9 |
| Other equipment | – | – | 10,597 | 1.1 | 9,127 | 0.7 |
| *Sub-total* | 849,405 | 76.7 | 676,917 | 70.4 | 718,718 | 55.4 |
| *Sale of ophthalmic medical consumables* | | | | | | |
| Intraocular lens | 67,924 | 6.2 | 56,698 | 5.8 | 259,621 | 20.0 |
| Other consumables* | 80,004 | 7.2 | 84,226 | 8.8 | 148,747 | 11.5 |
| *Sub-total* | 147,928 | 13.4 | 140,924 | 14.6 | 408,368 | 31.5 |
| **Technical Services** | 107,925 | 9.8 | 138,784 | 14.4 | 161,605 | 12.4 |
| **Others**** | 1,397 | 0.1 | 5,450 | 0.6 | 9,527 | 0.7 |
| **Total** | 1,106,655 | 100 | 962,075 | 100 | 1,298,218 | 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.

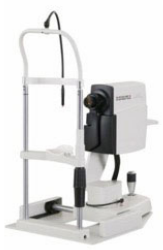
Our product portfolio includes both Distribution Products, being products of our brand partners, and Proprietary Products, being products we develop and manufacture. Our Distribution Products and Proprietary Products generally serve different diagnostic, treatment or surgery functionalities. Except for 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**

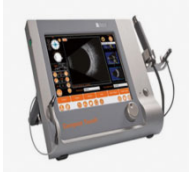
We offer diagnostic equipment products for a wide range of diseases, including vitreoretinal diseases, cataract, refraction, corneal diseases, glaucoma and others. As of the Latest Practicable Date, our product portfolio comprised 47 diagnostic equipment products, including 32 Distribution Products and 15 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, choriod, macula lutea and optic disk and facilitate the diagnosis of ocular fundus lesion. We offer a comprehensive range of diagnostic equipment to satisfy various clinical demand. According to Frost & Sullivan, we have the most comprehensive 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)<br>  | • 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.<br>• 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.<br>• 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.<br>• 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.<br>• Distribution Product with distribution period up to 2028.<br>• Class III Medical Device. | 1,200,000–2,800,000 |
| Heidelberg laser ophthalmology diagnostic equipment (SPECTRALIS HRA)<br>  | • 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.<br>• 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.<br>• 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.<br>• Distribution Product with distribution period up to 2028.<br>• Class III Medical Device. | 1,500,000–2,800,000 |

| Type | Features and Benefits | Benchmark Price *(RMB)** |
|---|---|---|
| Optos laser scanning ophthalmoscope series (Daytona/P200DTx)<br>  | • 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.<br>• 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.<br>• 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.<br>• Distribution Product with distribution period up to 2022 and we expect to renew the distribution period before it comes to expiration.<br>• Class III Medical Device. | 1,825,000–3,750,000 |
| GAUSH TNF ocular fundus camera series (TNF 506/507)<br>  | • 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;<br>• 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.<br>• Proprietary Product.<br>• Class II Medical Device. | 150,000–250,000 |

| Type | Features and Benefits | Benchmark Price *(RMB)** |
|---|---|---|
| Quantel versatile ultrasound ophthalmology diagnostic platform (Aviso)<br>  | • 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.<br>• 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.<br>• 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.<br>• 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.<br>• Quantel Aviso supports the diagnosis, treatment and follow-up of anterior segment diseases such as glaucoma, ocular trauma, ICL intraocular lens implantation.<br>• Distribution Product with distribution period up to 2026.<br>• Class III Medical Device. | 500,000–1,000,000 |
| Quantel ultrasound diagnostic system Compact Touch series (Compact Touch)<br>  | • 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.<br>• 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.<br>• Distribution Product with distribution period up to 2026.<br>• 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*

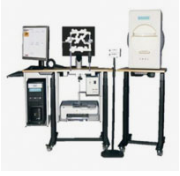
Cataract is a cloudy area in the lens of the eye that leads to a decrease in vision. Our diagnostic products for cataract support the preoperative examination and observation of chamber, lens, cornea and chamber angle. Our major diagnostic equipment portfolio for cataract includes Compact Touch and Compact 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.

*Comprehensive diagnostic equipment*

In addition to the diseases above, our portfolio also includes ophthalmic medical devices for comprehensive diagnosis based on ultrasonic, electrophysiology and imaging. The following table sets forth details of our major comprehensive 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)<br>  | • 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.<br>• 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.<br>• 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.<br>• Proprietary Product.<br>• 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)<br>  | • Gaush Raymond Slit Lamp Microscope TSL-5 possesses 5 levels of magnification, with a variety of filter options to meet different observation needs.<br>• Its LED light source provides long-lasting and heat-free stable brightness.<br>• Infinite adjustment on the coaxial background light, which can enhance the brightness of the background color and make the peripheral image more clear.<br>• Proprietary Product.<br>• Class II Medical Device. | 95,000–112,500 |
| GAUSH RM800 contrast sensitivity meter<br>  | • Gaush Raymond Contrast Sensitivity Meter RM800 is fully automated by computer software, convenient and easy to use.<br>• Patient measurement data is saved in real time and can be directly analyzed on IVA and CSF curves. It can also print relevant reports.<br>• It can perform contrast sensitivity, glare contrast sensitivity and dark adaptation tests simultaneously.<br>• Proprietary Product.<br>• Class II Medical Device. | 150,000 |
| Heidelberg laser ophthalmology diagnostic equipment (HRT 3)<br>  | • 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.<br>• 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.<br>• 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.<br>• 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.<br>• Distribution Product with distribution period up to 2028.<br>• Class III Medical Device. | 1,600,000 |

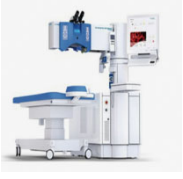
*Note:*

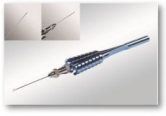
* Benchmark price for comprehensive diagnostic equipment represented the indicative benchmark price we included in our product catalog of each series of equipment. The actual price of the products may vary based on the different model, setting and configuration as requested by the end customer and may 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)<br>  | • 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.<br>• The equipment used a fully enclosed laser and adopted Parfocal light path transmission technology. Its the light spot is continuously adjustable from 50 to 500μm, which supports accurate fundus treatment.<br>• 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.<br>• Distribution Product with distribution period up to 2026.<br>• Class III Medical Device. | 400,000–500,000 |
| Quantel Easyret 577nm fundus laser photocoagulation system<br>  | • Quantel Easyret 577nm fundus laser used the innovative ophthalmic fibre used the proprietary ELBATM fiber laser principle.<br>• 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.<br>• It integrated single-point, multi-point and micro-pulse modes.<br>• 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.<br>• Distribution Product with distribution period up to 2026.<br>• 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)<br>  | • 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.<br>• 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.<br>• Distribution Product with distribution period up to 2024.<br>• 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)<br>  | • 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.<br>• The phacoemulsification needle with patented three-section bell mouth design provides strong emulsification ability.<br>• The built-in air pump ensured stable and continuous air supply during the surgery, without the need for an external air source.<br>• 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.<br>• Distribution Product with distribution period up 2023.<br>• Class III Medical Device. | 905,000–1,220,000 |
| Schwind corneal refractive surgery laser series (AMARIS 500E/750S/1050RS)<br>  | • 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.<br>• 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.<br>• 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.<br>• 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.<br>• Distribution Product with distribution period up to 2027<br>• 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.<br>• 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.<br>• Distribution Product with distribution period up 2022 and we expect to renew the distribution period before it comes to expiration.<br>• 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;<br>• Their ergonomic design provides optimal operation experience and the rust-proof and thermal treatment extended the use life of the products.<br>• Proprietary Products<br>• 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)<br>  | • 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;<br>• Its 1.8mm micro-incision design causes less surgical damage, and the wide plate loop design provides stability in the capsular;<br>• Its broad diopter ranged between -10.0D and +35.0D, basically covering all patients including patients with high myopia.<br>• Proprietary Product and admitted to centralized volume-based procurement regime.<br>• Class III Medical Device. | RMB4,199–12,500 |
| Lentis Mplus Multifocal intraocular lens (LS-313 MF30)<br>  | • Lentis Mplus Multifocal intraocular LS-313 MF30 is the world's first sectoral refractive multifocal patented optical design;<br>• 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;<br>• Its 1.8mm micro incision design causes less surgical damage, and the wide plate loop design provides stability in the capsular;<br>• Its broad diopter ranged between -10.0D and +35.0D, basically covering all patients (including patients with high myopia).<br>• Proprietary Product.<br>• Class III Medical Device. | RMB12,800 |
| Lentis Comfort/MPlus Toric intraocular lens (LS-313 MF15T/MF30T)<br>  | • Lentis Comfort/MPlus Toric intraocular lens LS313 MF15T/MF30T are our flagship product for functionality intraocular lens with ADD of 3.0D/1.5D.<br>• Full coverage of T1-T7 models to correct corneal astigmatism above 0.75D-4.0D;<br>• The wide panel loop design provides excellent stability in the capsular.<br>• Proprietary Product.<br>• Class III Medical Device. | RMB19,800 |

| Type | Features and Benefits | Benchmark Price |
|---|---|---|
| ACUNEX intraocular lens series<br>  | • 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;<br>• Its natural UV-Filter imitate natural lens absorbing harmful UV light and violet part of the blue light spectrum for natural color perception.<br>• Its aspheric optic structure corrects spherical aberation of the cornea for high contrast and better image quality compared to spherical standard lenses, especially in mesopic light conditions.<br>• Proprietary Product currently sold in EU market. | EUR70-450 |
| Femtis intraocular lens series<br>  | • The unique haptic design of the capsulorhexis-fixated of Femtis allows maximum precision in combination with automated capsulotomies.<br>• 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.<br>• Proprietary Product currently sold in EU market. | EUR200–1,200 |
| Lentis spherical intraocular lens (PCA81)<br>  | • Lentis spherical intraocular lens PCA81 is made of HydroSmart material, which possesses the advantages of both hydrophilicity and hydrophobicity;<br>• SML processing technology, together with 360-degree all-square edge design on the back surface, which reduces the incidence of posterior capsule opacification;<br>• Its broad diopter ranged between -10.0D and +30.0D, basically covering all patients (including patients with high myopia);<br>• Wide and hollow C-shaped loop design, which provides good stability in the capsular bag.<br>• Proprietary Product and admitted to certain centralized volume-based procurement regime.<br>• Class III medical device. | RMB491–2,960 |
| Lentis aspherical monofocal intraocular lens (L-312)<br>  | • Lentis aspherical intraocular lens L-312 is made of HydroSmart material, which possesses the advantages of both hydrophilicity and hydrophobicity;<br>• SML processing technology, together with 360-degree all-square edge design on the back surface, which reduces the incidence of posterior capsule opacification;<br>• 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;<br>• Its diopter ranges +5.0D ~ +35.0D and its classic C-shaped loop design provides good stability for the capsular;<br>• Proprietary Product and admitted to certain centralized volume-based procurement regime.<br>• Class III medical device. | RMB1,083–3,300 |

| Type | Features and Benefits | Benchmark Price |
|---|---|---|
| Lentis aspherical monofocal intraocular lens with micro incision (L-313)<br>  | • Lentis aspherical monofocal L-313 is made of HydroSmart material, which possess the advantages of both hydrophilicity and hydrophobicity;<br>• SML processing technology, together with 360-degree all-square edge design on the back surface, which reduces the incidence of posterior capsule opacification;<br>• 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;<br>• Its diopter ranges +5.0D ~ +35.0D, which can meet the needs of patients with different diopters;<br>• 1.8mm micro incision design, which causes less surgical damage;<br>• The wide panel loop design provides excellent stability in the capsular bag.<br>• Proprietary Product | RMB3,700 |

*Note:*

* The benchmark price range for intraoeular 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, the total sales amount of these 15 implant products amounted to RMB66.9 million, RMB58.1 million and RMB89.1 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 year ended December 31, 2021** | | | | | |
| 1 | Brand Product A | Diagnostic equipment | 214 | 119,091 | 9.2 |
| 2 | Brand Product B | Diagnostic equipment | 139 | 82,292 | 6.3 |
| 3 | Brand Product F | Diagnostic equipment | 80 | 62,371 | 4.8 |
| 4 | Brand Product C | Surgical and treatment equipment | 12 | 40,718 | 3.1 |
| 5 | Brand Product E | Diagnostic equipment | 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 | Diagnostic equipment | 178 | 107,633 | 11.2 |
| 2 | Brand Product B | Diagnostic equipment | 107 | 63,877 | 6.6 |
| 3 | Brand Product F | Diagnostic equipment | 67 | 53,351 | 5.5 |
| 4 | Brand Product C | Surgical and treatment equipment | 13 | 49,393 | 5.1 |
| 5 | Brand Product D | Surgical and treatment equipment | 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 | Diagnostic equipment | 228 | 139,076 | 12.6 |
| 2 | Brand Product B | Diagnostic equipment | 160 | 99,952 | 9.0 |
| 3 | Brand Product C | Surgical and treatment equipment | 26 | 87,522 | 7.9 |
| 4 | Brand Product D | Surgical and treatment equipment | 29 | 54,565 | 4.9 |
| 5 | Brand Product E | Diagnostic equipment | 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 12 Proprietary Products and three Distribution Products.

| Expected Launch Date | Pipeline Product | Medical Device Classification | Distribution / Proprietary Product | Application, features and benefits | Current status | Expected capital expenditures |
|---|---|---|---|---|---|---|
| | | | | | | *(RMB'000)* |
| CE Approval by Q4/2022 | ACUNEX Quantum | Class III | Proprietary Product | Enhanced monofocal Hydrophobic Material | Under development | 6,000 |
| CE Approval by Q2/2023 | LENTIS Quantum Toric | Class III | Proprietary Product | Enhanced monofocal Toric Hydrophlic Material | Under development | 8,000 |
| CE Approval by Q1/2024 | FEMTIS Quantum | Class III | Proprietary Product | Enhanced monofocal Perfect Precision Hydrophlic Material | Under development | 6,000 |

| Expected Launch Date | Pipeline Product | Medical Device Classification | Distribution / Proprietary Product | Application, features and benefits | Current status | Expected capital expenditures |
|---|---|---|---|---|---|---|
| | | | | | | *(RMB'000)* |
| CE Approval by Q4/2024 | ACUNEX Quantum Toric | Class III | Proprietary Product | Enhanced monofocal<br>Toric<br>Hydrophobic Material | Under development | 8,000 |
| CE Approval by Q4/2023 | RPS21 New Model | Class II | Proprietary Product | A new type of electrophysiological instrument in combination with the REIT-map as a product family | Product design and development | 5,000 |
| CE Approval by Q4/2023 | RETI-map Human | Class II | Proprietary Product | A multifocal electrophysiological instrument for human use in combination with the RPS21 as a product family | Product design and development | 6,000 |
| NMPA Approval by Q4/2025 | OK-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 | Product design and development | 50,000 |
| NMPA Approval by 2022 | Integrated type Slit Lamp | Class II | Proprietary Product | Integrated type slit lamp for visual inspection | Pre-registration testing | 1,000 |
| NMPA Approved To be launched in 2022 | Fully Automated Fundus Camera | Class II | Proprietary Product | A fully automated fundus camera for fundus diagnosis | Post-registration patient experience collection | 2,000 |
| NMPA Approval by 2022 | Ophthalmology Scalpel | Class II | Proprietary Product | A paracentesis scalpel | Pre-registration testing | |
| NMPA Approval by 2022 | Ophthalmology Scalpel | Class II | Proprietary Product | A secondary incision scalpel | Pre-registration testing | 13,000 |
| NMPA Approval by 2022 | Ophthalmology Scalpel | Class II | Proprietary Product | A tunnel scalpel | Pre-registration testing | |

| Expected Launch Date | Pipeline Product | Medical Device Classification | Distribution / Proprietary Product | Application, features and benefits | Current status | Expected capital expenditures |
|---|---|---|---|---|---|---|
| | | | | | | *(RMB'000)* |
| NMPA Approval by Q4 2022 | Anterion | Class III | Distribution Product | A multimodal anterior segment imaging platform | Under registration | N/A* |
| NMPA Approval by Q4 2022 | ATOS | Class III | Distribution Product | A femtosecond laser corneal refractive surgery system | Under registration | N/A* |
| NMPA Approval by Q3 2023 | EyeLight | Class III | Distribution Product | An intensive pulse light dry eye therapeutic device | Under registration | N/A* |

*Note:*

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

## TECHNICAL SERVICES

As part of our solution 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, our revenue generated from the provision of technical services was RMB107.9 million, RMB138.8 million and RMB161.6 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, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *RMB'000 (except percentages)* | | | | | |
| Warranty services | 72,264 | 67.0 | 98,391 | 70.9 | 116,632 | 72.1 |
| Maintenance services | 9,721 | 9.0 | 10,175 | 7.3 | 13,340 | 8.3 |
| Technical service related accessories | 25,940 | 24.0 | 30,218 | 21.8 | 31,633 | 19.6 |
| **Total** | 107,925 | 100 | 138,784 | 100 | 161,605 | 100 |

As of the Latest Practicable Date, our technical service team comprised 125 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 comprehensive operation procedures and system to manage our technical services through the Salesforce Service Platform. In addition to technical support, we have also established comprehensive 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 provide our brand partners with one-stop solutions 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 17 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 Mydratic 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, 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 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. |
| 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. |

| Rank | Suppliers | Purchase amount | % of our purchases | Settlement term | Commencement of business relationship | Supplier background |
|---|---|---|---|---|---|---|
| | | *(RMB in thousands)* | | | | |
| 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 headquatered 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. |

| Rank | Suppliers | Purchase amount | % of our purchases | Settlement term | Commencement of business relationship | Supplier background |
|---|---|---|---|---|---|---|
| | | *(RMB in thousands)* | | | | |
| 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 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 the one-stop solutions we provide 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 solutions*. 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 104 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 solutions.* 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 comprehensive and 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 solutions.* 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, 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 comprehensive 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 possess 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. Teleon is primarily engaged in the manufacturing of intraocular lenses (IOLs) and other ophthalmic 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 one-off 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 possess 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 possess 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 RMB259.7 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.

- *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.

- *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 and further to 46.9% in 2021. 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 35 R&D personnel, including 15 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, our total research and development expenses amounted to RMB2.7 million, RMB3.1 million and RMB23.5 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 possess 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 comprehensive 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 one CRO (the "**Relevant CRO**") for the development of our intraocular lens product during the year ended December 31, 2021. The responsibilities of the Relevant CRO were limited to the coordination of the clinical trial and the collection and analysis of clinical data, and it is not entitled to any intellectual property with respect to the relevant intraocular lens product. The Relevant CRO is an European company with track record of more than a decade and an Independent Third Party. The pricing of the services provided by the Relevant CRO was determined through arm's length negotiation. For the year ended December 31, 2021, the fees we paid to the Relevant CRO amounted to RMB0.2 million.

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 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, 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.

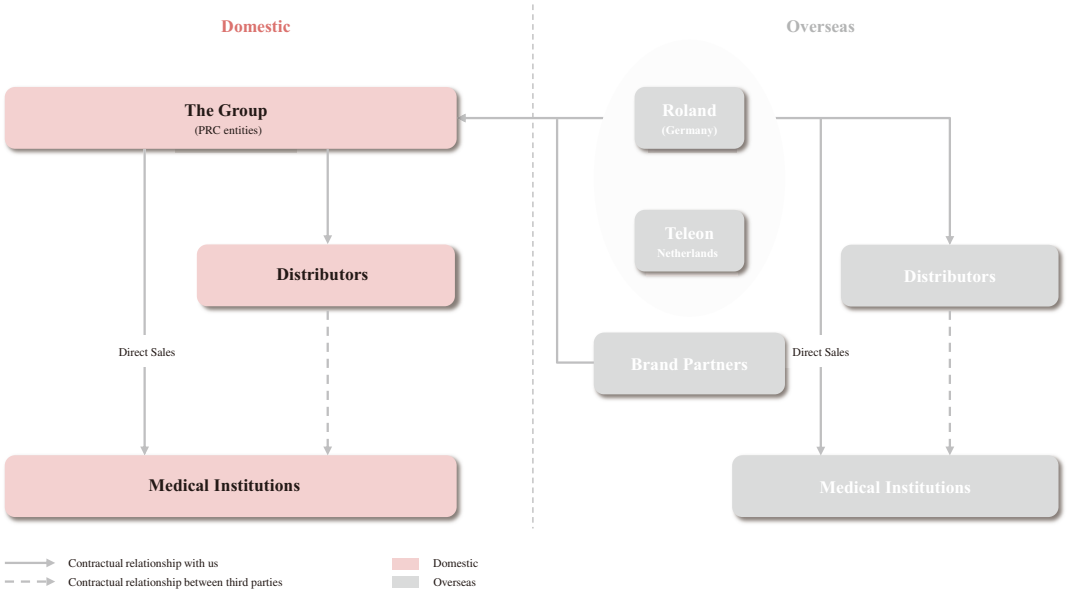
## SALES AND DISTRIBUTION

### 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 1,000 Class III hospitals, serving all provincial administrative regions in China. For the years ended December 31, 2019, 2020 and 2021, we sold to 2,253, 2,179 and 2,313 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, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *RMB'000 (except percentages)* | | | | | |
| Distributors | 574,192 | 52.4 | 539,367 | 57.4 | 618,981 | 61.2 |
| Hospitals and other direct customers* | 521,513 | 47.6 | 399,977 | 42.6 | 392,814 | 38.8 |
| *Total* | 1,095,705 | 100 | 939,344 | 100 | 1,011,795 | 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, we had 888, 943 and 917 distributors for domestic sales in China, respectively, which contributed to 52.4%, 57.4% and 61.2% of our revenue generated from sales in China in 2019, 2020 and 2021, 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 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, | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| **Domestic regional distributors** | | | |
| Number at the beginning of the period | 79 | 74 | 78 |
| Increase[(1)] | 28 | 22 | 75 |
| Decrease[(2)] | 33 | 18 | 16 |
| Number at the end of the period | 74 | 78 | 137 |
| **Domestic project-based distributors** | | | |
| Number at the beginning of the period | 672 | 814 | 865 |
| Increase[(1)] | 530 | 502 | 438 |
| Decrease[(2)] | 388 | 451 | 523 |
| Number at the end of the period | 814 | 865 | 780 |

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *RMB'000 (except for percentages)* | | | | | |
| **Revenue contribution of** | | | | | | |
| Domestic project-based distributors | 486,186 | 84.7 | 423,017 | 78.4 | 360,682 | 58.3 |
| Domestic regional distributors | 88,006 | 15.3 | 116,350 | 21.6 | 258,299 | 41.7 |
| **Total** | 574,192 | 100.0 | 539,367 | 100.0 | 618,981 | 100.0 |

*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 year ended December 31, 2019, 2020 and 2021, we had 74, 78 and 137 regional domestic distributors. 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 814, 865 and 780 project-based domestic distributors for the year ended December 31, 2019, 2020 and 2021, respectively. 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 to RMB116.4 million. 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 three 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 comprehensive 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 and 50 days in 2019, 2020 and 2021, respectively. For a detailed discussion of our trade receivables, see "Financial Information — Description of Certain Consolidated Statements of Financial Position Items — 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% and 55.4% of our total revenue for the years ended December 31, 2019, 2020 and 2021, 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, our direct sales to hospitals and other customers amounted to RMB521.5 million, RMB400.0 million and RMB392.8 million, respectively, representing 47.6%, 42.6% and 38.8% 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 comprehensive 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.

**Sales outside China**

Following our completion of acquisitions of Roland and Teleon, we also inherited the overseas distribution network of Roland and Teleon. For year ended December 31, 2021, we transacted with 122 overseas distributors. 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 282 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. 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, the aggregate sales volume of the four products amounted to approximately 41,000 pieces, 30,000 pieces and 54,000 pieces, and the aggregate sales of the four products in China amounted to RMB28.3 million, RMB24.3 million and RMB56.0 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. 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. 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 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, we had six, seven and eight 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 opthalmic diagnostics equipment; (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.

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 — 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 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 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, 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 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 6,813 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 72 employees and an overseas manufacturing team of 64 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, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2019 | | | 2020 | | | 2021 | | |
| | *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% |
| Other comprehensive diagnostic equipment[(3)] | 814 | 454 | 56.0% | 814 | 626 | 77.0% | 770 | 832 | 108.1% |
| **Ophthalmic medical consumables** | | | | | | | | | |
| Introcular lens | – | – | – | – | – | – | 603,016 | 297,000 | 49.3%[(4)] |
| Surgical instrument | – | – | – | – | – | – | 165,900 | 3,033 | 1.8%[(5)] |

*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 comprehensive diagnostic equipment primarily included fundus camera, slit lamp, corneal topography, retinometer and contrast sensitivity instrument.

(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 has not been obtained as of the Latest Practicable Date. The Company expects to obtain such NMPA registration by the end of 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 Other Parties — 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, we had inventories of RMB195.8 million, RMB239.6 million and RMB240.1 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.

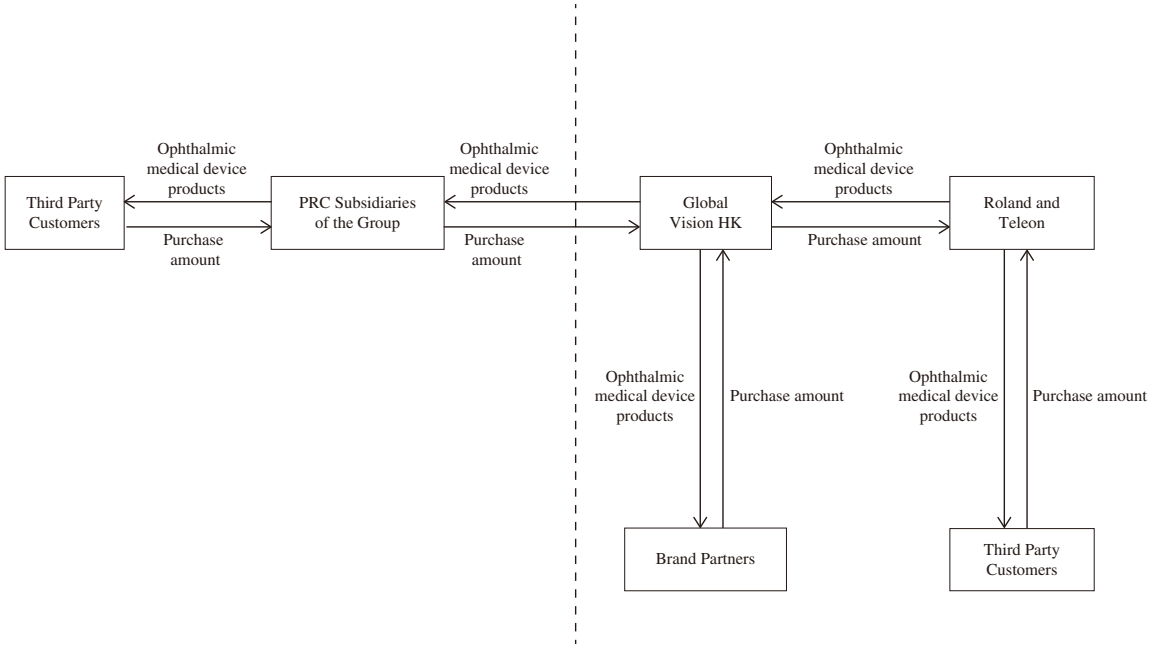
We have established storage policy in accordance to the rules and regulations that are applicable to manufacturing enterprises. Our warehouse management team conducts periodic inspections of our warehouses and stock count, ensuring that our inventories are stocked in appropriate conditions and are able 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, the revenue of Global Vision HK amounted to RMB320.9 million, RMB209.2 million and RMB106.2 million.

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 year ended December 31, 2021, 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 — 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 comprehensive 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 December 31, 2021 and the Latest Practicable Date, we had 717 and 764 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 | 72 | 12.0 |
| R&D | 20 | 3.3 |
| Technical Service | 125 | 20.8 |
| Sales and Marketing | 282 | 46.9 |
| Management and Administrative | 102 | 17.0 |
| **Total** | **601** | **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 | 64 | 39.3 |
| R&D | 15 | 9.2 |
| RA/QA/QC | 14 | 8.6 |
| Supply Chain | 27 | 16.6 |
| Sales and Marketing | 24 | 14.7 |
| Management and Administrative | 19 | 11.7 |
| **Total** | **163** | **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 comprehensive 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 December 31, 2021, we made provisions in a total amount of approximately RMB3.4 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, 16 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, | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| **Energy consumption** | | | |
| Electricity (kWh) | 31,938 | 40,521 | 1,622,012 |
| Water (ton(s)) | 271 | 364 | 3,421 |
| Fuel ($m^3$) | – | – | 6,871 |
| **Pollutant discharge** | | | |
| Exhaust gas (ton(s)) | – | – | – |
| Sewage (ton(s)) | – | – | 159 |
| Solid waste (ton(s)) | – | – | 15 |

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 12,509.79 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 29 Class I medical devices, and obtained 19 local NMPA registration certificates for Class II medical devices and 34 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 a third party ("**Defendant**") 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. The Defendant further undertook to us that if Gaush Consumables' disposable phacoemulsification accessories products fail to obtain Class II medical device registration by February 10, 2021, it 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 the Defendant to fulfill its obligations but the Defendant refused. In view of the Defendant's breach of its undertaking, we initiated legal proceedings against the Defendant in November 2021. The Defendant launched legal proceedings against Gaush Consumables to exercise his information right as a shareholder and a company wholly-owned by the Defendant and his spouse ("**Defendant's Company**") launched legal proceeding against Gaush Consumables to recover certain receivables from Gaush Consumables, which amounted to approximately RMB500,000. In the shareholder information right case, the court dismissed part of the Defendant's claims and upheld the remaining, and Gaush Consumables has filed an appeal. In the receivables case, the court dismissed all the claims of the Defendant's Company, who later filed an appeal to overturn such judgment. The cases are ongoing.

From August to October 2021, the Group received several notices from the Defendant in relation to potential transfers (the "**Alleged Transfers**") of an aggregate of less than 12% equity interest in Gaush Consumables from the Defendant to certain Independent Third Parties (the "**Alleged Transferees**"). The Group dissented to the Alleged Transfers in compliance with the relevant PRC laws and regulations. As of the Latest Practicable Date, the Company was not aware of any litigations or legal proceedings brought by any Alleged Transferees in respect of the Alleged Transfers.

Our Directors consider the aforementioned legal proceedings and disputes to be immaterial to the Group's business operations, financial position or results of operations. 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. He had not serve any executive or management role in our Group during the Track Record Period and up to the Latest Practicable Date. 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, 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 and RMB2.0 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-[**REDACTED**] 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.

## BOARD OF DIRECTORS

Upon [**REDACTED**], our Board will consist of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The table below sets forth certain information in respect of our Directors:

| Name | Position | Age | Date of appointment as Director | Date of joining our Group | Roles and responsibilities | Relationship with other Directors and our senior management |
|---|---|---|---|---|---|---|
| Gao Tieta (高鐵塔) | Executive Director, chairman of the Board and chief executive officer | 57 | December 29, 2017 | August 27, 1998 | Responsible for the overall strategic development of our Group, overseeing the overall operations and management of our Group, participating in the decision-making of major issues such as investment plans and annual business goals formulation | Brother-in-law of Zhang Jianjun |
| Zhang Jianjun (張建軍) | Executive Director and president | 58 | December 29, 2017 | August 27, 1998 | Responsible for the supervision and management of our business operation in the PRC (including Hong Kong), participating in the decision-making of overall operations and management of our Group | Brother-in-law of Gao Tieta |

| Name | Position | Age | Date of appointment as Director | Date of joining our Group | Roles and responsibilities | Relationship with other Directors and our senior management |
|---|---|---|---|---|---|---|
| Liu Xinwei (劉新偉) | Executive Director and chief financial officer | 40 | November 21, 2019 | April 1, 2016 | Responsible for the financial and investment management, overseeing international operations and certain R&D sections of our Group, participating in the decision-making of overall operations and management of our Group | N/A |
| Zhao Xinli (趙新禮) | Executive Director and chief compliance officer | 55 | December 29, 2017 | May 1, 2005 | Responsible for the legal and compliance affairs, overseeing the internal audit and supervisory function of our Group, participating in the decision-making of overall operations and management of our Group | N/A |
| David Guowei Wang (formerly known as Wang Guowei (王國瑋)) | Non-executive Director | 60 | December 29, 2017 | December 29, 2017 | Participating in the formulation of our Company's corporate and business strategies, advising on the operation of the Group | N/A |

| Name | Position | Age | Date of appointment as Director | Date of joining our Group | Roles and responsibilities | Relationship with other Directors and our senior management |
|---|---|---|---|---|---|---|
| Shi Long (施瓏) | Non-executive Director | 42 | April 1, 2021 | April 1, 2021 | Participating in the formulation of our Company's corporate and business strategies, advising on the operation of the Group | N/A |
| Feng Xin (馮昕) | Independent non-executive Director | 51 | [●] | [●] | Supervising and providing independent judgment to the Board | N/A |
| Wang Li-Shin (王立新) | Independent non-executive Director | 62 | [●] | [●] | Supervising and providing independent judgment to the Board | N/A |
| Chan Fan Shing (陳帆城) | Independent non-executive Director | 45 | [●] | [●] | Supervising and providing independent judgment to the Board | N/A |

**Executive Directors**

**Gao Tieta (高鐵塔)**, aged 57, is an executive Director, the chairman of the Board and the chief executive officer of our Company. Mr. Gao is responsible for the overall strategic development of our Group. He oversees the overall operations and management of our Group and participates in the decision-making of major issues such as investment plans and annual business goals formulation. He is also in charge of research and development, international business and human resources management of our Group.

Mr. Gao founded our Group with other co-founders in August 1998. During the first few years after our Group was founded, Mr. Gao was responsible for the strategic planning of our Group and the overall supervision and management of upper stream resources. From September 2014 to November 2017, he served as an executive director of Beijing Meicheng Medical Technology Limited* (北京美程醫療技術有限公司). He joined the Board as a Director since December 29, 2017 and was re-designated as our executive Director on November 18, 2021. He began serving as our chief executive officer since January 2018 and was appointed as chairman of

the Board on December 28, 2018. Mr. Gao also holds directorship in Gaush Medical Corporation, Gaush BVI, Gaush HK, GMC BVI, GMC HK, Suzhou Gaush Clear and Shenzhen Gaush Clear.

Mr. Gao obtained his master of science degree in nuclear physics and nuclear technology and his bachelor of science degree in nuclear physics from Peking University (北京大學) in the PRC in June 1990 and July 1987, respectively.

Save as disclosed in this document, Mr. Gao did not hold any directorship in any listed companies during the last three years.

**Zhang Jianjun (張建軍)**, aged 58, is an executive Director and the president of our Company. Mr. Zhang is responsible for the supervision and management of our business operation in the PRC (including Hong Kong), and participates in the decision-making of overall operations and management of our Group. Mr. Zhang is also in charge of the operational development, operational management, commerce, registration and international business development departments of our Group.

Mr. Zhang joined our Group in August 1998. From August 1998 to May 2011, he successively served as a regional manager, the sales manager and the marketing director of Global Vision Corporation. He has served as an executive director of Shanghai Mingwang since November 2009, where he is responsible for daily management. From June 2012 to November 2017, he successively served as the general manager of Mingwang Medical and as a president for the medical device sector of Gaush Medical Corporation. He has served as a Director of our Company since December 29, 2017 and was re-designated as our executive Director on November 18, 2021. He also holds directorship in Global Vision HK and Mingwang Medical and is a supervisor of Gaush Technology, Gaush Diopsys and Gaush Medical Service.

Mr. Zhang graduated from Gansu Jiuquan Normal School (甘肅酒泉師範學校) in July 1985. He passed the self-study normal college-level examination (高等師範專科自學考試) in geography of Gansu Normal College (甘肅教育學院) (currently part of Lanzhou University of Arts and Science (蘭州文理學院)) in the PRC in June 1996.

Save as disclosed in this document, Mr. Zhang did not hold any directorship in any listed companies during the last three years.

**Liu Xinwei (劉新偉)**, aged 40, is an executive Director and the chief financial officer of our Company. Mr. Liu is responsible for the financial and investment management of our Group, oversees international operations and certain research and development sections of our Group and participates in the decision-making of overall operations and management of our Group.

Mr. Liu has around eight years of experience in the medical industry. Mr. Liu joined our Group as the board secretary of Gaush Medical Corporation in May 2016. Mr. Liu has served as our chief financial officer since December 2018. He has served as a Director of our Company since November 21, 2019 and was re-designated as our executive Director on November 18, 2021. Mr. Liu also holds directorship in Gaush Germany, Gaush Netherlands and Gaush Teleon. Before joining our Group, from April 2013 to March 2016, Mr. Liu served as assistant to the president of Beijing Naton Group Co., Ltd.* (北京納通科技集團有限公司), a company engaged in the R&D, manufacturing and sales of orthopaedic products.

Mr. Liu received his master degree in business administration from Tsinghua University (清華大學) in July 2013. He received his bachelor degree in information engineering from Zhejiang University (浙江大學) in June 2004. Mr. Liu holds a legal professional qualification (法律職業資格) certificate issued by the Ministry of Justice of the PRC in March 2013 and became a non-practising member of the Beijing Institute of Certified Public Accountants (北京注冊會計師協會) in April 2017.

Mr. Liu did not hold any directorship in any listed companies during the last three years.

**Zhao Xinli (趙新禮)**, aged 55, is an executive Director and the chief compliance officer of our Company. Mr. Zhao is responsible for the legal and compliance affairs, oversees the internal audit and supervisory function of our Group, and participates in the decision-making of overall operations and management of our Group.

Mr. Zhao has around 29 years of experience in the field of medical and scientific devices. Mr. Zhao joined our Group in May 2005 and successively served as a manager and deputy general manager of Global Vision Corporation from April 2005 to July 2011, responsible for procurement and logistics. From July 2011 to January 2018, Mr. Zhao served as vice president of our Group. He has served as a Director of our Company since December 29, 2017 and was re-designated as our executive Director on November 18, 2021. Before joining our Group, Mr. Zhao worked at Oriental Scientific Instrument Import & Export Group Corporation* (東方科學儀器進出口集團有限公司) from July 1992 to April 2005 (currently known as OSIC Holding Group Co., Ltd.* (東方科儀控股集團有限公司)), a company engaged in international trade of technology and equipment, with his last position as a project manager.

Mr. Zhao obtained a certificate of completion of the joint EMBA Study Program provided by The University of Wisconsin-Madison (in the United States) and The Chinese Academy of Sciences (in the PRC) in December 2002. He received his master of science degree in physical chemistry from the Institute of Photographic Chemistry of the Chinese Academy of Sciences (中國科學院感光化學研究所) (currently part of the Technical Institute of Physics and Chemistry of the Chinese Academy of Sciences (中國科學院理化技術研究所)) in October 1992. He received his bachelor of science degree in applied chemistry from Peking University (北京大學) in July 1987.

Save as disclosed in this document, Mr. Zhao did not hold any directorship in any listed companies during the last three years.

**Non-executive Directors**

**David Guowei Wang** (formerly known as Wang Guowei (王國瑋)), aged 60, has served as a Director of our Company since December 29, 2017 and was re-designated as our non-executive Director on November 18, 2021. Dr. Wang participates in the formulation of our Company's corporate and business strategies and advises on the operation of the Group.

Dr. Wang has over 15 years of experience in the medical industry. From April 2006 to July 2011, he served as a managing director of WI Harper Group, a cross-border venture capital firm focusing on the fields of healthcare, biotech, artificial intelligence, robotics, fintech, sustainability and new media, where he was responsible for healthcare-related investment activities in China. Dr. Wang has been working at OrbiMed Advisors LLC, an investment fund with a focus on the

healthcare industry, as a partner and senior managing director of Asia since August 2011 where he is responsible for healthcare investment in China.

Dr. Wang has served as a director of a number of listed companies in the healthcare and medical industry:

(a) From October 2012 to May 2019, Dr. Wang served as a director of Suzhou Medical System Technology Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 603990) engaged in provision of clinical information system solutions;

(b) From June 2015 to August 2021, he served as a director of Amoy Diagnostics Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300685) principally engaged in research and development, production and sales of tumor precision medical molecular diagnostic products;

(c) Since April 2016, he has served as a non-executive director of AK Medical Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1789) principally engaged in the design, development, manufacture and distribution of orthopedic implants;

(d) From August 2018 to April 2020, Dr. Wang was a non-executive director of Union Medical Healthcare Limited (currently known as EC Healthcare), a company listed on the Hong Kong Stock Exchange (stock code: 2138) principally engaged in the provision of aesthetic medical services; and

(e) Since March 2020, he has also served as a director of Gracell Biotechnologies Inc., a company listed on the Nasdaq Global Select Market with ticker symbol "GRCL" dedicated to discovery and development of cell therapies for treating cancer.

Dr. Wang received his doctorate in developmental biology from California Institute of Technology in the United States in June 1995. He received his bachelor degree in medicine from Beijing Medical University (北京醫科大學) (currently known as Peking University Health Science Center (北京大學醫學部)) in the PRC in July 1986.

Save as disclosed in this document, Dr. Wang did not hold any directorship in any listed companies during the last three years.

**Shi Long (施瓏)**, aged 42, has served as a Director of our Company since April 1, 2021 and was re-designated as our non-executive Director on November 18, 2021. Mr. Shi participates in the formulation of our Company's corporate and business strategies and advises on the operation of the Group.

Mr. Shi first joined the Shanghai branch of Beijing Warburg Pincus Investment Consulting Co., Ltd.* (北京華平投資諮詢有限公司上海分公司) in November 2011 and served as an investment director focusing on investments in the healthcare sector in Asia until June 2014. From January 2015 to November 2019, he served as a director of Temasek Holdings Consulting (Shanghai) Co., Ltd., focusing on healthcare investments. He returned to the Shanghai branch of Beijing Warburg Pincus Investment Consulting Co., Ltd.* (北京華平投資諮詢有限公司上海分公

司) and served as an executive director since November 2019 and later transferred to Shanghai Warburg Pincus Private Equity Management Co., Ltd.* (上海華平私募基金管理有限公司) in January 2020. Mr. Shi currently serves as a managing director of Shanghai Warburg Pincus Private Equity Management Co., Ltd., focusing on investments in the healthcare sector in Asia.

Mr. Shi received his bachelor's degree in economics (international finance) from Fudan University (復旦大學) in the PRC in 2002.

Save as disclosed in this document, Mr. Shi did not hold any directorship in any listed companies during the last three years.

**Independent Non-executive Directors**

**Feng Xin (馮昕)**, aged 51, was appointed as our independent non-executive Director on [●]. Mr. Feng supervises and provides independent judgment to the Board.

Mr. Feng is a co-founder of Beijing 55 Investment Consultancy Limited* (北京五五靈通投資顧問有限公司), a company principally engaged in investment consulting, business management consulting and conference services. He also serves as the general manager of WeFocus (Beijing) Technology Limited (真果聯動(北京)科技有限公司), a company principally engaged in business management consulting services, since May 2020.

Mr. Feng is currently a director of the following companies:

(a) Since October 2015, Mr. Feng has served as a director of Beijing Hope Pharmaceutical Co., Ltd.* (北京海步醫藥科技股份有限公司), a company previously listed on the NEEQ[3] (stock code: 836438) which is principally engaged in the research and development, production and sales of active pharmaceutical ingredients and pharmaceutical intermediates; and

(b) Since October 2020, Mr. Feng has served as a director of Beijing Explorer Software Limited (北京探索者軟件股份有限公司), a company previously listed on the NEEQ[4] (stock code: 839007) which principally engaged in development of software.

Mr. Feng was a director of China 55 Club Co., Limited, a company incorporated in Hong Kong, which was dissolved by striking off[5] on April 9, 2010. The company had no actual business immediately prior to dissolution.

Mr. Feng received his Master of Business Administration degree from University of Illinois in the United States in May 2002.

3 Beijing Hope Pharmaceutical Co., Ltd. was voluntarily delisted from the NEEQ in January 2020.

4 Beijing Explorer Software Limited was voluntarily delisted from the NEEQ in May 2020.

5 The Registrar of Companies of Hong Kong may strike the name of a company off the Companies Register under Division 1 of Part 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) where the Registrar has reasonable cause to believe that the company is not in operation or carrying on business. The company shall be dissolved when its name is struck off the Companies Register.

Save as disclosed in this document, Mr. Feng did not hold any directorship in any listed companies during the last three years.

**Wang Li-Shin (王立新)**, aged 62, was appointed as our independent non-executive Director on [●]. Mr. Wang supervises and provides independent judgment to the Board.

Mr. Wang has over 20 years of experience in the global healthcare industry. From October 2016 to January 2021, he was the executive president of Shanghai Bondent Technology Co., Ltd (上海博恩登特科技有限公司), a company which operates oral medical platform. Prior to joining Shanghai Bondent Technology Co., Ltd, Mr. Wang worked as the general manager of Leica Microsystems (Shanghai) Trading Co., Ltd. (徠卡顯微系統(上海)貿易有限公司) since February 2013, a company mainly engaged in the provision of microscopes and imaging systems. From September 2010 to November 2012, he served as the corporate vice president of the Asia Pacific region of Dako Denmark A/S, a provider of systems for cancer diagnostics. Prior to that, Mr. Wang also worked at Johnson & Johnson Medical.

Mr. Wang received Bachelor of Science in Physics from Tunghai University in Taiwan in June 1984 and Master of Science in Applied Physics from Georgia Institute of Technology in the United States in March 1989. He also obtained Master of Business Administration from The Wharton School of University of Pennsylvania in the United States in May 2000.

Mr. Wang did not hold any directorship in any listed companies during the last three years.

**Chan Fan Shing (陳帆城)**, aged 45, was appointed as our independent non-executive Director on [●]. Mr. Chan supervises and provides independent judgment to the Board.

Mr. Chan has extensive experience in auditing, finance and accounting management. From September 2009 to March 2016, Mr. Chan worked in CPMC Holdings Limited (stock code: 906), a company whose shares are listed on the Main Board of the Stock Exchange, where his last position was company secretary and financial controller, responsible for overall accounting and financial management and company secretarial activities. From March 2016 to November 2016, Mr. Chan worked as the company secretary and chief financial officer of Enhui Holdings (Cayman) Limited, responsible for company secretary activities and accounting and financial management. From April 2017 to September 2017, Mr. Chan was the financial controller and deputy company secretary of Leyou Technologies Holdings Limited (stock code: 1089), a company whose shares are listed on the Main Board of the Stock Exchange, responsible for accounting and financial management and company secretary matters. From October 2017 to August 2020, Mr. Chan served as an executive director of Tycoon Group Holdings Limited (stock code: 3390), a company whose shares are listed on the Main Board of the Stock Exchange.

Mr. Chan has been serving as an independent non-executive director of Trigiant Group Limited (stock code: 1300) since September 2018 and an independent non-executive director of Joy City Property Limited (stock code: 207) since February 2020, each of which is a company whose shares are listed on the Main Board of the Stock Exchange.

Mr. Chan received his bachelor's degree in business accounting from University of Glamorgan (currently known as University of South Wales) in the United Kingdom in June 1999 and his master's degree in professional accounting from The Hong Kong Polytechnic University in

October 2008. Mr. Chan is a fellow member of the Association of Chartered Certified Accountants since April 2008, a fellow member of CPA Australia since May 2018 and a fellow member of the Hong Kong Institute of Certified Public Accountants since March 2018. Mr. Chan is also a Chartered Professional Accountant, Certified General Accountant (CPA, CGA) of the Chartered Professional Accountants of British Columbia, Canada since April 2019.

Save as disclosed in this document, Mr. Chan did not hold any directorship in any listed companies during the last three years.

## SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets forth certain information in respect of our senior management:

| Name | Position | Age | Date of appointment as our senior management member | Date of joining our Group | Roles and responsibilities |
|---|---|---|---|---|---|
| Gao Tieta (高鐵塔)[1] | Executive Director, chairman of the Board and chief executive officer | 57 | December 2017 | August 27, 1998 | Responsible for the overall strategic development of our Group, overseeing the overall operations and management of our Group, participating in the decision-making of major issues such as investment plans and annual business goals formulation |
| Zhang Jianjun (張建軍)[1] | Executive Director and president | 58 | December 2017 | August 27, 1998 | Responsible for the supervision and management of our business operation in the PRC (including Hong Kong), participating in the decision-making of overall operations and management of our Group |

| Name | Position | Age | Date of appointment as our senior management member | Date of joining our Group | Roles and responsibilities |
|---|---|---|---|---|---|
| Liu Xinwei (劉新偉) | Executive Director and chief financial officer | 40 | December 2018 | April 1, 2016 | Responsible for the financial and investment management, overseeing international operations and certain R&D sections of our Group, participating in the decision-making of overall operations and management of our Group |
| Zhao Xinli (趙新禮) | Executive Director and chief compliance officer | 55 | December 2017 | May 1, 2005 | Responsible for the legal and compliance affairs, overseeing the internal audit and supervisory function of our Group, participating in the decision-making of overall operations and management of our Group |
| Li Wenqi (李文奇) | Vice President | 48 | January 2018 | August 27, 1998 | Responsible for the financial management of our Group's overall operation in the PRC (including Hong Kong) |

*Note:*

(1) Zhang Jianjun is Gao Tieta's brother-in-law.

**Gao Tieta (高鐵塔)**, aged 57, is our executive Director, chairman of the Board and chief executive officer. For details of his biography, please see "— Board of Directors — Executive Directors" of this section.

**Zhang Jianjun (張建軍)**, aged 58, is our executive Director and president. For details of his biography, please see "— Board of Directors — Executive Directors" of this section.

**Liu Xinwei (劉新偉)**, aged 40, is our executive Director and chief financial officer. For details of his biography, please see "— Board of Directors — Executive Directors" of this section.

**Zhao Xinli (趙新禮),** aged 55, is our executive Director and chief compliance officer. For details of his biography, please see "— Board of Directors — Executive Directors" of this section.

**Li Wenqi (李文奇)**, aged 48, joined our Group in August 27, 1998 and has served as our vice president since January 2018. Ms. Li is responsible for the financial management of our Group's overall operation in the PRC (including Hong Kong).

Ms. Li has over 20 years of experience in accounting and financial management. She first joined the Global Vision Corporation in August 1998 and served successively as cashier, accountant, financial supervisor, financial manager, financial controller and vice president.

Ms. Li received her bachelor's degree in accounting from Beijing Wuzi University (北京物資學院) in the PRC in July 1995. She also obtained accounting specialist qualification conferred by the Ministry of Finance of the PRC in May 1999.

Ms. Li did not hold any directorship in any listed companies during the last three years.

## JOINT COMPANY SECRETARIES

**Li Wenqi (李文奇)**, aged 48, is our vice president and was appointed as one of our joint company secretaries on November 18, 2021. For details of her biography, please see "— Senior Management" of this section.

**Leung Shui Bing (梁瑞冰)**, aged 45, was appointed as one of the joint company secretaries of our Company on November 18, 2021. Ms. Leung currently serves as a manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate services provider). She has over 15 years of experience in the company secretarial field. Ms. Leung obtained a bachelor's degree in Business and Management Studies (Accounting and Finance) from University of Bradford and a master's degree in Corporate Governance from The Open University of Hong Kong (currently known as Hong Kong Metropolitan University). She is a Chartered Secretary, Chartered Governance Professional and an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in United Kingdom.

## INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, none of our Directors or senior management members has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas within the three years immediately preceding the date of this Document.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, as of the Latest Practicable Date, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of the Shareholders and there was no information relating to our Directors required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

As of the Latest Practicable Date, save for the interests in the Shares held by Gao Tieta, Zhang Jianjun, Liu Xinwei and Zhao Xinli, which are disclosed in "Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 3. Disclosure of interests" in Appendix IV to this Document, none of our Directors held any interest in the securities within the meaning of Part XV of the SFO.

Save as disclosed above, as of the Latest Practicable Date, none of our Directors or senior management were related to other Directors or senior management of our Company.

## COMPETITION

Each of our Directors confirmed that as of the Latest Practicable Date, he/she did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and medical industries. However, as these non-executive Directors are neither our controlling shareholders nor members of our executive management team, we believe that their interests in such companies as directors would not render us incapable of carrying on our business independently from other companies in which they may hold directorships from time to time.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of fees, salaries, other allowances, benefits in kind, performance related bonus and pension scheme contributions. We determine the compensation of our Directors and senior management based on their respective responsibilities, qualification, position and seniority. Each of the independent non-executive Directors has entered into an appointment letter with our Company. For additional information, see "Statutory and General Information — 1. Particulars of Directors' service contracts and appointment letters" in Appendix IV to this Document.

The aggregate amount of remuneration (including fees, salaries, other allowances, benefits in kind, performance related bonus and pension scheme contributions) paid to our Directors for the years ended December 31, 2019, 2020 and 2021 were approximately RMB4.7 million, RMB4.6 million and RMB4.5 million, respectively.

It is estimated that under the current arrangements in force, the aggregate amount of remuneration payable to and benefits in kind receivable by our Directors for the year ending December 31, 2022 will be approximately RMB4.8 million.

The aggregate amount of remuneration (including salaries, other allowances, benefits in kind, performance related bonus and pension scheme contributions) paid to the five highest paid individuals of our Group for the years ended December 31, 2019, 2020 and 2021, including one director, one director, three directors and no director, respectively, were approximately RMB6.5 million, RMB6.4 million and RMB7.6 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for the Track Record Period for loss of office. None of our Directors waived or agreed to waive any emoluments during the same period.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the [**REDACTED**], receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and the performance of our Group.

Save as disclosed above, no other payments had been made, or are payable, by any member of our Group to our Directors during the Track Record Period.

For additional information on remuneration of our Directors and the five highest paid individuals during the Track Record Period, please see Notes 8 and 9 in the Accountants' Report set out in Appendix I to this Document.

## FURTHER INFORMATION ABOUT OUR DIRECTORS

### *Incidents relating to Aumed*

Aumed was a company incorporated in the PRC principally engaged in the development and sales of vision aids products. It was listed on the NEEQ from December 2015 and was voluntarily delisted in September 2017. It was voluntarily dissolved on April 20, 2021. Gao Tieta, Zhang Jianjun and Zhao Xinli were directors of Aumed from August 2015 to September 2020. Liu Xinwei was the board secretary of Aumed from August 2016 to October 2017 (together with Gao Tieta, Zhang Jianjun and Zhao Xinli, the "**Relevant Directors**").

In June and August 2017, the NEEQ issued a regulatory opinion and a warning letter against Aumed and its then board secretary in respect of certain non-compliances of NEEQ information disclosure requirements arising from (i) delay in publication of certain material information and (ii) failure to publish the 2016 annual report. Our Directors confirmed that (i) the delay in information disclosure was primarily because Aumed was not properly advised by the then professional third party advisers of the relevant NEEQ rules; and (ii) the non-publication of annual report was primarily because Aumed was already in the process of delisting before the required deadline of annual report publication.

Our PRC Legal Adviser is of the view that the regulatory measures imposed by NEEQ (being a regulatory opinion and a warning letter) (i) are self-supervisory measure implemented by NEEQ, and do not constitute disciplinary measure or public sanction by NEEQ or administrative penalties or breaches of PRC laws or regulations that indicates culpability; and (ii) would not result in any of the Relevant Directors being disqualified from acting as directors of companies incorporated in the PRC.

The Relevant Directors confirmed that the delisting of Aumed was for strategic planning and business development considerations, and the dissolution of Aumed was voluntary and by shareholders' resolution as a business decision. The Relevant Directors further confirmed Aumed was solvent immediately prior to its cessation of business, delisting and dissolution and there were no other regulatory investigations or measures against Aumed or any of the Relevant Directors.

***Revocation of business licenses***

Gao Tieta was a supervisor of the following three companies which had their business licenses revoked during his tenure. Zhang Jianjun was also a supervisor of Qingdao Gaush Global Vision Co., Ltd*.

| Name of company | Place of incorporation | Principal business | Date of revocation | Reason for revocation | Current status |
|---|---|---|---|---|---|
| Beijing Jiuai Network Technology Co., Ltd.* (北京久愛網絡技術有限公司) | PRC | Online matchmaking business | September 20, 2002 | It ceased operations as a business decision and therefore did not conduct annual inspection. | Dissolved |
| Qingdao Gaush Global Vision Co., Ltd* (青島高視遠望科技有限公司) | PRC | Wholesale of electronic products and consumables and general merchandise | November 6, 2007 | It ceased operations as a business decision and therefore did not conduct annual inspection. | Dissolved |
| Shanghai Lingshi Medical Technology Co., Ltd* (上海淩世醫療科技有限公司) | PRC | Distribution of imported medical devices | June 9, 2009 | It ceased operations as a business decision and therefore did not conduct annual inspection. | It has no operation but is not yet dissolved. |

Gao Tieta confirmed with respect to these companies, and Zhang Jianjun confirmed with respect to Qingdao Gaush Global Vision Co., Ltd, that (i) such companies were solvent immediately prior to the revocation of business license; (ii) there was no wrongful act, misconduct or misfeasance on his own part in respect of the revocation of business license; (iii) he was not aware of any actual or potential claim that had been or would be made against himself as a result of such revocation, and (iv) such revocation of business licence had not resulted in any penalty, liability or obligation being imposed on him.

## CORPORATE GOVERNANCE

We have established three committees in our Board of Directors, namely, the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"). The committees operate in accordance with written terms of reference established by our Board of Directors.

### Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules and paragraph C.3 of the Corporate Governance Code. The Audit Committee consists of three members, namely, Chan Fan Shing, David Guowei Wang and Feng Xin. Chan Fan Shing, being the chairman of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of our Group.

### Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with Rules 3.25 and 3.26 of the Listing Rules and paragraph B.1 of the Corporate Governance Code. The Remuneration Committee consists of three members, namely, Feng Xin, Gao Tieta and Wang Li-Shin. Feng Xin is the chairman of the committee. The primary duties of the Remuneration Committee are to review and make recommendation to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management.

### Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The Nomination Committee consists of three members, namely, Wang Li-Shin, Gao Tieta and Feng Xin. Wang Li-Shin is the chairman of the committee. The primary duties of the Nomination Committee are to make recommendation to the Board regarding the appointment of Director and senior management.

## DIVERSITY

We are committed to promoting the diversity in our Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

The Board has adopted a board diversity policy in order to enhance the effectiveness of the Board and to maintain a high standard of corporate governance. The board diversity policy sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through consideration of a number of factors in selecting candidates to the Board, including but not limited to gender, age, cultural and educational background and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. In particular, Li Wenqi, our vice president who is responsible for the financial management of our Group's overall operation in the PRC (including Hong Kong), is female and forms part of our senior management team.

Going forward, we will continue to work to enhance gender diversity of our Board. We will use our best endeavours to appoint at least one female Director by December 31, 2024 or within

one year from the [**REDACTED**], whichever is earlier. In addition, we target to achieve a female representation of not less than 20% of the members of our Board within 5 years from the [**REDACTED**], subject to our Directors (i) being satisfied with the competence and experience of the relevant candidates after a comprehensive review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interest of our Company and our Shareholders as a whole when deliberating on the appointment. These initiatives will form part of the discussion items of the Nomination Committee from time to time for the purpose of due implementation. In particular, our Company will take opportunities to increase the proportion of female members of our Board when selecting and recommending suitable candidates for appointments to enhance gender diversity in accordance with stakeholder expectations and recommended best practices. To develop a pipeline of potential female successors to our Board, our Company will (i) ensure that there is gender diversity when recruiting staff at mid to senior levels; and (ii) engage more resources in training female staff with the aim of promoting them to be members of our senior management or our Board. We are of the view that such strategy will offer chances for our Board to identify capable female candidates to be nominated as a member of our Board with an aim to achieving gender diversity of our Board in the long run.

Our Directors believe that the board diversity policy is well implemented. Upon [**REDACTED**], the Board will consist of Directors ranging from 40 to 62 year's old. Our Directors have a balanced mix of knowledge, experience and skills in the areas of medicine, business management, finance and accounting, etc. They obtained degrees in various areas including science, business administration, medicine, economics and accounting.

The Nomination Committee is responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. After [**REDACTED**], the Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy annually.

## CORPORATE GOVERNANCE CODE

Gao Tieta acts as the chairman of the Board and chief executive officer of our Company. While this constitutes a deviation from code provision A.2.1 of the Corporate Governance Code, the Board believes that, in view of Mr. Gao's experience, personal profile and his roles in our Company as mentioned above, Mr. Gao has extensive understanding of our business as our chief executive officer and is therefore the Director best suited to identify strategic opportunities and the focus of the Board. The combined role of chairman of the Board and chief executive officer of our Company by the same individual can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board, which would be beneficial to the business prospect and operational efficiency of our Group.

Our Board believes that this structure will not impair the balance of power and authority among our Board and the management of our Company, given that:

(a) Mr. Gao and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that each of them acts for the benefit and in the best interests of our Company;

(b) we believe that there is sufficient check and balance in our Board, which comprises experienced and high caliber individuals, and decision to be made by our Board requires approval by at least a majority of our Directors; and

(c) the overall strategic and other key business, financial, and operational policies of our Group are and will be made collectively after thorough discussion at both our Board and senior management levels.

The Board will continue to review the effectiveness of the corporate governance structure of our Group and consider splitting the roles of chairman of the Board and the chief executive officer at an appropriate time by taking into account the circumstances of our Group as a whole.

Save as disclosed above, we expect to comply with all applicable code provisions of the Corporate Governance Code upon [**REDACTED**].

## COMPLIANCE ADVISER

We have appointed Haitong International Capital Limited as our compliance adviser (the "**Compliance Adviser**") pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this Document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this Document; and

(d) where the Stock Exchange makes an inquiry to our Company under Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Adviser shall commence on the [**REDACTED**] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

## OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Gao Tieta through GT HoldCo will control an aggregate of [**REDACTED**]% of the issued share capital of our Company. Therefore, Gao Tieta and GT HoldCo will be our Controlling Shareholders.

Mr. Gao is our executive Director, chairman of the Board and chief executive officer. For further background of Mr. Gao, see "Directors and Senior Management."

## COMPETITION

As of the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

## INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders and their respective close associates after the [**REDACTED**].

### Management Independence

Upon [**REDACTED**], our Board will consist of nine Directors, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. For details, see "Directors and Senior Management."

Our Directors consider that our Board as a whole and together with our senior management are able to manage our business independently of our Controlling Shareholders and their close associates because:

(a) each Director is aware of his/her fiduciary duties as a Director which require, among others, that he/she acts for the benefit and in the best interests of our Company and shall not allow any conflict between his/her duties as a Director and his/her personal interests;

(b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the medical industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;

(c) according to our Articles of Association, in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting and shall not be counted towards the quorum;

(d) we have appointed three independent non-executive Directors to provide independent judgment to the decision-making process of our Board, and certain matters of our Company must always be referred to the independent non-executive Directors for review;

(e) where a Shareholders' meeting is held to consider a proposed transaction in which the Controlling Shareholders has a material interest, the Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting; and

(f) we have adopted other corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders, as detailed in "— Corporate Governance Measures."

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

**Financial Independence**

Our Group has independent audit, accounting and financial systems. We have established an independent finance department responsible for discharging the treasury function and make financial decisions according to our own business needs. We have opened accounts with banks independently and do not share any bank account with our Controlling Shareholders or their respective close associates. We have made tax filings and paid tax independently from our Controlling Shareholders or their respective close associates pursuant to applicable laws and regulations. We have adequate internal resources and credit profile to support our daily operations. We can obtain financing from third parties, if necessary, without reliance on our Controlling Shareholders.

During the Track Record Period, we had certain amounts due to and from related parties, as detailed in note 37 to the Accountants' Report set out in Appendix I of this Document. The trade balance due to and from related parties were RMB218,000 and RMB1.3 million as of December 31, 2021. The non-trade balance due to and from related parties were RMB2,000 and nil as of December 31, 2021. The non-trade balance will be settled before the [**REDACTED**]. As of the date of this Document, there is no outstanding loan or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates.

Based on the above, our Company considers there is no financial dependence on our Controlling Shareholders and their respective close associates.

### Operational Independence

We engage in our operations independently, making and implementing operational decisions independently. We have obtained all material licenses and permits necessary for our business operations and are not dependent upon our Controlling Shareholder or his close associates for any such licenses and permits. We owns all relevant intellectual properties and research and development facilities that are necessary for our business operations, and have sufficient capital, facilities, technology, equipment and employees to operate our business independently from our Controlling Shareholders.

Based on the above, our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their close associates.

## CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following corporate governance measures to manage actual or potential conflict of interests between our Group and our Controlling Shareholders:

(a) where a Board meeting is held to consider matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted towards quorum for the voting;

(b) we are committed that our Board should include a balanced composition of executive Directors and independent non-executive Directors. Our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, see "Directors and Senior Management";

(c) our Company has established internal control mechanisms to identify connected transactions. Upon [**REDACTED**], if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;

(d) as required by the Listing Rules, our independent non-executive Directors shall review all connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interest of our Shareholders as a whole;

(e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expense; and

(g) we have appointed Haitong International Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflict of interests between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the [**REDACTED**].

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**], assuming the [**REDACTED**] are not exercised and each Preferred Share will automatically convert into one Share upon the [**REDACTED**] becoming unconditional, the following parties will have interests and/or short positions in the Shares or underlying Shares of our Company that (i) would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, (ii) will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

| Name | Nature of interest[1] | Shares held as of the date of this Document | | Shares held immediately following the completion of the [REDACTED] [2] | |
|---|---|---|---|---|---|
| | | *Number of Shares* | *Approximate percentage of shareholding* | *Number of Shares* | *Approximate percentage of shareholding* |
| Gao Tieta[3] | Interest in controlled corporation | 63,263,528 | 45.01% | [**REDACTED**] | [**REDACTED**]% |
| GT HoldCo[3][4] | Beneficial owner | 63,263,528 | 45.01% | [**REDACTED**] | [**REDACTED**]% |
| OrbiMed Advisors III Limited [5] | Interest in controlled corporation | 18,039,426 | 12.83% | [**REDACTED**] | [**REDACTED**]% |
| OrbiMed Asia GP III, L.P. [5] | Interest in controlled corporation | 18,039,426 | 12.83% | [**REDACTED**] | [**REDACTED**]% |
| OrbiMed Asia[5] | Beneficial owner | 18,039,426 | 12.83% | [**REDACTED**] | [**REDACTED**]% |
| Cuprite Gem[6] | Beneficial owner | 17,062,440 | 12.14% | [**REDACTED**] | [**REDACTED**]% |

*Notes:*

(1) All interests stated are long positions.

(2) The calculation is based on the total number of [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised.

(3) GT HoldCo is wholly owned by Gao Tieta.

(4) Pursuant to a share charge executed on June 22, 2021, GT HoldCo charged 36,892,670 Shares held by it to Credit Suisse AG, Singapore Branch, representing 26.25% and [**REDACTED**]% of the total issued share capital of the Company as of the Latest Practicable Date and immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), respectively. Credit Suisse also beneficially owned 1,335,252 Shares as a result of the exercise of the CS Warrant, representing 0.95% and [**REDACTED**]% of the total issued share capital of the Company as of the Latest Practicable Date and immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), respectively. For details of exercise of the CS Warrant, see "History, Reorganization and Development — [**REDACTED**] Investments."

(5) As of the Latest Practicable Date, OrbiMed Asia directly held 18,039,426 Preferred Shares. To the best knowledge of our Company, OrbiMed Advisors III Limited is the general partner of OrbiMed Asia GP III, L.P.; and OrbiMed Asia GP III, L.P is the general partner of OrbiMed Asia Partners III, L.P. OrbiMed Advisors III Limited and OrbiMed Asia GP III, L.P. were therefore deemed to be interested in the Shares which are owned by OrbiMed Asia Partners III, L.P. under the SFO.

(6) As of the Latest Practicable Date, Cuprite Gem directly held 17,062,440 Preferred Shares. To the best knowledge of our Company, Cuprite Gem is wholly owned by certain investment funds managed by their fund manager, Warburg Pincus LLC, among which, approximately 52.10% of Cuprite Gem is owned by Warburg Pincus China-Southeast Asia II (Cayman), L.P. The general partner of Warburg Pincus China-Southeast Asia II (Cayman), L.P. is Warburg Pincus (Cayman) China-Southeast Asia II GP, L.P., the general partner of which is Warburg Pincus (Cayman) China-Southeast Asia II GP LLC ("**WPC-SEA II Cayman GP LLC**"). The managing member of WPC-SEA II Cayman GP LLC is Warburg Pincus Partners II (Cayman), L.P., the general partner of which is Warburg Pincus (Bermuda) Private Equity GP Ltd.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and each Preferred Share will automatically convert into one Share upon the [**REDACTED**] becoming unconditional), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

## AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company immediately prior to and upon the completion of the [**REDACTED**].

### 1. Share capital at the date of this Document

#### *(i) Authorized share capital*

| Description of Shares | Number of Shares | Approximate aggregate nominal value of Shares | Percentage of total number of Shares for each type of Shares |
|---|---|---|---|
| | | *(US$)* | |
| Ordinary Shares | 453,594,070 | 45,359 | 90.72% |
| Series A-1 Preferred Shares | 16,956,096 | 1,696 | 3.39% |
| Series A-2 Preferred Shares | 11,304,064 | 1,130 | 2.26% |
| Series B Preferred Shares | 18,145,770 | 1,815 | 3.63% |
| **Shares in total** | **500,000,000** | 50,000 | 100.00% |

#### *(ii) Issued share capital*

| Description of Shares | Number of Shares | Approximate aggregate nominal value of Shares | Percentage of total number of Shares for each type of Shares |
|---|---|---|---|
| | | *(US$)* | |
| Ordinary Shares | 94,146,939 | 9,415 | 66.98% |
| Series A-1 Preferred Shares | 16,956,096 | 1,696 | 12.06% |
| Series A-2 Preferred Shares | 11,304,064 | 1,130 | 8.04% |
| Series B Preferred Shares | 18,145,770 | 1,815 | 12.91% |
| **Shares in total** | **140,552,869** | 14,055 | 100.00% |

**2. Share capital immediately following the completion of the [REDACTED] (assuming each Preferred Share is converted into one Share)**

***(i) Authorized share capital***

| Description of Shares | Number of Shares | Approximate aggregate nominal value of Shares |
|---|---|---|
| | | *(US$)* |
| Authorized share capital | 500,000,000 | 50,000 |

***(ii) Issued and to be issued, fully paid or credited to be fully paid***

| Description of Shares | Number of Shares | Approximate aggregate nominal value of Shares |
|---|---|---|
| | | *(US$)* |
| Shares in issue as of the date of this Document | 140,552,869 | 14,055 |
| Shares to be issued pursuant to the [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| **Shares in total** | [**REDACTED**] | [**REDACTED**] |

**ASSUMPTIONS**

The above table assumes that the [**REDACTED**] becomes unconditional and the Shares are issued pursuant to the [**REDACTED**]. The above does not take into account any shares which may be issued pursuant to the exercise of the [**REDACTED**] or any Shares which may be issued or repurchased by the Company under the general mandates granted to our Directors set forth below.

**RANKING**

Our Company will have only one class of Shares upon completion of the [**REDACTED**], namely ordinary shares, and each ranks *pari passu* with the other Shares.

The [**REDACTED**] will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this Document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this Document.

## ALTERATIONS OF CAPITAL

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share capital; (ii) consolidate or divide its share capital into shares of a larger or smaller amount; (iii) divide its unissued shares into several classes; (iv) subdivide its shares into shares of a smaller amount; and (v) cancel any shares which have not been taken and diminish the amount of its share capital by the amount of the shares so cancelled. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For further details, see "Summary of the Constitution of the Company and the Company Laws of the Cayman Islands — 2. Articles of Association — 2.1 Shares — (c) Alteration of Capital" in Appendix III.

## GENERAL MANDATE TO ISSUE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the [**REDACTED**] (excluding any Shares to be issued pursuant to the exercise of the [**REDACTED**], if any); and

- the aggregate nominal value of Shares repurchased by the Company under the authority referred to in the paragraph headed "— General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See "Statutory and General Information — A. Further Information About Our Company and Our Subsidiaries — 5. Resolutions Passed by Our Shareholders on [●], [**REDACTED**]" in Appendix IV for further details of this general mandate.

## GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors [have been] granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [**REDACTED**] (excluding any Shares to be issued pursuant to the exercise of the [**REDACTED**], if any).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are [**REDACTED**] (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. For a summary of the relevant Listing Rules, see "Statutory and General Information — A. Further Information About Our Company and Our Subsidiaries — 6. Restrictions on Share Repurchases" in Appendix IV.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See "Statutory and General Information — A. Further Information About Our Company and Our Subsidiaries — 5. Resolutions Passed by Our Shareholders on [●], [**REDACTED**]" in Appendix IV for further details of this general mandate.

***You should read the following discussion and analysis in conjunction with our consolidated financial statements included in "Appendix I — Accountants' Report" to this Document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report and not merely rely on the information contained in this section.***

***The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this Document, including those set forth in "Risk Factors" and "Forward-Looking Statements" in this Document.***

## OVERVIEW

We are a comprehensive provider of ophthalmic medical devices in the PRC. With a market share of 6.7%, we are the largest domestic player and the fourth largest player in China's ophthalmic medical device market in terms of revenue in 2021 and 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. We are an early mover in China's ophthalmic medical device industry with over 20 years of track record. We offered one-stop ophthalmic medical device solutions to over 4,000 end customers in China (including over 1,000 Class III hospitals) as of the Latest Practicable Date, covering ophthalmic diagnostic equipment, surgical and treatment equipment and consumables, as well as providing after-sale technical services.

During the Track Record Period, a significant portion of our revenue was generated from the sales of ophthalmic medical equipment and consumables. We possess a comprehensive product portfolio covering the medical device categories of each of the seven major ophthalmology sub-specialties, being vitreoretinal diseases, cataracts, refractive surgery, glaucoma, ocular surface diseases, optometry and pediatric ophthalmology. Our rich product portfolio comprises 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 global brand partners, of which 17 had entered into exclusive distribution arrangements for their products with us, 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.

Capitalizing on our technical service capability, and as part of our solution offering, we provide our end customers with technical services primarily in China to support their maintenance and after-sale services requests, and generate service revenue therefrom. Our customers may purchase warranty services on an annual basis under which we provide unlimited technical services during the period, or we may charge our customers based on the specific maintenance request. We are the second largest ophthalmic medical device technical service provider in China in terms of both the number of in-house maintenance engineers and revenue from provision of technical services in 2021, according to Frost & Sullivan. As of the Latest Practicable Date, our technical service team comprised 125 technicians and our industry-leading technical service network covered all provincial administrative regions in China. With a comprehensive 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.

For the years ended December 31, 2019, 2020 and 2021, our revenue amounted to RMB1,106.7 million, RMB962.1 million and RMB1,298.2 million, respectively, and our gross profit was RMB463.3 million, RMB436.2 million and RMB609.5 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.

## BASIS OF PRESENTATION AND PREPARATION

Our financial information is presented in RMB, which is the functional currency of the Company and was prepared and presented in accordance with the IFRS. Pursuant to the Reorganization, as more fully explained in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Development" in the Document, our Company became the holding company of the companies now comprising our Group. As the Restructuring mainly involved inserting new holding companies and has not resulted in any change of the respective voting, economic substance and beneficial interests, the Historical Financial Information for the Relevant Periods has been presented by applying the principles of pooling of interests.

## KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the most significant factors affecting our results of operations and financial condition include the followings.

### Growth of China's Ophthalmic medical Device Market

Our financial performance and future growth depend on the overall growth of China's ophthalmic medical device market. Ophthalmic medical device remains significantly under-penetrated in China, and as a result, China's ophthalmic medical device market is expected to experience a healthy growth trajectory. According to Frost & Sullivan, China ophthalmic medical device market increased from RMB9.2 billion in 2017 to RMB16.3 billion in 2021, representing a CAGR of 15.5%, which is on a faster trajectory than the global ophthalmic medical device market. The slight contraction in the market in 2020 was caused by 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. The market is expected to experience higher growth in the coming

five years and is expected to grow to RMB28.3 billion and RMB49.2 billion in 2025 and 2030, respectively. For details, see "Industry Overview."

**Product Portfolio**

The profitability of our sales of products business is affected by the composition of our product portfolio, as the sales volume and gross profit margin of different products in our portfolio vary. Generally, the gross profit margin of the sales of our ophthalmic medical equipment is lower than that of ophthalmic medical consumables. For the years ended December 31, 2019, 2020 and 2021, gross profit margin of the sales of ophthalmic medical equipment was 39.7%, 43.4% and 44.7%, respectively, while gross profit margin of the sales of ophthalmic medical consumables was 52.5%, 51.8% and 51.2%, respectively.

The percentage of revenue derived from ophthalmic medical consumables out of our total revenue increased from 13.4% in 2019 to 14.6% in 2020, and further to 31.5% in 2021. This contributed to the increase in our gross profit from RMB463.3 million in 2019 to RMB609.5 million in 2021, as well as the increase in our gross profit margin from 41.9% in 2019 to 46.9% in 2021. We expect to continue to focus on our higher-margin ophthalmic medical consumables. Our product portfolio may gradually evolve in the future as we launch and introduce new products with different margin profiles, and this will continue to have an positive impact on our profitability.

During the Track Record Period, we primarily offered a comprehensive suite of ophthalmic medical equipment and consumables. We also actively develop and introduce new products to expand the coverage of our product portfolio, which we believe will diversify our revenue source and enable us to maintain sustainable growth. We have 15 key pipeline products. We believe these candidates represent the long-term growth opportunities of the ophthalmology market. For details of our product pipeline, see "Business — Our Product Portfolio and Technical Services — Product Pipeline."

**Development of our Technical Services Business**

In addition to sales of products, we also derived revenue from the provision of technical services. For the years ended December 31, 2019, 2020 and 2021, revenue generated from the provision of technical services was RMB107.9 million, RMB138.8 million and RMB161.6 million, respectively, representing 9.8%, 14.4% and 12.4% of our total revenue, respectively. Given the technical complexities of the maintenance and repair of the medical equipment, our customers rely on our quality technical services and we generally enjoy recurring revenues from our technical service businesses. From 2019 to 2021, revenue generated from the provision of technical services increased from RMB107.9 million to RMB161.6 million, representing a CAGR of 22.4%. We therefore actively promote our technical services to achieve sustainable growth and development and believe the development of our technical services business plays a vital role in our overall business model.

**Penetration into Overseas Markets**

We generate the majority of our revenue from sales to our customers in Greater China. For the years ended December 31, 2019, 2020 and 2021, revenue generated from sales to Greater China customers was RMB1,106.6 million, RMB956.3 million and RMB1,033.9 million, respectively, representing 100%, 99.4% and 79.6% of our total revenue, respectively. Our ability to effectively manage our sales network and to expand hospital coverage of our domestic sales network is critical to our business performance. Through our sales network, as of the Latest Practicable Date, our products were ultimately sold to over 4,000 end customers in China, including over 1,000 Class III hospitals, serving all provincial administrative regions in China. Going forward, we will adopt a targeted distribution strategy to encourage domestic distributors to increase the share of wallet from major Class IIIA hospitals and increase penetration in lower-tier hospitals.

For the year ended December 31, 2021, we generated revenue of RMB264.4 million from sales outside Greater China, which accounted for approximately 20.4% of our total revenue for the year ended December 31, 2021. This is due to our acquisition of Teleon and Roland, which expand our global footprint. Going forward, we plan to expand our sales and increase our brand recognition in global markets, accelerate product registrations under our brand in more countries, and continue to launch new products globally. We believe that our efforts in expanding our international presence will enable us to increase sales and further enhance our results of operations.

**Regulatory Environment in China**

The medical device market in China is highly regulated. The implementation and enforcement of government policies and regulations in China generally have a significant impact on the introduction, development, manufacture, pricing and sale of medical devices in China, which may also increase the cost of compliance with such policies and regulations for medical device companies in China. Specifically, medical devices must be filed or registered with the NMPA or its local branches at the prefectural city level before they can be manufactured or commercialized in China and such registration must be renewed periodically. Any change in laws, regulations or policies in relation to such filing or registration could affect our ability and plans to launch new products and renew registration for existing products. For details, see "Regulatory Overview."

We expect the regulatory framework for the medical device industry in China to continue to evolve. In recent years, the healthcare regulatory framework in China has undergone significant changes, such as those with respect to pricing and tender process for medical devices, which may affect our financial condition and results of operations.

- *Tendering process*. In light of the PRC government's policy objective of price containment of medical products, public hospitals generally determine their suppliers and make purchases through the public tendering process, according to which they post their supply request and requirements publicly. We work with our domestic distributors to participate in such public tendering process to sell our products to public hospitals and other medical institutions. According to Frost & Sullivan, public tendering has long been the industry norm process for sales of medical device to public hospitals, and it does not have any significant impact on our business operations and financial performance.

- *Two-Invoice System*. In April 2017, the PRC Government announced a pilot program in certain provinces in China to implement the "Two-Invoice System," which generally limits the network of distributors to a single layer of distributors for sale of medical devices from manufacturers to hospitals. For details, see "Regulatory Overview — Laws and Regulations Relating to Medical Devices — Two-Invoice System." As the affected sales revenue was relatively small and the demand for our products from end customers are not affected, the "Two-Invoice System" had not had a material adverse effect on our financial condition and results of operations. If additional provinces begin to implement "Two-Invoice System" for medical devices, we expect that (i) we may conduct more marketing activities and provide services ancillary to our product sales by ourselves or by engaging third-party service providers, which may result in additional sales and marketing expenses; (ii) we may experience increases in our revenue and gross margin as we may have higher ex-factory price or distribution price under the "Two-Invoice System"; and (iii) we may experience increases in trade receivable balances and turnover days in those regions, as we may grant relatively longer credit terms to certain customers whose payment process tends to be longer, such as hospitals in the case of direct sales. For the years ended December 31, 2019, 2020 and 2021, our sales that are subject to the Two-Invoice System represented less than 2.5% of our aggregate revenue for the corresponding periods. We had complied with the applicable laws and regulations in respect of the Two-Invoice System in all material aspects throughout the Track Record Period and up to the Latest Practicable Date, and it does not have any significant impact on our business operations and financial performance. However, as the implementation of the "Two-Invoice System" is still at an early stage, and interpretations and enforcement of this system continue to evolve, the actual effect of the "Two-Invoice System" on our future results of operations remains uncertain.

- *Centralized volume-based procurement regime.* Certain provincial and municipal authorities in China have adopted and organized volume-based and centralized procurement regime for medical device products sold to public hospitals and other medical institutions in China. Public hospitals and other medical institutions participating in such centralized procurement regime may only purchase products that is admitted into the product catalogue determined in accordance with the centralized procurement regime. See "Regulatory Overview — Laws and Regulations Relating to Medical Devices — Tendering Processes for Medical Devices" for details. As the general distributor of our Distribution Products, we participate in such centralized procurement regimes to market our Distribution Products to public hospitals and non-profit medical institutions. The Company considered the centralized procurement regimes provide us with the opportunity to quickly penetrate into the end market of public hospitals, and we strategically select the products to be admitted into the centralized procurement regimes to boost sales volume and sales of such products. On the other hand, we also differentiate the products sold under centralize procurement regimes and the products sold otherwise (e.g. direct sales to private hospitals) in China. 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 regime. Except for Lentis Comfort EDoF intraocular lens (LS-313 MF15T), which was not admitted into any centralized procurement regime until December 2021, the aggregate revenue generated from our sales of the four products in China increased significantly when compared to their sales preceding to admission into centralized procurement regime, while their admissions to the centralized procurement regime resulted in lower sale prices of the products. Given that we possess the discretion to apply for admission with respect to specific type of product into the centralized procurement regimes and the sales of many our products are still under-penetrated in China, we believe the centralized procurement regimes will not have significant impact on our business operations and financial performance in near future. On the other hand, we proactively explore the possibility to admit our IOL product for sales through the centralized procurement regime and evaluate the business opportunity brought by centralized procurement regimes and select the products to be admitted to the centralized procurement regimes. For the years ended December 31, 2019, 2020 and 2021, the aggregate sales volume of the four products amounted to approximately 41,000 pieces, 30,000 pieces and 54,000 pieces, respectively.

**Business Acquisitions**

During the Track Record Period, we completed a series of acquisitions. Particularly, we completed the acquisition of Roland in November 2020 and the acquisition of Teleon in January 2021. As a result, their results of operations have been consolidated in our financial statements since the completion of such acquisitions. On the other hand, business acquisitions will have an impact on our cashflow, and our capital expenditures as well as increase goodwill, which is subject to future impairment risk, on our balance sheet. Accordingly, our results of operations during the Track Record Period may not be directly comparable, especially between the year ended December 31, 2020 and 2021, and our future results of operations and financial condition may be affected by our historical and future business acquisitions. For more information regarding these acquisitions in the Track Record Period, see "History, Reorganization and Corporate Structure — Our Major Subsidiaries" and Note 35 to the Accountants' Report in Appendix I to this Document.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

**Revenue Recognition**

***Revenue from contracts with customers***

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

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

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

***Other income***

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

**Business combinations and goodwill**

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

We determine that we have acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

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

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

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

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

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

**Derivative financial instruments**

***Initial recognition and subsequent measurement***

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

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

**Impairment of Goodwill**

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2019, 2020 and 2021 was RMB16.2 million, RMB31.2 million and RMB882.7 million, respectively.

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

- Gaush Medica;
- Gaush Consumables;

- Suzhou Gaush Precision;
- Roland and Gaush Germany; and
- Teleon Holding B.V.

The carrying amount of goodwill allocated to each of the CGUs is as follows:

| | As of December 31, | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | | *RMB'000* | |
| Gaush Medica | 16,190 | 16,190 | 16,190 |
| Gaush Consumables | – | 5,320 | 5,320 |
| Suzhou Gaush Precision | – | 2,361 | 2,361 |
| Roland and Gaush Germany | – | 7,357 | 6,622 |
| Teleon Holding B.V. | – | – | 852,205 |
| | 16,190 | 31,228 | 882,698 |

The recoverable amount of the CGUs has been determined based on a value in use ("VIU") calculation using cash flow projections based on financial budgets approved by the senior management. As of December 31, 2019, 2020 and 2021, the recoverable amounts of the CGUs or group of CGUs exceeding their carrying amounts are as follows:

| | As of December 31, | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | | *RMB'000* | |
| Gaush Medica | 10,029 | 18,400 | 19,862 |
| Gaush Consumables | – | 3,925 | 2,269 |
| Suzhou Gaush Precision | – | 1,354 | 1,871 |
| Roland and Gaush Germany | – | 3,365 | 5,757 |
| Teleon Holding B.V. | – | – | 236,406 |
| | 10,029 | 27,044 | 266,165 |

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

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

| | As of December 31, 2019 | | |
|---|---|---|---|
| | **Pre-tax discount rate** | **Budgeted gross profit margin** | **Terminal growth rate** |
| Gaush Medica | 19.05% | 45.60%-50.00% | 3.00% |

| | As of December 31, 2020 | | |
|---|---|---|---|
| | **Pre-tax discount rate** | **Budgeted gross profit margin** | **Terminal growth rate** |
| Gaush Medica | 17.65% | 45.00%–50.00% | 3.00% |
| Gaush Consumables | 18.22% | 30.00%–52.00% | 3.00% |
| Suzhou Gaush Precision | 17.70% | 27,03%–50.00% | 3.00% |
| Roland and Gaush Germany | 22.84% | 43.00%–45.00% | 2.00% |

| | As of December 31, 2021 | | |
|---|---|---|---|
| | **Pre-tax discount rate** | **Budgeted gross profit margin** | **Terminal growth rate** |
| Gaush Medica | 17.40% | 40.13%–46.00% | 3.00% |
| Gaush Consumables | 18.49% | 30.00%–49.00% | 3.00% |
| Suzhou Gaush Precision | 17.66% | 30.54%–49.00% | 3.00% |
| Roland and Gaush Germany | 22.84% | 43.00%–45.00% | 2.00% |
| Teleon Holding B.V. | 14.76% | 57.00%–62.61% | 2.00% |

Assumptions were used in the VIU calculation of the CGUs for the Track Record Period. The following describes each key assumption on which the management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

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

| | As of December 31, 2019 | | | |
|---|---|---|---|---|
| | **Headroom** | **Impact by decreasing gross profit margin** | **Impact by decreasing terminal growth rate** | **Impact by increasing pre-tax discount rate** |
| | | *RMB'000* | | |
| Gaush Medica | 10,029 | (2,000) | (2,000) | (5,000) |

| | As of December 31, 2020 | | | |
|---|---|---|---|---|
| | **Headroom** | **Impact by decreasing gross profit margin** | **Impact by decreasing terminal growth rate** | **Impact by increasing pre-tax discount rate** |
| | | *RMB'000* | | |
| Gaush Medica | 18,400 | (3,000) | (2,000) | (5,000) |
| Gaush Consumables | 3,925 | (800) | (600) | (2,100) |
| Suzhou Gaush Precision | 1,354 | (900) | (500) | (1,300) |
| Roland and Gaush Germany | 3,365 | (2,387) | (796) | (2,387) |
| | 27,044 | (7,087) | (3,896) | (10,787) |

| | As of December 31, 2021 | | | |
|---|---|---|---|---|
| | Headroom | Impact by decreasing gross profit margin | Impact by decreasing terminal growth rate | Impact by increasing pre-tax discount rate |
| | | *RMB'000* | | |
| Gaush Medica | 19,862 | (4,000) | (2,000) | (6,000) |
| Gaush Consumables | 2,269 | (800) | (500) | (1,700) |
| Suzhou Gaush Precision | 1,871 | (1,000) | (400) | (1,600) |
| Roland and Gaush Germany | 5,757 | (2,166) | (722) | (1,444) |
| Teleon Holding B.V. | 236,406 | (36,099) | (18,049) | (109,018) |
| | 266,165 | (44,065) | (21,671) | (119,762) |

For details, see Note 15 to the Accountants' Report set out in Appendix I to this Document.

**Provision for Expected Credit Losses (ECLs) on Trade Receivables and Contract Assets**

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. For details, see Note 20 and 22 to the Accountants' Report set out in Appendix I to this Document.

**Fair Value Measurement**

We measure our convertible redeemable Preferred Shares, loan at fair value through profit or loss derivative financial instruments and financial assets at fair value through profit or loss as of December 31, 2019, 2020 and 2021. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

- Level 2 — based on valuation techniques for which the lowest level input that is significant to the measurement is observable, either directly or indirectly;

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

For assets and liabilities that are recognised on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) as of December 31, 2019, 2020 and 2021. See Note 39 to the Accountants' Report in Appendix I to this Document.

The Preferred Shares and the Mezzanine Loan Facility were categorized as level 3 financial liabilities measured at fair value through profit or loss during the Track Record Period. Our Directors, based on the professional advice received, adopted the following procedures: (i) engaged an independent valuer (the "**Independent Valuer**"), provided documents related to the Preferred Shares and the Mezzanine Loan Facility and other necessary financial and non-financial information to enable the valuer to perform valuation procedures, and discussed with the Independent Valuer on relevant assumptions; (ii) carefully considered all information especially those non-market related information input which require management assessments and estimates; and (iii) reviewed the valuation working papers and results prepared by the Independent Valuer and

considered the assumptions and methods adopted by the Independent Valuer as set out therein. Based on the above procedures, our Directors are satisfied with the categorization within level 3 of fair value measurement pursuant to the SFC's "Guidance note on directors' duties in the context of valuations in corporate transactions."

The Reporting Accountants have carried out necessary audit works including considering the qualification, independence and credentials of the Independent Valuer, reviewing the valuation results, with the assistance from their internal valuation specialists in relation to the methodology, assumptions and sources of data used by our management, checking the details of the fair value measurement of financial liabilities, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, together with a quantitative sensitivity analysis are set forth in Note 31, Note 32 and Note 39 to the Accountants' Report in Appendix I to this Document. The opinion of our Reporting Accountants on our historical financial information during the Track Record Period is set forth on page I-2 of Appendix I to this Document.

In relation to the valuation analysis on level 3 financial liabilities of the Preferred Shares and the Mezzanine Loan Facility during the Track Record Period, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) reviewed the subscription agreements of the Preferred Shares and the facility agreement of the Mezzanine Loan Facility to understand the nature and details of such financial liabilities; (ii) reviewed relevant notes in the Accountants' Report as contained in Appendix I to this Document and discussed with the Reporting Accountants the audit procedures they performed on the valuation of such financial liabilities; (iii) reviewed the valuation working papers and results prepared by the Independent Valuer for the valuation of such financial liabilities, and discussed with the Independent Valuer on the key basis and assumptions they applied for the valuation of such financial liabilities; and (iv) considered the qualification, independence and credentials of the Independent Valuer. Having considered the work performed by the Directors and Reporting Accountants and the relevant due diligence performed as stated above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to cast doubt on the valuation of level 3 financial liabilities of the Preferred Shares and the Mezzanine Loan Facility.

## DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of revenue | Amount | % of revenue | Amount | % of revenue |
| | *RMB'000 (except percentages)* | | | | | |
| Revenue | 1,106,655 | 100 | 962,075 | 100 | 1,298,218 | 100 |
| Cost of sales | (643,310) | (58.1) | (525,898) | (54.7) | (688,747) | (53.1) |
| Gross profit | 463,345 | 41.9 | 436,177 | 45.3 | 609,471 | 46.9 |
| Other income and gains | 14,615 | 1.3 | 36,445 | 3.8 | 77,900 | 6.0 |
| Selling and distribution expenses | (200,518) | (18.1) | (160,789) | (16.7) | (189,470) | (14.6) |
| Administrative expenses | (78,442) | (7.1) | (90,108) | (9.4) | (131,522) | (10.1) |
| Research and development expenses | (2,659) | (0.2) | (3,139) | (0.3) | (23,506) | (1.8) |
| Other expenses | (190,933) | (17.3) | (66,355) | (6.9) | (397,312) | (30.6) |
| Finance costs | (3,259) | (0.3) | (3,076) | (0.3) | (83,525) | (6.4) |
| **Profit /(Loss) before tax** | 2,149 | 0.2 | 149,155 | 15.5 | (137,964) | (10.6) |
| Income tax expense | (40,175) | (3.6) | (50,617) | (5.3) | (53,607) | (4.1) |
| **Profit /(Loss) for the year** | (38,026) | (3.4) | 98,538 | 10.2 | (191,571) | (14.8) |
| Attributable to: | | | | | | |
| Owners of the parent | (37,041) | (3.3) | 99,367 | 10.3 | (190,447) | (14.7) |
| Non-controlling interests | (985) | (0.1) | (829) | (0.1) | (1,124) | (0.1) |
| | (38,026) | (3.4) | 98,538 | 10.2 | (191,571) | (14.8) |
| **Non-IFRS (reconciliation items)** | | | | | | |
| Fair value loss on Preferred Shares | 173,152 | 15.6 | 64,631 | 6.7 | 375,606 | 28.9 |
| [**REDACTED**] expenses | – | – | – | – | [REDACTED] | [REDACTED] |

### Non-IFRS Measure

To supplement the Group's consolidated financial statements, which are presented in accordance with the IFRS, the Company also uses adjusted net profit for the year, which are not required by, or presented in accordance with the IFRS.

We define adjusted net profit (Non-IFRS measure) as net profit/(loss) adding back fair value loss on Preferred Shares and [**REDACTED**] Expenses. Fair value losses on Preferred Shares are non-cash in nature and do not result in cash out-flow, and given that the Preferred Shares will be converted into Shares upon the [**REDACTED**], we do not expect to record such losses after the [**REDACTED**]. [**REDACTED**] expenses are one-off expenses relating to the [**REDACTED**]. We believe the exclusion of fair value losses on Preferred Shares and [**REDACTED**] Expenses provides investors and management with greater visibility as to the underlying performance of our business operations and facilitates comparison of operating performance of other companies in our industry and of ourselves during different periods.

However, our presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of this measure has limitations as an analytical tool. As such, it should not be considered in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under the IFRS.

The table below sets forth a reconciliation of net profit/(loss) for the year to adjusted net profit (Non-IFRS measure) for the years indicated:

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | **Amount** | **Amount** | **Amount** |
| | | *RMB'000* | |
| **Profit /(Loss) for the year** | (38,026) | 98,538 | (191,571) |
| Fair value loss on Preferred Shares | 173,152 | 64,631 | 375,606 |
| [**REDACTED**] expenses | – | – | [**REDACTED**] |
| **Adjusted net profit for the year (Non-IFRS measure)** | 135,126 | 163,169 | 209,268 |

Our adjusted net profit increased from RMB135.1 million for the year ended December 31, 2019 to RMB163.2 million for the year ended December 31, 2020 as the decrease in gross profit between 2019 and 2020 was offset by the decrease in selling and distribution expenses and other expenses excluding the fair value gain and loss on the Preferred Shares. Our adjusted net profit increased to RMB209.3 million for the year ended December 31, 2021, primarily due to the increase of revenue in 2021 after the acquisition of Teleon and our sales of products in China bounced back in 2021 from the market low point in light of the outbreak of COVID-19 in 2020.

**Revenue**

For the years ended December 31, 2019, 2020 and 2021, our revenue amounted to RMB1,106.7 million, RMB962.1 million and RMB1,298.2 million, respectively. We generated revenue from the sales of ophthalmic medical equipment and consumables, as well as provision of technical services during the Track Record Period. Our revenue is generally higher in the second half of the year when purchases of ophthalmic medical device by end customers are more active. The table below sets forth the breakdown of our revenue by business segment for the periods indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *RMB'000 (except percentages)* | | | | | |
| Sales of ophthalmic medical equipment | 849,405 | 76.7 | 676,917 | 70.4 | 718,718 | 55.4 |
| Sales of ophthalmic medical consumables | 147,928 | 13.4 | 140,924 | 14.6 | 408,368 | 31.5 |
| Technical service | 107,925 | 9.8 | 138,784 | 14.4 | 161,605 | 12.4 |
| Others* | 1,397 | 0.1 | 5,450 | 0.6 | 9,527 | 0.7 |
| **Total** | 1,106,655 | 100 | 962,075 | 100 | 1,298,218 | 100 |

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

***Sales of Products***

*Ophthalmic medical equipment*

During the Track Record Period, a majority of our revenue was generated from sales of ophthalmic medical equipment. For the years ended December 31, 2019, 2020 and 2021, our revenue generated from the sales of ophthalmic medical equipment was RMB849.4 million, RMB676.9 million and RMB718.7 million, respectively, accounting for 76.7%, 70.4% and 55.4% of our total revenue, respectively. Our revenue from the sales of ophthalmic medical equipment decreased from RMB849.4 million in 2019 to RMB676.9 million in 2020 due to the decline in demand for our products as the ophthalmology specialized hospitals and clinics suspended or reduced their operation in light of the outbreak of COVID-19 in China in the first half of 2020. Our revenue from sales of ophthalmic medical equipment increased to RMB718.7 million in 2021, reflecting our strong recovery from the market low point in light of the outbreak of COVID-19 after the ophthalmology hospitals and clinics in China gradually resumed their operation in the second half of 2020.

The table below sets forth further breakdown of our revenue generated from the sales of ophthalmic medical equipment by product types.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *RMB'000 (except percentages)* | | | | | |
| **Sales of ophthalmic medical equipment** | | | | | | |
| Diagnostic equipment | 498,033 | 58.6 | 368,927 | 54.5 | 451,798 | 62.8 |
| Surgical & treatment equipment | 351,372 | 41.4 | 297,393 | 43.9 | 257,793 | 35.9 |
| Other equipment | – | – | 10,597 | 1.6 | 9,127 | 1.3 |
| **Total** | 849,405 | 100 | 676,917 | 100 | 718,718 | 100 |

During the Track Record Period, a majority portion of our sales of ophthalmic medical equipment revenue was generated from sales of diagnostic equipment. The revenue generated from the sales of diagnostic equipment accounted for 58.6%, 54.5% and 62.8% of our sales of ophthalmic medical equipment for the years ended December 31, 2019, 2020 and 2021, respectively.

*Ophthalmic medical consumables*

Revenue from sales of ophthalmic medical consumables slightly decreased from RMB147.9 million in 2019 to RMB140.9 million in 2020 primarily due to the impact of COVID-19, and increased to RMB408.4 million in 2021, primarily reflecting our strong recovery from the market low point in light of the outbreak of COVID-19 in 2020 and the consolidation of Teleon starting from January 2021. Our ophthalmic medical consumable products include intraocular lens and other consumables. As consumables are utilized in each relevant ophthalmology surgical operations, while the replacement and purchase of equipment may not be of the same urgency, the recovery from COVID-19 with respect to the sales of ophthalmic medical consumables outpaced that of ophthalmic medical equipment. The table below sets forth further breakdown of our revenue generated from the sales of ophthalmic medical consumables by product types for the periods indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *RMB'000 (except percentages)* | | | | | |
| **Sales of ophthalmic medical consumables** | | | | | | |
| Intraocular lens | 67,924 | 45.9 | 56,698 | 40.2 | 259,621 | 63.6 |
| Other consumables | 80,004 | 54.1 | 84,226 | 59.8 | 148,747 | 36.4 |
| **Total** | 147,928 | 100 | 140,924 | 100 | 408,368 | 100 |

*Product Types and Geographical Areas*

Our product portfolio includes both Distribution Products, being products of our brand partners, and Proprietary Products, being products we develop and manufacture. The table below sets forth the breakdown of our sales of products revenue by Distribution Product and Proprietary Product for the periods indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *RMB'000 (except percentages)* | | | | | |
| Distribution products | 986,004 | 98.9 | 793,121 | 97.0 | 810,989 | 72.0 |
| Proprietary products | 11,329 | 1.1 | 24,720 | 3.0 | 316,097 | 28.0 |
| **Total** | 997,333 | 100 | 817,841 | 100 | 1,127,086 | 100 |

For the years ended December 31, 2019, 2020 and 2021, our revenue generated from the sales of Proprietary Products increased from RMB11.3 million in 2019 to RMB24.7 million in 2020 and further increased to RMB316.1 million in 2021, representing a CAGR of 428.2% . For the years ended December 31, 2019, 2020 and 2021, our revenue generated from the sales of Proprietary Products accounted for 1.1%, 3.0% and 28.0%, of our revenue generated from sales of products for the same period, respectively. The significant increase in the revenue contribution of our Proprietary Products 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 RMB259.7 million and RMB36.5 million, respectively. The revenue and gross profit of Teleon for the year ended December 31, 2021 on a standalone basis was RMB275.7 million and RMB155.4 million, respectively. The revenue and gross profit of Teleon increased after we completed the acquisition, as a result of the strong recovery from the COVID-19 outbreak in 2020 which also benefited Teleon

on a standalone basis. The recovery of the European economy from COVID-19 also contributed to Teleon's increase in revenue and gross profits in 2021. The revenue and gross profit of Roland for the year ended December 31, 2021 on a standalone basis was RMB26.1 million and RMB10.9 million, respectively. The business of Roland remained stable after we completed the acquisition. Our revenue generated from the sales of Distribution Products generally fluctuated in line with our total revenue during the Track Record Period.

The table below sets forth the breakdown of our revenue by geographic areas for the periods indicated. Our revenue generated from the geographic regions other than Greater China significantly increased during the year ended December 31, 2021, which was primarily attributable to our consolidation of sales in geographic regions other than Greater China of Roland and Teleon after we completed the respective acquisitions.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | *Amount* | *% of total* | *Amount* | *% of total* | *Amount* | *% of total* |
| | *RMB'000 (except percentages)* | | | | | |
| Greater China | 1,106,619 | 100 | 956,347 | 99.4 | 1,033,863 | 79.6 |
| Asia Pacific (excluding Greater China) | – | – | 3,143 | 0.3 | 64,856 | 5.0 |
| Europe (excluding Germany) | – | – | 367 | * | 56,677 | 4.4 |
| Germany | 36 | * | 1,111 | 0.1 | 103,566 | 8.0 |
| America (including Canada) | – | – | 617 | 0.1 | 16,798 | 1.3 |
| Oceania | – | – | – | – | 17,026 | 1.3 |
| Others | – | – | 490 | 0.1 | 5,432 | 0.4 |
| **Total** | 1,106,655 | 100 | 962,075 | 100 | 1,298,218 | 100 |

* Less than 0.1%.

The table below sets forth the breakdown of the revenue from our sales of Proprietary Products and Distribution Products by geographic areas for the years indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | *Amount* | *% of total* | *Amount* | *% of total* | *Amount* | *% of total* |
| ***Distribution Products*** | | | | | | |
| Greater China | 986,004 | 100.0 | 793,121 | 100.0 | 743,805 | 91.8 |
| Germany | – | – | – | – | 61,157 | 7.5 |
| Europe (excluding Germany) | – | – | – | – | 5,778 | 0.7 |
| Asia Pacific (excluding Greater China) | – | – | – | – | 204 | * |
| Others | – | – | – | – | 45 | * |
| **Total** | 986,004 | 100 | 793,121 | 100 | 810,989 | 100 |
| ***Proprietary Products*** | | | | | | |
| Greater China | 11,329 | 100.0 | 19,914 | 80.5 | 118,926 | 37.6 |
| Asia Pacific (excluding Greater China) | – | – | 2,320 | 9.4 | 64,652 | 20.5 |
| Europe (excluding Germany) | – | – | 367 | 1.5 | 50,899 | 16.1 |
| Germany | – | – | 1,012 | 4.1 | 42,409 | 13.4 |
| Oceania | – | – | – | – | 17,026 | 5.4 |
| America (including Canada) | – | – | 617 | 2.5 | 16,798 | 5.3 |
| Others | – | – | 490 | 2.0 | 5,387 | 1.7 |
| **Total** | 11,329 | 100 | 24,720 | 100 | 316,097 | 100 |

* Less than 0.1%

### *Technical Services*

As part of our solution portfolio, we provide our end customers with technical services primarily in China to support their equipment maintenance and after-sale service requests. For the years ended December 31, 2019, 2020 and 2021, our revenue generated from provision of technical services increased from RMB107.9 million in 2019 to RMB138.8 million in 2020 and further to RMB161.6 million in 2021, representing a CAGR of 22.4%. As our technical services mainly focused on the maintenance and repair of the medical equipment we sold, we expect our revenue from provision of technical services to continue to grow as the number of pieces of the medical equipment we sold accumulates. Our customers may purchase warranty services on an annual basis under which we provide unlimited technical services during the period, or we may charge our customers based on the specific maintenance request. The table below sets forth further breakdown of our revenue from provision of technical services.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *RMB'000 (except percentages)* | | | | | |
| Warranty services | 72,264 | 67.0 | 98,391 | 70.9 | 116,632 | 72.1 |
| Maintenance services | 9,721 | 9.0 | 10,175 | 7.3 | 13,340 | 8.3 |
| Technical services related accessories | 25,940 | 24.0 | 30,218 | 21.8 | 31,633 | 19.6 |
| **Total** | 107,925 | 100 | 138,784 | 100 | 161,605 | 100 |

**Cost of Sales**

Our cost of sales mainly consists of costs of goods sold. For the years ended December 31, 2019, 2020 and 2021, our cost of sales was RMB643.3 million, RMB525.9 million and RMB688.7 million, respectively. Our costs of goods fluctuated along with our revenue, which decreased from RMB1,106.7 million in 2019 to RMB962.1 million in 2020, primarily due to the impact of COVID-19 on our sales performance. Our cost of sales increased to RMB688.7 million in 2021 along with our revenue which increased from RMB962.1 million to RMB1,298.2 million, which was primarily due to the recovery of PRC medical device market from the impact of COVID-19. The following table sets forth the breakdown of our cost of sales by nature for the periods indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *RMB'000 (except percentages)* | | | | | |
| Cost of goods sold | | | | | | |
| Sales of ophthalmic medical equipment | 511,158 | 79.5 | 381,924 | 72.6 | 387,811 | 56.4 |
| Sales of ophthalmic medical consumables | 70,232 | 10.9 | 67,907 | 12.9 | 116,025 | 16.8 |
| Provision of services | 19,311 | 3.0 | 36,152 | 6.9 | 48,133 | 7.0 |
| Others | – | – | 1,966 | 0.4 | 856 | 0.1 |
| *Sub-total* | 600,701 | 93.4 | 487,949 | 92.8 | 552,825 | 80.3 |
| Labor costs | 34,775 | 5.4 | 30,901 | 5.9 | 91,017 | 13.2 |
| Transportation and logistics expenses | 6,830 | 1.1 | 5,707 | 1.1 | 6,932 | 1.0 |
| Amortization and depreciation | 1,004 | 0.1 | 1,341 | 0.2 | 37,973 | 5.5 |
| **Total** | 643,310 | 100 | 525,898 | 100 | 688,747 | 100 |

The following table sets forth the breakdown of our cost of sales by business segments for the periods indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *RMB'000 (except percentages)* | | | | | |
| Sales of ophthalmic medical equipment | 512,161 | 79.6 | 383,265 | 72.9 | 397,190 | 57.7 |
| Sales of ophthalmic medical consumables | 70,232 | 10.9 | 67,907 | 12.9 | 199,200 | 28.9 |
| Provision of technical services | 60,917 | 9.5 | 72,760 | 13.8 | 91,501 | 13.3 |
| Others | – | – | 1,966 | 0.4 | 856 | 0.1 |
| **Total** | 643,310 | 100 | 525,898 | 100 | 688,747 | 100 |

**Gross Profit and Gross Profit Margin**

For the years ended December 31, 2019, 2020 and 2021, our gross profit was RMB463.3 million, RMB436.2 million and RMB609.5 million, respectively. Our gross profit margin increased from 41.9% in 2019 to 45.3% in 2020, and further to 46.9% in 2021. Such successive improvements in gross profit margin reflected our continuous efforts to optimize our product portfolio. The gross profit margin of our ophthalmic medical consumables is higher than that of our ophthalmic medical equipment. For the years ended December 31, 2019, 2020 and 2021, our gross profit margin for the sales of ophthalmic medical consumables was 52.5%, 51.8% and 51.2%, respectively. The percentage of revenue derived from ophthalmic medical consumables out of our total revenue increased from 14.6% in 2020 to 31.5% in 2021. This contributed to the successive increases in our overall gross profit margin during the Track Record Period.

The following table sets forth the breakdown of gross profit and gross profit margin by business segments for the periods indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Gross profit | Gross profit margin (%) | Gross profit | Gross profit margin (%) | Gross profit | Gross profit margin (%) |
| | *RMB'000 (except percentages)* | | | | | |
| Sales of ophthalmic medical equipment | 337,244 | 39.7 | 293,652 | 43.4 | 321,528 | 44.7 |
| Sales of ophthalmic medical consumables | 77,696 | 52.5 | 73,017 | 51.8 | 209,168 | 51.2 |
| Provision of technical services | 47,008 | 43.6 | 66,024 | 47.6 | 70,104 | 43.4 |
| Others | 1,397 | 100.0 | 3,484 | 63.9 | 8,671 | 91.0 |
| **Total gross profit/overall gross profit margin** | 463,345 | 41.9 | 436,177 | 45.3 | 609,471 | 46.9 |

The following table sets forth the breakdown of gross profit and gross profit margin by product types for the periods indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Gross profit | Gross profit margin (%) | Gross profit | Gross profit margin (%) | Gross profit | Gross profit margin (%) |
| | *RMB'000 (except percentages)* | | | | | |
| Distribution Products | 411,062 | 41.7 | 355,623 | 44.8 | 365,032 | 45.0 |
| Proprietary Products | 3,878 | 34.2 | 11,046 | 44.7 | 165,664 | 52.4 |
| **Total gross profit/overall gross profit margin** | 414,940 | 41.6 | 366,669 | 44.8 | 530,696 | 47.1 |

As the sales volume and revenue of our Proprietary Products increased and utilization of our manufacturing capacity improved during the Track Record Period, the manufacturing costs on per products basis decreased, resulting in lower unit costs and the successive increases in the gross profit margin of our Proprietary Products. In addition, in January 2021, we completed the acquisition of Teleon, which primarily manufactures and sells Intraocular lens products and they carry a relatively higher gross profit margin than our other Proprietary Product, and this also contributed to the increase of gross profit margin of our Proprietary Products in 2021.

**Other Income and Gains**

Our other income and gains primarily consist of (i) bank interest income; (ii) government grants; (iii) investment income and gains from financial products at fair value through profit or loss; and (iv) foreign exchange gains. Our transactions with many brand partners, and loan at fair value through profit or loss and convertible redeemable preferred shares have been denominated in foreign currencies. We recorded foreign exchange gains if the RMB amount to pay decreases as RMB appreciated. For the years ended December 31, 2020 and 2021, our foreign exchange gains were RMB18.3 million and RMB61.8 million, respectively. The government grants primarily represented the municipal government's subsidies granted to MingWang Medical which are positively related to, among others, the value-added tax and corporate income tax paid by certain subsidiaries. We would continue to advocate the relevant government authorities for our continuing entitlement to such government grants. The following table sets forth the breakdown of our other income and gains for the periods indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *RMB'000 (except percentages)* | | | | | |
| Government grants | 7,269 | 49.7 | 10,446 | 28.7 | 13,908 | 17.8 |
| Bank interest income | 3,674 | 25.2 | 3,128 | 8.6 | 2,020 | 2.6 |
| Others | 179 | 1.2 | 2,282 | 6.3 | 58 | 0.1 |
| Gain on disposal of financial assets at fair value through profit or loss | 2,904 | 19.9 | 2,274 | 6.2 | 92 | 0.1 |
| Fair value change from financial assets at fair value through profit or loss | 589 | 4.0 | – | – | – | – |
| Foreign exchange gains | – | – | 18,315 | 50.2 | 61,822 | 79.4 |
| **Total** | 14,615 | 100 | 36,445 | 100 | 77,900 | 100 |

### Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) salaries and remuneration of our sales and marketing personnel; (ii) marketing expenses for holding the marketing events and promotion of our products; and (iii) transportation and travel expenses incurred in the course of our marketing activities. The following table sets forth the breakdown of our selling and distribution expenses for the periods indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *RMB'000 (except percentages)* | | | | | |
| Labor costs | 81,608 | 40.7 | 81,102 | 50.4 | 98,383 | 51.9 |
| Marketing expense | 71,678 | 35.8 | 40,538 | 25.2 | 48,344 | 25.5 |
| Travel and business expense | 36,142 | 18.0 | 26,892 | 16.7 | 32,516 | 17.2 |
| Warranty expenses | 6,655 | 3.3 | 7,981 | 5.0 | 673 | 0.4 |
| Amortization and depreciation | 2,042 | 1.0 | 2,048 | 1.3 | 6,394 | 3.4 |
| Others | 2,393 | 1.2 | 2,228 | 1.4 | 3,160 | 1.6 |
| Total | 200,518 | 100 | 160,789 | 100 | 189,470 | 100 |

Our selling and distribution expenses decreased in 2020 primarily due to the decreases in marketing expenses and travel expenses as traveling and hosting marketing events were restricted during the outbreak of COVID-19 in 2020. As a percentage of revenue, selling and distribution expenses decreased from 18.1% in 2019 to 16.7% in 2020, and further to 14.6% in 2021. The successive decreases in the percentage between our selling and distribution expenses and revenue primarily reflected our stronger branding and improved marketing efficiency.

**Administrative Expenses**

For the years ended December 31, 2019, 2020 and 2021, our administrative expenses amounted to RMB78.4 million, RMB90.1million and RMB131.5 million, respectively. Our administrative expenses primarily consist of (i) salaries and remuneration of our administrative staff; (ii) consulting services fees, which include the fees for the engagement of professional consultants in support of our acquisitions of Teleon and Roland and our [**REDACTED**] expenses; and (iii) transportation and travel expenses incurred in the course of our administration. We recorded inventory loss amounting RMB6.2 million in 2019, which represented the loss of inventory as we were obliged to repurchase the inventory of the previous China distributor of Teleon when we obtained the distribution right for Teleon Product from them in 2019. For the years ended December 31, 2019, 2020 and 2021, our administrative expenses represented 7.1%, 9.4% and 10.1% of our revenue, respectively. The following table sets forth the breakdown of our administrative expenses for the periods indicated.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2020 | | 2021 | |
| | Amount | % of total | Amount | % of total | Amount | % of total |
| | *RMB'000 (except percentages)* | | | | | |
| Labor cost | 38,572 | 49.2 | 31,987 | 35.5 | 53,252 | 40.5 |
| Consulting service fees | 11,170 | 14.2 | 32,832 | 36.4 | 48,015 | 36.5 |
| Travel and business expense | 6,954 | 8.9 | 5,770 | 6.4 | 6,305 | 4.8 |
| Marketing expense | 1,480 | 1.9 | 915 | 1.0 | 1,133 | 0.9 |
| Banks fees | 688 | 0.9 | 8,347 | 9.3 | 454 | 0.3 |
| Amortization and depreciation | 9,934 | 12.6 | 8,789 | 9.8 | 13,694 | 10.4 |
| Inventory loss | 6,249 | 8.0 | 543 | 0.6 | 1,089 | 0.8 |
| Others | 3,395 | 4.3 | 925 | 1.0 | 7,580 | 5.8 |
| Total | 78,442 | 100 | 90,108 | 100 | 131,522 | 100 |

**Research and Development Expenses**

Our research and development expenses increased from RMB2.7 million in 2019 to RMB3.1 million in 2020 and further to RMB23.5 million in 2021, representing a CAGR of 197.3%, reflecting our continuous commitment of research and development and the significant increase in our R&D efforts in IOL after the acquisition of Teleon in January 2021. We expect our research and development expenses continue to increase 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**]".

**Finance Costs**

For the years ended December 31, 2019, 2020 and 2021, our finance costs amounted to RMB3.3 million, RMB3.1 million and RMB83.5 million, respectively. Our finance costs primarily consisted of interest expenses on bank and other borrowings and lease liabilities. The significant increase in the finance costs for the year ended December 31, 2021 was primarily attributable to the interest expenses incurred from the bank loans taken out to fund our acquisition of Teleon in January 2021.

**Income Tax Expenses**

For the years ended December 31, 2019, 2020 and 2021, our income tax expenses amounted to RMB40.2 million, RMB50.6 million and RMB53.6 million, respectively.

Currently, one of our PRC operating subsidiaries, Gaush Raymond qualified as a High and New Technology Enterprise (高新技術企業), is entitled to a lower enterprise income tax rate of 15% instead of the standard PRC enterprise income tax rate of 25%. Gaush Hong Kong is subject to the Hong Kong enterprise income tax of 16.5%. Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in that jurisdiction. Our subsidiaries established in the Netherlands and Germany were subject to the corporate income tax rate of 25% and 31.58%, respectively, during the Track Record Period, see Note 10 to the Accountants' Report in Appendix I to this Document.

**RESULTS OF OPERATIONS**

**Year Ended December 31, 2021 Compared to Year Ended December 31, 2020**

***Revenue***

Our revenue increased by 34.9% from RMB962.1 million for the year ended December 31, 2020 to RMB1,298.2 million for the year ended December 31, 2021, due to (i) an increase of RMB41.8 million in revenue generated from sales of ophthalmic medical equipment, reflecting an increase in the relevant sales recovering from the adverse impacts from the outbreak of COVID-19 in 2020 and the consolidation of the results of operations of Roland, (ii) an increase of RMB267.4 million in revenue generated from sales of ophthalmic medical consumables, reflecting an increase in the relevant sales recovering from the adverse impacts from the outbreak of COVID-19 in 2020 and the consolidation of the results of operations of Teleon, (iii) an increase of RMB22.8 million in revenue from technical service, reflecting our strong recovery from the market low point in light of the outbreak of COVID-19 in 2020, and (iv) an increase of RMB4.1 million in revenue from others.

***Cost of Sales***

Our cost of sales increased by 31.0% from RMB525.9 million for the year ended December 31, 2020 to RMB688.7 million for the year ended December 31, 2021, which was generally in line with the increase in revenue. The increase of our cost of sales was primarily attributable to our recovery of sales during the period from the outbreak of COVID-19 in 2020 and consolidation of results of operation of Teleon.

***Gross Profit and Gross Profit Margin***

Our gross profit increased by 39.7% from RMB436.2 million for the year ended December 31, 2020 to RMB609.5 million for the year ended December 31, 2021. Our gross profit margin increased from 45.3% for the year ended December 31, 2020 to 46.9% for the year ended December 31, 2021, primarily because of (i) the higher sales contribution of ophthalmic medical consumables after the acquisition of Teleon, which has a generally higher gross profit margin within our business segments; and (ii) our strong recovery in 2021 from the market low point in the first half of 2020 due to the outbreak of COVID-19.

***Other Income and Gains***

Our other income and gains increased significantly from RMB36.4 million for the year ended December 31, 2020 to gains of RMB77.9 million for the year ended December 31, 2021. Such increase mainly resulted from (i) an increase of RMB43.5 million in foreign exchange gains as the result of the fluctuation of the exchange rate during the period, and (ii) an increase of RMB3.5 million in government grants, reflecting government grant received by certain subsidiaries which are positively related to, among others, the value-added tax and corporate income tax paid, and was partially offset by a decrease of RMB2.2 million in gain on disposal of financial assets at fair value through profit or loss and a decrease of RMB1.1 million in bank interest income, as a significant portion of our cash resources were utilized for the acquisition of Teleon at the end of 2020.

***Selling and Distribution Expenses***

Our selling and distribution expenses increased by 17.8% from RMB160.8 million for the year ended December 31, 2020 to RMB189.5 million for the year ended December 31, 2021, primarily due to (i) an increase of RMB7.8 million in marketing expenses as we resumed the marketing activities which were hampered by the outbreak of COVID-19 in 2020 and (ii) an increase of RMB5.6 million in travel expenses, reflecting the increased travel associated with increased marketing activities in 2021, which were restricted when COVID-19 sustained in China in 2020; and (iii) an increase in our staff costs from RMB81.1 million for the year ended December 31, 2020 to RMB98.4 million for the year ended December 31, 2021 which was primarily resulted from the increase of our employees' salary.

***Administrative Expenses***

Our administrative expenses increased significantly from RMB90.1 million for the year ended December 31, 2020 to RMB131.5 million for the year ended December 31, 2021, primarily due to (i) an increase in our staff costs from RMB32.0 million for the year ended December 31, 2020 to RMB53.3 million for the year ended December 31, 2021 due to our salary raise in 2021 and the consolidation of the salary of employees of Teleon and Roland in Europe; and (ii) an increase in our consulting fees from RMB32.8 million for the year ended December 31, 2020 to RMB48.0 million for the year ended December 31, 2021, which primarily represent the expenses for engaging professional consultants to advice us on our acquisitions of Teleon.

***Research and Development Expenses***

Our research and development expenses increased significantly from RMB3.1 million for the year ended December 31, 2020 to RMB23.5 million for the year ended December 31, 2021, primarily due to the significant expansion of the size of our original research and development team after the completion of the acquisitions of Teleon.

***Other Expenses***

Our other expenses increased from RMB66.4 million for the year ended December 31, 2020 to RMB397.3 million for the year ended December 31, 2021, primarily because of the significant increase in the fair value loss of our preferred shares from RMB64.6 million for the year ended December 31, 2020 to RMB375.6 million for the year ended December 31, 2021, which is tied to our overall valuation.

***Finance Costs***

Our finance costs significantly increased from RMB3.1 million for the year ended December 31, 2020 to RMB83.5 million for the year ended December 31, 2021 primarily due to the interest bearing borrowings for the acquisition of Teleon. For details, see "— Indebtedness — Bank Borrowings."

***Income Tax Expense***

Our income tax expense increased by 5.9% from RMB50.6 million for the year ended December 31, 2020 to RMB53.6 million for the year ended December 31, 2021, which was generally in line with the increase in our profits (excluding the effect from the fair value loss on the Preferred Shares).

***Profit/loss for the Period***

For the foregoing reasons, we recorded profits for the period of RMB98.5 million for the year ended December 31, 2020 compared to the losses recorded for the period of RMB191.6 million for year ended December 31, 2021.

**Year Ended December 31, 2020 Compared to Year Ended December 31, 2019**

***Revenue***

Our revenue decreased by 13.1% from RMB1,106.7 million for the year ended December 31, 2019 to RMB962.1 million for the year ended December 31, 2020, primarily due to a decrease of RMB172.5 million in revenue generated from sales of ophthalmic medical equipment and a decrease of RMB7.0 million in revenue generated from sales of ophthalmic medical consumables. Such decrease is partially offset by the increase in revenue from technical service from RMB107.9 million in 2019 to RMB138.8 million in 2020.

The decreases in revenue generated from the sales of ophthalmic medical equipment and ophthalmic medical consumables were primarily attributable to the decline in the demand of our products as the hospitals and clinics suspended or reduced their operation in light of the outbreak of COVID-19 in 2020. On the other hand, as the demand for the maintenance and repair of the products sold sustained during the outbreak of COVID-19, our revenue generated from technical service increased by 28.6% from RMB107.9 million in 2019 to RMB138.8 million in 2020.

Other revenue increased by 292.9% from RMB1.4 million in 2019 to RMB5.5 million in 2020, primarily because we were able to charge our brand partners additional fees for the registration of their products in China.

***Cost of Sales***

Our cost of sales decreased by 18.2% from RMB643.3 million for the year ended December 31, 2019 to RMB525.9 million for the year ended December 31, 2020, which was generally in line with the decrease in our revenue in 2020. The decrease of our cost of sales was primarily attributable to the decrease of our costs of goods sold, which decreased from RMB600.7 million in 2019 to RMB487.9 million in 2020 as a result of our decreased revenue in 2020 due to the outbreak of COVID-19.

***Gross Profit and Gross Profit Margin***

Our gross profit slightly decreased by 5.8% from RMB463.3 million for the year ended December 31, 2019 to RMB436.2 million for the year ended December 31, 2020 as the result of the foregoing. Our gross profit margin increased from 41.9% in 2019 to 45.3% in 2020 primarily because of our continuous efforts to optimize our product portfolio.Our gross profit margin for the sales of ophthalmic medical consumables was higher than that of ophthalmic medical equipment, and the percentage of revenue derived from the sales of ophthalmic medical consumables out of our total revenue increased from 13.4% in 2019 to 14.6% in 2020. This contributed to the increase in our overall gross profit margin between 2019 and 2020.

***Other Income and Gains***

Our other income and gains increased by 149.3% from RMB14.6 million for the year ended December 31, 2019 to RMB36.4 million for the year ended December 31, 2020. Such increase was primarily the result of (i) an increase of RMB18.3 million in foreign exchange gains as the result of the fluctuation of foreign exchange rates; and (ii) an increase of RMB3.2 million in government grants, reflecting the increase in government grants and subsidies received by certain subsidiaries which are positively related to, among others, the value-added tax and corporate income tax paid.

***Selling and Distribution Expenses***

Our selling and distribution expenses decreased by 19.8% from RMB200.5 million for the year ended December 31, 2019 to RMB160.8 million for the year ended December 31, 2020, primarily due to a decrease of RMB9.2 million in travel expense and a decrease of RMB31.1 million in marketing expense, which primarily reflected the decline of our travel and marketing activities in 2020 due to the outbreak of COVID-19.

***Administrative Expenses***

Our administrative expenses increased by 14.9% from RMB78.4 million for the year ended December 31, 2019 to RMB90.1 million for the year ended December 31, 2020, primarily due to an increase in our consulting fees of RMB21.7 million paid for engaging professional consultants to complete our acquisitions of Teleon and Roland. Such increase was offset by the respective decreases in staff costs of RMB6.6 million and travel expenses of RMB1.2 million, as we reduced the bonus of our employees and travel in the course of business decreased in 2020 in light of the outbreak of COVID-19.

***Research and Development Expenses***

Our research and development expenses increased by 14.8% from RMB2.7 million for the year ended December 31, 2019 to RMB3.1 million for the year ended December 31, 2020, primarily due to an increase in staff costs from RMB1.4 million in 2019 to RMB1.6 million in 2020 as we expanded the size of our research and development team.

***Other Expenses***

Our other expenses decreased from RMB190.9 million for the year ended December 31, 2019 to RMB66.4 million for the year ended December 31, 2020, primarily because of the significant decrease in the fair value loss of our preferred shares from RMB173.2million in 2019 to RMB64.6 million in 2020, which is tied to our overall valuation.

***Finance Costs***

Our finance costs remained stable at RMB3.3 million in 2019 and RMB3.1 million in 2020, respectively.

***Income Tax Expense***

Our income tax expense increased by 25.9% from RMB40.2 million for the year ended December 31, 2019 to RMB50.6 million for the year ended December 31, 2020, primarily due to the increase in our profits (excluding the effect from the fair value loss on the Preferred Shares).

***Profit/loss for the Year***

For the foregoing reasons, we recorded losses for the year of RMB38.0 million in 2019 and profits for the year of RMB98.5 million in 2020.

## DESCRIPTION OF CERTAIN ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated. This information has been extracted from, and should be read together with, our consolidated financial information included in "Appendix I — Accountants' Report."

| | As of December 31, | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | | *RMB'000* | |
| Total non-current assets | 81,838 | 1,486,739 | 1,336,888 |
| Total current assets | 947,199 | 749,037 | 1,089,781 |
| Total non-current liabilities | 691,845 | 907,466 | 2,618,805 |
| Total current liabilities | 406,977 | 1,280,500 | 441,235 |
| Net assets/(liabilities) | (69,785) | 47,810 | (633,371) |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 72 | 72 | 65 |
| Other reserves | (81,402) | 25,553 | (656,497) |
| Non-controlling interests | 11,545 | 22,185 | 23,061 |
| **Total equity** | (69,785) | 47,810 | (633,371) |

The following table sets forth a summary of our current assets and liabilities as of the dates indicated.

| | As of December 31, | | | As of March 31, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | | | | (unaudited) |
| | | *RMB'000* | | |
| **Current assets** | | | | |
| Financial assets at fair value through profit or loss | 200,169 | 10 | – | 48 |
| Inventories | 195,799 | 239,570 | 240,109 | 270,841 |
| Trade receivables | 193,739 | 170,796 | 170,054 | 139,964 |
| Contract assets | 1,666 | 2,190 | 1,937 | 2,603 |
| Prepayments, other receivables and other assets | 23,064 | 22,171 | 54,928 | 56,659 |
| Pledged deposits | – | 6,810 | 13,757 | 13,361 |
| Cash and cash equivalents | 332,762 | 307,490 | 608,996 | 587,287 |
| **Total current assets** | 947,199 | 749,037 | 1,089,781 | 1,070,763 |
| **Current liabilities** | | | | |
| Trade payables | 113,295 | 104,417 | 68,018 | 59,696 |
| Derivative financial instrument | 323 | 128 | 296 | – |
| Other payables and accruals | 105,587 | 153,128 | 124,181 | 79,393 |
| Tax payable | 37,417 | 28,826 | 19,792 | 17,312 |
| Interest-bearing bank and other borrowings | 37,502 | 866,184 | 122,464 | 117,006 |
| Contract liabilities | 105,596 | 121,584 | 93,884 | 119,477 |
| Lease liabilities | 7,257 | 6,233 | 12,600 | 16,404 |
| **Total current liabilities** | 406,977 | 1,280,500 | 441,235 | 409,288 |
| **Net current assets/(liabilities)** | 540,222 | (531,463) | 648,546 | 661,475 |

The following table sets forth a summary of our non-current assets and liabilities as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | | *RMB'000* | |
| **Non-current assets** | | | |
| Property, plant and equipment | 7,793 | 12,214 | 42,882 |
| Right-of-use assets | 20,936 | 19,659 | 42,643 |
| Goodwill | 16,190 | 31,228 | 882,698 |
| Intangible assets | 13,375 | 21,751 | 303,889 |
| Long term accounts receivable | 1,030 | – | – |
| Prepayments and other receivables | 7,349 | 9,526 | 23,843 |
| Investment prepayment | – | 1,377,908 | – |
| Contract assets | 356 | 649 | 84 |
| Deferred tax assets | 14,809 | 13,804 | 40,849 |
| **Total non-current assets** | 81,838 | 1,486,739 | 1,336,888 |
| **Non-current liabilities** | | | |
| Government grant | 788 | 99 | – |
| Interest-bearing bank and other borrowings | – | 194,905 | 635,334 |
| Loan at fair value through profit or loss | – | – | 159,099 |
| Convertible redeemable preferred shares | 644,182 | 663,648 | 1,660,424 |
| Contract liabilities | 27,769 | 29,162 | 29,259 |
| Deferred tax liabilities | 3,024 | 5,762 | 66,374 |
| Other payables and accruals | – | – | 36,536 |
| Lease liabilities | 16,082 | 13,890 | 31,779 |
| **Total non-current liabilities** | 691,845 | 907,466 | 2,618,805 |

**Property, Plant and Equipment**

Our property, plant and equipment consist of machinery and equipment, transportation equipment, leasehold improvements, office equipment and others. We had property, plant and equipment of RMB7.8 million, RMB12.2 million and RMB42.9 million as of December 31, 2019, 2020 and 2021, respectively. The increases of our property, plant and equipment in 2020 and 2021 were primarily attributable to the consolidation of the property, plant and equipment of Roland and Teleon after we completed the respective acquisitions. The significant increases between the property, plant and equipment as of December 31, 2020 and December 31, 2021 were primarily due to the consolidation of the property, plant and equipment of Teleon and Roland after the completion of the respective acquisitions.

**Right-of-use Assets**

Since IFRS 16 was adopted by our Group throughout the Track Record Period, we recognized right-of-use assets and the corresponding lease liabilities in respect of all leases, except for short-term leases and leases of low-value assets. We had right-of-use assets of RMB20.9 million, RMB19.7 million and RMB42.6 million as of December 31, 2019, 2020 and 2021, respectively. The decreases in right-of-use assets in 2019 and 2020 was primarily attributable to the depreciation of our right-of-use assets. The increase in right-of-use assets as of December 31, 2021 was primarily attributable to the consolidation of the right-of-use assets of Teleon after we completed the acquisition.

**Goodwill**

Goodwill represented a significant portion of the total assets on our consolidated balance sheet. As of December 31, 2019, 2020 and 2021, RMB16.2 million, RMB31.2 million and RMB882.7 million, of our total assets consisted of goodwill relating to our historical acquisitions. Our acquired goodwill arose from our acquisitions of our subsidiaries including Teleon and Roland. For more information, see "History, Reorganization and Development — Corporate Development — Our Major Subsidiaries in Germany and the Netherlands."

The goodwill recognised is primarily attributed to the expected business synergies arising from the acquisition, which is not separately recognised. Both Roland and Teleon were our brand partners before our respective acquisition. We expect business synergies to arise from the vertical business integrations between the Company and each of Roland and Teleon. Through the acquisitions, the Company inherited the overseas distribution network of Roland and Teleon, which enabled overseas sales of the Company's Proprietary Products in the future. The acquisitions also helped the Company establish its own research and development capacity as to electrophysiology equipment and intraocular lens products. In addition, we believe the synergies may also arise from the unified operation, manufacturing and marketing as to the products of Teleon and Roland. The goodwill is not deductible for income tax purposes. Assumptions were used in the value in use calculation of the cash-generating units as of December 31, 2019, 2020 and 2021. For details, see Note 15 to the Accountants' Report set out in Appendix I to this Document.

**Intangible Assets**

Our intangible assets (other than goodwill) mainly represented the software we purchased and used in the ordinary course of our business as well as the patents and trademarks, identified as the result of the business combinations. We had intangible assets of RMB13.4 million, RMB21.8 million and RMB303.9 million as of December 31, 2019, 2020 and 2021, respectively. The decrease in our intangible assets in 2019 was primarily due to accumulated amortization of our intangible assets other than goodwill. Our intangible assets increased from RMB13.4 million as of December 31, 2019 to RMB21.8 million as of December 31, 2020 and further to RMB303.9 million as of December 31, 2021, which were primarily attributed to the the amount of the intangible assets of Roland and Teleon, respectively.

**Prepayments and Other Receivables — Non-current**

Our prepayments and other receivables primarily consisted of the long-term prepayment we made to obtain product registration for our Distribution Products. As of December 31, 2019, 2020 and 2021, our prepayments and other receivables were RMB7.3 million, RMB9.5 million and RMB23.8 million, respectively. Such increases reflected primarily our continuous expansion of our portfolio of Distribution Products.

**Investment Prepayments**

As of December 31, 2020, we had investment prepayment of RMB1,377.9 million. This mainly represented the amount we paid in escrow for the ultimate settlement of the acquisition of Teleon, which took place on January 4, 2021.

**Financial Assets at Fair Value through Profit or Loss ("FVTPL")**

Our financial assets at FVTPL mainly represented wealth management product we purchased from a reputable commercial bank in China to improve cash utilization efficiency, which mainly included low-risk wealth management product during the Track Record Period. The wealth management product is redeemable on demand. The expected interest rates for such wealth management product range from 1.0% to 2.5% per annum. The fair value of financial assets at FVTPL as of a specific date is the unredeemed principal amount that we have invested to purchase these wealth management products plus our expected returns with reference to the expected interest rates as of the same date. As a result, the amount of the financial assets at FVTPL is primarily affected by our purchase amount, which is determined in light of our cash flow, operational needs, expected capital expenditure and treasury management policies. Our financial assets at FVTPL decreased from RMB200.2 million as of December 31, 2019 to RMB10,000 as of December 31, 2020 as we utilized our cash resources to completed the respective acquisitions of Roland and Teleon in November 2020 and January 2021. As of December 31, 2021, we did not have any financial assets at FVTPL.

We manage our wealth management products in accordance with our investment management policies and internal control mechanism. In assessing the wealth management products, we apply a number of internal guiding principles, including that (i) the top priority of wealth management is to protect the principal of our investments through risk management; (ii) the proposed investments must not interfere with the cash needs for our ordinary business operations; and (iii) our wealth management activities aim at maximizing returns while ensuring the safety of funds and liquidity. Our senior management, including our chief financial officer and financial control with extensive relevant knowledge and experience, has been overseeing our investment in wealth management products. Upon [**REDACTED**], our investment in wealth management products will be subject to compliance with Chapter 14 of the Listing Rules. In addition, purchases of any wealth management products in a single transaction or a series of transactions of more than RMB200 million within 12 months from the [**REDACTED**] shall be approved by the Board, and we will determine the threshold amount based on the Company's financial position, cash flows and liquidity status from time to time.

**Inventories**

Our inventories consist of finished goods, goods in transit, raw materials and work-in-progress. 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. The following table sets forth the details of our inventories as of the dates indicated and inventory turnover days for the periods indicated.

| | As of December 31, | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | | *RMB'000* | |
| Finished goods | 176,001 | 199,755 | 215,868 |
| Goods in transit | 18,645 | 31,695 | 13,179 |
| Raw materials | 2,251 | 2,350 | 7,582 |
| Work-in-progress | 828 | 6,941 | 8,986 |
| Provision for inventories | (1,926) | (1,171) | (5,506) |
| **Total** | 195,799 | 239,570 | 240,109 |

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| Inventory turnover days[(1)] | 111 | 152 | 129 |

(1) The inventories turnover days are calculated by dividing the arithmetic mean of the opening and ending carrying amount of inventories in that period by cost of sales for the corresponding period and then multiplying by 365 days.

Our inventories increased from RMB195.8 million as of December 31, 2019 to RMB239.6 million as of December 31, 2020 and further to RMB240.1 million as of December 31, 2021 due to (i) our year-end balance of finished goods vary in line with our plan of sales and the lead time of our products, which were volatile in response to the market conditions; and (ii) the consolidation of the inventories of Teleon and Roland as we completed our acquisitions of Teleon and Roland. We made provision for our inventories as their use life comes to expire. Our inventory turnover days increased from 111 days to 152 days due to the decrease in our sales during the outbreak of COVID-19. Our inventory turnover days decreased to 129 days for the year ended December 31, 2021.

As of March 31, 2022, RMB136.2 million, representing 56.7% of our total inventories as of December 31, 2021, has been subsequently utilized. We believe there is no material utilisation issue for our total inventories.

**Trade Receivables**

Our trade receivables represented outstanding amounts due from our customers. We generally do not grant credit term to our domestic distributors. The following table sets forth the details of our trade receivables as of the dates indicated, trade receivables turnover days and breakdown of the Group's receivables by category of our customers for the periods indicated.

| | As of December 31, | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | | *RMB'000* | |
| Trade receivables | 198,549 | 176,643 | 180,190 |
| Impairment | (4,810) | (5,847) | (10,136) |
| **Total** | 193,739 | 170,796 | 170,054 |

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| Trade receivable turnover days[(1)] | 61 | 71 | 50 |

(1) Calculated by dividing the arithmetic mean of the opening and ending carrying amount of trade receivables in that period by revenue for the corresponding period and then multiplying by 365 days.

| | As of December 31, | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | | *RMB'000* | |
| **Trade receivables from** | | | |
| Distributors | 20,581 | 15,428 | 17,213 |
| Public hospitals | 62,026 | 56,444 | 42,573 |
| Private hospitals | 115,942 | 92,430 | 78,200 |
| Overseas customers | – | 12,341 | 42,204 |
| **Total** | 198,549 | 176,643 | 180,190 |

As of December 31, 2019, 2020 and 2021, we had trade receivables of RMB198.5 million, RMB176.6 million and RMB180.2 million respectively. Our trade receivables decreased in 2020 primarily due to the decrease in revenue with respect to the sales of ophthalmic medical equipment as the result of the outbreak of COVID-19 in 2020 and the growth of our ophthalmic medical consumables business. Customers of our ophthalmic medical consumables business are mainly our distributors with shorter receivable recovery cycle.

Our trade receivable turnover days were 61 days, 71 days and 50 days in 2019, 2020 and 2021, respectively. Our trade receivable turnover days increased from 61 days in 2019 to 71 days in 2020. Such extension in the settlement of trade receivables was attributable to the slower recovery of receivables from our customers including distributors and direct sales customers in light of the outbreak of COVID-19 in China in 2020 which was primarily due to the negative impact of COVID-19 on our downstream customers' capabilities in settling the trade receivables on time. Our trade receivable turnover days decreased from 71 days in 2020 to 50 days in 2021 was primarily attribute to our customers' strong recovery from the COVID-19 outbreak in 2020, which significantly improved their capabilities in settling the trade receivables on time.

We have implemented a credit assessment system to evaluate the creditworthiness and financial condition of our customers, taking into account their historical settlement record, business relationship with us and credit assessment. Our senior management regularly review our trade receivables balance and overdue balance, and we follow up with customers with past due trade receivables. We perform an impairment analysis at the end of each financial year using a provision matrix to measure expected credit losses and assess our credit risk exposure. As of December 31, 2019, 2020 and 2021, we recorded impairment provision of RMB4.8 million, RMB5.8 million and RMB10.1 million, respectively, representing less than 1% of our revenue in the corresponding periods.

The Directors concluded that the allowance for expected credit losses was adequate and the expected credit loss rates were reasonable based on:

- our adoption of the simplified approach permitted by IFRS 9 to measure the loss allowance at lifetime Expected Credit Losses ("**ECLs**"). For the purpose of determining significant increases in credit risk and recognizing a loss allowance on a collective basis, we group our trade receivables into four different categories (i.e. distributors, public hospitals, private hospitals and overseas customers), on the basis of shared credit risk characteristics including transaction modes, historical turnover days and credit risk rating. Circumstances of individual trade receivables will also be considered in our assessment of credit risks. Higher allowance rates are generally applied as aging of receivables increases. Detailed information about the credit risk exposure and the respective allowance rates of the receivables on each category of our customers as at December 31, 2021 is as follows:

| | Distributors | Public Hospitals | Private Hospitals | Overseas Customers | Group |
|---|---|---|---|---|---|
| Within 1 year | 2.93% | 0.92% | 0.75% | 1.00% | 1.07% |
| 1 to 2 years | 23.13% | 6.21% | 2.36% | – | 5.38% |
| 2 to 3 years | 34.40% | 19.41% | 6.98% | – | 11.07% |
| 3 to 4 years | 64.56% | 33.08% | 26.25% | – | 32.98% |
| 4 to 5 years | 78.75% | 87.84% | 52.50% | – | 86.36% |
| Over 5 years | 100.00% | 100.00% | 100.00% | – | 100.00% |

*Distributors:* We generally do not grant credit terms to our domestic distributors and require them to make upfront payment before delivery of our products. While credit terms are granted to a few domestic distributors after considering their credit profile and settlement track record, allowance rates applied to the receivables from distributors are generally higher, compared to those for public and private hospitals, to reflect their higher credit risk exposures.

*Public and private hospitals:* Credit terms are granted to hospital customers as many of them are either large public hospitals or members of large private ophthalmic groups with better credit profile and settlement track record. Allowance rates for receivables from hospital customers are generally lower, compared to those for distributors, as the recovery of such receivables has been satisfactory based on the collection history. While it is not uncommon for vendor of medical devices in China to record trade receivables from public hospitals aging over years, we consider impairment risks of such receivables to increase significantly once their aging exceeds four years based on our historical settlement record and higher allowance rates are applied.

- our trade receivables aging over one year were generally related to certain recognized and creditworthy customers without historical default, and the aging of the trade receivables in 2020 was primarily attributable to the slower recovery of receivables from our customers in light of the outbreak of COVID-19, the situation of which has been improving; and

- our efforts to maintain strict control of our trade receivables as described above.

The following table sets forth an aging analysis, based on the invoice date of our trade receivables as of the dates indicated and the subsequent settlement as of March 31, 2022 of our trade receivables outstanding as of December 31, 2021.

| | Outstanding as of December 31, | | | Subsequent settlement as of March 31, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | | | |
| Within 6 months | 111,086 | 102,500 | 120,118 | 50,723 |
| 6 months–1 year | 35,135 | 14,090 | 17,684 | 6,192 |
| 1–2 years | 38,523 | 39,295 | 18,954 | 6,212 |
| 2–3 years | 12,531 | 14,744 | 14,692 | 1,628 |
| 3–4 years | 1,246 | 5,520 | 7,026 | 2,757 |
| 4–5 years | 2 | 492 | 1,234 | – |
| Over 5 years | 8 | 2 | 482 | – |
| **Total** | 198,549 | 176,643 | 180,190 | 67,512 |

Our trade receivables with an aging within one year decreased from RMB146.2 million as of December 31, 2019 to RMB116.6 million as of December 31, 2020 primarily due to the decrease in our sales with respect to ophthalmic medical equipment as the result of the outbreak of COVID-19 in 2020 in China. Our trade receivables with an aging within one year increased from RMB116.6 million as of December 31, 2020 to RMB137.8 million as of December 31, 2021 as the result of the recovery of our sales from the market low point during the outbreak of COVID-19. Our trade receivables over one year included trade receivables in relation to certain hospital customers in China with longer payment cycles. According to Frost & Sullivan, public hospitals generally settle their amount due to suppliers of medical consumables and equipment within one year, while in some cases of medical equipment purchases, the unit purchase price of which is higher, public hospitals and large private hospital groups may settle a certain portion of amount due beyond one year, leveraging their bargaining power. For the years ended December 31, 2019, 2020 and 2021, the turnover days of our receivables due from public hospital customers were 228 days, 175 days and 199 days, respectively, and the turnover days of receivables due from private hospital customers during the same periods were 91 days, 132 days and 96 days, respectively. According to Frost & Sullivan, such settlement patterns are in line with the market standard of settlement. On the other hand, the turnover days of receivables due from distributors were 10 days, 12 days and 10 days, respectively, which is primarily the result of our general requirement that distributors shall make full upfront payment before we deliver our products. As of the Latest Practicable Date, we did not have any material legal proceedings with our customers with respect to the recovery of trade receivables.

As of March 31, 2022, RMB67.5 million, representing 39.7% of the trade receivables outstanding (net of loss provisions) as of December 31, 2021 have been settled. We believe there is no material settlement issue for our total trade receivables.

**Prepayments, Other Receivables and Other Assets**

Our prepayments, other receivables and other assets primarily consist of (i) the amount prepaid to customs for our import of Distribution Products; and (ii) prepayment to other suppliers. The following table sets forth the details of our prepayments, other receivables and other assets as of the dates indicated.

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

Our prepayments, other receivables and other assets mainly included the deposits we paid to our customers as the security for the quality of our products, deposits for participating public tender and prepayments for our rents. Our prepayments, other receivables and other assets as of December 31, 2019 and 2020 remained stable, being RMB30.4 million and RMB31.7 million, respectively. Our prepayments, other receivables and other assets increased to RMB78.8 million as of December 31, 2021, primarily because of the increase of advance payment of income tax.

As of March 31, 2022, RMB10.8 million, representing 73.0% of our prepayments, and RMB2.1 million, representing 15.4% of our deposits and other receivables, has been settled.

**Cash and Cash Equivalents**

Our cash and cash equivalents primarily consist of time deposits. Our cash and cash equivalents decreased from RMB332.8 million as of December 31, 2019 to RMB307.5 million as of December 31, 2020, and further to RMB609.0 million as of December 31, 2021. The decrease of our cash and cash equivalents in 2020 was primarily attributable to our acquisitions of Roland and subsidiaries in China. Our cash and cash equivalents increased to RMB609.0 million as of December 31, 2021, primarily because we consolidated the cash and cash equivalents of Teleon after completing its acquisition in January 2021 and received the net investment proceeds upon the completion of our Series B financing. The following table sets forth a breakdown of our cash and cash equivalents as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | | *RMB'000* | |
| Cash and bank balances | 332,762 | 307,490 | 608,996 |

**Trade Payables**

Our trade payables primarily represent payments due to our suppliers. In general, our suppliers grant us a credit term of 60 to 90 days. The following table sets forth an aging analysis of trade payables based on the invoice dates as of the dates indicated and trade payable turnover days for the periods indicated.

| | As of December 31, | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | | *RMB'000* | |
| Within 3 months | 110,610 | 103,151 | 65,421 |
| 3 to 6 months | 1,494 | 13 | 532 |
| 6 to 12 months | 460 | 18 | 786 |
| Over one year | 731 | 1,235 | 1,279 |
| **Total** | 113,295 | 104,417 | 68,018 |

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| Trade payable turnover days[(1)] | 64 | 76 | 46 |

(1) Calculated by dividing the arithmetic mean of the opening and ending carrying amount of trade payables in that period by cost of sales for the corresponding period and then multiplying by 365 days.

Our trade payables slightly decreased from RMB113.3 million as of December 31, 2019 to RMB104.4 million as of December 31, 2020 as we reduced purchase amount from our brand partners in 2020 during the market low time due to the outbreak of COVID-19. Our trade payables decreased from RMB104.4 million as of December 31, 2020 to RMB68.0 million as of December 31, 2021, primarily because we accelerated the settlement of our trade payables in 2021 in light of the improvement in our revenue. Our trade payable turnover days increased from 64 days in 2019 to 76 days in 2020 as we decelerated the settlement of our payables in light of the outbreak of COVID-19 and decreased to 46 days as of December 31, 2021.

As of March 31, 2022, RMB61.7 million, representing 90.7% of our trade payables as of December 31, 2021 has been subsequently settled.

**Other Payables and Accruals**

Our other payables and accruals primarily consist of our payroll payable, and other tax payable, as well as other payables. As of December 31, 2019, 2020 and 2021, our other payables and accruals was RMB105.6 million, RMB153.1 million RMB160.7 million, respectively. The following table sets forth the details of our other payables and accruals as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | | *RMB'000* | |
| Payroll payable | 66,285 | 61,377 | 53,177 |
| Other tax payable | 16,374 | 23,986 | 40,092 |
| Other payables | 15,603 | 57,983 | 15,848 |
| Accruals | 7,325 | 9,782 | 51,600 |
| **Total** | 105,587 | 153,128 | 160,717 |

Our payroll payable mainly depends on the year-end bonus and remuneration of our sales and marketing personnel. Our payroll payable decreased from RMB66.3 million as of December 31, 2019 to RMB61.4 million as of December 31, 2020 as our sales suffered due to the outbreak of COVID-19 in 2020, which in turn affected our employee compensations. On ther other hand, we were entitled to defer certain contribution to social insurance in 2020, which contributed to our payroll payable as of the end of the year. Such entitlement did not extend to 2021, and this resulted in our payroll payable as of December 31, 2021 being lower than that as of December 31, 2020. The significant increase in other payables in 2020 was resulted from (1) a borrowing of EUR5

million from Teleon for the payment to the then existing shareholders of Teleon before our acquisition in January 2021 and (2) payables of approximately RMB64 million for our acquisition of Roland. The significant increase of accruals as of December 31, 2021 was primarily attributable to the warranty fees undertaken by Teleon before our acquisition.

**Tax Payable**

Our income tax payable decreased from RMB37.4 million as of December 31, 2019 to RMB28.8 million as of December 31, 2020, primarily because of prepaid corporate income tax in 2020. Our income tax payable decreased from RMB28.8 million as of December 31, 2020 to RMB19.8 million as of December 31, 2021, primarily because of the successive increases of our advance payment of income tax during the Track Record Period, which amounted to RMB17 thousand, RMB1.8 million and RMB18.0 million for the years ended December 31, 2019, 2020 and 2021.

**Interest-bearing Bank and Other Borrowings**

Our interest-bearing bank and other borrowings represented current and non current secured bank loans and senior facility loans. As of December 31, 2019, 2020 and 2021, our current interest-bearing bank and other borrowings was RMB37.5 million, RMB866.2 million, and RMB122.5 million, respectively. The significant increase in our interest-bearing bank and other borrowings between December 31, 2019 and 2020 primarily results from the Bridge Facility Loan taken out for the purpose of the acquisition of Teleon, which was later replaced by the Mezzanine Facility Loan amounting to EUR25 million and the Senior Facility Loan amounting to EUR75 million on April 22, 2021. See "— Indebtedness" and Note 29 to the Accountants' Report set out in Appendix I to this Document for details of our interest-bearing bank and other borrowings.

**Contract Liabilities**

Our contract liabilities represented advances from our customers, which arose as we may require our customers to make payment before we deliver our products. As of December 31, 2019, 2020 and 2021, our contract liabilities was RMB133.4 million, RMB150.7 and RMB123.1 million. The increase of our contract liabilities in 2020 was primarily attributable to recovery in sales of medical devices as the COVID-19 pandemic showed signs of abating in China in the second half of 2020. The decrease of our contract liabilities in 2021 was primarily attributable to acceleration in delivery and installation of our products.

We will recognize the revenue upon performance of such obligations under the relevant contracts.

As of March 31, 2022, the revenue amounting to RMB40.9 million, representing 33.2% of the contract liabilities as of December 31, 2021, has been recognized.

**Net current assets/(liabilities)**

We recorded net current assets of RMB540.2 million as of December 31, 2019 and net current liabilities of RMB531.5 million as of December 31, 2020, primarily due to (i) an increase of RMB828.7 million in interest-bearing bank and other borrowings; (ii) an decrease of RMB200.2 million in financial assets at fair value through profit or loss; (iii) an increase of RMB47.5 million in other payables and accruals; (iv) a decrease of RMB25.3 million in cash and cash equivalents; and (v) a decrease of RMB22.9 million in trade receivables. The decrease in net current assets was partially offset by (i) an increase of RMB43.8 million in inventories; and (ii) a decrease of RMB8.9 million in trade payables; and (iii) a decrease of RMB8.6 million in tax payable.

We recorded net current liabilities of RMB531.5 million as of December 31, 2020 and net current assets of RMB648.5 million as of December 31, 2021, primarily due to (i) a decrease of RMB743.7 million in interest-bearing bank and other borrowings, as we replaced certain short-term bank loans associated with our acquisition of Teleon with long-term bank loans; (ii) an increase of RMB301.5 million in cash and cash equivalents and (iii) a decrease of RMB36.4 million in trade payables.

## LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash during the Track Record Period were to fund our purchase of Distribution Products from our brand partners and acquisitions of our subsidiaries, including Teleon and Roland, as well as other working capital needs. We primarily finance our operations and other capital requirements through cash generated from our operations and financing activities.

Our anticipated cash needs primarily include costs associated with the research and development of our products and business operations. We expect to fund our future working capital and other cash requirements with cash generated from our operations, the net [**REDACTED**] from [**REDACTED**] and, when necessary, bank and other borrowings. As of March 31, 2022, the latest practicable date for determining our indebtedness, we had capital resources of RMB600.7 million, consisting of cash and cash equivalents of RMB587.3 million, financial assets at fair value through profit or loss of RMB0.05 million and pledged deposits of RMB13.4 million. As of the same date, we had unutilized banking facilities of RMB22.2 million. Taking into account our internal resources, our cash flow from operations and the estimated net [**REDACTED**] from the [**REDACTED**], our Directors confirm that in their opinion, the working capital available to us is sufficient for the Group's requirements for at least the next 12 months from the date of this Document.

## CASH FLOWS

The following table sets forth a summary of our consolidated cash flow statements for the periods indicated.

| | As of December 31, | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | | *RMB'000* | |
| Net cash flows from operating activities | 171,064 | 130,001 | 164,486 |
| Net cash flows (used in)/from investing activities | (136,298) | (998,022) | 79,835 |
| Net cash (used in)/from financing activities | (75,471) | 856,356 | 72,843 |
| Net increase/(decrease) in cash and cash equivalents | (40,705) | (11,665) | 317,164 |
| Cash and cash equivalents at beginning of year | 387,688 | 332,762 | 307,490 |
| Effect of foreign exchange rate changes, net | (14,221) | (13,607) | (15,658) |
| Cash and cash equivalents at end of year | 332,762 | 307,490 | 608,996 |

### Operating Activities

For the year ended December 31, 2021, we had net cash generated from operating activities of RMB164.5 million, consisting of RMB341.7 million in net cash inflows generated from operating activities before changes in working capital, net cash outflows of RMB79.7 million relating to changes in working capital, income tax paid of RMB97.4 million. Our net cash outflows from operating activities relating to changes in working capital of RMB79.7 million were primarily attributable to (i) a decrease in inventories of RMB38.6 million; (ii) a decrease in trade receivables of RMB19.7 million. Such inflows were partially offset by (i) an increase in prepayments, other receivables, and other assets of RMB30.6 million; (ii) a decrease in trade payables of RMB42.6 million, (iii) a decrease in other payables and accruals of RMB37.5 million; (iv) a decrease in contract liabilities of RMB27.6 million.

For the year ended December 31, 2020, we had net cash generated from operating activities of RMB130.0 million, consisting of RMB179.1 million in net cash inflows generated from operating activities before changes in working capital, net cash outflows of RMB13.4 million relating to changes in working capital, income tax paid of RMB62.5 million. Our net cash outflows from operating activities relating to changes in working capital of RMB13.4 million were primarily attributable to (i) a decrease in trade receivables of RMB29.4 million, and (ii) an

increase in contract liabilities of RMB17.4 million. Such cash inflows were partially offset by (i) an increase in inventory of RMB38.2 million, and (ii) a decrease in trade payables of RMB10.6 million.

For the year ended December 31, 2019, we had net cash generated from operating activities of RMB171.1 million, consisting of RMB197.0 million in net cash inflows generated from operating activities before changes in working capital, net cash outflows of RMB4.9 million relating to changes in working capital, income tax paid of RMB21.0 million. Our net cash outflows from operating activities relating to changes in working capital of RMB4.9 million were primarily attributable to an increase in other payables and accruals of RMB28.4 million. Such cash inflows were partially offset by (i) an increase in inventory of RMB4.5 million, and (ii) an increase in trade receivables of RMB28.1 million.

**Investing Activities**

For the year ended December 31, 2021, our net cash from investing activities was RMB79.8 million. This net cash inflow was primarily attributable to (i) the cash we received for the acquisitions of Teleon of RMB105.8 million, which represented the excessive amount in our prepayment for the acquisition of Teleon; and (ii) interest received of RMB2.0 million. This net cash inflow was partially offset by cash payment for purchase of property, plant and equipment and other long-term assets of RMB26.5 million.

For the year ended December 31, 2020, our net cash used in investing activities was RMB998.0 million. This net cash outflow was primarily attributable to (i) the cash we prepaid for the acquisition of subsidiaries of RMB1,182.6 million and (ii) purchase of wealth management products of RMB407.9 million. This net cash inflow was partially offset by cash received as the proceeds from disposal of wealth management products of RMB607.5 million.

For the year ended December 31, 2019, our net cash used in investing activities was RMB136.3 million. This net cash outflow was primarily attributable to the purchase of wealth management products of RMB565.6 million. This net cash inflow was partially offset by cash received as the proceeds from disposal of wealth management products of RMB427.0 million.

**Financing Activities**

For the year ended December 31, 2021, our net cash flows generated from financing activities was RMB72.8 million. The net cash inflow was primarily attributable to (i) proceeds from bank borrowings of RMB66.1 million, (ii) proceeds of issuance of preferred shares of RMB659.1 million, (iii) proceeds of issuance of ordinary shares of RMB29.1 million. This net inflow was partially offset by (i) repurchase of shares of RMB489.7 million, (ii) interest paid of RMB76.1 million; (iii) pledged bank deposit for loans of RMB6.4 million, (iv) payments of lease liabilities of RMB14.4 million; and (v) repayment of bank borrowings of RMB90.6 million.

For the year ended December 31, 2020, our net cash flows generated from financing activities was RMB856.4 million. The net cash inflow was primarily attributable to (i) proceeds from bank borrowings of RMB897.3 million; and (ii) proceeds from loan provided by Teleon of RMB40.1 million. This net inflow was partially offset by (i) repayment of bank borrowings of RMB68.6 million; and (ii) payments of lease liabilities of RMB10.3 million.

For the year ended December 31, 2019, our net cash flows used in financing activities was RMB75.5 million. The net cash out was primarily attributable to (i) repayment of bank borrowings of RMB45.2 million; (ii) repurchase of Shares of RMB67.9 million; and (iii) payment of lease liabilities of RMB8.9 million. This net outflow was partially offset by proceeds from bank borrowings of RMB47.4 million.

## INDEBTEDNESS

As of December 31, 2019, 2020, 2021 and March 31, 2022, our indebtedness was RMB705.0 million, RMB1,744.9 million, RMB2,621.7 million and RMB2,635.3 million, respectively. As of March 31, 2022, being the latest practicable date to determine our indebtedness, we had indebtedness of our convertible redeemable preferred shares, long term and short term interest-bearing bank and other borrowings, long term and short term lease liabilities, and loan at fair value through profit or loss. As of March 31, 2022, except as disclosed in this section, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities. Since March 31, 2022, the latest practicable date for the purpose of the indebtedness statement, and up to the Latest Practicable Date, there had been no material adverse change to our indebtedness.

| | As of December | | | As of March 31, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | | | | *(unaudited)* |
| | | *RMB'000* | | |
| Interest-Bearing Bank and Other Borrowings | 37,502 | 1,061,089 | 757,798 | 740,460 |
| Loan at Fair Value through Profit or Loss | – | – | 159,099 | 153,322 |
| Warrants | – | – | – | – |
| Lease Liabilities | 23,339 | 20,123 | 44,379 | 45,488 |
| Convertible redeemable preferred shares | 644,182 | 663,648 | 1,660,424 | 1,696,049 |
| Total | 705,023 | 1,744,860 | 2,621,700 | 2,635,319 |

**Interest-Bearing Bank and Other Borrowings**

Our bank loans and other borrowings were primarily used for our acquisition of Teleon and to supplement our working capital during the Track Record Period. The following tables set forth the breakdown of our bank and other borrowings as of the dates indicated.

| | December 31, 2019 | | |
|---|---|---|---|
| | Effective interest rate | Maturity | RMB'000 |
| | *(%)* | | |
| **Current** | | | |
| Bank loans – secured | 4.0–5.4 | 2020 | 37,502 |

| | December 31, 2020 | | |
|---|---|---|---|
| | Effective interest rate | Maturity | RMB'000 |
| | *(%)* | | |
| **Current** | | | |
| Bank loans – secured | 2.85–4.00 | 2021 | 63,049 |
| Bridge Facility Loan – secured | 2.85 | 2021 | 803,135 |
| | | | 866,184 |
| **Non-current** | | | |
| Vendor Loan – secured | 7.00 | 2024–2025 | 194,905 |

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

| | March 31, 2022 | | |
|---|---|---|---|
| | Effective interest rate | Maturity | RMB'000 |
| | *(unaudited)* | *(unaudited)* | *(unaudited)* |
| **Current** | | | |
| Bank loans – secured | 1.50-3.75 | 2022 | 34,527 |
| Senior Facility Loan – secured | 2.85-3.00 | 2022-2023 | 82,479 |
| | | | 117,006 |
| **Non-current** | | | |
| Senior Facility Loan – secured | 3.00-3.15 | 2023-2024 | 451,650 |
| Vendor loans – secured | 7.00 | 2024-2025 | 171,804 |
| | | | 623,454 |

**Bank Borrowings**

As of December 31, 2019 and 2020, certain of our bank borrowings were guaranteed by Gao Tieta, as our Controlling Shareholder, and our wholly owned subsidiaries and secured by the mortgages over the properties owned by Gao Tieta. For details, see Note 29 and Note 31 to the Accountants' Report in Appendix I to this Document. As of the date of this Document, the guarantee and mortgages provided by Gao Tieta in favor of the lenders of our bank borrowings have been released.

For the purpose of funding the acquisition of Teleon, we have entered into a series of secured bank and vendor financing, a summary of which is set forth below:

(a) *Bridge Facility Loan.* On December 18, 2020, we entered into a bridge facility agreement with, among other lenders, Credit Suisse, to obtain a bridge loan of no more than EUR100 million. The Bridge Facility Loan was pledged by 100% shares of Gaush Netherlands, 100% shares of Gaush Medical Corporation and 100% shares of Teleon Holding B.V. The Bridge Facility Loan was fully repaid on April 22, 2021 using proceeds from the Senior Facility Loan and the Mezzanine Facility Loan. Its corresponding security was released accordingly.

(b) *Vendor Loan.* On December 23, 2020, we entered into a vendor loan agreement with Stichting Administratiekantoor OPM, one of the vendors of Teleon, pursuant to which Stichting Administratiekantoor OPM, as the lender, granted us a five-year vendor loan amounting to EUR24.25 million, and such proceeds shall be used to partially fund our acquisition of Teleon. The Vendor Loan was secured by 100% of the equity interest of Gaush HK and GMC HK, although it was agreed that such security shall be subordinated to the security granted in favor of the Mezzanie Facility Loan. For

details of the repayment schedule, please see "History, Reorganization and Development — Our Major Subsidiaries in Germany and the Netherlands — Acquisition of Teleon."

(c) *Senior Facility Loan.* On December 30, 2020, we entered into a senior facility loan with Credit Suisse, Shanghai Pudong Development Bank Co., Ltd., SPD Silicon Valley Bank Co., Ltd. and UOB Kay Hian Credit Pte., Ltd. as the lenders, pursuant to which the lenders granted to us a three-year senior facility of EUR75 million. The Senior Facility Loan was secured by 100% of the equity interest of Gaush Netherlands, Teleon Holding B.V. and Gaush Medical Corporation as well as our debt service reserve account balance in Credit Suisse AG, Singapore Branch amounting to RMB4,029,000 (equivalent to EUR558,125) as of December 31, 2021. Gaush HK's right to receive repayment of an intercompany loan amounting to EUR3 million was also conditionally assigned to Credit Suisse to secure the Senior Facility Loan. The Senior Facility Loan was drawn down on April 22, 2021 and was utilized to partially repay the Bridge Facility Loan. For details of the repayment schedule, please see "History, Reorganization and Development — Our Major Subsidiaries in Germany and the Netherlands — Acquisition of Teleon."

(d) *Mezzanine Facility Loan.* On December 31, 2020, we entered into a mezzanine facility agreement with Credit Suisse to obtain the Mezzanine Facility Loan. The Mezzanine Facility Loan carries an interest rate of 5% per annum and will rise to 12% per annum if a recognised [**REDACTED**] of the Company has not occurred. It was secured by 100% of the equity interest of Global Vision HK, Gaush HK, GMC HK, GMC BVI, Gaush BVI, as well as our debt service reserve account balance in Credit Suisse AG, Singapore Branch amounting to RMB2,356,000 (equivalent to EUR326,364) as of December 31, 2021. As security for the Mezzanine Facility Loan, we also conditionally assigned the Company's right to receive repayment of an intercompany loan amounting to EUR25 million from Gaush HK to Credit Suisse to secure the Mezzanine Facility Loan. The Mezzanine Facility Loan was drawn down on April 22, 2021 and was utilized to partially repay the Bridge Facility Loan. For details of the repayment schedule, please see "History, Reorganization and Development — Our Major Subsidiaries in Germany and the Netherlands — Acquisition of Teleon."

**Loan at Fair Value through Profit or Loss and Warrants**

As of December 31, 2021 and March 31, 2022, we had loan at fair value through profit or loss amounting to RMB159.1 million and RMB153.3 million, respectively. This represented the Mezzanine Facility Loan we obtained from Credit Suisse.

In connection with the Mezzanine Facility Loan, we granted Credit Suisse the CS Warrants, pursuant to which we agreed to issue up to 1,335,252 Shares at par value. On October 20, 2021, Credit Suisse issued an exercise notice to us in respect of the CS Warrants and it settled the exercise price in the total amount of US$133.53 on October 22, 2021. On October 25, 2021, we issued and allotted 1,335,252 Shares to Credit Suisse to settle the exercise of the CS Warrants. As of December 31, 2021 and March 31, 2022, there are no CS Warrants outstanding.

### Lease Liabilities

Our lease liabilities are in relation to our office premises and manufacturing facilities. As of December 31, 2019, 2020 and 2021 and March 31, 2022, we recorded current lease liabilities of RMB7.3 million, RMB6.2 million, RMB12.6 million and RMB16.4 million, respectively. As of the same dates, we recorded non-current lease liabilities of RMB16.1 million, RMB13.9 million, RMB31.8 million and RMB29.1 million, respectively.

### Convertible redeemable preferred shares

As of December 31, 2019, 2020 amd 2021 and March 31, 2022, our Preferred Shares (unsecured and unguaranteed, presented as convertible redeemable preferred shares in the Accountants' Report) had fair values of RMB644.2 million, RMB663.6 million, RMB1,660.4 million and RMB1,696.0 million, respectively. For further information regarding the Preferred Shares, see Note 32 to the Accountant's Report in Appendix I to this Document.

## CAPITAL EXPENDITURE

We regularly make capital expenditures to expand our operations and increase our operating efficiency. Our capital expenditure during the Track Record Period primarily construction and upgrade of our manufacturing plant. The following table sets forth our capital expenditure for the periods indicated.

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | | *RMB'000* | |
| Payment for properties plants and equipment | 4,063 | 1,769 | 26,545 |
| Payment for intangible assets | 261 | 47 | 1,503 |
| **Total** | 4,324 | 1,816 | 28,048 |

We plan to finance such expenditure primarily through cash flow from operating activities and the net [**REDACTED**] from the [**REDACTED**].

## CONTINGENT LIABILITIES

As of December 31, 2019, 2020 and 2021, we did not have any contingent liabilities. We confirm that as of the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

## RELATED PARTY TRANSACTIONS

Except for transactions with related parties as disclosed in Note 37 to the Accountants' Report set out in Appendix I to this Document, during the Track Record Period, our Company did not have any other related party transactions.

## KEY FINANCIAL RATIOS

The following table set forth our key financial ratios as of the dates or for the periods indicated.

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| Gross profit margin (%)[(1)] | 41.9 | 45.3 | 46.9 |
| Current ratio[(2)] | 2.3 | 0.6 | 2.5 |
| Quick ratio[(3)] | 1.8 | 0.4 | 1.9 |
| Gearing ratio (%)[(4)] | (87.2)[(5)] | 2,261.5 | (151.8)[(5)] |

(1) Equals gross profit for the year divided by revenue for the year and multiplied by 100%.

(2) Current ratio represents current assets divided by current liabilities as of the same date.

(3) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.

(4) Gearing ratio represents total interest-bearing borrowings (including interest-bearing bank borrowings and other borrowings, lease liabilities, and loan at fair value through profit and loss) divided by net assets or liabilities as of the ends of the period and multiplied by 100%.

(5) The gearing ratios as of December 31, 2019 and December 31, 2021 were negative because the Company recorded net liabilities under the IFRS as of December 31, 2019 and December 31, 2021.

The significant decrease of the current ratio and the quick ratio (together, "**liquidity ratios**") as of December 31, 2020 reflected our utilization of cash resources and the short-term borrowing we obtained to fund the acquisition of Teleon. On December 18, 2020, we entered into a bridge facility agreement with, among other lenders, Credit Suisse, to obtain a bridge loan of no more than EUR100 million, which was fully repaid on April 22, 2021 using proceeds from the Senior Facility Loan and the Mezzanine Facility Loan. See "History, Reorganization and Development — Our Major Subsidiaries in Germany and the Netherlands — Acquisition of Teleon." and "Financial Information — Indebtedness — Bank Borrowings" for more details. In addition, the gearing ratio fluctuated during the years of 2019, 2020 and 2021, which is mainly caused by the significant increase of interest-bearing bank borrowings in 2020.

### Gross Profit Margin

For the years ended December 31, 2019, 2020 and 2021, our gross profit margin was 41.9%, 45.3% and 46.9% and our adjusted net profit margin (Non-IFRS measure) was 12.2%, 17.0% and 16.1%, respectively. For details, see "— Results of Operations."

### Current Ratio and Quick Ratio

Our current ratio decreased from 2.3 as of December 31, 2019 to 0.6 as of December 31, 2020, and our quick ratio decreased from 1.8 as of December 31, 2019 to 0.4 as of December 31, 2020, primarily because our current liabilities increased significantly, primarily due to an increase of RMB828.7 million of the interest-bearing bank and other borrowings.

Our current ratio increased from 0.6 as of December 31, 2020 to 2.5 as of December 31, 2021, and our quick ratio increased from 0.4 as of December 31, 2020 to 1.9 as of December 31, 2021, primarily due to the increase in our cash and cash equivalents as the result of our operating activities in 2021 and receipt of investment proceeds from Series B financing and also the short-term interest-bearing bank and other borrowings being replaced by long-term interest-bearing bank and other borrowings.

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

## QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, including foreign currency risk, credit risk and liquidity risk as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see Note 40 in the Accountants' Report set out in Appendix I to this Document.

### Foreign Currency Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between Renminbi and other currencies in which we conduct business may affect our financial condition and results of operations. We seek to limit our exposure to foreign currency risk by minimizing its net foreign currency position.

Exchange differences on translation of foreign operations represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency of Euro, which is different from the functional currency of RMB for the financial statements of the Company. Our exchange differences on translation of foreign operations differences amounted to loss of RMB0.4 million, gains of RMB7.6 million and loss of RMB58.6 million for the year ended December 31, 2019, 2020 and 2021, respectively.

For details and the sensitivity analysis of our profit before tax and our equity to a reasonably possible change in the US$ exchange rate for each year during the Track Record Period, with all other variables held constant, see Note 40 in the Accountants' Report set out in Appendix I of this Document.

### Credit Risk

We trade on credit terms only with recognized and creditworthy third parties. It is our policy that all traders who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

For details and the analysis of credit quality and the maximum exposure to credit risk based on our credit policy at the end of each year during the Track Record Period, see Note 40 in the Accountants' Report set out in Appendix I of this Document.

### Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. For details and the maturity profile of our financial liabilities as of the end of each year during the Track Record Period, see Note 40 in the Accountants' Report set out in Appendix I of this Document.

## DIVIDENDS

We do not have a specific dividend policy or a predetermined dividend payout ratio. The decision to pay dividends in the future will be made at the direction of our Board and will be based on our profits, cash flows, financial condition, capital requirements and other conditions that our Board deems relevant. The payment of dividends may be limited by other legal restrictions and agreements that we may enter into in the future.

## DISTRIBUTABLE RESERVE

As of December 31, 2021, our distributable reserve was nil.

## [**REDACTED**] EXPENSES

[**REDACTED**] expenses to be borne by us are estimated to be approximately HK$[**REDACTED**] (including [**REDACTED**] commission and other expenses), assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, which is the mid-point of the indicative [**REDACTED**] range stated in this Document. Approximately HK$[**REDACTED**] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately HK$[**REDACTED**] is expected to be accounted for as a deduction from equity upon the [**REDACTED**]. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such [**REDACTED**] expenses to have a material adverse impact on our results of operations for the year ending December 31, 2021. The table below sets forth the breakdown of our [**REDACTED**] expense.

[**REDACTED**]

The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such [**REDACTED**] expenses to have a material adverse impact on our results of operations for the year ending December 31, 2021.

## UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for illustration purpose only, and is set out below to illustrate the effect of the [**REDACTED**] on the consolidated net tangible liabilities of the Group attributable to owners of the Company as of December 31, 2021 as if it had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets attributed to the owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [**REDACTED**] been completed as of December 31, 2021 or any future date. It is prepared based on the consolidated net tangible liabilities as of December 31, 2021, the text of which is set forth in Appendix I to this Document, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report, the text of which is set out in Appendix II to this Document.

| | **Consolidated net tangible liabilities of the Group attributable to the owners of the Company as of December 31, 2021** | **Estimated net [REDACTED] from the [REDACTED]** | **Automatic conversion of convertible redeemable preferred shares upon [REDACTED]** | **Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2021** | **Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as of December 31, 2021** | |
|---|---|---|---|---|---|---|
| | *RMB'000 (Note 1)* | *RMB'000 (Note 2)* | *RMB'000 (Note 3)* | *RMB'000* | *RMB (Note 4)* | *HK$ (Note 5)* |
| Based on an [**REDACTED**] of HK$[**REDACTED**] per Share | 1,837,082 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Based on an [**REDACTED**] of HK$[**REDACTED**] per Share | 1,837,082 | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |

(1) The consolidated net tangible liabilities of the Group attributable to the owners of the Company as of December 31, 2021 is arrived after deducting intangible assets of RMB297,952,000 and goodwill of RMB882,698,000 from the audited consolidated net liabilities of the Group attributable to the owners of the Company of RMB1,837,082,000 as at December 31, 2021.

(2) The estimated net [**REDACTED**] from the [**REDACTED**] are based on the [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per Share, being the lower end price and higher end price of the stated [**REDACTED**] range, respectively, after deduction of the [**REDACTED**] fees and other related expenses payable by the Company and do not take into account any Shares which may be issued upon exercise of the [**REDACTED**].

(3) Upon the [**REDACTED**] and the completion of the [**REDACTED**], all the Preferred Shares will be automatically converted into ordinary shares. These Preferred Shares will be converted from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company as set out in the above table will be increased by RMB[**REDACTED**] being the carrying amounts of the Preferred Shares as at December 31, 2021.

(4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company and the amounts per Share are arrived at after the adjustments referred to in the preceding paragraphs (note (2) and (3) above) and on the basis that [**REDACTED**] Shares were in issue assuming that the [**REDACTED**] had been completed on December 31, 2021 and the respective [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per Share.

(5) In connection with the preparation of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share are converted into Hong Kong dollars at a rate of HK$1 = RMB0.86004. No representation is made that the RMB amounts have been, could have been or may be converted into Hong Kong dollar, or vice versa at that rate.

(6) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 December 2021.

Our Preferred Shares will be converted into Shares upon the [**REDACTED**] and we expect that we will no longer record further fair value loss on Preferred Shares. However, the fair value loss on Preferred Shares accrued during the year ending December 31, 2022 is expected to substantially increase when compared to the fair value loss on Preferred Shares during the year ended December 31, 2021, which is primarily resulted from the improving valuation of the Company, assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, which is the mid-point of the indicative [**REDACTED**] range stated in this Document. Such increase in the fair value loss on Preferred Shares is expected to result in substantial increase in our net loss for the year ending December 31, 2022.

## NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as far as they are aware, there had been no material adverse change in our financial, trading position or prospects since December 31, 2021, being the latest date of our consolidated financial statements as set out in "Appendix I — Accountants' Report" of this Document, up to the date of this Document.

## DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

## FINANCIAL INFORMATION OF TELEON

The following table sets forth the statements of profit or loss of Teleon for the periods indicated, which represented the pre-acquisition financial information disclosed pursuant to Rule 4.05A of the Listing Rules is derived from the statements of profit or loss of Teleon set out in Note III. 1 to the Accountant's Report included in Appendix I to this document:

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | **2020** |
| | *RMB'000* | |
| Revenue | 289,142 | 245,412 |
| Cost of sales | (107,670) | (121,889) |
| Gross profit | 181,472 | 123,523 |
| Other income | 301 | 314 |
| Selling and distribution costs | (26,128) | (51,114) |
| Administrative expenses | (16,116) | (17,688) |
| Research and development costs | (12,623) | (11,307) |
| Other expenses | (5,199) | (7,716) |
| Finance costs | (479) | (668) |
| **Profit before tax** | 121,228 | 35,344 |
| Income tax expense | (22,659) | (9,979) |
| **Profit for the year** | 98,569 | 25,365 |
| **Attributable to:** | | |
| Owners of the parent | 98,569 | 25,365 |
| Non-controlling interests | – | – |
| | 98,569 | 25,365 |

### Revenue

For the years ended December 31, 2019 and 2020, the revenue of Teleon amounted to RMB289.1 million and RMB245.4 million, respectively. In 2019 and 2020, Teleon generated revenue primarily from the sales of its proprietary intraocular lens products, as well as the sales of ophthalmic medical equipment and consumables products for its brand partners and provision of certain after-sale services. The after-sale services represented the annual maintenance contracts for certain equipment sold and installed, and such services were invoiced on an annual basis. The decrease in Teleon's revenue between the years was primarily attributable to the decrease in the sales of Teleon's proprietary intraocular lens products from RMB217.3 million in 2019 to RMB156.2 million in 2020, which was negatively impacted by the disruption in supply chain caused by the global outbreak of COVID-19 in 2020, Teleon also generates royalties revenue from

the license-out of its intellectual properties. The table below sets forth the breakdown of Teleon's revenue by product types or services and geographical areas for the years indicated.

| | For the year ended December 31, | |
|---|---|---|
| | 2019 | 2020 |
| | *RMB'000* | |
| Sale of proprietary intraocular lens products | 217,295 | 156,157 |
| Sale of other ophthalmic medical consumables | 59,386 | 66,366 |
| Sale of ophthalmic medical equipment | 4,944 | 5,084 |
| After-sales services | 3,376 | 5,013 |
| Others*(Note)* | 4,141 | 12,792 |
| | 289,142 | 245,412 |

*Note:* Others primarily represented the royalties Teleon charged for licensing-out its certain intellectual properties to a reputable Japanese specialized pharmaceutical company focusing on ophthalmic treatment.

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

**Cost of Sales**

For the years ended December 31, 2019 and 2020, the cost of sales of Teleon amounted to RMB107.7 million and RMB121.9 million, respectively. The increase in the cost of sales of Teleon was driven by the increase in its labor costs from RMB39.4 million to RMB57.9 million, which was in turn primarily attributable to the one-off retention bonus and compensation to its manufacturing and other staff in 2020, aiming at ensuring a smooth transition following the acquisition by Gaush. Such increase in cost of sales of Teleon was partially offset by the decrease in the cost of sales driven by the drop in the sales of Teleon's proprietary intraocular lens and other products discussed above.

**Gross Profit and Gross Profit Margin**

For the years ended December 31, 2019 and 2020, the gross profit of Teleon was RMB181.5 million and RMB123.5 million, respectively, and its gross profit margin was 62.8% and 50.3%, respectively. This was primarily attributable to (i) the rise in labor costs due to one-off retention bonus and compensation to manufacturing and other staff in 2020, and (ii) lower portion of revenue contributed by products of higher gross margin. The revenue contribution of such products decreased from RMB217.3 million and 75.2% of the total revenue in 2019 to RMB156.2 million and 63.6% of the total revenue in 2020.

**Other Income**

For the years ended December 31, 2019 and 2020, the other income of Teleon was RMB0.3 million and RMB0.3 million, respectively. This primarily represented bank interest income of Teleon.

**Selling and Distribution Expenses**

For the years ended December 31, 2019 and 2020, the selling and distribution expenses of Teleon was RMB26.1 million and RMB51.1 million, respectively. This primarily represented the marketing expenses and labor costs incurred for selling and distribution purposes, as well as expenses incurred to maintain stable relationship with Teleon's existing distribution channel in light of the changes in its corporate structure in 2020.

**Administrative Expenses**

For the years ended December 31, 2019 and 2020, the administrative expense of Teleon were RMB16.1 million and RMB17.7 million, respectively. This primarily represented the labor costs for administrative purposes as well as audit and professional fees.

**Research and Development Costs**

For the years ended December 31, 2019 and 2020, the research and development costs of Teleon amounted to RMB12.6 million and RMB11.3 million, respectively. The decrease was primarily due to global outbreak of COVID-19 in 2020 which limited the scale of clinical research activities that Teleon carried out for its proprietary products.

**Other Expenses**

For the years ended December 31, 2019 and 2020, the other expenses of Teleon were RMB5.2 million and RMB7.7 million, respectively. Teleon's other expenses primarily represented the impairment provision of its inventories, which increased in 2020 as Teleon terminated the sales of certain products in the year.

**Finance Costs**

For the years ended December 31, 2019 and 2020, the finance costs of Teleon amounted to RMB0.5 million and RMB0.7 million, respectively, and represented the interest of lease liabilities.

**Income Tax Expenses**

For the years ended December 31, 2019 and 2020, the income tax expenses of Teleon amounted to RMB22.7 million and RMB10.0 million. Teleon was subject to corporate income tax at the rate of 15% if the taxable income is EUR245,000 or less and the corporate income tax rate is 25% for the portion exceeding EUR245,000. We believe Teleon's Dutch subsidiaries to qualify for the innovation box, which provides tax relief to encourage innovative research, and a reduced rate of 7% applies to the activities covered by the innovation box. For details of the innovation box, see Note III.7 to the Accountants' Report set forth in Appendix I to this document.

The following table sets forth the selected information from our consolidated balance sheets of Teleon for the periods indicated. The information has been extracted from, and should be read together with our consolidated balance sheets of Teleon set out in Note III. 1 to the Accountant's Report included in Appendix I to this document:

| | As of December 31, | |
|---|---|---|
| | **2019** | **2020** |
| | *RMB'000* | |
| Total non-current assets | 70,316 | 84,447 |
| Total current assets | 193,036 | 216,498 |
| Total non-current liabilities | 109,128 | 70,347 |
| Total current liabilities | 25,034 | 72,040 |
| Net assets/(liabilities) | 129,190 | 158,558 |
| **Equity attributable to owners of the parent** | | |
| Share capital | 8 | 8 |
| Other reserves | 129,182 | 158,550 |
| Non-controlling interests | – | – |
| **Total equity** | 129,190 | 158,558 |

The following table sets forth a summary of our current assets and liabilities as of the dates indicated.

| | As of December 31, | |
|---|---|---|
| | 2019 | 2020 |
| | *RMB'000* | |
| **Current assets** | | |
| Inventories | 40,797 | 43,544 |
| Trade receivables | 30,637 | 23,256 |
| Tax receivables | 13,068 | 1,019 |
| Prepayments and other receivables | 4,056 | 42,701 |
| Cash and cash equivalents | 104,478 | 105,978 |
| **Total current assets** | 193,036 | 216,498 |
| **Current liabilities** | | |
| Trade payables | 2,978 | 6,187 |
| Other payables and accruals | 13,303 | 42,725 |
| Tax payable | – | 17,262 |
| Amounts due to related parties | 3,079 | – |
| Lease liability | 5,674 | 5,866 |
| **Total current liabilities** | 25,034 | 72,040 |
| **Net current assets** | 168,002 | 144,458 |

The following table sets forth a summary of our non-current assets and liabilities as of the dates indicated.

| | As of December 31, | |
|---|---|---|
| | 2019 | 2020 |
| | *RMB'000* | |
| **Non-current assets** | | |
| Property, plant and equipment | 21,672 | 24,492 |
| Right-of-use assets | 38,398 | 33,641 |
| Intangible assets | 7,167 | 6,998 |
| Deferred tax assets | 3,079 | 19,316 |
| **Total non-current assets** | 70,316 | 84,447 |
| **Non-current liabilities** | | |
| Other payables and accruals | 75,889 | 41,882 |
| Lease liability | 33,239 | 28,465 |
| **Total non-current liabilities** | 109,128 | 70,347 |

**Property, Plant and Equipment**

The property, plant and equipment of Teleon consist of machinery and equipment, transportation equipment, leasehold improvements, office equipment and construction in progress. The property, plant and equipment of Teleon was RMB21.7 million and RMB24.5 million as of December 31, 2019 and 2020, respectively. The increase between Teleon's property, plant and equipment as of December 31, 2019 and December 31, 2020 were primarily attributable to machinery and equipment purchased as well as the leasehold improvement for the expansion of manufacturing facilities.

**Right-of-use Assets**

For the years ended December 31, 2019 and 2020, the right-of-use assets of Teleon was RMB38.4 million and RMB33.6 million, respectively. The decreases in the right-of-use assets of Teleon in 2019 and 2020 were primarily attributable to their depreciation.

**Intangible Assets**

The intangible assets mainly represented the software Teleon purchased and used in its ordinary course of business as well as its patents and its internal development of intangible assets. For the years ended December 31, 2019 and 2020, the intangible assets of Teleon was RMB7.2 million and RMB7.0 million, respectively.

**Inventories**

The inventories of Teleon consist of trade goods, finished goods, raw materials and work-in-progress. The following table sets forth the details of Teleon's inventories as of the dates indicated and inventory turnover days for the periods indicated.

| | As of December 31, | |
|---|---|---|
| | **2019** | **2020** |
| | *RMB'000* | |
| Trade goods | 10,715 | 8,675 |
| Finished goods | 26,393 | 31,097 |
| Raw materials | 5,799 | 5,850 |
| Work in progress | 2,720 | 1,100 |
| Provisions for inventories | (4,830) | (3,178) |
| **Total** | 40,797 | 43,544 |

| | For the year ended December 31, | |
|---|---|---|
| | **2019** | **2020** |
| Inventory turnover days[(1)] | 150 | 138 |

(1) The inventories turnover days are calculated by dividing the arithmetic mean of the opening and ending carrying amount of inventories in that period by cost of sales for the corresponding period and then multiplying by 365 days.

For the years ended December 31, 2019 and 2020, the inventories of Teleon remained stable and was RMB40.8 million and RMB43.5 million, respectively. Teleon made provision for its inventories as their use life comes to expire. The inventory turnover days of Teleon improved slightly in 2020 as compared to 2019.

**Trade Receivables**

The trade receivables of Teleon represented outstanding amounts due from other third parties and a related party. The following table sets forth the details of the trade receivables of Teleon as of the dates indicated, trade receivables turnover days and breakdown of Teleon's receivables for the periods indicated.

| | For the year December 31, | |
|---|---|---|
| | 2019 | 2020 |
| | *RMB'000* | |
| Trade receivables | 30,832 | 23,313 |
| Impairment | (195) | (57) |
| **Total** | 30,637 | 23,256 |

| | For the year December 31, | |
|---|---|---|
| | 2019 | 2020 |
| Trade receivable turnover days[(1)] | 42 | 40 |

(1) Calculated by dividing the arithmetic mean of the opening and ending carrying amount of trade receivables in that period by revenue for the corresponding period and then multiplying by 365 days.

As of December 31, 2019 and 2020, the trade receivables of Teleon was RMB30.6 million and RMB23.3 million, respectively. The trade receivables of Teleon decreased in 2020 generally in line with the decrease in its revenue.

The trade receivable turnover days of Teleon were 42 days and 40 days in 2019 and 2020, respectively.

The following table sets forth an aging analysis, based on the invoice date of our trade receivables as of the dates indicated of the trade receivables of Teleon outstanding as of December 31, 2020.

| | For the year ended December 31, | |
|---|---|---|
| | 2019 | 2020 |
| | *RMB'000* | |
| Within one year | 30,832 | 23,313 |
| Over one year | – | – |
| **Total** | 30,832 | 23,313 |

**Prepayments and Other Receivables**

The prepayments and other receivables of Teleon primarily consist of its (i) prepayments; and (ii) deposits and other receivables from third parties. The following table sets forth the details of the prepayments and other receivables of Teleon as of the dates indicated.

| | As of December 31, | |
|---|---|---|
| | 2019 | 2020 |
| | *RMB'000* | *RMB'000* |
| Prepayments | 289 | 257 |
| Deposits and other receivables | 3,767 | 42,444 |
| Less: Impairment allowance | – | – |
| | 4,056 | 42,701 |

For the years ended December 31, 2019 and 2020, the prepayments and other receivables of Teleon was RMB4.1 million and RMB42.7 million, respectively. The increase in deposits and other receivables in 2020 was primarily attributable to a loan of EUR5 million provided to Gaush for its payment of acquisition proceeds to the then existing shareholders of Teleon.

**Cash and Cash Equivalents**

The cash and cash equivalents of Teleon represented its cash and bank deposits. For the years ended December 31, 2019 and 2020, the cash and cash equivalents of Teleon remained relatively stable and was RMB104.5 million and RMB106.0 million, respectively.

**Trade Payables**

The trade payables primarily represent payments due to the suppliers. The following table sets forth an aging analysis of trade payables based on the invoice dates as of the dates indicated and trade payable turnover days for the periods indicated.

| | For the year ended December 31, | |
|---|---|---|
| | 2019 | 2020 |
| | *RMB'000* | |
| Within three months | 2,978 | 6,187 |
| Three to six months | – | – |
| **Total** | 2,978 | 6,187 |

| | For the year ended December 31, | |
|---|---|---|
| | 2019 | 2020 |
| Trade payable turnover days[(1)] | 17 | 14 |

(1) Calculated by dividing the arithmetic mean of the opening and ending carrying amount of trade payables in that period by cost of sales for the corresponding period and then multiplying by 365 days.

The trade payables of Teleon increased from RMB3.0 million as of December 31, 2019 to RMB6.2 million as of December 31, 2020 and such increase was in line with the increase in cost of sales. The trade payable turnover days remained relatively stable between 2019 and 2020.

**Other Payables and Accruals**

The other payables and accruals of Teleon primarily consist of payroll payable, other payables, other tax payable and accruals. For the years ended December 31, 2019 and 2020, other payables and accruals of Teleon amounted to RMB89.2 million and RMB84.6 million, respectively. The following table sets forth the details of the other payables and accruals of Teleon as of the dates indicated.

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

The payroll payable of Teleon significantly increased from RMB7.0 million as of December 31, 2019 to RMB22.7 million as of December 31, 2020 due to Teleon granted one-off retention bonus and compensation to its staff in 2020, aiming at ensuring a smooth transition following the acquisition by Gaush. Such one-off retention bonus and compensation also resulted in the significant increase of the other tax payable of Teleon, as Teleon was obliged to withhold for the relevant employees their tax payable in respect of such bonus and compensation. The decrease in accruals was attributable to the disposal of a subsidiary. For details of the disposal, please see Note III 21 to the Accountants' Report in Appendix I to this document.

**Lease Liabilities**

Lease liabilities primarily consist of leases on plant and buildings and motor vehicles. The carrying amounts of Teleon's lease liabilities and the movements for the year ended December 31, 2019 and 2020 are as follows. The new leases recorded in 2019 was primarily attributable to the expansion of business premises in 2019.

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

**Net Current Assets/(Liabilities)**

Teleon recorded net current assets of RMB168.0 million as of December 31, 2019 and net current assets of RMB144.5 million as of December 31, 2020, primarily due to (i) an increase of RMB38.6 million in prepayments and other receivables; (ii) an increase of RMB17.3 million in tax payables; (iii) a decrease of RMB12.0 million in tax receivables; (iv) a decrease of RMB7.4 million in trade receivables; and (v) an increase of RMB29.4 million in other payables and accruals.

The following table sets forth a summary of the consolidated cash flow statements of Teleon for the years indicated:

| | For the year ended December 31, | |
|---|---|---|
| | 2019 | 2020 |
| | *RMB'000* | |
| Net cash flows from operating activities | 78,395 | 86,857 |
| Net cash flows (used in) investing activities | (16,394) | (80,550) |
| Net cash flows (used in) financing activities | (4,952) | (6,215) |
| Net increase in cash and cash equivalents | 57,049 | 92 |
| Cash and cash equivalents at beginning of year/period | 48,724 | 104,478 |
| Effect of foreign exchange rate changes, net | (1,295) | 1,408 |
| Cash and cash equivalents at end of the year/period | 104,478 | 105,978 |

**Operating Activities**

For the years ended December 31, 2020, Teleon had net cash flows generated from operating activities of RMB86.9 million, consisting of RMB42.6 million in net cash inflows generated from operating activities before changes in working capital, net cash inflows of RMB38.3 million relating to changes in working capital and income tax received of RMB6.0 million. Teleon's net cash inflows from operating activities relating to changes in working capital of RMB38.3 million were primarily attributable to (i) decrease in trade receivables of RMB7.5 million; increase in trade payables of RMB3.2 million; and (iii) increase in other payables and accruals of RMB28.1 million. Such inflows were pratially offset by increase in inventories of RMB1.1 million.

For the years ended December 31, 2019, Teleon had net cash flows generated from operating activities of RMB78.4 million, consisting of RMB130.3 million in net cash inflows generated from operating activities before changes in working capital, net cash outflows of RMB29.3 million relating to changes in working capital and income tax paid of RMB22.7 million. Teleon's net cash outflows from operating activities relating to changes in working capital of RMB29.3 million were primarily attributable to (i) increase in prepayments and other receivables of RMB30.8 million; and (ii) decrease in trade payables of RMB3.8 million. Such outflows from operating activities relating to changes in working capital were partially offset by increase in other payables and accruals of RMB9.9 million.

**Investing Activities**

For the year ended December 31, 2020, Teleon had net cash flows used in investing activities of RMB80.6 million. This net cash outflow was primarily attributable to (i) company loan provided to Gaush of RMB39.3 million and (ii) the disposal of a subsidiary of RMB35.7 million, which resulted in the disposal of the cash and bank deposits equivalent possessed by such subsidiary. For details of the disposal of the subsidiary, see Note III21 to the Accountants' Report set forth in Appendix I to this document.

For the year ended December 31, 2019, Teleon had net cash flows used in investing activities of RMB16.4 million. This net cash outflow was attributable to (i) purchase of property, plant and equipment of RMB15.2 million; and (ii) additions of intangible assets of RMB1.2 million.

**Financing Activities**

For the years ended December 31, 2019 and 2020, Teleon had net cash flows used in financing activities of RMB5.0 million and RMB6.2 million, respectively, which represented the payments of lease liabilities in the year.

## FUTURE PLANS

For details of our future plans, see "Business — Our Strategies."

## USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**], after deducting [**REDACTED**] commissions, fees and estimated expenses payable by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range stated in this Document. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the high end of the indicative [**REDACTED**] range, the net [**REDACTED**] from the [**REDACTED**] will increase by approximately HK$[**REDACTED**]. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the low end of the indicative [**REDACTED**] range, the net [**REDACTED**] from the [**REDACTED**] will decrease by approximately HK$[**REDACTED**].

We currently intend to apply these net [**REDACTED**] for the following purposes:

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used within five years from the [**REDACTED**] to improve our research and development capability and accelerate the commercialization of our patents. We strive to enhance our market position through continuous efforts in broadening our comprehensive product portfolio by introducing additional Proprietary Products and improving their revenue contribution. We understand that in-house R&D capabilities are essential to our sustainable development, domestic substitution has become a trend in the ophthalmic medical device market in China. According to the Law of Science and Technology Advancement of the PRC (《中華人民共和國科學技術進步法》) , promulgated by the SCNPC on July 2, 1993, and latest amended on December 24, 2021, the PRC government encouraged the procurement of domestic products with scientific and technological innovation by government. Investments in new technologies and talent would be necessary to take on such trend. The acquisitions of Roland and Teleon have expanded our team of R&D talents with the required technologies and we are now in the position to significantly increase our R&D expenses in the future to further strengthen our R&D capabilities in the next five years. In addition, our future acquisitions will also drive the escalation of our R&D expenses after we complete such transactions and consolidate the R&D expenses thereof.

In particular, we plan to, but are not limited by:

- dedicating approximately [**REDACTED**]%, or HK$[**REDACTED**], to upgrade our R&D capability of IOL products and hydrophobic and hydrophilic materials used in the manufacturing of IOLs to build our in-house R&D teams and facilities to localize the manufacturing of IOL products in light of the trend of domestic substitution. The PRC government has instituted policies to encourage the development of domestically developed and manufactured medical devices. In addition, the Measures for Management of Medical Consumables in Medical Institutions (Trial Implementation) (醫療機構醫用耗材管理辦法(試行)) released by National Health Commission of the PRC and National Administration of Traditional Chinese

Medicine became effective since September 2019 and requires medical institutions to give sufficient consideration of the cost of medical consumables and take pricing as an important reference factor in their procurement process. Specifically,

* we plan to invest approximately [**REDACTED**]%, or HK$[**REDACTED**], in expanding the leased area of and upgrading the leasehold facilities of our R&D centers adjacent to our manufacturing facilities in Shenzhen and Netherlands, the aggregate gross floor area of which under lease is expected to be up to 3,000 sq.m. in total, to improve the efficiency of processing and modeling the hydrophobic and hydrophilic materials and facilitate the production of our IOL products;

* we will invest approximately [**REDACTED**]%, or HK$[**REDACTED**], in the procurement of the machinery and equipment for the R&D of our IOL products in Shenzhen and the Netherlands; and

* we will also invest approximately [**REDACTED**]%, or HK$[**REDACTED**], in recruiting more than 60 R&D staff with academic and industry background as to mechanical engineering, electronic engineering optical science, material science, chemistry and biology in Shenzhen and Netherlands in the next five years to enhance our in-house R&D brain power and empower our intellectual property profiles relating to IOLs.

We believe our investment in IOLs products and hydrophobic and hydrophilic materials will solidify and improve our position in IOLs market;

- dedicating approximately [**REDACTED**]%, or HK$[**REDACTED**], to the R&D of ophthalmic diagnosis products to further upgrade our equipment product portfolio relating to ophthalmic diagnostic and screening. Specifically,

  * we plan to invest approximately [**REDACTED**]%, or HK$[**REDACTED**], in expanding the leased area of and upgrading the leasehold facilities of our R&D centers adjacent to our manufacturing facilities in Shenzhen, the aggregate gross floor area of which under lease would be expected to be up to 1,000 sq.m.;

  * we will invest approximately [**REDACTED**]%, or HK$[**REDACTED**], in the procurement of the machinery and equipment for the R&D of our ophthalmic diagnosis products; and

  * we will also invest approximately [**REDACTED**]%, or HK$[**REDACTED**], to recruit more than 20 R&D staff with academic and industry background including electronic engineering optical science, software engineering, material science and biology in the next five years in Shenzhen to lay a solid foundation for the improvement of our ophthalmic diagnosis products.

  We believe our investment in ophthalmic diagnosis products will accelerate the timeline of the development of our next generation of ophthalmic diagnosis products including electrophysiology products to enter the PRC market; and

- dedicating approximately [**REDACTED**]%, or HK$[**REDACTED**], to the R&D of optometric products in order to broaden our product offering with optometric products in light of the industry trend driven by myopia prevention and domestic substitution. In August 2018 and April 2021, the PRC government published the Implementation Plan for Comprehensively Controlling and Preventing Myopia among Children and the Youth (《綜合防控兒童青少年近視實施方案》) and the Working Plan for Brightness Campaign to Prevent and Control Myopia among Children and the Youth (2021-2025)(《兒童青少年近視防控光明行動工作方案(2021-2025年)》), which encouraged the development for optometric products including orthokeratology lens Specifically,

  * we plan to invest approximately [**REDACTED**]%, or HK$[**REDACTED**], in expanding the leased area of and upgrading the leasehold facilities of our R&D centers adjacent to our manufacturing facilities in Suzhou, the aggregate gross floor area of which under lease would be expected to be up to 1,000 sq.m.;

  * we will invest approximately [**REDACTED**]%, or HK$[**REDACTED**], in the procurement of the machinery and equipment for the R&D of our future optometric products including orthokeratology lens, Rigid Gas Permeable lenses (RGP) and scleral lenses and eye care solutions; and

  * we will also invest approximately [**REDACTED**]%, or HK$[**REDACTED**], to build our robust R&D team with 15 to 20 talents having academic and industry background as to mechanical engineering, electronic engineering optical science, material science, chemistry and biology to be recruited in the next five years in Suzhou and expedite the completion of our established R&D projects and our relevant intellectual properties applications.

  We believe our investment in optometric products will diversify our product portfolio to cater the needs of myopia patients.

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used within five years from the [**REDACTED**] to improve our production capacity and strengthen our manufacturing capabilities. 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. The planned allocations are illustrated as below:

  * approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to (i) upgrade and renovate our existing manufacturing facilities in the Netherlands, Shenzhen and Suzhou to enhance our manufacturing capabilities and processes; and (ii) expand our manufacturing facilities in Shenzhen and Suzhou primarily to produce ophthalmic medical consumables and ophthalmic equipment domestically. The aggregate gross floor area of the four

manufacturing facilities, after renovation and expansion, is expected to reach approximately 9,000 sq.m. According to Frost & Sullivan, China's intraocular lens market is expected to reach the market size of RMB6.2 billion in 2025, representing approximately 150% of the market size in 2021 at a CAGR of 10.3% from 2021 to 2025. Given that the Company would endeavor to improve the penetration of its intraocular lens products in the growing market and to meet (i) the expected increase in demand for domestically produced intraocular lens driven by the trend of domestic substitution and centralized procurement as well as (ii) the need for manufacturing capacity once our pipeline products obtained regulatory registration, the Company intends to upgrade and expand its domestic manufacturing capacity in China and Europe;

* approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to purchase the machinery, equipment and raw materials;

* approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to recruit and train additional 120 manufacturing personnel in the next five years. We intend to recruit sophisticated manufacturing personnel in terms of automated machinery operation, product sterilization and telescope operation for product inspection;

The planned allocations of [**REDACTED**] and corresponding production facilities are illustrated as below. After the completion of our acquisitions of Teleon and Roland in January 2021 and November 2020, our production capacity of introcular lens increased from nil to 603,016 units of products and our production capacity of electrophysiology equipment increased from nil to 163 units of products. For details of our existing manufacturing capacities, see "Business — Manufacturing — Manufacturing Facilities and Production Capacity".

| Planned Allocation | Objective for the Allocation |
|---|---|
| [**REDACTED**]%, or HK$[**REDACTED**] to establish manufacturing plant for intraocular lens in Shenzhen with approximate GFA being 3,000 sq.m. | We expect to expand our manufacturing capacity of IOL to 800,000 pieces per annum, with additional capacity located in China. |
| [**REDACTED**]%, or HK$[**REDACTED**] to establish manufacturing plant for diagnostic equipment in Shenzhen with approximate GFA being 2,000 sq.m. | We expect to expand our manufacturing capacity of electrophysiological products to 150 pieces per annum with additional capacity located in China. |
| [**REDACTED**]%, or HK$[**REDACTED**] to establish manufacturing plant for optometric device in Suzhou with approximate GFA being 2,000 sq.m. | We expect our initial production capacity to reach 150,000 pieces per annum with additional capacity located in China. |

| Planned Allocation | Objective for the Allocation |
|---|---|
| [**REDACTED**]%, or HK$[**REDACTED**] to renovate the production lines and manufacturing facilities of our IOL products in Netherlands with approximate GFA being 2,000 sq.m. | We expect the manufacturing capacity of IOL in Europe to increase by 20% to 30% to further our market expansion in Europe. |

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used within five years from the [**REDACTED**] to expand the size of our sales and marketing team, by recruiting ophthalmic medical device specialized sales and marketing personnel, including:

  * approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to recruit additional 100 sales and marketing personnel in support of our sales and marketing activities in China in the next five years;

  * approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to recruit additional 50 sales and marketing personnel in support of our sales and marketing activities outside China (primarily in Europe) in the next five years;

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used within five years from the [**REDACTED**] to fund potential strategic investment and acquisitions within the next five years that could complement and expand our product portfolio and technologies or help us establish market standing in overseas market, and in turn further drive our business growth. We intend to seek new opportunities to acquire or invest in potential brand partners and overseas distributors, to complete and expand our product portfolio and technologies, as well as to expand our overseas distribution network. With regard to upstream brand partners, we plan to acquire (i) our existing brand partners, who possess the research and development capability and intellectual properties to manufacture and refine their own products, to proceed with the conversion of Distribution Products into Proprietary Products and vertical integration, and; (ii) companies with distinguished product offering, R&D capabilities as to ophthalmic diagnostic equipment, surgical equipment and instruments and intraocular lens that strengthen or supplement our existing portfolio. We will assess the R&D capabilities of the potential acquisition targets represented by the parameters including the number of R&D staff, which should accounts for more than 20% of the number of all the employees, whether the core R&D team has over five years of work experience, the number and quality of ongoing R&D projects and the profile of intellectual properties. We would initially focus on acquiring companies with marketable and pipeline products of ophthalmic medical equipment (e.g., ocular fundus camera and slit lamp) and ophthalmic medical consumables (e.g. surgical consumables like silicone oil and perfluorooctane) and R&D team with proven track record of developing and improving their products. According to Frost & Sullivan, there are over 100 companies that meet such criteria. As for the downstream targets, we may primarily focus on targets with direct sales and distribution coverage capabilities of overseas markets including Southeast Asia and Europe. According to

Frost & Sullivan, there are over 100 companies that meet such criteria. As of the Latest Practicable Date, we had not identified any specific acquisition targets, formed any specific acquisition plans or entered into any agreements with potential targets;

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for our working capital and general corporate purposes; and

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to repay the Mezzanine Facility Loan at an interest rate of 5% that we incurred for the acquisition of Teleon. We plan to prioritize the repayment of the Mezzanine Facility Loan because it carries higher finance costs and has been secured with share encumbrances over our assets. For details of our indebtedness, see "Financial Information — Indebtedness."

The above allocation of the net [**REDACTED**] from the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the indicative [**REDACTED**] range stated in this Document.

If the [**REDACTED**] is exercised in full, the net [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range). In the event that the [**REDACTED**] is exercised in full, we intend to apply the additional net [**REDACTED**] to the above purpose in the proportions stated above.

To the extent that the net [**REDACTED**] from the [**REDACTED**] are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will be placed in short-term demand deposits with licensed banks or financial institutions in Hong Kong. We will issue an appropriate announcement if there is any material change to the above proposed use of [**REDACTED**].

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

*Undertakings to the Stock Exchange pursuant to the Listing Rules*

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not, at any time within six months from the [**REDACTED**], issue any Shares or other securities convertible into equity securities of us (whether or not of a class already [**REDACTED**]) or enter into any agreement or arrangement to issue any Shares or such other securities (whether or not such issue of the Shares or such other securities will be completed within six months from the [**REDACTED**]), except (a) pursuant to the [**REDACTED**] (including any Shares which may be issued pursuant to the exercise of the [**REDACTED**]) and (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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

### Introduction

We report on the historical financial information of Gaush Meditech Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages [●] to [●], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2019, 2020 and 2021 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December of 2019, 2020 and 2021 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the Document of the Company dated [Date] (the "Document") in connection with the [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2019, 2020 and 2021 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 3 have been made.

**Dividends**

We refer to note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

**No historical financial statements for the Company**

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]
*Certified Public Accountants*
*Hong Kong*
*[●], 2022*

## I. HISTORICAL FINANCIAL INFORMATION

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### Year ended 31 December 2019

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

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

### Year ended 31 December 2020

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

**Year ended 31 December 2021**

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

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

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

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

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE AND GROUP INFORMATION

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

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

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

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

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

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

*Notes:*

(i) The statutory financial statements of these entities for the year ended 31 December 2019 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Beijing Puhongde Certified Public Accountants (General Partnership) (北京普宏德會計師事務所(普通合夥)), certified public accountants registered in the PRC.

(ii) The statutory financial statements of this entity for the year ended 31 December 2019 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Hangzhou Yingtai Accounting Firm (杭州英泰會計師事務所有限公司), certified public accountants registered in the PRC.

(iii) The statutory financial statements of these entities for the year ended 31 December 2020 prepared under PRC GAAP were audited by Beijing Puhongde Certified Public Accountants (General Partnership) (北京普宏德會計師事務所(普通合夥)), certified public accountants registered in the PRC.

(iv) As at the date of this report, no audited financial statements have been prepared and issued for the year ended 31 December 2021.

(v) No audited financial statements have been prepared and issued for these entities for the years ended 31 December 2019 and 2020 as these companies have not started their business.

(vi) The statutory financial statements of these entities for the years ended 31 December 2019, 2020 and 2021 prepared under Hong Kong Financial Reporting Standards for Private Entities (HKFRS for Private Entities) were audited by SBC CPA Limited (駿馬會計事務所有限公司), certified public accountants registered in Hong Kong.

(vii) The statutory financial statements of these entities for the year ended 31 December 2021 prepared under PRC GAAP are under audit by Beijing Puhongde Certified Public Accountants (General Partnership) (北京普宏德會計師事務所(普通合夥)), certified public accountants registered in the PRC. And the audit report will be issued in April 2022.

(viii) The statutory financial statements of these entities for the year ended 31 December 2021 prepared in Dutch GAAP are under audit by BDO Audit & Assurance B.V., certified public accountants registered in the Netherlands. The consolidated audit report of Gaush Cooperatief U.A. together with its subsidiaries will be issued in April 2022.

(ix) The subsidiary was dissolved on 28 December 2021.

**2.1 BASIS OF PRESENTATION**

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

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

All intra-group transactions and balances have been eliminated on consolidation.

**2.2 BASIS OF PREPARATION**

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

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

a. The primary causes for the net liabilities and accumulated losses as at 31 December 2021 are the significant fair value changes of the convertible redeemable preferred shares, details of which are included in note 32 to the Historical Financial Information. These fair value changes will not affect the future cash flows of the Group. In addition, in view of the redemption terms of the convertible redeemable preferred shares, the Group is not required to incur any cash outflows to redeem the preferred shares in the next twelve months after 31 December 2021;

b. The Group had net current assets of RMB648,546,000 as at 31 December 2021; and

c. The Group has performed a working capital forecast for the next twelve months and will have sufficient liquid funds to finance its operations and can operate as a going concern in the foreseeable future.

**Basis of consolidation**

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

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

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

a. the contractual arrangement with the other vote holders of the investee;

b. rights arising from other contractual arrangements; and

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

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

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

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

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

**2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS**

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

| | |
|---|---|
| Amendments to IFRS 3 | *Reference to the Conceptual Framework*[2] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| Amendment to IFRS 16 | *Covid-19-Related Rent Concessions beyond 30 June 2021*[1] |
| Amendment to IFRS 17 | *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[3] |
| IFRS 17 | *Insurance Contracts*[3] |
| Amendments to IFRS 17 | *Insurance Contract s*[3, 5] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current*[3] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies*[3] |
| Amendments to IAS 8 | *Definition of Accounting Estimates*[3] |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[3] |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use*[2] |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract*[2] |
| Annual Improvements to IFRS Standards 2018-2020 | Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2] |

[1] Effective for annual periods beginning on or after 1 April 2021

[2] Effective for annual periods beginning on or after 1 January 2022

[3] Effective for annual periods beginning on or after 1 January 2023

[4] No mandatory effective date yet determined but available for adoption

[5] As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Business combinations and goodwill**

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

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

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

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

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

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

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

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

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

**Fair value measurement**

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

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

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

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

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the measurement is observable, either directly or indirectly;
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

**Impairment of non-financial assets**

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

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

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

**Related parties**

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

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

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

**Property, plant and equipment and depreciation**

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

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

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

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

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

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

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

**Intangible assets (other than goodwill)**

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

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

| Categories | Estimated useful lives |
|---|---|
| Software | 5 years |
| Patent | 8-10 years |
| Trademark | 10 years |

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

**Research and development costs**

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

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

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

**Leases**

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

***Group as a lessee***

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

*(a) Right-of-use assets*

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

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

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

*(b) Lease liabilities*

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of plant and buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

**Investments and other financial assets**

***Initial recognition and measurement***

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

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

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

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

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

***Subsequent measurement***

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

*Financial assets at amortised cost (debt instruments)*

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

*Financial assets at fair value through profit or loss*

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

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

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

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

**Derecognition of financial assets**

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

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

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

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

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

**Impairment of financial assets**

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

***General approach***

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

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

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

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

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

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

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

***Simplified approach***

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

**Financial liabilities**

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

***Subsequent measurement***

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

***Financial liabilities at fair value through profit or loss***

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

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

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

***Financial liabilities at amortised cost (loans and borrowings)***

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

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

**Derecognition of financial liabilities**

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

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

**Offsetting of financial instruments**

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

**Derivative financial instruments**

***Initial recognition and subsequent measurement***

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

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

**Inventories**

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

**Cash and cash equivalents**

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

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

**Provisions**

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

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

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

**Income tax**

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

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

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

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

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

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

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

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

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

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

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

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

**Government grants**

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

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

**Revenue recognition**

***Revenue from contracts with customers***

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

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

*(a) Sale of products*

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

*(b) After-sales services*

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

***Other income***

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

**Contract assets**

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

**Contract liabilities**

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

**Employee benefits**

***Social pension plans***

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

***Housing fund and other social insurances***

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

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

**Dividends**

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

**Foreign currencies**

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

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

**Judgements**

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

***Revenue from contracts with customers***

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

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

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

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

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

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

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

**Estimation uncertainty**

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

***Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31 December 2019, 2020 and 2021 were RMB16,190,000, RMB31,228,000 and RMB882,698,000, respectively. Further details are given in note 15 to the Historical Financial Information.

***Provision for expected credit losses on trade receivables and contract assets***

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 20 and note 22 to the Historical Financial Information, respectively.

***Leases – Estimating the incremental borrowing rate***

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

***Impairment of non-financial assets (other than goodwill)***

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

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

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

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

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

***Deferred tax assets***

Deferred tax assets are recognised for certain deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 30 to the Historical Financial Information.

## 4. OPERATING SEGMENT INFORMATION

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

(a) the proprietary products segment develops and produces surgical equipment and related supporting software, intra optical lens, ophthalmic disease diagnosis and treatment equipment and related supporting consumables independently;

(b) the distribution segment sells comprehensive diagnostic equipment, ocular fundus diagnosis, surgical and treatment equipment and related supporting consumables produced by Heidelberg, Leica, Schwind, Geuder, Optos, Quantal and other world-famous ophthalmic medical equipment manufacturers;

(c) the technical services segment provides warranty services, maintenance services and after-sales services related consumables; and

(d) the "others" segment comprises, principally, the equipment leasing services and the agent registration services to certain customers, and licensing out of certain of intellectual properties.

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

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

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

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

| | Year ended 31 December 2019 | | | | |
|---|---|---|---|---|---|
| | **Proprietary products segment** | **Distribution segment** | **Technical services segment** | **Others** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| External sales | 11,329 | 986,004 | 107,925 | 1,397 | 1,106,655 |
| Intersegment sales | 3,245 | – | – | – | 3,245 |
| Total | 14,574 | 986,004 | 107,925 | 1,397 | 1,109,900 |
| Elimination of intersegment sales | | | | | (3,245) |
| Segment revenue | 11,329 | 986,004 | 107,925 | 1,397 | 1,106,655 |
| Segment cost | 7,451 | 574,942 | 60,917 | – | 643,310 |
| Segment gross profit | 3,878 | 411,062 | 47,008 | 1,397 | 463,345 |

| | Year ended 31 December 2020 | | | | |
|---|---|---|---|---|---|
| | **Proprietary products segment** | **Distribution segment** | **Technical services segment** | **Others** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| External sales | 24,720 | 793,121 | 138,784 | 5,450 | 962,075 |
| Intersegment sales | 6,579 | – | – | – | 6,579 |
| Total | 31,299 | 793,121 | 138,784 | 5,450 | 968,654 |
| Elimination of intersegment sales | | | | | (6,579) |
| Segment revenue | 24,720 | 793,121 | 138,784 | 5,450 | 962,075 |
| Segment cost | 13,674 | 437,498 | 72,760 | 1,966 | 525,898 |
| Segment gross profit | 11,046 | 355,623 | 66,024 | 3,484 | 436,177 |

| | Year ended 31 December 2021 | | | | |
|---|---|---|---|---|---|
| | **Proprietary products segment** | **Distribution segment** | **Technical services segment** | **Others** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| External sales | 316,097 | 810,989 | 161,605 | 9,527 | 1,298,218 |
| Intersegment sales | 75,568 | – | – | 8,881 | 84,449 |
| Total | 391,665 | 810,989 | 161,605 | 18,408 | 1,382,667 |
| Elimination of intersegment sales | | | | | (84,449) |
| Segment revenue | 316,097 | 810,989 | 161,605 | 9,527 | 1,298,218 |
| Segment cost | 150,433 | 445,957 | 91,501 | 856 | 688,747 |
| Segment gross profit | 165,664 | 365,032 | 70,104 | 8,671 | 609,471 |

**Geographical information**

***(a) Revenue from external customers***

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

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

***(b) Non-current assets***

| | As at 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Greater China | 64,861 | 71,021 | 88,060 |
| Germany | – | 22,688 | 18,836 |
| Netherlands | – | – | 1,187,131 |
| | 64,861 | 93,709 | 1,294,027 |

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

**Information about major customers**

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

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

**Revenue from contracts with customers**

***(a) Disaggregated revenue information:***

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

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

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

| | Year ended 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue recognised that was included in contract liabilities at the beginning of the reporting year | 118,332 | 105,596 | 121,584 |

***(b) Performance obligations***

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

*Sale of ophthalmic medical devices*

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

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

*Sale of ophthalmic medical consumables*

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

*After-sales services*

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

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

**Other income and gains**

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

## 6. PROFIT/(LOSS) BEFORE TAX

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

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

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

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

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

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

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

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

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

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

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

### (a) Independent non-executive directors

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

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

| | Year ended 31 December 2019 | | | | |
|---|---|---|---|---|---|
| | Fees | Salaries, other allowances and benefits in kind | Performance related bonuses | Pension scheme contributions | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Executive directors: | | | | | |
| Mr. Gao Tieta | – | 432 | 647 | 15 | 1,094 |
| Mr. Zhang Jianjun | – | 707 | 977 | 47 | 1,731 |
| Mr. Zhao Xinli | – | 565 | 444 | 28 | 1,037 |
| Mr. Liu Xinwei | – | 632 | 161 | 28 | 821 |
| Non-executive director: | | | | | |
| Mr. Wang Guowei | – | – | – | – | – |
| | – | 2,336 | 2,229 | 118 | 4,683 |

| | Year ended 31 December 2020 | | | | |
|---|---|---|---|---|---|
| | Fees | Salaries, other allowances and benefits in kind | Performance related bonuses | Pension scheme contributions | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Executive directors: | | | | | |
| Mr. Gao Tieta | – | 446 | 660 | 30 | 1,136 |
| Mr. Zhang Jianjun | – | 707 | 420 | 4 | 1,131 |
| Mr. Zhao Xinli | – | 575 | 420 | 35 | 1,030 |
| Mr. Liu Xinwei | – | 641 | 660 | 35 | 1,336 |
| Non-executive director: | | | | | |
| Mr. Wang Guowei | – | – | – | – | – |
| | – | 2,369 | 2,160 | 104 | 4,633 |

| | Year ended 31 December 2021 | | | | |
|---|---|---|---|---|---|
| | Fees | Salaries, other allowances and benefits in kind | Performance related bonuses | Pension scheme contributions | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Executive directors: | | | | | |
| Mr. Gao Tieta | – | 460 | 648 | 54 | 1,162 |
| Mr. Zhang Jianjun | – | 723 | 416 | 58 | 1,197 |
| Mr. Zhao Xinli | – | 586 | 375 | 54 | 1,015 |
| Mr. Liu Xinwei | – | 652 | 383 | 54 | 1,089 |
| Non-executive directors: | | | | | |
| Mr. Wang Guowei | – | – | – | – | – |
| Mr. Shi Long | – | – | – | – | – |
| | – | 2,421 | 1,822 | 220 | 4,463 |

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

## 9. FIVE HIGHEST PAID EMPLOYEES

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

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

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

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

## 10. INCOME TAX

**Income tax for the Cayman Islands and the British Virgin Islands**

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands. As such, the operating results reported by the Company, including the fair value losses of Preferred Shares (note 32), are not subject to any income tax.

**Hong Kong profits tax**

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

**Corporate income tax for Mainland China**

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

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

Pursuant to Caishui [2019] No.13 "Circular of the Ministry of Finance, the State Administration of Taxation Issued on the Implementation of Preferential Tax Policies for Small Meagre-profit Enterprises" (財政部、國家税務總局關於實施小微企業普惠性税收減免政策的通知), certain small low-profit subsidiaries, the portion of not more than RMB1,000,000 of the annual taxable income will be included in the actual taxable income at a reduced rate of 25%, subject to income tax at a rate of 20%; for the portion exceeding RMB1,000,000 but not exceeding RMB3,000,000, 50% of which is deducted from the taxable income, and the income tax is paid at the rate of 20%. Pursuant to Caishui [2021] No.12 "Circular of the Ministry of Finance and the State Administration of Taxation Issued on the Implementation of Preferential Income Tax Policies for Small Meagre-profit Enterprises and Individual Business" (財政部、國家税務總局關於實施小微企業和個體工商戶所得税優惠政策的公告), starting

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

**Income tax for other jurisdictions**

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

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

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

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

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

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

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

## 11. DIVIDENDS

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

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

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

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

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

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

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

## 13. PROPERTY, PLANT AND EQUIPMENT

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

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

## 14. LEASES

**The Group as a lessee**

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

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

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

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

***(b) Lease liabilities***

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

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

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

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

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

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

## 15. GOODWILL

| | *RMB'000* |
|---|---|
| Cost and net carrying amount at 1 January 2019 and 31 December 2019 | 16,190 |
| Cost and net carrying amount at 1 January 2020 | 16,190 |
| Acquisition of subsidiaries *(note 35)* | 14,876 |
| Exchange realignment | 162 |
| At 31 December 2020 | 31,228 |
| Cost at 1 January 2021 | 31,228 |
| Acquisition of subsidiaries *(note 35)* | 949,088 |
| Exchange realignment | (97,618) |
| At 31 December 2021 | 882,698 |

**Impairment testing of goodwill**

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

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

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

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

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

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

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

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

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

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

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

| | As at 31 December 2021 | | |
|---|---|---|---|
| | Pre-tax discount rate | Budgeted gross profit margin | Terminal growth rate |
| Gaush Medica Ltd. | 17.40% | 40.13%-46.00% | 3.00% |
| Gaush Consumables Ltd. | 18.49% | 30.00%-49.00% | 3.00% |
| Gaush Precision Ltd. | 17.66% | 30.54%-49.00% | 3.00% |
| Roland Consult Stasche & Finger GmbH and Gaush Europe GmbH | 22.84% | 43.00%-45.00% | 2.00% |
| Teleon Holding B.V. | 14.76% | 57.00%-62.61% | 2.00% |

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

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

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

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

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

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

| | As at 31 December 2019 | | | |
|---|---|---|---|---|
| | Headroom | Impact by decreasing gross profit margin | Impact by decreasing terminal growth rate | Impact by increasing pre-tax discount rate |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Gaush Medica Ltd. | 10,029 | (2,000) | (2,000) | (5,000) |

| | As at 31 December 2020 | | | |
|---|---|---|---|---|
| | Headroom | Impact by decreasing gross profit margin | Impact by decreasing terminal growth rate | Impact by increasing pre-tax discount rate |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Gaush Medica Ltd. | 18,400 | (3,000) | (2,000) | (5,000) |
| Gaush Consumables Ltd. | 3,925 | (800) | (600) | (2,100) |
| Gaush Precision Ltd. | 1,354 | (900) | (500) | (1,300) |
| Roland Consult Stasche & Finger GmbH and Gaush Europe GmbH | 3,365 | (2,387) | (796) | (2,387) |
| | 27,044 | (7,087) | (3,896) | (10,787) |

| | As at 31 December 2021 | | | |
|---|---|---|---|---|
| | Headroom | Impact by decreasing gross profit margin | Impact by decreasing terminal growth rate | Impact by increasing pre-tax discount rate |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Gaush Medica Ltd. | 19,862 | (4,000) | (2,000) | (6,000) |
| Gaush Consumables Ltd. | 2,269 | (800) | (500) | (1,700) |
| Gaush Precision Ltd. | 1,871 | (1,000) | (400) | (1,600) |
| Roland Consult Stasche & Finger GmbH and Gaush Europe GmbH | 5,757 | (2,166) | (722) | (1,444) |
| Teleon Holding B.V. | 236,406 | (36,099) | (18,049) | (109,018) |
| | 266,165 | (44,065) | (21,671) | (119,762) |

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

## 16. INTANGIBLE ASSETS

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

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

| | Software | Patent | Trademark | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2021** | | | | |
| Cost at 1 January 2021, net of accumulated amortisation | 1,196 | 11,540 | 9,015 | 21,751 |
| Additions | 768 | 735 | – | 1,503 |
| Acquisition of subsidiaries *(note 35)** | 6,987 | 303,560 | 40,848 | 351,395 |
| Amortisation provided during the year *(note 6)* | (1,222) | (30,487) | (5,253) | (36,962) |
| Exchange realignment | (661) | (28,993) | (4,144) | (33,798) |
| At 31 December 2021 | 7,068 | 256,355 | 40,466 | 303,889 |

* Patent and trademark identified and derived from business combinations were recognised at fair value at the acquisition dates and have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patent and trademark over their estimated useful lives of 8-10 years and 10 years, respectively, which is disclosed in note 2.4 summary of significant accounting police "Intangible assets (other than goodwill)".

## 17. INVESTMENT PREPAYMENT

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Prepayment for acquiring Teleon Holding B.V. | – | 1,377,908 | – |

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

## 18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Wealth management products | 200,169 | 10 | – |

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

## 19. INVENTORIES

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

## 20. TRADE RECEIVABLES

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | 198,549 | 176,643 | 180,190 |
| Impairment | (4,810) | (5,847) | (10,136) |
| | 193,739 | 170,796 | 170,054 |

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

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

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

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

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

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

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

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

**As at 31 December 2019**

| | As at 31 December 2019 | |
|---|---|---|
| | **Gross carrying amount** | **Expected credit losses** |
| | *RMB'000* | *RMB'000* |
| Individual evaluation of expected losses | – | – |
| Assessment of expected credit losses by credit risk portfolio | 198,549 | 4,810 |
| | 198,549 | 4,810 |

| | As at 31 December 2019 | | |
|---|---|---|---|
| | **Expected credit loss rate** | **Gross carrying amount** | **Expected credit losses** |
| | | *RMB'000* | *RMB'000* |
| Within 1 year | 1.02% | 146,239 | 1,493 |
| 1 to 2 years | 4.14% | 38,523 | 1,593 |
| 2 to 3 years | 10.60% | 12,531 | 1,328 |
| 3 to 4 years | 30.98% | 1,246 | 386 |
| 4 to 5 years | 100.00% | 2 | 2 |
| Over 5 years | 100.00% | 8 | 8 |
| | | 198,549 | 4,810 |

**As at 31 December 2020**

| | As at 31 December 2020 | |
|---|---|---|
| | **Gross carrying amount** | **Expected credit losses** |
| | *RMB'000* | *RMB'000* |
| Individual evaluation of expected losses | – | – |
| Assessment of expected credit losses by credit risk portfolio | 176,643 | 5,847 |
| | 176,643 | 5,847 |

| | As at 31 December 2020 | | |
|---|---|---|---|
| | Expected credit loss rate | Gross carrying amount | Expected credit losses |
| | | *RMB'000* | *RMB'000* |
| Within 1 year | 1.12% | 116,590 | 1,300 |
| 1 to 2 years | 3.78% | 39,295 | 1,486 |
| 2 to 3 years | 10.26% | 14,744 | 1,513 |
| 3 to 4 years | 22.54% | 5,520 | 1,244 |
| 4 to 5 years | 61.38% | 492 | 302 |
| Over 5 years | 100.00% | 2 | 2 |
| | | 176,643 | 5,847 |

**As at 31 December 2021**

| | As at 31 December 2021 | |
|---|---|---|
| | Gross carrying amount | Expected credit losses |
| | *RMB'000* | *RMB'000* |
| Individual evaluation of expected losses | 6,710 | 3,136 |
| Assessment of expected credit losses by credit risk portfolio | 173,480 | 7,000 |
| | 180,190 | 10,136 |

| | As at 31 December 2021 | | |
|---|---|---|---|
| | Expected credit loss rate | Gross carrying amount | Expected credit losses |
| | | *RMB'000* | *RMB'000* |
| Within 1 year | 1.07% | 132,767 | 1,421 |
| 1 to 2 years | 5.38% | 18,954 | 1,020 |
| 2 to 3 years | 11.07% | 14,691 | 1,626 |
| 3 to 4 years | 32.98% | 5,971 | 1,969 |
| 4 to 5 years | 86.36% | 977 | 844 |
| Over 5 years | 100.00% | 120 | 120 |
| | | 173,480 | 7,000 |

## 21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

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

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

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

## 22. CONTRACT ASSETS

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

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

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

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

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within one year | 1,666 | 2,190 | 1,937 |
| After one year | 356 | 649 | 84 |
| | 2,022 | 2,839 | 2,021 |

## 23. PLEDGED DEPOSITS

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Pledged deposits | – | 6,810 | 13,757 |

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

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

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

## 24. CASH AND CASH EQUIVALENTS

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and bank balances | 332,762 | 307,490 | 608,996 |

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

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

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

## 25. TRADE PAYABLES

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

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 3 months | 110,610 | 103,151 | 65,421 |
| 3 to 6 months | 1,494 | 13 | 532 |
| 6 months to 1 year | 460 | 18 | 786 |
| Over 1 year | 731 | 1,235 | 1,279 |
| | 113,295 | 104,417 | 68,018 |

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

## 26. OTHER PAYABLES AND ACCRUALS

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

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

## 27. CONTRACT LIABILITIES

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

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

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

## 28. DERIVATIVE FINANCIAL INSTRUMENTS

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Foreign currency swaps | 114 | – | – |
| Interest rate swaps | 209 | 128 | 296 |
| Warrants | – | – | – |
| | 323 | 128 | 296 |

**Foreign currency swaps**

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

**Interest rate swaps**

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

**Warrants**

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

The movements of warrants are as follows:

| | Warrants |
|---|---|
| | *RMB'000* |
| At 1 January 2021 | – |
| Addition | 26,451 |
| Changes in fair value | 3,077 |
| Foreign exchange differences | (1,434) |
| Exercise of warrants | (28,094) |
| At 31 December 2021 | – |

## 29. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 31 December 2019 | | |
|---|---|---|---|
| | *Effective interest rate (%)* | *Maturity* | *RMB'000* |
| **Current** | | | |
| Bank loans – secured* | 4.0-5.4 | 2020 | 37,502 |

| | 31 December 2020 | | |
|---|---|---|---|
| | *Effective interest rate (%)* | *Maturity* | *RMB'000* |
| Current | | | |
| Bank loans – secured* | 2.85-4.00 | 2021 | 63,049 |
| Bridge facility loan – secured** | 2.85 | 2021 | 803,135 |
| | | | 866,184 |
| **Non-current** | | | |
| Vendor loan – secured*** | 7.00 | 2024-2025 | 194,905 |

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

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

| **Credit facility (Financing amount)** | **Guarantee** |
|---|---|
| **31 December 2019** | |
| USD5,000,000 or its equivalent Euro of short-term loans or accounts receivable (recyclable) | Guaranteed by Mr. Gao Fan, Mr. Gao Tieta, and MingWang Medical Ltd. with the maximum amount of USD6,853,000 or its equivalent in Euro |
| **31 December 2020** | |
| USD5,000,000 or its equivalent Euro of short-term loans or accounts receivable (recyclable) | Guaranteed by Mr. Gao Tieta, Gaush Medical Corporation and MingWang Medical Ltd. with the maximum amount of USD6,853,000 or its equivalent in Euro |
| **31 December 2021** | |
| USD5,000,000 or its equivalent Euro of short-term loans or accounts receivable (recyclable) | Guaranteed by Gaush Medical Corporation and MingWang Medical Ltd. with the maximum amount of USD6,853,000 or its equivalent in Euro *(Note 1)* |

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

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

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

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

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

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

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

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

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

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

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

| | As at 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Analysed into:** | | | |
| Bank borrowings repayable: | | | |
| Within one year or on demand | 37,502 | 866,184 | 122,464 |
| In the second year | – | – | 81,222 |
| In the third to fifth years, inclusive | – | – | 379,034 |
| | 37,502 | 866,184 | 582,720 |
| Other borrowings repayable: | | | |
| Within one year or on demand | – | – | – |
| In the second year | – | – | – |
| In the third to fifth years, inclusive | – | 194,905 | 175,078 |
| | – | 194,905 | 175,078 |

## 30. DEFERRED TAX

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

**Deferred tax liabilities**

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

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

**Deferred tax assets**

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

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

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

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

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Deferred tax assets | 20,043 | 18,824 | 50,741 |
| Offset amount | (5,234) | (5,020) | (9,892) |
| Net deferred tax assets | 14,809 | 13,804 | 40,849 |

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Deferred tax liabilities | 8,258 | 10,782 | 76,266 |
| Offset amount | (5,234) | (5,020) | (9,892) |
| Net deferred tax liabilities | 3,024 | 5,762 | 66,374 |

The Group has tax losses arising in Hong Kong of HKD35,950, HKD90,828 and HKD144,156 at 31 December 2019, 2020 and 2021, respectively, which are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

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

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Tax losses | 15,024 | 18,223 | 23,341 |

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

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

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

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

## 31. LOAN AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Mezzanine facility loan |
|---|---|
| | *RMB'000* |
| At 1 January 2021 | – |
| Addition | 167,545 |
| Changes in fair value | 4,710 |
| Foreign exchange differences | (13,156) |
| At 31 December 2021 | 159,099 |

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

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

## 32. CONVERTIBLE REDEEMABLE PREFERRED SHARES

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

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

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

**Redemption**

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

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

(i) the occurrence of a material breach by any group or any of the key parties of any of their respective representations, warranties, covenants or undertakings;

(ii) the failure by the Company to submit an application to the relevant securities exchange for a qualified [**REDACTED**] (the "Qualified [**REDACTED**]") on or before [**REDACTED**];

(iii) there occurs a material dishonesty of any key party or management of the Group which materially affect the business operation; and

(iv) any investors find that there has been a material misrepresentation or concealment of the information provided by the Group or any of the key parties in the due diligence process.

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

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

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

**Conversion of Preferred Shares**

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

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

**Dividends, Distributions and Reserve**

Subject to the Statute and the Articles, in particular Article 20, the directors may from time to time declare dividends (including interim dividends) and distributions on shares of the Company outstanding and authorise payment of the same out of the funds of the Company lawfully available therefor and in accordance with the provisions of Article103.

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

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

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

**Liquidation Preference**

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

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

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

Thirdly, after the distribution or payment in full of the amount distributable or payable on the Preferred Shares pursuant to paragraph (a) of Article128, the remaining assets of the Company available for distribution to members shall be distributed ratably among the holders of outstanding ordinary shares (excluding any ordinary share converted from any Preferred Share) in proportion to the number of outstanding ordinary shares held by them.

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

***Accounting for preferred shares***

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

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

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

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

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

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

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

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

## 33. SHARE CAPITAL

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

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

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

**Group and Company**

| | As at 31 December | | |
|---|---|---|---|
| | **2019** | **2020** | **2021** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Issued and fully paid: | 72 | 72 | 65 |

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

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

(i) Pursuant to the share repurchase agreement signed on 23 August 2019 between the Company and its shareholders, GMC ONE Ltd. and GMC THREE Ltd., the Company repurchased 4,175,333 of its ordinary shares from GMC ONE Ltd. at a consideration of USD7,387,000, and 1,391,778 of its ordinary shares from GMC THREE Ltd. at a consideration of USD2,462,000.

(ii) Pursuant to the share repurchase agreement signed on 1 April 2021 between the Company and its shareholders GMC STAR Ltd. (formerly GMC ONE Ltd.), GAUSH Holding Ltd. (formerly GMC TWO Ltd.) and GMC THREE Ltd., the Company repurchased 5,878,868 of its ordinary shares from GMC STAR Ltd. at a consideration of USD32,559,999, 4,008,319 of its ordinary shares from GAUSH Holding Ltd. at a consideration of USD22,199,999, and 3,607,487 of its ordinary shares from GMC THREE Ltd. at a consideration of USD19,979,998.

(iii) On 31 March 2021, the Board of Directors of the Company passed a resolution, pursuant to which the Company shall issue 955,879 ordinary shares with a par value of USD0.0001 each to certain shareholders at a consideration of USD4,500,000. On 10 August 2021, the Company issued 955,879 ordinary shares to GMC Teleon Ltd.

(iv) On 20 October 2021, Credit Suisse AG exercised the warrants as disclosed in note 28 to the Historical Financial Information for the issue of 1,335,252 ordinary shares of the Company at a consideration of USD133.53.

## 34. OTHER RESERVES

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

**(a) Capital reserve**

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

**(b) Exchange fluctuation reserve**

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

## 35. BUSINESS COMBINATIONS

**(a) Acquisition of Gaush Consumables Ltd.**

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

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

| | *Notes* | **Fair value recognised on acquisition** |
|---|---|---|
| | | *RMB'000* |
| Cash and cash equivalents | | 9,248 |
| Trade receivables | | 243 |
| Prepayments, other receivables and other assets | | 190 |
| Inventories | | 318 |
| Property, plant and equipment | *13* | 1,287 |
| Intangible assets | *16* | 800 |
| Right-of-use assets | *14(a)* | 462 |
| Trade payables | | (664) |
| Other payables and accruals | | (87) |
| Deferred tax liabilities | *30* | (200) |
| Lease liabilities | *14(b)* | (462) |
| Tax payable | | (1) |
| Total identifiable net assets at fair value | | 11,134 |
| Non-controlling interests | | (4,454) |
| Goodwill on acquisition | *15* | 5,320 |
| Satisfied by cash | | 12,000 |

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

| | |
|---|---|
| Cash consideration | (12,000) |
| Cash and bank balances acquired | 9,248 |
| Net outflow of cash and cash equivalents included in cash flows used in investing activities | (2,752) |

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

**(b) Acquisition of Suzhou Gaush Precision Ltd.**

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

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

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

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

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

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

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

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

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

| | |
|---|---|
| Cash consideration | (27,688) |
| Cash and bank balances acquired | 5,984 |
| Amounts unpaid and included in other payables | 6,277 |
| Net outflow of cash and cash equivalents included in cash flows used in investing activities | (15,427) |

The fair values of the trade receivables, prepayments, other receivables and other assets as at the date of acquisition amounted to RMB7,254,000 and RMB4,112,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB7,990,000 and RMB4,112,000, respectively.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

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

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

**(d) Acquisition of Teleon Holding B.V.**

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

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

| | *Notes* | **Fair value recognised on acquisition** |
|---|---|---|
| | | *RMB'000* |
| Cash and cash equivalents | | 105,771 |
| Trade receivables | | 23,210 |
| Prepayments, other receivables, and other assets | | 42,680 |
| Inventories | | 43,460 |
| Property, plant, and equipment | *13* | 24,443 |
| Intangible assets | *16* | 351,395 |
| Right-of-use assets | *14(a)* | 33,573 |
| Deferred tax assets | *30* | 19,435 |
| Trade payables | | (6,172) |
| Other payables and accruals | | (67,386) |
| Tax payable | | (34,666) |
| Including income tax payable | | (17,228) |
| Lease liabilities | *14(b)* | (33,573) |
| Deferred tax liabilities | *30* | (76,011) |
| Total identifiable net assets at fair value | | 426,159 |
| Non-controlling interests | | – |
| Goodwill on acquisition | *15* | 949,088 |
| Satisfied by cash | | 1,375,247 |
| An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows: | | |
| Cash consideration | | (1,375,247) |
| Cash and bank balances acquired | | 105,771 |
| Prepayment in 2020* | | 1,377,908 |
| Including: vendor loan (referring to note 29) | | 194,905 |
| Exchange realignment of the prepayment | | (2,661) |
| Net inflow of cash and cash equivalents included in cash flows from investing activities | | 105,771 |

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

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

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

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

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

## 36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

### (a) Major non-cash transactions

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

### (b) Changes in liabilities arising from financing activities

| | Interest-bearing bank and other borrowings | Lease liabilities | Convertible redeemable preferred shares |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2019 | 35,050 | 29,513 | 461,482 |
| Changes from financing cash flows | 2,219 | (8,881) | – |
| Interest paid | (1,908) | – | – |
| New leases *(note14(a))* | – | 1,589 | – |
| Change in fair value | – | – | 173,152 |
| Exchange realignment | – | – | 9,548 |
| Interest expense | 2,141 | 1,118 | – |
| At 31 December 2019 | 37,502 | 23,339 | 644,182 |

| | Interest-bearing bank and other borrowings | Lease liabilities | Convertible redeemable preferred shares |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2020 | 37,502 | 23,339 | 644,182 |
| Changes from financing cash flows | 828,682 | (10,286) | – |
| Interest paid | (2,165) | – | – |
| Non-cash transaction** | 194,905 | – | – |
| Acquisition of subsidiaries *(note 35)* | – | 2,086 | – |
| New leases *(note14(a))* | – | 4,036 | – |
| Change in fair value | – | – | 64,631 |
| Exchange realignment | – | 37 | (45,165) |
| Interest expense | 2,165 | 911 | – |
| At 31 December 2020 | 1,061,089 | 20,123 | 663,648 |

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

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

**(c) Total cash outflow for leases**

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

| | Year ended 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within operating activities | 423 | 542 | 1,376 |
| Within financing activities | 8,881 | 10,286 | 14,411 |
| | 9,304 | 10,828 | 15,787 |

## 37. RELATED PARTY TRANSACTIONS

### (a) Name and relationship

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

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

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

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

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

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

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

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

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

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

**(b) Transactions with related parties**

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

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

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

*Notes:*

(i) The sales to related parties were made according to the published prices and conditions offered by the Group to their major customers.

(ii) Transactions with the entity controlled by Mr. Liu Xidong are mainly sales of technical accessories, sales of technical maintenance services and purchases of software for medical imaging and data transmission processing.

(iii) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.

(iv) The Group entered into certain property leasing agreements with Mr. Gao Tieta, and accordingly recognised lease liabilities of RMB792,000, RMB1,167,000 and RMB2,833,000 as at 31 December 2019, 2020 and 2021, respectively.

**(c) Guarantees provided by the related parities**

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

**(d) Balances with related parties**

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

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

*Notes:*

(i) Balances due from and due to the entity controlled by Mr. Liu Xidong are mainly balances resulted from sales of technical accessories, sales of technical maintenance services and purchases of software for medical imaging and data transmission processing.

(ii) Balances due to the entity controlled by Mr. Gao Fan are contract liabilities balances resulted from sales of goods and services.

(iii) The Group had non-trade reimbursements balance to be paid to Mr. Zhang Jianjun, Mr. Zhao Xinli, Mr. Liu Xinwei and Ms. Li Wenqi totally amounting to RMB11,000, RMB4,000, and RMB2,000 as at 31 December 2019, 2020 and 2021, and these non-trade balances will be settled prior to the [**REDACTED**] of the Company.

**(e) Compensation of key management personnel of the Group**

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

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

## 38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

**31 December 2019**

**Financial assets**

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

**Financial liabilities**

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

**31 December 2020**

**Financial assets**

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

**Financial liabilities**

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

**31 December 2021**

**Financial assets**

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

**Financial liabilities**

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

## 39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Carrying amounts of: | | | |
| Non-current portion of interest-bearing bank and other borrowings | – | 194,905 | 635,334 |

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Fair values of: | | | |
| Non-current portion of interest-bearing bank and other borrowings | – | 206,552 | 686,578 |

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

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

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2019, 2020 and 2021 was assessed to be insignificant.

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

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

| 31 December 2019 | Valuation technique | Significant unobservable inputs | Range of inputs | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Convertible redeemable preferred shares | Backsolve method | Volatility | 38.60% | Increase of 1% would result in increase in fair value by RMB1,605,000; decrease of 1% would result in decrease in fair value by RMB1,674,000. |
| Convertible redeemable preferred shares | Backsolve method | Probability for [**REDACTED**] | 25% | Increase of 1% would result in decrease in fair value by RMB2,232,000; decrease of 1% would result in increase in fair value by RMB2,232,000. |

| 31 December 2020 | Valuation technique | Significant unobservable inputs | Range of inputs | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Convertible redeemable preferred shares | Backsolve method | Volatility | 41.20% | Increase of 1% would result in increase in fair value by RMB1,631,000; decrease of 1% would result in decrease in fair value by RMB1,696,000. |
| Convertible redeemable preferred shares | Backsolve method | Probability for [**REDACTED**] | 40% | Increase of 1% would result in decrease in fair value by RMB1,435,000; decrease of 1% would result in increase in fair value by RMB1,435,000. |

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

**Assets measured at fair value**

As at 31 December 2019

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significantun observable inputs (Level 3)** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets at fair value through profit or loss | – | 200,169 | – | 200,169 |

As at 31 December 2020

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

As at 31 December 2021

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

**Liabilities measured at fair value**

As at 31 December 2019

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

As at 31 December 2020

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

As at 31 December 2021

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

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

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

**Interest rate risk**

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

**Foreign currency risk**

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

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

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

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

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

**Credit risk**

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

**Maximum exposure and year-end staging**

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

| 31 December 2019 | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables* | – | – | – | 198,549 | 198,549 |
| Financial assets included in prepayments, other receivables and other assets – Not yet past due | | | | | |
| – Normal** | 13,086 | – | – | – | 13,086 |
| – Doubtful** | – | – | – | – | – |
| Pledged deposits | – | – | – | – | – |
| Cash and bank balances – Not yet past due | 332,762 | – | – | – | 332,762 |
| | 345,848 | – | – | 198,549 | 544,397 |

| 31 December 2020 | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables* | – | – | – | 176,643 | 176,643 |
| Financial assets included in prepayments, other receivables and other assets – Not yet past due | | | | | |
| – Normal** | 11,870 | – | – | – | 11,870 |
| – Doubtful** | – | – | – | – | – |
| Pledged deposits | 6,810 | – | – | – | 6,810 |
| Cash and bank balances – Not yet past due | 307,490 | – | – | – | 307,490 |
| | 326,170 | – | – | 176,643 | 502,813 |

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

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

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

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

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

**Liquidity risk**

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

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

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

| 31 December 2020 | Less than 1 year | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | 104,417 | – | – | 104,417 |
| Other payables | 57,983 | – | – | 57,983 |
| Interest-bearing bank and other borrowings | 885,189 | 242,285 | – | 1,127,474 |
| Convertible redeemable preferred shares *(note a)* | – | 1,135,938 | – | 1,135,938 |
| Lease liabilities | 8,606 | 30,532 | – | 39,138 |
| | 1,056,195 | 1,408,755 | – | 2,464,950 |

| 31 December 2021 | Less than 1 year | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | 68,018 | – | – | 68,018 |
| Other payables | 15,849 | – | – | 15,849 |
| Interest-bearing bank and other borrowings | 156,787 | 728,969 | – | 885,756 |
| Loan at fair value through profit or loss | 9,749 | 205,170 | – | 214,919 |
| Convertible redeemable preferred shares *(note b)* | – | 2,413,802 | – | 2,413,802 |
| Lease liabilities | 14,712 | 25,011 | 9,460 | 49,183 |
| | 265,115 | 3,372,952 | 9,460 | 3,647,527 |

*Notes:*

(a) The liquidity risk of convertible redeemable preferred shares is the original issue price of Preferred Shares plus the respective predetermined interest (the "redemption amount"), assuming that no consummation of [**REDACTED**] of the Company's shares before [**REDACTED**], and the holders of the Preferred Shares request the Company to redeem all of the Preferred Shares.

(b) According to the Memorandum of Association adopted on 1 April 2021, the redemption date regarding consummation of [**REDACTED**] of the Company's shares has been changed to [**REDACTED**].

**Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

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

### (a) Other receivables due from subsidiaries

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Amount due from subsidiaries | 367,571 | 356,735 | 624,230 |

### (b) Cash and cash equivalents

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and bank balances | 5,432 | 4,025 | 91,185 |

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

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *'000* | *'000* | *'000* |
| RMB | – | – | 82 |
| USD | 768 | 524 | 14,289 |
| EUR | 10 | 76 | – |

### (c) Pledged deposit

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Pledged deposits | – | – | 2,356 |

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

### (d) Other payables due to subsidiaries

| | As at 31 December | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Amount due to subsidiaries | – | 22,541 | 51,309 |

## 42. EVENTS AFTER THE RELEVANT PERIODS

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

## 43. SUBSEQUENT FINANCIAL STATEMENTS

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

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

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

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

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

## 1. FINANCIAL INFORMATION OF THE TARGET GROUP

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

**Year ended 31 December 2019**

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

**Year ended 31 December 2020**

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

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

## 2. CORPORATE AND GROUP INFORMATION

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

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

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

**Information about subsidiaries**

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

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

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

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

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

(iv) The companies were liquidated in 2020.

## 3. OPERATING SEGMENT INFORMATION

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

i. the proprietary products segment develops and produces intra optical lens and related supporting consumables independently;

ii. the distribution segment sells world-famous ophthalmic medical equipment like LENTIS, FEMTIS and AcuNex;

iii. the technical services segment provides maintenance services and after-sales services related to ophthalmic medical equipment;

iv. the "others" segment engages in licensing out of certain items of intellectual property.

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

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

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

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

| | Year ended 31 December 2019 | | | | |
|---|---|---|---|---|---|
| | **Proprietary products segment** | **Distribution segment** | **Technical services segment** | **Others** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| External sales | 217,295 | 64,330 | 3,376 | 4,141 | 289,142 |
| Intersegment sales | 26,862 | – | – | – | 26,862 |
| Total | 244,157 | 64,330 | 3,376 | 4,141 | 316,004 |
| Elimination of intersegment sales | | | | | (26,862) |
| Segment revenue | 217,295 | 64,330 | 3,376 | 4,141 | 289,142 |
| Segment cost | 70,070 | 35,375 | 2,225 | – | 107,670 |
| Segment gross profit | 147,225 | 28,955 | 1,151 | 4,141 | 181,472 |

| | Year ended 31 December 2020 | | | | |
|---|---|---|---|---|---|
| | **Proprietary products segment** | **Distribution segment** | **Technical services segment** | **Others** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| External sales | 156,157 | 71,450 | 5,013 | 12,792 | 245,412 |
| Intersegment sales | 32,240 | – | – | – | 32,240 |
| Total | 188,397 | 71,450 | 5,013 | 12,792 | 277,652 |
| Elimination of intersegment sales | | | | | (32,240) |
| Segment revenue | 156,157 | 71,450 | 5,013 | 12,792 | 245,412 |
| Segment cost | 80,911 | 37,669 | 3,309 | – | 121,889 |
| Segment gross profit | 75,246 | 33,781 | 1,704 | 12,792 | 123,523 |

**Geographical information**

***i. Revenue from external customers***

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

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

***ii. Non-current assets***

| | Year ended 31 December | |
|---|---|---|
| | **2019** | **2020** |
| | *RMB'000* | *RMB'000* |
| Netherlands | 62,438 | 62,073 |
| Germany | 4,799 | 3,058 |
| | 67,237 | 65,131 |

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

*iii. Information about major customers*

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | **2020** |
| | *RMB'000* | *RMB'000* |
| Santen Pharmaceutical Co., Ltd. | 37,602 | 28,044 |
| Global Vision Hong Kong Limited | 34,487 | 19,911 |
| | 72,089 | 47,955 |

## 4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

(a) Disaggregated revenue information:

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

(b) Performance obligations

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

**Sale of ophthalmic medical devices**

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

**Sale of ophthalmic medical consumables**

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

**After-sales services**

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

***Other income***

| | Year ended 31 December | |
|---|---|---|
| | **2019** | **2020** |
| | *RMB'000* | *RMB'000* |
| **Other income** | | |
| Bank interest income | 301 | 314 |

## 5. PROFIT BEFORE TAX

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

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

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

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

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2019 | 2020 |
| | *RMB'000* | *RMB'000* |
| Interest on lease liabilities *(note 11)* | 479 | 668 |

## 7. INCOME TAX

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

| | Year ended 31 December | |
|---|---|---|
| | 2019 | 2020 |
| | *RMB'000* | *RMB'000* |
| Current | 23,201 | 25,797 |
| Deferred | (542) | (15,818) |
| Total tax charge for the year | 22,659 | 9,979 |

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

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

## 8. DIVIDENDS

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

## 9. EARNINGS PER SHARE

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

## 10. PROPERTY, PLANT AND EQUIPMENT

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

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

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

## 11. LEASES

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

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

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

**(b) Lease liabilities**

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

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

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

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

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

## 12. INTANGIBLE ASSETS

| | Software | Patent | Internal development | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2019** | | | | |
| Cost at 1 January 2019, net of accumulated amortisation | 4,833 | 30 | 1,753 | 6,616 |
| Additions | 486 | 95 | 632 | 1,213 |
| Amortisation provided during the year | (609) | (30) | – | (639) |
| Exchange realignment | (21) | (1) | (1) | (23) |
| At 31 December 2019 | 4,689 | 94 | 2,384 | 7,167 |

| | Software | Patent | Internal development | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2020** | | | | |
| Cost at 1 January 2020, net of accumulated amortisation | 4,689 | 94 | 2,384 | 7,167 |
| Additions | 490 | – | – | 490 |
| Commissioning | 2,397 | – | (2,397) | – |
| Amortisation provided during the year | (814) | (31) | – | (845) |
| Exchange realignment | 172 | 1 | 13 | 186 |
| At 31 December 2020 | 6,934 | 64 | – | 6,998 |

## 13. INVENTORIES

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

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

## 14. TRADE RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | 2019 | 2020 |
| | *RMB'000* | *RMB'000* |
| Trade receivables | 30,832 | 23,313 |
| Impairment | (195) | (57) |
| | 30,637 | 23,256 |

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

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

| | As at 31 December | |
|---|---|---|
| | **2019** | **2020** |
| | *RMB'000* | *RMB '000* |
| Within 1 year | 30,832 | 23,313 |
| Over 1 year | – | – |
| | 30,832 | 23,313 |

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

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

| | As at 31 December 2019 | | |
|---|---|---|---|
| | **Expected credit loss rate** | **Gross carrying amount** | **Expected credit losses** |
| | | *RMB'000* | *RMB'000* |
| Within 1 year | 0.63% | 30,832 | 195 |
| Over 1 year | – | – | – |
| | | 30,832 | 195 |

| | As at 31 December 2020 | | |
|---|---|---|---|
| | Expected credit loss rate | Gross carrying amount | Expected credit losses |
| | | *RMB'000* | *RMB'000* |
| Within 1 year | 0.24% | 23,313 | 57 |
| Over 1 year | – | – | – |
| | | 23,313 | 57 |

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

## 15. PREPAYMENTS AND OTHER RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | 2019 | 2020 |
| | *RMB'000* | *RMB'000* |
| Prepayments | 289 | 257 |
| Deposits and other receivables | 3,767 | 42,444 |
| Less: Impairment allowance | – | – |
| | 4,056 | 42,701 |

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

## 16. CASH AND CASH EQUIVALENTS

| | As at 31 December | |
|---|---|---|
| | 2019 | 2020 |
| | *RMB'000* | *RMB'000* |
| Cash and bank balances | 104,478 | 105,978 |

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

| | As at 31 December | |
|---|---|---|
| | 2019 | 2020 |
| | *'000* | *'000* |
| EUR | 13,368 | 13,206 |

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

## 17. TRADE PAYABLES

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

| | As at 31 December | |
|---|---|---|
| | 2019 | 2020 |
| | *RMB'000* | *RMB'000* |
| Within 3 months | 2,978 | 6,187 |
| 3 to 6 months | – | – |
| | 2,978 | 6,187 |

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

## 18. OTHER PAYABLES AND ACCRUALS

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

## 19. DEFERRED TAX

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

**Deferred tax liabilities**

| | Leases |
|---|---|
| | *RMB'000* |
| At 1 January 2019 | 1,632 |
| Deferred tax charged to profit or loss during the year | 6,883 |
| Exchange difference | 74 |
| Deferred tax liabilities at 31 December 2019 | 8,589 |

| | Leases |
|---|---|
| | *RMB'000* |
| At 1 January 2020 | 8,589 |
| Deferred tax charged to profit or loss during the year | (1,218) |
| Exchange difference | 205 |
| Deferred tax liabilities at 31 December 2020 | 7,576 |

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

**Deferred tax assets**

| | As at 31 December 2019 | | |
|---|---|---|---|
| | **Leases** | **Others** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2019 | 1,632 | 2,543 | 4,175 |
| Deferred tax credited to profit or loss during the year | 6,768 | 657 | 7,425 |
| Exchange difference | 68 | – | 68 |
| Deferred tax assets at 31 December 2019 | 8,468 | 3,200 | 11,668 |

| | As at 31 December 2020 | | |
|---|---|---|---|
| | **Leases** | **Others** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2020 | 8,468 | 3,200 | 11,668 |
| Deferred tax credited/(charged) to profit or loss during the year | (1,249) | 15,849 | 14,600 |
| Exchange difference | 201 | 423 | 624 |
| Deferred tax assets at 31 December 2020 | 7,420 | 19,472 | 26,892 |

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

| | As at 31 December | |
|---|---|---|
| | **2019** | **2020** |
| | *RMB'000* | *RMB'000* |
| Deferred tax assets | 11,668 | 26,892 |
| Offset amount | (8,589) | (7,576) |
| Net deferred tax assets | 3,079 | 19,316 |

## 20. SHARE CAPITAL

| | Number of shares in issue | Share capital |
|---|---|---|
| | | *RMB'000* |
| At 31 December 2019 and 2020 | 1,000 | 8 |

## 21. DISPOSAL OF A SUBSIDIARY

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

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

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

| | Oculentis B.V. |
|---|---|
| | *RMB'000* |
| Cash consideration | 0.001 |
| Cash and bank balances disposed of | (35,719) |
| Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary | (35,719) |

## 22. PLEDGE OF ASSETS

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

## 23. COMMITMENT

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

## 24. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

### (a) Major non-cash transactions

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

### (b) Changes in liabilities arising from financing activities

| | **Lease liabilities** |
|---|---|
| | *RMB'000* |
| At 1 January 2019 | 7,408 |
| Changes from financing cash flows | (4,952) |
| New leases | 36,192 |
| Interest expense | 479 |
| Foreign exchange movement | (214) |
| At 31 December 2019 | 38,913 |

| | Lease liabilities |
|---|---|
| | *RMB'000* |
| At 1 January 2020 | 38,913 |
| Changes from financing cash flows | (6,215) |
| Interest expense | 668 |
| Foreign exchange movement | 965 |
| At 31 December 2020 | 34,331 |

**(c) Total cash outflow for leases**

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | **2020** |
| | *RMB'000* | *RMB'000* |
| Within financing activities | 4,952 | 6,215 |

## 25. RELATED PARTY TRANSACTIONS

**(a) Name and relationship**

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

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

| | Year ended 31 December | |
|---|---|---|
| | **2019** | **2020** |
| | *RMB'000* | *RMB'000* |
| Purchases of products or services | | |
| Lease premises (i) | 1,854 | 3,772 |
| Management fees | 1,545 | 1,572 |
| | 3,399 | 5,344 |

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

**(c)** Outstanding balances with related parties:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | **2020** |
| | *RMB'000* | *RMB'000* |
| Amounts due to related parties: | | |
| Trade balance | 3,079 | – |
| | 3,079 | – |

*The following information does not form part of the Accountants' Report or the Unaudited Interim Financial Information from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set forth in Appendix I to this Document, and is included herein for information purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the "Accountants' Report" set out in Appendix I to this Document.*

## A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for illustration purpose only, and is set out below to illustrate the effect of the [**REDACTED**] on the consolidated net tangible liabilities of the Group attributable to owners of the Company as of 31 December 2021 as if it had taken place on that date.

1. The unaudited pro forma adjusted consolidated net tangible assets attributed to the owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [**REDACTED**] been completed as of 31 December 2021 or any future date. It is prepared based on the consolidated net tangible liabilities as of 31 December 2021, the text of which is set forth in Appendix I to this Document, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report, the text of which is set out in Appendix I to this Document.

| | **Consolidated net tangible liabilities of the Group attributable to the owners of the Company as of 31 December 2021** | **Estimated net [REDACTED] from the [REDACTED]** | **Automatic conversion of convertible redeemable preferred shares upon [REDACTED]** | **Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as of 31 December 2021** | **Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as of 31 December 2021** | |
|---|---|---|---|---|---|---|
| | *RMB'000 (Note 1)* | *RMB'000 (Note 2)* | *RMB'000 (Note 3)* | *RMB'000* | *RMB (Note 4)* | *HK$ (Note 5)* |
| Based on an [**REDACTED**] of HK$[**REDACTED**] per Share | (1,837,082) | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Based on an [**REDACTED**] of HK$[**REDACTED**] per Share | (1,837,082) | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |

*Notes:*

(1) The consolidated net tangible liabilities of the Group attributable to the owners of the Company as of 31 December 2021 is arrived after deducting intangible assets of RMB297,952,000 and goodwill of RMB882,698,000 from the audited consolidated net liabilities of the Group attributable to the owners of the Company of RMB1,837,082,000 as of 31 December 2021.

(2) The estimated net [**REDACTED**] from the [**REDACTED**] are based on the [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per Share, being the lower end price and higher end price of the stated [**REDACTED**] range, respectively, after deduction of the [**REDACTED**] fees and other related expenses payable by the Company and do not take into account any Shares which may be issued upon exercise of the [**REDACTED**].

(3) Upon the [**REDACTED**] and the completion of the [**REDACTED**], all the Preferred Shares will be automatically converted into ordinary shares. These Preferred Shares will be converted from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company as set out in the above table will be increased by RMB[**REDACTED**] being the carrying amounts of the Preferred Shares as of 31 December 2021.

(4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company and the amounts per Share are arrived at after the adjustments referred to in the preceding paragraphs (note (2) and (3) above) and on the basis that [**REDACTED**] Shares were in issue assuming that the [**REDACTED**] had been completed on 31 December 2021 and the respective [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per Share.

(5) In connection with the preparation of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share are converted into Hong Kong dollars at a rate of HK$1 = RMB0.86004. No representation is made that the RMB amounts have been, could have been or may be converted into Hong Kong dollar, or vice versa at that rate.

(6) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 December 2021.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 1 November 2017 under the Cayman Companies Act. The Company's constitutional documents consist of its Memorandum and Articles of Association.

## 1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●]. A summary of certain provisions of the Articles is set out below.

### 2.1 Shares

*(a) Classes of shares*

The share capital of the Company consists of ordinary shares.

*(b) Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate general meeting, provided that the necessary quorum shall be two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative), or representing by proxy at least one-third of the issued shares of that class. Every

holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(c) Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of a larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

*(d) Transfer of shares*

Subject to the Cayman Companies Act and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien, or if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed in accordance with the terms equivalent to the relevant section of the Hong Kong Companies Ordinance at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

*(e) Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

*(f) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

*(g) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

**2.2 Directors**

*(a) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting or the Articles. Any Director so appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. Every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The Company shall include the particulars of such proposed person for election as a Director in its announcement or supplementary circular, and shall give the shareholders at least seven days to consider the relevant information disclosed in such announcement or supplementary circular prior to the date of the meeting of the election.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the members of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place (including a managing director or other executive director). Any person so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(i) resigns;

(ii) dies;

(iii) is declared to be of unsound mind and the Board resolves that his office be vacated;

(iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) he is prohibited from being or ceases to be a director by operation of law;

(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(viii) is removed from office by no less than three-fourths in number of the Directors pursuant to the Articles.

From time to time the Board may appoint one or more of the Directors to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

*(b) Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, doing so is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(c) Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

*(d) Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(e) Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(f) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(g) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(h) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a

director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution. This prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

**2.3 Proceedings of the Board**

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**2.4 Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under the Cayman Islands laws and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**2.5 Meetings of members**

*(a) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

*(b) Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member, including the right to speak and vote individually on a show of hands or on a poll.

All shareholders of the Company (including a Shareholder which is a Clearing House (or its nominees(s))) shall have the right to (a) speak at a general meeting and (b) vote at a general meeting except where a Shareholder is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

*(c) Annual general meetings*

The Company must hold an annual general meeting in each financial year. Such meeting must be held within six months after the end of the Company's financial year.

*(d) Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95 per cent of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

*(e) Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

*(f) Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A corporation which is a member may execute a form of proxy under the hand of a duly authorised officer. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

*(g) Members' requisition for meetings*

One or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### 2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Act (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The members shall appoint auditor(s) to hold office by an ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members in general meeting by an ordinary resolution of the members or by the Board if authority is so delegated by the members. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

### 2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide. A payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

### 2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is [**REDACTED**] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the terms equivalent to the relevant section of the Hong Kong Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

### 2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 of this Appendix.

### 2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

### 2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

## 3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on 1 November 2017 subject to the Cayman Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### 3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

### 3.2 Share capital

Under the Cayman Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in section 37 of the Cayman Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

### 3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

### 3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### 3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

### 3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

### 3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

### 3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

### 3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

### 3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

### 3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

### 3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

### 3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

### 3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

### 3.15 Register of directors and officers

Pursuant to the Cayman Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

### 3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

### 3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75 per cent in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated, the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

### 3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

### 3.19 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

### 3.20 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from 1 July 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

## 4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in the paragraph headed "Documents Available on Display" in Appendix V. Any person wishing to have a detailed summary of the Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

## A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

### 1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on November 1, 2017. Our registered office address is located at the offices of Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman, KY1-1002, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III.

Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on October 16, 2021 with the Registrar of Companies in Hong Kong. Our Company's registered place of business in Hong Kong is at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Leung Shui Bing has been appointed as the authorized representative of our Company in Hong Kong under Part 16 of the Companies Ordinance for the acceptance of service of process and notices in Hong Kong on behalf of the Company. The address for service of process is 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

As of the date of this Document, our Company's head office was located at Room 1901, Building A, Zhonghui Plaza, No.11 Dongzhimen South Avenue, Dongcheng District, Beijing, China.

### 2. Changes in share capital of our Company

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this Document:

(a) On April 1, 2021, our Company repurchased an aggregate of 13,494,674 Shares in the following manner:

(i) 4,008,319 Shares from GT HoldCo;

(ii) 5,878,868 Shares from GF HoldCo; and

(iii) 3,607,487 Shares from LXD HoldCo.

On the same date, our Company issued an aggregate of 19,101,649 Shares in the following manner:

(i) 955,879 Shares to GMC V;

(ii) 17,062,440 Series B Preferred Shares to Cuprite Gem; and

(iii) 1,083,330 Series B Preferred Shares to OrbiMed.

(b) On August 10, 2021, the 955,879 Shares issued to GMC V were surrendered by GMC V. On the same date, our Company issued 955,879 Shares to GMC Teleon.

(c) On October 25, 2021, our Company issued 1,335,252 Shares to Credit Suisse.

Save as disclosed above, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this Document.

Immediately following completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, the authorized share capital of our Company will be US$50,000 divided into 500,000,000 Shares, of which [**REDACTED**] Shares will be issued fully paid or credited as fully paid, and [**REDACTED**] Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "A. Further Information about Our Company — 5. Resolutions Passed by Our Shareholders on [●], [**REDACTED**]" in this Appendix, the Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meetings, no issue of Shares will be made which would effectively alter the control of our Company.

For details of our Company's authorized and issued share capital, see "Share Capital."

**3. Changes in the share capital of our subsidiaries**

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1 to the Accountant's Report as set out in Appendix I. Save for the subsidiaries in the Accountants' Report set out in Appendix I, our Company has no other subsidiaries.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this document:

***(i) Gaush Clear Ltd. (蘇州高視高清醫療技術有限公司)***

On February 24, 2021, Gaush Clear Ltd. was established under the laws of the PRC with limited liability and registered capital of RMB50,000,000.

***(ii) Gaush Precision Ltd (高視精密醫療器械(蘇州)有限公司)***

On January 17, 2020, the registered capital of Gaush Precision Ltd was increased from RMB1,000,000 to RMB1,360,000.

On October 26, 2020, the registered capital of Gaush Precision Ltd was increased from RMB1,360,000 to RMB6,666,667.

***(iii) Gaush Teleon Ltd (高視泰靚醫療科技有限公司)***

On June 22, 2021, Gaush Teleon Ltd was established under the laws of the PRC with limited liability and registered capital of RMB50,000,000.

***(iv) Gaush Consumables Ltd. (深圳高視耗材科技有限公司)***

On July 29, 2020, the registered capital of Gaush Consumables Ltd. was decreased from RMB5,000,000 to RMB2,500,000.

On September 27, 2020, the registered capital of Gaush Consumables Ltd. was increased from RMB2,500,000 to RMB5,000,000.

***(v) Guangzhou Gaush Technology Ltd. (廣州高視醫療科技有限公司)***

On October 27, 2020, Guangzhou Gaush Technology Ltd. was established under the laws of the PRC with limited liability and registered capital of RMB5,000,000.

***(vi) Gaush CRO Ltd. (海南高視醫學研究有限公司)***

On August 27, 2020, Gaush CRO Ltd. was established under the laws of the PRC with limited liability and registered capital of RMB5,000,000.

***(vii) Shenzhen Clear Ltd. (深圳高視高清醫療技術有限公司)***

On August 9, 2021, Shenzhen Clear Ltd. was established under the laws of the PRC with limited liability and registered capital of RMB5,000,000.

***(viii) Shenzhen Gaush Technology (深圳高視科技有限公司)***

On January 6, 2022, Shenzhen Gaush Technology was established under the laws of the PRC with limited liability and registered capital of RMB30,000,000.

***(ix) Gaush Europe GmbH***

On January 21, 2020, Gaush Europe GmbH was established under the laws of Germany with limited liability and registered capital of EUR25,000.

***(x) Roland Consult Stache & Finger GmbH***

On September 29, 2020, the registered capital of Roland Consult Stache & Finger GmbH was increased from EUR25,600 to EUR25,610.

Save as disclosed, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this document.

## 4. Corporate Reorganization

In order to prepare for the [**REDACTED**], our Group underwent the Corporate Reorganization. For details, see "History, Reorganization and Development — Reorganization."

## 5. Resolutions Passed by Our Shareholders on [●], [**REDACTED**]

Pursuant to the written resolutions passed by our Shareholders on [●], [**REDACTED**], it was resolved, among others:

(a) our Company approved and adopted the Memorandum and Articles of Association with effect upon [**REDACTED**];

(b) conditional on (i) the Listing Committee of the Stock Exchange granting the approval for the [**REDACTED**] of, and permission to deal in, the Shares in issue and Shares to be issued, (ii) the [**REDACTED**] being determined, and (iii) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional and the [**REDACTED**] not being terminated in accordance with their terms or otherwise:

(i) the [**REDACTED**] and the [**REDACTED**] were approved and our Directors were authorized to effect the same and to allot and issue the [**REDACTED**] pursuant to the [**REDACTED**] and the [**REDACTED**];

(ii) the grant of the [**REDACTED**] by our Company to the [**REDACTED**], exercisable by the [**REDACTED**], pursuant to which the [**REDACTED**] (on behalf of the [**REDACTED**]) may require the Company to allot and issue up to an aggregate of additional [**REDACTED**] Shares to cover, among others, the [**REDACTED**] in the [**REDACTED**] was approved; and

(iii) the proposed [**REDACTED**] was approved and our Directors were authorized to implement the [**REDACTED**].

(c) a general unconditional mandate was granted to our Directors to, *inter alia*, allot, issue and deal with Shares, securities convertible into Shares (the "**Convertible Securities**") or options, warrants or similar rights to subscribe for any Shares or such convertible securities (the "**Options and Warrants**") and to make or grant offers, agreements or options which might require such Shares, the Convertible Securities or the Options and Warrants to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares or the underlying Shares relating to the Convertible Securities or the Options and Warrants so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]).

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders. Such mandate will remain in effect until:

(i) the conclusion of our next annual general meeting;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

(d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be [**REDACTED**] (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will remain in effect until:

(i) the conclusion of our next annual general meeting;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest; and

(e) the general unconditional mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the [**REDACTED**], without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]).

## 6. Restrictions on Share Repurchases

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

### *(a) Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

*(i) Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [●], [**REDACTED**], a general mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be [**REDACTED**] and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [**REDACTED**] (excluding any Shares which may be issued under the [**REDACTED**]), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company, and (ii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

*(ii) Source of Funds*

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any purchases by our Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

*(iii) Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue.

A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling

below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

*(iv) Status of repurchased shares*

The listing of all purchased securities (whether on the Stock Exchange or otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase our Directors resolve to hold the shares purchased by our Company as treasury shares, shares purchased by our Company shall be treated as canceled and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman law.

*(v) Suspension of Repurchase*

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

*(vi) Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

*(vii) Core Connected Persons*

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

***(b) Reasons for Repurchases***

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

***(c) Funding of Repurchases***

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of our Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

*(d) General*

The exercise in full of the general mandate, on the basis of [**REDACTED**] Shares in issue immediately following the completion the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) could accordingly result in up to approximately [**REDACTED**] Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the general mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the general mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the general mandate is exercised.

## B. FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Summary of Material Contracts

The following contracts (not being entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(1) [the [**REDACTED**]].

### 2. Intellectual property rights of our Group

As of the Latest Practicable Date, our Company had registered or applied for the following intellectual property rights, which are or may be material in relation to our Company's business.

***Trademarks***

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material to our business:

| No. | Trademark | Registered Owner | Registration Number | Category | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| 1. | Teleon | Global Vision Corporation (北京高視遠望科技有限責任公司) | 41334425 | 10 | China | 2030-10-20 |
| 2. | 炫彩 multicolor | Global Vision Corporation (北京高視遠望科技有限責任公司) | 30674942 | 10 | China | 2029-07-27 |
| 3. | GLOBAL VISION | Global Vision Corporation (北京高視遠望科技有限責任公司) | 26857544 | 10 | China | 2028-12-20 |
| 4. | 高視 GAUSH | Global Vision Corporation (北京高視遠望科技有限責任公司) | 26857542 | 5 | China | 2029-02-06 |
| 5. | 高視 GAUSH | Global Vision Corporation (北京高視遠望科技有限責任公司) | 26857541 | 9 | China | 2028-12-20 |
| 6. | 高視 GAUSH | Global Vision Corporation (北京高視遠望科技有限責任公司) | 26857539 | 10 | China | 2029-02-06 |
| 7. | 高視 GAUSH | Global Vision Corporation (北京高視遠望科技有限責任公司) | 26857538 | 16 | China | 2029-01-03 |
| 8. | 高視 GAUSH | Global Vision Corporation (北京高視遠望科技有限責任公司) | 26857537 | 35 | China | 2028-12-20 |
| 9. | 高視 GAUSH | Global Vision Corporation (北京高視遠望科技有限責任公司) | 26857534 | 37 | China | 2028-12-20 |

| No. | Trademark | Registered Owner | Registration Number | Category | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| 10. | 高視 GAUSH | Global Vision Corporation (北京高視遠望科技有限責任公司) | 26857527 | 44 | China | 2029-01-13 |
| 11. | 高視 GAUSH | Global Vision Corporation (北京高視遠望科技有限責任公司) | 26857526 | 45 | China | 2028-12-20 |
| 12. | GAUSH | Global Vision Corporation (北京高視遠望科技有限責任公司) | 26857540 | 10 | China | 2028-11-20 |
| 13. | 高視在线 | Global Vision Corporation (北京高視遠望科技有限責任公司) | 23743591 | 41 | China | 2028-07-20 |
| 14. | 高視 | Global Vision Corporation (北京高視遠望科技有限責任公司) | 16359801A | 5, 10, 35, 37, 44 | China | 2026-04-20 |
| 15. | 高視 | Global Vision Corporation (北京高視遠望科技有限責任公司) | 16359801 | 9 | China | 2027-08-20 |
| 16. | 高視 遠望 GLOBAL VISION | Global Vision Corporation (北京高視遠望科技有限責任公司) | 12905822 | 10 | China | 2024-12-06 |
| 17. | GAUSH | Global Vision Corporation (北京高視遠望科技有限責任公司) | 48783573 | 42 | China | 2031-04-06 |
| 18. | Teleon | Global Vision Corporation (北京高視遠望科技有限責任公司) | 48783570A | 10 | China | 2031-05-06 |
| 19. | 特靚 | Global Vision Corporation (北京高視遠望科技有限責任公司) | 50360704 | 10 | China | 2031-06-13 |

| No. | Trademark | Registered Owner | Registration Number | Category | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| 20. | 泰蓝 | Global Vision Corporation (北京高視遠望科技有限責任公司) | 50360703A | 10 | China | 2031-07-06 |
| 21. | GAUSH | Global Vision Corporation (北京高視遠望科技有限責任公司) | 17363789 | 10 | European Union | 2028-01-31 |
| 22. | GAUSH | Global Vision Corporation (北京高視遠望科技有限責任公司) | 1417345 | 10 | United States of America | 2029-07-10 |
| 23. | GAUSH | Global Vision Corporation (北京高視遠望科技有限責任公司) | UK0017363789 | 10 | United Kingdom | 2031-11-17 |
| 24. | GAUSH | Global Vision Corporation (北京高視遠望科技有限責任公司) | 1417345 | 10 | Spain | 2028-08-09 |
| 25. | 高視 GAUSH | Global Vision Corporation (北京高視遠望科技有限責任公司) | 304316076 | 10 | Hong Kong | 2025-03-07 |
| 26. | 高视罗兰 | Global Vision Corporation (北京高視遠望科技有限責任公司) | 50461379 | 10 | China | 2031-06-20 |
| 27. | 舒视 | Global Vision Corporation (北京高視遠望科技有限責任公司) | 55714073 | 10 | China | 2032-01-20 |
| 28. | 高视泰靓 | Global Vision Corporation (北京高視遠望科技有限責任公司) | 58620331 | 10 | China | 2032-02-20 |

As of the Latest Practicable Date, we had applied for registration of the following trademarks which we consider to be material to our business:

| No. | Trademark | Applicant | Registration Number | Category | Place of Registration | Date of Application |
|---|---|---|---|---|---|---|
| 1. | 高视在线 | Global Vision Corporation(北京高視遠望科技有限責任公司) | 60995892 | 41 | China | 2021-11-29 |
| 2. | 高视服务 | Global Vision Corporation(北京高視遠望科技有限責任公司) | 60972465 | 37 | China | 2021-11-29 |

***Patents***

As of the Latest Practicable Date, our Group owned the following patents which we consider to be material to our business:

*1. A fundus camera (一種眼底照相機)*

| No. | Name of Patent | Patent Owner | Registration Number | Type | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| (1) | A fundus camera (一種眼底照相機) | Wenzhou Gaush Raymond Photoelectric Technology Co., Ltd. (溫州高視雷蒙光電科技有限公司) | ZL 2014 2 0390434.2 | Utility model | China | 2024-07-14 |

2. *A method and system for determining the center of concentric rings of corneal topography (一種角膜地形圖的同心圓環圓心的確定方法及系統)*

| No. | Name of Patent | Patent Owner | Registration Number | Type | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| (1) | A method and system for determining the center of concentric rings of corneal topography (一種角膜地形圖的同心圓環圓心的確定方法及系統) | Wenzhou Gaush Raymond Photoelectric Technology Co., Ltd. (溫州高視雷蒙光電科技有限公司) | ZL 2018113131983 | Invention | China | 2038-11-05 |

3. *Ophthalmic lens with optical sectors*

| No. | Name of Patent | Patent Owner | Registration Number | Type | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| (1) | Ophthalmic lens with optical sectors | Teleon | EP2219065B1 | Invention | Belgium | 2030-02-17 |
| (2) | Ophthalmic lens with optical sectors | Teleon | EP2219065B1 | Invention | Switzerland | 2030-02-17 |
| (3) | Ophthalmic lens with optical sectors | Teleon | EP2219065B1 | Invention | Czech Republic | 2030-02-17 |
| (4) | Ophthalmic lens with optical sectors | Teleon | EP2219065B1 (DE60 2010 000 661.1) | Invention | Germany | 2030-02-17 |
| (5) | Ophthalmic lens with optical sectors | Teleon | EP2219065B1 | Invention | France | 2030-02-17 |
| (6) | Ophthalmic lens with optical sectors | Teleon | EP2219065B1 | Invention | United Kingdom | 2030-02-17 |

| No. | Name of Patent | Patent Owner | Registration Number | Type | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| (7) | Ophthalmic lens with optical sectors | Teleon | E013213 | Invention | Hungary | 2030-02-17 |
| (8) | Ophthalmic lens with optical sectors | Teleon | IT502012902036293 | Invention | Italy | 2030-02-17 |
| (9) | Ophthalmic lens with optical sectors | Teleon | EP2219065B1 | Invention | Netherlands | 2030-02-17 |
| (10) | Ophthalmic lens with optical sectors | Teleon | EP2219065B1 | Invention | Sweden | 2030-02-17 |
| (11) | Ophthalmic lens with optical sectors | Teleon | EP2418535B1 (DE60 2010 016 567.1) | Invention | Germany | 2030-02-17 |
| (12) | Ophthalmic lens with optical sectors | Teleon | EP2418535B1 | Invention | France | 2030-02-17 |
| (13) | Ophthalmic lens with optical sectors | Teleon | EP2418535B1 | Invention | United Kingdom | 2030-02-17 |
| (14) | Ophthalmic lens with optical sectors | Teleon | EP2418535B1 | Invention | Belgium | 2030-02-17 |
| (15) | Ophthalmic lens with optical sectors | Teleon | EP2790052B1 (DE60 2010 027 660.0) | Invention | Germany | 2030-02-17 |
| (16) | Ophthalmic lens with optical sectors | Teleon | EP2790052B1 | Invention | France | 2030-02-17 |
| (17) | Ophthalmic lens with optical sectors | Teleon | EP2790052B1 | Invention | United Kingdom | 2030-02-17 |
| (18) | Ophthalmic lens with optical sectors | Teleon | E027002 | Invention | Hungary | 2030-02-17 |
| (19) | Ophthalmic lens with optical sectors | Teleon | EP2790052B1 | Invention | Netherlands | 2030-02-17 |

| No. | Name of Patent | Patent Owner | Registration Number | Type | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| (20) | Ophthalmic lens with optical sectors | Teleon | AU2010216510 | Invention | Australia | 2030-02-17 |
| (21) | Ophthalmic lens with optical sectors | Teleon | BRPI1008719B1 | Invention | Brazil | 2030-02-17 |
| (22) | Ophthalmic lens with optical sectors | Teleon | CA2752794C | Invention | Canada | 2030-02-17 |
| (23) | Ophthalmic lens with optical sectors | Teleon | CN102395917B | Invention | China | 2030-02-17 |
| (24) | Ophthalmic lens with optical sectors | Teleon | CN103955075B | Invention | China | 2030-02-17 |
| (25) | Ophthalmic lens with optical sectors | Teleon | IL214710 | Invention | Israel | 2030-02-17 |
| (26) | Ophthalmic lens with optical sectors | Teleon | JP6031081B2 | Invention | Japan | 2030-02-17 |
| (27) | Ophthalmic lens with optical sectors | Teleon | KR101752309B1 | Invention | Republic of Korea | 2030-02-17 |
| (28) | Ophthalmic lens with optical sectors | Teleon | KR101864609B1 | Invention | Republic of Korea | 2030-02-17 |
| (29) | Ophthalmic lens with optical sectors | Teleon | RU2532240C2 | Invention | Russian | 2030-02-17 |
| (30) | Ophthalmic lens with optical sectors | Teleon | US8696746B2 | Invention | USA | 2030-02-17 |
| (31) | Ophthalmic lens with optical sectors | Teleon | US9757228B2 | Invention | USA | 2030-02-17 |
| (32) | Ophthalmic lens with optical sectors | Teleon | ES2379529T3 | Invention | Spain | 2030-02-17 |
| (33) | Ophthalmic lens with optical sectors | Teleon | TR201203616 | Invention | Turkey | 2030-02-17 |

*4. Ophthalmic lens having Enhanced optical blending zone*

| No. | Name of Patent | Patent Owner | Registration Number | Type | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| (1) | Ophthalmic lens having Enhanced optical blending zone | Teleon | HK1191842 | Invention | Hong Kong | 2032-02-27 |
| (2) | Ophthalmic lens having Enhanced optical blending zone | Teleon | IL260498 | Invention | Israel | 2032-02-27 |
| (3) | Ophthalmic lens having Enhanced optical blending zone | Teleon | AU2012223803B2 | Invention | Australia | 2032-02-27 |
| (4) | Ophthalmic lens having Enhanced optical blending zone | Teleon | CA2828362C | Invention | Canada | 2032-02-27 |
| (5) | Ophthalmic lens having Enhanced optical blending zone | Teleon | CN103561683B | Invention | China | 2032-02-27 |
| (6) | Ophthalmic lens having Enhanced optical blending zone | Teleon | EP2680790B1 | Invention | United Kingdom | 2032-02-27 |
| (7) | Ophthalmic lens having Enhanced optical blending zone | Teleon | EP2680790B1 (DE60 2012 006 172.3) | Invention | Germany | 2032-02-27 |
| (8) | Ophthalmic lens having Enhanced optical blending zone | Teleon | DE202012013073U1 | Utility Model | Germany | 2022-02-27 |

| No. | Name of Patent | Patent Owner | Registration Number | Type | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| (9) | Ophthalmic lens having Enhanced optical blending zone | Teleon | KR101903812B1 | Invention | Republic of Korea | 2032-02-27 |
| (10) | Ophthalmic lens having Enhanced optical blending zone | Teleon | US9668854B2 | Invention | USA | 2032-02-27 |
| (11) | Ophthalmic lens having Enhanced optical blending zone | Teleon | BR112013021974B1 | Invention | Brazil | 2032-02-27 |
| (12) | Ophthalmic lens having Enhanced optical blending zone | Teleon | JP6014613B2 | Invention | Japan | 2032-02-27 |
| (13) | Ophthalmic lens having Enhanced optical blending zone | Teleon | MX338793B | Invention | Mexico | 2032-02-27 |

*5. Device for inserting an Intra-ocular lens*

| No. | Name of Patent | Patent Owner | Registration Number | Type | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| (1) | Device for inserting an Intra-ocular lens | Teleon | EP2598083B1 (DE60 2011 054 739.9) | Invention | Germany | 2031-07-20 |
| (2) | Device for inserting an Intra-ocular lens | Teleon | EP2598083B1 | Invention | United Kingdom | 2031-07-20 |
| (3) | Device for inserting an Intra-ocular lens | Teleon | CN103200899B | Invention | China | 2031-07-20 |

*6. Intraocular lens*

| No. | Name of Patent | Patent Owner | Registration Number | Type | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| (1) | Intraocular lens | Teleon | NL2005486C2 | Invention | Netherlands | 2030-10-08 |
| (2) | Intraocular lens | Teleon | EP2442752B1 (DE60 2009 061 803.2) | Invention | Germany | 2029-06-15 |
| (3) | Intraocular lens | Teleon | EP2442752B1 | Invention | France | 2029-06-15 |
| (4) | Intraocular lens | Teleon | EP2442752B1 | Invention | United Kingdom | 2029-06-15 |
| (5) | Intraocular lens | Teleon | EP2442752B1 | Invention | Netherlands | 2029-06-15 |
| (6) | Intraocular lens | Teleon | US9089420B2 | Invention | USA | 2029-06-15 |

*7. Intraocular lens having partly overlapping additional optical active sectors on opposite sides*

| No. | Name of Patent | Patent Owner | Registration Number | Type | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| (1) | Intraocular lens having partly overlapping additional optical active sectors on opposite sides | Teleon | NL2011433C2 | Invention | Netherlands | 2033-09-12 |
| (2) | Intraocular lens having partly overlapping additional optical active sectors on opposite sides | Teleon | CN105792779B | Invention | China | 2034-09-12 |
| (3) | Intraocular lens having partly overlapping additional optical active sectors on opposite sides | Teleon | EP3043743B1 (DE60 2014 068 039.9) | Invention | Germany | 2034-09-12 |

| No. | Name of Patent | Patent Owner | Registration Number | Type | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| (4) | Intraocular lens having partly overlapping additional optical active sectors on opposite sides | Teleon | KR102280014B1 | Invention | Republic of Korea | 2034-09-12 |
| (5) | Intraocular lens having partly overlapping additional optical active sectors on opposite sides | Teleon | US10335267B2 | Invention | USA | 2034-09-12 |
| (6) | Intraocular lens having partly overlapping additional optical active sectors on opposite sides | Teleon | ES2822609T3 | Invention | Spain | 2034-09-12 |
| (7) | Intraocular lens having partly overlapping additional optical active sectors on opposite sides | Teleon | JP6533228B2 | Invention | Japan | 2034-09-12 |

*8. Intraocular Lens structure*

| No. | Name of Patent | Patent Owner | Registration Number | Type | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| (1) | Intraocular lens structure | Teleon | CA2918617C | Invention | Canada | 2034-07-28 |
| (2) | Intraocular lens structure | Teleon | EP3027142B1 | Invention | France | 2034-07-28 |
| (3) | Intraocular lens structure | Teleon | KR102271908B1 | Invention | Korea | 2034-07-28 |

| No. | Name of Patent | Patent Owner | Registration Number | Type | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| (4) | Intraocular lens structure | Teleon | KR102317956B1 | Invention | Korea | 2034-07-28 |
| (5) | Intraocular lens structure | Teleon | AU2014296940B2 | Invention | Australia | 2034-07-28 |
| (6) | Intraocular lens structure | Teleon | EP3027142B1 (DE 60 2014 062 828.1) | Invention | Germany | 2034-07-28 |
| (7) | Intraocular lens structure | Teleon | EP3027142B1 | Invention | United Kingdom | 2034-07-28 |
| (8) | Intraocular lens structure | Teleon | JP6779544B2 | Invention | Japan | 2034-07-28 |
| (9) | Intraocular lens structure | Teleon | JP6628722B2 | Invention | Japan | 2034-07-28 |
| (10) | Intraocular lens structure | Teleon | MX376185B | Invention | Mexico | 2034-07-28 |
| (11) | Intraocular lens structure | Teleon | NL2011235C2 | Invention | Netherlands | 2034-07-28 |
| (12) | Intraocular lens structure | Teleon | EP3027142 | Invention | Netherlands | 2034-07-28 |
| (13) | Intraocular lens structure | Teleon | RU2661003C2 | Invention | Russian | 2034-07-28 |
| (14) | Intraocular lens structure | Teleon | US10702374B2 | Invention | USA | 2034-07-28 |
| (15) | Intraocular lens structure | Teleon | US9999498B2 | Invention | USA | 2034-07-28 |

*9. Intraocular Lens Assembly*

| No. | Name of Patent | Patent Owner | Registration Number | Type | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| (1) | Intraocular lens assembly | Teleon | EP3035889B1 | Invention | France | 2034-07-31 |
| (2) | Intraocular lens assembly | Teleon | KR102317956B1 | Invention | Korea | 2034-07-28 |
| (3) | Intraocular lens assembly | Teleon | KR102287459B1 | Invention | Korea | 2034-07-31 |
| (4) | Intraocular lens assembly | Teleon | CN105744914B | Invention | China | 2034-07-31 |
| (5) | Intraocular lens assembly | Teleon | EP3035889B1 (DE 60 2014 040 749.8) | Invention | Germany | 2034-07-31 |
| (6) | Intraocular lens assembly | Teleon | ES2722404T3 | Invention | Spain | 2034-07-31 |
| (7) | Intraocular lens assembly | Teleon | KR102287459B1 | Invention | Korea | 2034-07-31 |
| (8) | Intraocular lens assembly | Teleon | EP3035889B1 | Invention | United Kingdom | 2034-07-31 |
| (9) | Intraocular lens assembly | Teleon | IT502019000031695 | Invention | Italy | 2034-07-31 |
| (10) | Intraocular lens assembly | Teleon | EP3035889B1 | Invention | Netherlands | 2034-07-31 |
| (11) | Intraocular lens assembly | Teleon | JP6619338B2 | Invention | Japan | 2034-07-31 |
| (12) | Intraocular lens assembly | Teleon | NL2011235C2 | Invention | Netherlands | 2033-07-29 |
| (13) | Intraocular lens assembly | Teleon | US9937034B2 | Invention | USA | 2034-07-31 |

| No. | Name of Patent | Patent Owner | Registration Number | Type | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| (14) | Intraocular lens assembly | Teleon | DE202013104313U1 | Utility Model | Germany | 2023-09-20 |
| (15) | Intraocular lens assembly | Teleon | DE202013009162U1 | Utility Model | Germany | 2023-10-17 |

*10. Intraocular lens with a toric optic*

| No. | Name of Patent | Patent Owner | Registration Number | Type | Place of Registration | Expiry Date |
|---|---|---|---|---|---|---|
| (1) | Intraocular lens with a toric optic | Teleon | EP2111822B1 (DE60 2009 025 759.5) | Invention | Germany | 2029-04-21 |
| (2) | Intraocular lens with a toric optic | Teleon | EP2111822B1 | Invention | Netherlands | 2029-04-21 |
| (3) | Intraocular lens with a toric optic | Teleon | ES2503729T3 | Invention | Spain | 2029-04-21 |

***Copyrights***

As of the Latest Practicable Date, our Group had registered the following copyrights which we consider to be or may be material to our business:

| No. | Copyright | Owner | Registration Number | Place of Registration | Registration Date |
|---|---|---|---|---|---|
| 1. | SMART-無接觸全激光 | Mingwang Medical Ltd | 國作登字 -2017-F-00397871 | PRC | 2017-08-08 |

***Domain name***

As of the Latest Practicable Date, our Group had registered the following domain names which we consider to be or may be material to our business:

| No. | Domain name | Owner | Place of registration | Expiry date |
|---|---|---|---|---|
| 1. | gaush.com | Global Vision | PRC | 2030-07-26 |
| 2. | gvchina.com | Global Vision | PRC | 2023-06-30 |
| 3. | gaush.cn | Global Vision | PRC | 2025-12-18 |
| 4. | gvchina.cn | Global Vision | PRC | 2027-06-26 |
| 5. | gaushmedical.com | Global Vision | PRC | 2026-06-08 |
| 6 | gaushmeditech.com | Global Vision | PRC | 2027-01-31 |
| 7. | rmdtech.com.cn | Gaush Raymond | PRC | 2022-04-04 |
| 8. | roland-consult.com | Roland Consult Stasche & Finger GmbH | STRATO (Registrar) | – |
| 9. | roland-consult.de | Roland Consult Stasche & Finger GmbH | STRATO (Registrar) | – |
| 10. | roland-instruments.com | Roland Consult Stasche & Finger GmbH | STRATO (Registrar) | – |
| 11. | rcapi.de | Roland Consult Stasche & Finger GmbH | STRATO (Registrar) | – |
| 12. | roland-consult-support.de | Roland Consult Stasche & Finger GmbH | STRATO (Registrar) | – |
| 13. | roland-consult-support.com | Roland Consult Stasche & Finger GmbH | STRATO (Registrar) | – |
| 14. | teleon-surgical.com | Teleon | Neatherlands | – |

Save as disclosed, as of the Latest Practicable Date, there were no other trademarks, patents or other intellectual property rights which we consider to be material in relation to our business.

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Particulars of Directors' service contracts and appointment letters

*(a) Executive Directors and non-executive Directors*

Each of our executive Directors and non-executive Directors [has entered into] a service contract with our Company. Each service contract is for an initial term of three years commencing from the [**REDACTED**]. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

*(b) Independent non-executive Directors*

Each of the independent non-executive Directors [has entered into] an appointment letter with our Company. Each letter of appointment is for an initial term of three years commencing from the [**REDACTED**]. The letters of appointment may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

### 2. Remuneration of Directors

(a) Remuneration of approximately RMB4.7 million, RMB4.6 million and RMB4.5 million, respectively, were paid and granted by our Group to our Directors in respect of the years ended December 31, 2019, 2020 and 2021.

(b) Under the arrangements currently in force, our Directors will be entitled to receive remuneration which, for the year ending December 31, 2022, is expected to be RMB4.8 million.

(c) None of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

For details of the Directors' remuneration, see "Directors and Senior Management — Remuneration of Directors and Senior Management."

## 3. Disclosure of interests

### *(a) Disclosure of interest of directors and chief executive*

Immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the interests and/or short positions (as applicable) of our Directors and chief executives in the shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

| Name | Nature of interest | Number of Shares immediately after the [**REDACTED**] | Approximate percentage of interest in our Company immediately after the [**REDACTED**] |
|---|---|---|---|
| Gao Tieta[(1)] | Interest in a controlled corporation | [**REDACTED**] | [**REDACTED**]% |
| Zhang Jianjun[(2)(4)] | Interest in controlled corporations | [**REDACTED**] | [**REDACTED**]% |
| Zhao Xinli[(3)] | Interest in a controlled corporation | [**REDACTED**] | [**REDACTED**]% |
| Liu Xinwei[(4)] | Interest in a controlled corporation | [**REDACTED**] | [**REDACTED**]% |

*Notes:*

(1) Gao Tieta wholly owns GT HoldCo, and therefore he is deemed to be interested in the Shares directly held by GT HoldCo.

(2) Zhang Jianjun holds 74.42% equity interest in GMC IV, and therefore he is deemed to be interested in the Shares directly held by GMC IV.

(3) Zhao Xinli holds 33.33% equity interest in GMC V, and therefore he is deemed to be interested in the Shares directly held by GMC V.

(4) GMC Teleon is held by Hima Holding Ltd and Huyang Group Ltd as to 62.22% and 33.33%, respectively. Hima Holding Ltd is wholly owned by Liu Xinwei and Huyang Group Ltd is wholly owned by Zhang Jianjun. Therefore, both Liu Xinwei and Zhang Jianjun are deemed to be interested in the Shares directly held by GMC Teleon.

*(b) Disclosure of interest of substantial shareholders*

*(i) Interests in the Company*

For details on persons who will have an interest or a short position in our Shares or underlying shares of our Company immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company, see "Substantial Shareholders."

*(ii) Interests in members of the Group*

| Our Subsidiaries | Name of persons with 10% or more equity interest | Number of shares/ Attributable registered capital | Approximate percentage of shareholding |
|---|---|---|---|
| Roland Consult Stache & Finger GmbH | Oskar Jakob Stasche | 2,561 | 10% |
| Roland Consult Stache & Finger GmbH | Simon Finger | 2,561 | 10% |
| Gaush Consumables | YUAN Shengyuan | RMB2,000,000 | 40% |
| Gaush Medica | JIN Nihai | RMB2,916,667 | 28% |
| Gaush Medica | JIN Chengpeng | RMB2,083,333 | 20% |
| Gaush Diopsys | Diopsys International LLC | RMB4,000,000 | 40% |
| Gaush Clear Suzhou | Tianjin Taihang Corporate Management Consultancy L.P. | RMB10,000,000 | 20% |

Save as disclosed, as of the Latest Practicable Date, our Directors were not aware of any persons (other than our Company and Directors and chief executives of our Company) who would, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

## 4. Disclaimers

Save as disclosed in this document:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

(b) none of our Directors or the experts named in the paragraph headed "F. Other Information — 5. Consents and Qualification of Experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) save in connection with the [**REDACTED**], no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of our Company within the two years ended on the date of this document;

(d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group as a whole;

(e) so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company) will, immediately following completion of the [**REDACTED**], have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of our Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(f) save as disclosed in "Directors and Senior Management," none of our Directors or chief executive of our Company has any interests or short positions in the Shares, underlying Shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange once the Shares are [**REDACTED**] thereon;

(g) save in connection with the [**REDACTED**], none of the experts listed in the paragraph headed "G. Other Information — 6. Consents of Experts" in this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(h) so far as is known to our Directors, none of our Directors or their respective close associates or Shareholders (who to the knowledge of our Directors owns more than 5% of the number of our issued shares) has any interest in our five largest suppliers or our five largest customers.

## D. OTHER INFORMATION

### 1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

### 2. Litigation

Save as disclosed in this document, as of the Latest Practicable Date, our Group was not involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

### 3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the [**REDACTED**] of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the [**REDACTED**] (including any Shares which may fall to be issued pursuant to the exercise of the [**REDACTED**]).

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US$1,000,000 for acting as the sponsors for the [**REDACTED**].

### 4. Compliance Adviser

Our Company have appointed Haitong International Capital Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules.

## 5. Consents and Qualification of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

The qualifications of the experts are as follows:

| Name | Qualification |
|---|---|
| Morgan Stanley Asia Limited | Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activities under the SFO |
| Haitong International Capital Limited | Licensed corporation under the SFO permitted to conduct Type 6 (advising on corporate finance) regulated activities as defined under the SFO |
| Ernst & Young | Certified Public Accountants and Registered Public Interest Entity Auditor |
| Commerce & Finance Law Offices | PRC legal adviser to our Company |
| Harney Westwood & Riegels | Cayman Islands attorneys-at-law |
| Frost & Sullivan (Beijing), Inc., Shanghai Branch Co. | Independent industry consultant |
| Protiviti Shanghai Co., Ltd. | Internal control consultant |

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

## 6. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

## 7. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

## 8. Preliminary Expenses

As of Latest Practicable Date, our Company has not incurred any material preliminary expenses.

## 9. No Material Adverse Change

The Directors confirm that there has been no material adverse change in our financial or trading position since December 31, 2021 (being the date to which our latest audited consolidated financial statements were made up).

## 10. Other Disclaimers

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) Save as disclosed in this document:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(ii) no share or loan capital or debenture of our Company of any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(c) Save as disclosed in the paragraph headed "B. Further Information About Our Business — 1. Summary of Material Contracts" in this section, none of our Directors or proposed Directors or experts (as named in this document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) We do not have any promoters. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] and the related transactions described in this document within the two years immediately preceding the date of this document.

(e) There is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong.

## DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the [**REDACTED**];

(b) the written consents referred to "Statutory and General Information — F. Other Information — 5. Consents and Qualification of Experts" in Appendix IV to this Document; and

(c) a copy of each of the material contracts referred to "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix IV to this Document.

## DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.gaush.com** during a period of 14 days from the date of this Document:

(a) the Memorandum of Association and the Articles of our Company;

(b) the Accountants' Report and the report of our Group prepared by Ernst & Young, the texts of which are set out in Appendix I to this Document;

(c) the report on the unaudited pro forma financial information of our Group issued by Ernst & Young, the texts of which are set out in Appendix II to this Document;

(d) the audited consolidated financial statements of our Group for the three years ended December 31, 2019, 2020 and 2021;

(e) the PRC legal opinion issued by Commerce & Finance Law Offices, our PRC Legal Adviser of our Group;

(f) the letter of advice from Harneys Westwood & Riegels, our legal adviser as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Company Act referred to in Appendix III to this Document;

(g) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., from which information in "Industry Overview" is extracted;

(h) the material contracts referred to in the section entitled "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix IV to this Document;

(i) the written consents referred to in the section entitled "Statutory and General Information — F. Other Information — 5. Consents and Qualification of Experts" in Appendix IV to this Document;

(j) the service contracts or letters of appointment referred to "C. Further Information about Our Directors and Substantial Shareholders — 1. Particulars of Directors' Service Contracts and Appointment Letters" in Appendix IV to this Document; and

(k) the Cayman Companies Act.