高視 GAUSH

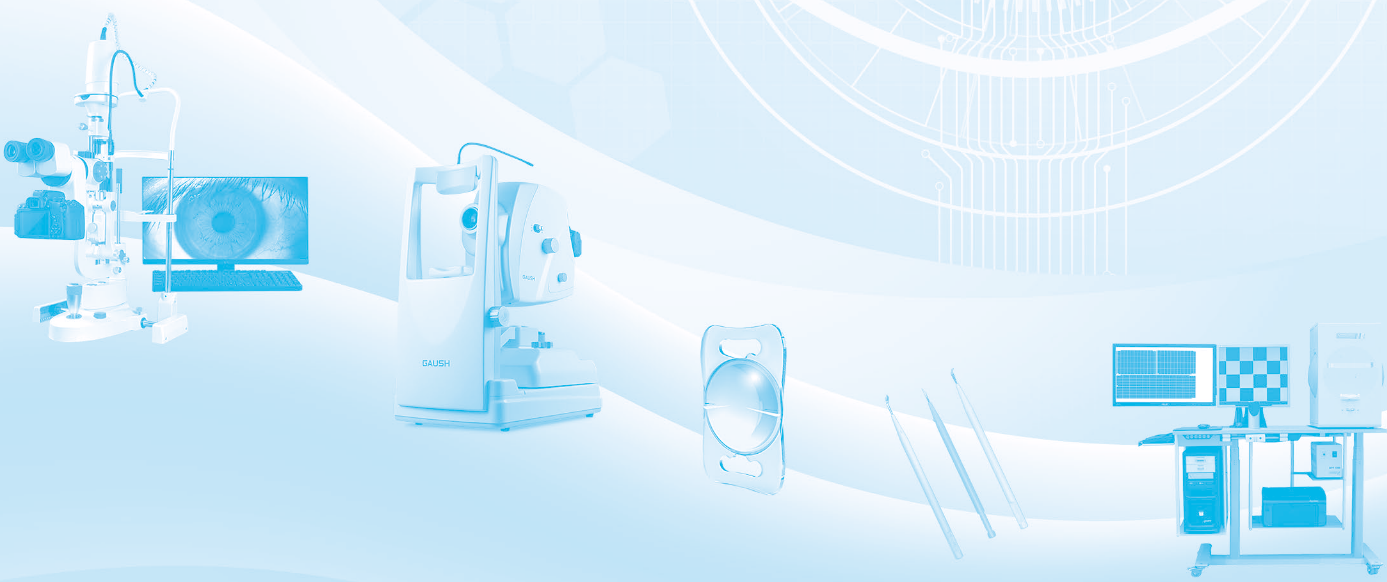
高视医疗科技有限公司
Gaush Meditech Ltd

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2407

ANNUAL REPORT
2022

Contents



Company Profile

Gaush Meditech Ltd is an exempted company incorporated under the laws of the Cayman Islands with limited liability on November 1, 2017, and was listed on the Main Board of the Stock Exchange on December 12, 2022.

Gaush Meditech is the largest domestic player and the fourth largest player in China's ophthalmic medical device market, which is dominated by overseas competitors and highly competitive. With over 20 years of track record, the Group distributes a broad spectrum of ophthalmic medical equipment and consumables, and also provide its end customers with related technical services. The Group distributes a broad product portfolio covering all seven ophthalmology sub-specialties where ophthalmic medical devices are utilized for their diagnosis, treatment or surgeries, being vitreoretinal diseases, cataracts, refractive surgery, glaucoma, ocular surface diseases, optometry and pediatric ophthalmology. The Group's product portfolio comprised Distribution Products of its brand partners which the Group distributes and Proprietary Products which the Group develops and manufactures.

DIRECTORS

Executive Directors

Mr. Gao Tieta *(Chairman and Chief Executive Officer)*
Mr. Liu Xinwei *(Co-Chief Executive Officer)*
Mr. Zhao Xinli
Mr. Zhang Jianjun

Non-executive Directors

Dr. David Guowei Wang
Mr. Shi Long

Independent Non-executive Directors

Mr. Feng Xin
Mr. Wang Li-Shin
Mr. Chan Fan Shing

JOINT COMPANY SECRETARIES

Ms. Li Wenqi
Ms. Leung Shui Bing *(ACG, HKACG)*

AUTHORIZED REPRESENTATIVES

Mr. Gao Tieta
Mr. Liu Xinwei

AUDIT COMMITTEE

Mr. Chan Fan Shing *(Chairman)*
Dr. David Guowei Wang
Mr. Feng Xin

REMUNERATION COMMITTEE

Mr. Feng Xin *(Chairman)*
Mr. Gao Tieta
Mr. Wang Li-Shin

NOMINATION COMMITTEE

Mr. Wang Li-Shin *(Chairman)*
Mr. Gao Tieta
Mr. Feng Xin

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
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STOCK CODE

2407

COMPANY'S WEBSITE

www.gaush.com

Financial Highlights

For the year ended December 31, 2022, the Group recorded the following financial results:

- Revenue of the Group was RMB1,253.8 million, representing a decrease of 3.4% compared to the revenue of RMB1,298.2 million for the year ended December 31, 2021.

- Loss of the Group was RMB352.7 million, representing an increase of 84.1% compared to the loss of RMB191.6 million for the year ended December 31, 2021.

- Adjusted net profit (non-IFRS measure)(1) of the Group was RMB157.3 million, representing a decrease of 8.2% compared to the adjusted net profit (non-IFRS measure) of RMB171.3 million for the year ended December 31, 2021.

- The Group's basic loss per share was RMB3.61, representing an increase of 81.4% compared to the basic loss per share of RMB1.99 for the year ended December 31, 2021.

Note:

(1) Adjusted net profit (non-IFRS measure) is defined by the Group as net loss (i) adding back fair value losses on Preferred Shares and listing expenses, and (ii) adding back/deducting foreign exchange losses/gains on Preferred Shares.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of Gaush Meditech Ltd, I am pleased to present to the Shareholders the annual report of the Group for the year ended December 31, 2022. Last year was a significant year for the Company. In the backdrop of the great shock in the global capital market, the Company has overcome many difficulties and completed its Listing on the Main Board of the Stock Exchange. The Group is deeply grateful to the investors and customers for their trust in the Company. The successful Listing means that the Company has entered into a new phase, and the Company going public also means that it has shouldered a greater social mission. The Board hopes to leverage the resources of the listed company as a platform to continuously build up Gaush's brand and make greater contributions to China's ophthalmology industry.

Last year was also an exceptional year filled with challenges. Domestically, the COVID-19 pandemic was raging at the end of that year, while it is a common practice for the downstream customers to fully utilize their annual budget in the fourth quarter, which should be the peak revenue generation period for medical device companies. As the sales were stagnant at the end of that year, the revenue of the Group in the fourth quarter failed to match the previous year's performance. Internationally, the aggressive interest rate hike policy of the Federal Reserve of the United States throughout the year has continued to affect the exchange rate, which in turn affected the fair value losses of the Company's Preferred Shares and the consolidated income from overseas operation, both denominated in foreign currencies. In general, the impact of the macro environment on the Company's operation exceeded the Group's expectations at a certain stage. The Board confronted to these challenges, but the Board is confident and seeing a trend of recovery.

Last year also means breakthroughs and progress. On the one hand, the Group has significantly increased investment in R&D and orderly promoted the progress of key products under research. At present, (i) as to the innovative OK-Lens, the Group has successfully obtained the biological safety evaluation and the approval from the ethics committees, and currently in the process to start the clinical trials; (ii) Rigid Gas Permeable lenses (RGP) have passed the product testing and will enter into the process to obtain registration certificates soon; (iii) as to ATOS femtosecond laser, the Group has obtained the clinical trial report of flap-making function and SmartSight (i.e. SMILE) function; (iv) three types of disposable sterile scalpels for cataract surgery and one type of disposable meibomian glands dry eye treatment device were successfully certified, which will contribute to the Group's revenue generated from sales of consumables; and (v) as to hydrophobic enhanced monofocal intraocular lens, the Group has obtained CE registration certificate and has commenced sales. On the other hand, the Group has continued to advance in multiple steps to complete the localization of ophthalmic devices. The two R&D and production bases of the Group in Shenzhen had completed construction in the middle of last year and had successfully commenced operation, focusing on domestic intraocular lens and electrophysiological equipment, respectively, both of which have been completed sample production and in the process of registration testing. Recently, new projects of the localization of diagnostic devices for dry eye and vitrectomy surgical device have been successively launched in Wuxi and Shenzhen bases of the Group.

Last year was a year of attempts and innovations as well. The Group has strengthened the access and binding of resources in all aspects in the ophthalmic device industry chain. For the upstream business, the Group has signed with two new brand partners, being the largest ophthalmic medical device group in Switzerland and the largest glaucoma treatment consumables group in the world, respectively, which will further enrich the completeness of the Group's one-stop solution and its business risk resistance capacity. For the downstream business, taking into consideration of the restrictions on offline marketing and academic activities caused by the pandemic, the Group has innovatively increased the promotion and usage of its self-developed academic platform "Gaush Online". During last year, the number of users of the platform increased significantly, which improved the market awareness of the Company's brand and the customer recognition of the Group's products. At the same time, the Group has also tried to optimize the management model within it. Through connecting with professional management consulting companies and learning from market experience, the Group has achieved preliminary results in flat and youthful management structure and refined management objectives.

2022 has become a historic year but worth to think back. Looking forward to 2023, the Group will (i) continue to focus on ophthalmic medical devices and be an international and one-stop ophthalmic device industry leader; (ii) accelerate the successful transformation of Proprietary Products and the marketing and promotion of high-end imported products to consolidate the two-wheel driven business system; (iii) continue to increase investment in independent R&D, maintain its strength in full coverage of ophthalmic products, focus on large indications and continue to develop consumables; (iv) focus on Asia and Europe to orderly expand the new market coverage; and (v) improve management efficiency and continue to optimize team operation efficiency.

In the coming year, the Group will continue to take "Technology Creates Bright Vision" as its mission, together with the Shareholders and investors who are interested in the Company and believe in the Company, to move forward and create the future. Thank you!

Yours faithfully,
Gaush Meditech Ltd
Mr. Gao Tieta
Chairman and Executive Director

March 31, 2023

BUSINESS REVIEW

The Group is committed to offering high-quality ophthalmic medical devices and technical services to its customers strictly in accordance with the core value of "Customer First — Value Creation for Customers". As of the date of this annual report, the Group has already formed a regional R&D, production, marketing and technical services network in China centered in Wuxi, Beijing, Shanghai, Tianjin, Suzhou, Wenzhou, Shenzhen, Guangzhou and Hong Kong and has two manufacturing, R&D, marketing and technical services centers in the Netherlands and Germany. The Group has become the largest domestic ophthalmic medical device technology group in the PRC with a track record of over 20 years. The Group is principally engaged in the R&D, production and distribution of a broad spectrum of ophthalmic medical equipment and consumables, and the provision of ancillary technical services to end customers. As of December 31, 2022, the Group: (i) co-operated with 20 overseas brand partners, of which 16 had entered into exclusive distribution arrangements with the Group in respect of their products, including Heidelberg, Schwind, Optos, etc.; (ii) had a total product portfolio of 129 products; (iii) had over 4,000 end customers (including over 1,200 Class III hospitals and 1,500 Class II hospitals in all provincial administrative regions in China); (iv) had its products sold to 51 countries and regions all over the world; and (v) generated revenue from sales of Proprietary Products and technical services of RMB308.3 million and RMB190.1 million during the Reporting Period, respectively.

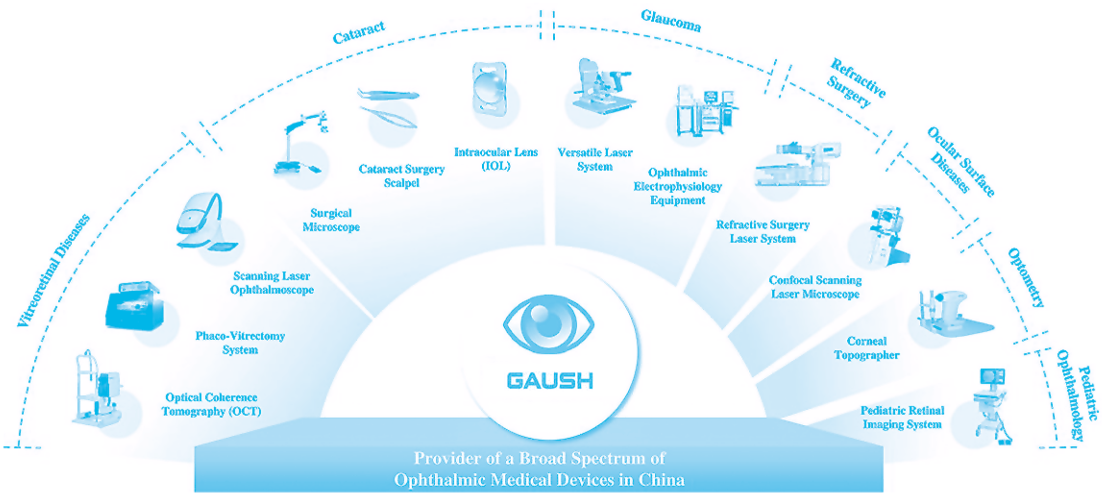
For the year ended December 31, 2022, the revenue of the Group was RMB1,253.8 million, representing a decrease of 3.4% as compared with the previous year. For the year ended December 31, 2022, the gross profit of the Group increased to RMB625.3 million, representing an increase of 2.6% as compared with the previous year.

The following table sets forth the breakdown of the Group's revenue by product and service types for the years indicated.

	For the year ended December 31,	
	2022	2021
	(RMB'000)	(RMB'000)
Sales of ophthalmic medical equipment	**641,305**	718,718
Sales of ophthalmic medical consumables	**411,814**	408,368
Technical services	**190,084**	161,605
Others	**10,582**	9,527
Total	**1,253,785**	1,298,218

PRODUCTS OF THE GROUP

The Group's product portfolio covers seven major ophthalmology sub-specialties where ophthalmic medical devices are utilized for their diagnosis, treatment or surgeries, being the vitreoretinal diseases, cataracts, refractive surgery, glaucoma, ocular surface diseases, optometry and pediatric ophthalmology, which enables the Group to provide the customers with integrated product and service offering. The Group's product portfolio is broad, covering multiple dimensions and including a variety of ophthalmology diseases, such as cataracts, refractive errors, glaucoma, vitreoretinal diseases and dry eye. In addition, the Group's products include diagnostic equipment, treatment and surgical instrument to high-value disposables and general consumables. The table below sets forth the product spectrum of the Group.



The Group's product portfolio includes the Proprietary Products, being products of the Group develops and manufactures, and the Distribution Products, being the products of its brand partners. As regard to the Proprietary Products, the Group has also gradually expanded its portfolio of the Proprietary Products through its own R&D efforts and investment, including the four R&D centers in China and the R&D centers in the Netherlands and Germany of Europe. For the year ended December 31, 2022, the revenue contribution of the Proprietary Products accounted for 29.3% of the Group's revenue from sales of products, up from 28.0% in the previous year. In terms of sales in China, the Group primarily serves as a distributor of the Distribution Products. For the year ended December 31, 2022, the revenue contribution of the Distribution Products accounted for 70.7% of the Group's revenue from sales of products.

The Group also provides ophthalmic-related education and training services to professional ophthalmology practitioners through Gaush online platform. Gaush online platform, the first professional ophthalmology online education platform in the PRC, currently has more than 50,000 registered users and has recorded more than 500,000 views of its online training courses.

THE GROUP'S R&D LINE-UP

As China's policies continue to favor domestically produced medical devices, the Group has made significant investments in the R&D of intraocular lens and OK-Lens, ophthalmic surgery consumables, electrophysiological equipment and consumables, optometry equipment and dry eye diagnostic equipment. In particular, with over 20 years of experience in developing intraocular lens, Teleon has a world-leading intraocular lens R&D resources and platform and core intellectual properties. As of the date of this annual report, the Group achieved important breakthrough in lens moulding technique. More importantly, the Group is striving to develop its intraocular lens R&D and production capabilities in China by establishing a R&D and manufacturing facility in Shenzhen. As to electrophysiological equipment, Roland is a leading player in R&D of electrophysiological equipment. Through cooperation between Roland and the Group's R&D and production base in Shenzhen, the Group will form a comprehensive line-up for electrophysiological equipment. As to OK-Lens products, relying on Suzhou Gaush Clear, the Group has completed the R&D layout of a new generation of OK-Lens products. The relevant OK-Lens products have been developed and are currently in the process to obtain registration certificates. As to ophthalmologic surgical consumables and device products, relying on Suzhou Gaush Precision and the Group's science research center in Shenzhen, the Group has also laid a solid foundation for cataract, vitreoretinal diseases and other related surgical equipment and supporting consumables and devices. In particular, Shenzhen Gaush Technology has entered into an agreement with Geuder in relation to the domestic production of vitrectomy surgical device consumables. As to optometry diagnostic devices, relying on Gaush Raymond, the Group has completed a relatively good product layout, among which retinometer and contrast sensitivity instruments are in the leading position in China. As to dry eye products, through Wuxi Gaush Innovation, the Group has entered into an agreement with SBM in Italy, the world's leading R&D and production enterprise of dry eye equipment, regarding the domestic production of related products.

The Group researches and develops, produces and assembles the Group's products at its domestic manufacturing facilities in Zhejiang, Jiangsu and Guangdong, and its overseas manufacturing facilities in the Netherlands and Germany. The Group's manufacturing facilities have a total gross floor area of over 10,000 square meters. The Group's manufacturing facilities primarily consist of production lines, cleanrooms, sterilization plants and warehouses. The construction of the Group's science research center in Shenzhen only took six months and had passed the third party clean room environment inspection. The Group has also completed the site selection and leasing arrangements of science research center in Wuxi, and expect the construction will be commenced by July 2023 and completed by November 2023. The manufacturing facilities in Wuxi will be used for the domestic production of two diagnostic for dry eye, pursuant to the licensing agreements with SBM in Italy.

R&D efforts are critical to the Group's continued business growth. The Group actively develops new Proprietary Products and strives to cover all major ophthalmic product lines. As of December 31, 2022, the Group had 38 R&D personnel. The Group's experienced R&D team had accumulated extensive expertise in optics, material sciences and process improvement, which enabled the Group to further the development of its pipeline products and improvement of existing products. For example, the Group's R&D personnel had more than ten years of industry experience on average. The Group also engaged the founder of Teleon, Bernardus Franciscus Maria Wanders, as the Group's R&D consultant. Bernardus Franciscus Maria Wanders was the inventor of more than ten patents as to intraocular lens. The Group has also engaged prominent KOLs and researchers to serve as the Group's strategic consultants, which included Professor SUN Xinghuai, being the alternate chairman of the Chinese Ophthalmological Society (中華醫學會眼科學分會) 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). The Group believes the strategic consultants provided the Group invaluable industry insights and supported its continuous growth.

In addition, the Group strategically focuses on R&D of intraocular lens products for treatment of refractive error and cataract, orthokeratology lens and ophthalmic surgical instruments. For example, the Group had obtained the Class II medical device registration with respect to three of its ophthalmology scalpel products for paracentesis, secondary incision and tunneling on July 22, 2022, for which the manufacturing license was also obtained on August 11, 2022.

TECHNICAL SERVICES BUSINESS

Ophthalmic medical devices are highly complex, demanding extensive technical support and after-sale maintenance. The Group believes that its high-quality professional technical services capability has great commercial value and profit generating potential. As such, the Group also differentiates itself from its competitors through enhanced technical service capability. The Group provides its end customers with technical services primarily in China, which include installment services for the ophthalmic medical equipment it sold, and also the after-sale warranty and maintenance of such products.

The Group has strong technical service capabilities. First of all, as of December 31, 2022, the Group has a technical service team comprising 120 technicians, all of whom hold technical certifications. Secondly, the Group provides technical services on a 7*24 hour basis and have 8 technical service centers across China (including Hong Kong). The Group's industry-leading technical service network covers all provincial administrative regions in China, and enables it to provide services to the customers in a timely manner. The network service also presents a great opportunity for the Group to interact with its customers, build brand loyalty and gain first-hand insights into market demand and unmet market needs. For the year ended December 31, 2022, the revenue contribution of the Group's technical services accounted for 15.2% of its total revenue, representing an increase of 2.8% compared with the previous year.

EXCELLENT DISTRIBUTION CAPABILITY

Leveraging the Group's nationwide multi-channel sales network and an established ophthalmology KOL network, as well as the professional sales team, the Group brings values for the customers by helping them evaluate their clinical needs, and assessing their application environment and technical capabilities, thereby offers products that best suits their needs and circumstances. The Group has co-operated with 20 overseas brand partners, of which 16 had entered into exclusive distribution arrangements with the Group to distribute their products, including Heidelberg, Schwind, Optos, etc. The Group has over 4,000 end users in China, including over 1,200 Class III hospitals and 1,500 Class II hospitals, who have purchased its products and after-sales businesses.

In term of overseas business expansion, the Group had transacted with 77 overseas distributors, Teleon's products had been sold to 51 countries and regions, and Roland's products had been sold to 31 countries and regions.

BUSINESS UPDATE

Myopia Prevention and Control — Advancement in OK-Lens Project

The size of the OK-Lens market in China exceeded RMB1.9 billion in 2021. Considering the high demand of myopia prevention and control, the penetration rate of OK-Lens application is expected to grow rapidly in the coming years. On August 26, 2022, the Group obtained clearance on the biological safety evaluation with respect to its OK-Lens product. On November 18, 2022, the Group had obtained approval from the ethics committees of the relevant clinical trial institutions. The Group enrolled patients in April 2023 and expect to complete the patient enrollment by the fourth quarter of 2023. OK-Lens product is expected to apply for registration certificate in 2025 and obtain the registration certificate approval from NMPA by the end of 2025 or early 2026.

Myopia Treatment — Successful Registration of Schwind Atos Femtosecond Laser Corneal Refractive Surgery System

Over one million for Small Incision Lenticule Extraction (SMILE) surgeries have been performed in 2021. Faced with the huge market prospects, the Group also engaged a CRO and a key laboratory for real-world study to further the real-world research of Schwind Atos femtosecond laser corneal refractive surgery system. As of the date of this annual report, the Group has obtained the clinical trial report of flap-making function and SmartSight (i.e. SMILE) function.

Integrated Diagnosis — Exclusive Distribution Agreement with The Haag-Streit Group

In March 2023, the Group became the official authorized exclusive sales and technical service partner of the Haag-Streit Group in Chinese mainland with respect to its full line of diagnostic equipment, including full-line series No. 900 slit lamp microscopes and slit lamp microscope imaging modules, LENSTAR 900 optical biometer, Octopus 900/600 perimeter, Goldmann tonometers and other compliments.

Domestic Production in Full Swing

1. Progress of the Domestic Production of SBM's Products

As to dry eye diagnosis, the Group has entered into certain licensing agreements with SBM, a company established in Italy, regarding the localization of two diagnostic devices for dry eye. Pursuant to such licensing agreements, with effect from March 1, 2023, the Group was granted with the exclusive right to use and exploit certain diagnostic technologies of SBM and to design, manufacture, assemble and sell two diagnostic devices of SBM, namely Gaush iDea and OS1000 Topographer, in Chinese mainland, Hong Kong and Macau. The term of the licensing agreements is five years commenced from the completion of localization registration of the relevant diagnostic devices.

2. Progress of the Domestic Production of a Geuder's Product

As to vitreoretinal diseases treatment, on March 14, 2023 (Germany time), the Group entered into a framework cooperation agreement with Geuder, a company established in Germany, regarding the localization of a medical device for vitrectomy. Pursuant to such agreement, the Group was licensed by Geuder to manufacture such device and launch it in China. The Group will be the sole legal manufacturer of such medical device under the laws and regulations of the PRC. The term of the agreement is eight years commenced from the date of the agreement.

3. Progress of the Domestic Production of Gaush Teleon's Intraocular Lens Products

As to cataracts treatment, the Group immediately started the domestic production project of Teleon's intraocular lens after completing the acquisition of Teleon, pursuant to the target of which, the Group undertakes the domestic production and registration of three kinds of monofocal intraocular lens in China. The Group has completed the construction of the office area, production workshop, clean room and laboratory for this project and put them into use in June 2022. In December 2022, the Group completed the sample production of one of the intraocular lenses and started the test for NMPA registration. The Group expects to complete the NMPA registration test for all three lenses in 2023, and expects to submit two lenses for NMPA registration approval in the second half of 2023.

OVERCOMING THE CHALLENGES BROUGHT BY THE COVID-19 PANDEMIC

The spread of the novel coronavirus disease ("**COVID-19**") in 2022 has adversely affected the Group's operations and financial results to a certain extent. As a result of the regional recurrence of COVID-19 and the restrictive control measures in Eastern China, Northern China and other regions between March to May 2022, the performance of some of the Group's orders was delayed or become invalid. The Group also had to cancel or reduce the scale of its large-scale marketing due to the restrictions. In the end of 2022, the nationwide recurrence of COVID-19 resulted in the suspension of some of the Group's businesses. The abovementioned pandemic at various stages directly caused the reduction of the Group's orders. The Group's revenue decreased by 3.4% from RMB1,298.2 million for the year ended December 31, 2021 to RMB1,253.8 million for the year ended December 31, 2022.

The Group's financial position remained healthy in 2022, and the recurrence of COVID-19 did not have any material adverse impact on the Group's liquidity position. As the Group's business can generate stable cash inflow, together with abundant cash and bank balances, the Group has sufficient liquidity and financial resources to satisfy its daily operation and working capital needs, as well as to support its expansion plan.

In response to the impact of the pandemic, the Group has been more actively promoting online marketing activities, including product promotion through official accounts and further promoting the online remote technical service model. At the same time, the Group also prepared for the subsequent sustainable development of the Group, including continuing to promote employee training and other improvement work, and making timely adjustments or arrangements for the expansion pace of the team.

LONG-TERM STRATEGIES AND OUTLOOK

The Group's mission is to become a leader of the global ophthalmic medical device industry. The Group is committed to achieving such mission by implementing the following strategies:

I. Building on the two-pronged approach of "Proprietary Products + high end imports", continuously increase investment on R&D and increase the proportion of revenue from Proprietary Products, and gradually achieve the goal of Proprietary Products accounting for more than 50% of the Group's revenue.

II. Maintain the leading position in diagnostic inspection products and increase investment in surgical treatment products, especially focusing on the development of surgical device related consumables and independent implant consumables.

III. Continue to consolidate the platform advantages of the product portfolio covering the major sub-specialties of ophthalmology, focusing on further expanding the market of myopia and cataracts product portfolio.

IV. Continue to strengthen the construction of the dual-core markets in Asia and Europe, promote international coverage in an orderly manner. Consolidate the Group's market position in China and further expand its global footprint to achieve a balanced development between domestic and overseas business.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group mainly generated revenue from: (i) sales of products, including ophthalmic medical equipment and consumables; and (ii) provision of technical services.

The Group's revenue decreased by 3.4% from RMB1,298.2 million for the year ended December 31, 2021 to RMB1,253.8 million for the year ended December 31, 2022, which was mainly attributable to a decrease of RMB77.4 million in revenue generated from sales of ophthalmic medical equipment due to the significant decrease in revenue in December 2022 compared to the same period of the previous year as a result of the adverse effect brought by the resurgence of COVID-19 in December 2022, which was partially offset by the increases in revenue as follows: (i) revenue generated from technical services increased by RMB28.5 million, in line with the ongoing growth of the Group's revenue from technical services; and (ii) revenue generated from sales of ophthalmic medical consumables increased by RMB3.4 million, in line with the improvement in the penetration rate of ophthalmic surgical medical equipment.

The table below sets forth the breakdown of the Group's sales of products revenue by Distribution Products and Proprietary Products for the years indicated:

	For the year ended December 31,	
	2022	2021
	(RMB'000)	(RMB'000)
Distribution Products	**744,814**	810,989
Proprietary Products	**308,305**	316,097
Total	**1,053,119**	1,127,086

Cost of Sales

During the Reporting Period, the Group's cost of sales mainly consisted of costs of goods sold and costs related to technical services. The Group's cost of sales decreased by 8.8% from RMB688.7 million for the year ended December 31, 2021 to RMB628.4 million for the year ended December 31, 2022, primarily due to the optimization of product portfolio, increasing the proportion of sales of ophthalmic medical consumables and technical services during the year, which carried higher gross profit margin.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 2.6% from RMB609.5 million for the year ended December 31, 2021 to RMB625.3 million for the year ended December 31, 2022. The Group's gross profit margin increased from 46.9% for the year ended December 31, 2021 to 49.9% for the year ended December 31, 2022. Such increase was mainly as (i) new product portfolio changed in 2022 as compared to that of 2021, reflecting the Group's continuous efforts to optimize its product portfolio; (ii) the gross profit margin of ophthalmic medical consumables is higher than that of ophthalmic medical equipment, the revenue of which also slightly increased compared to that of 2021; (iii) the gross profit margin of technical services increased significantly, primarily as a result of reduction in costs of technical service benefiting from the Group's effort in expanding online technical service mode; and (iv) the sales volume and revenue of the Group's Proprietary Products increased while the Group improved its manufacturing capacity, resulting in lower unit costs and the successive increase in the gross profit margin of Proprietary Products.

The following table sets forth the breakdown of gross profit and gross profit margin by business segments for the years indicated:

	For the year ended December 31,			
	2022		2021	
	Gross profit (RMB'000)	**Gross profit margin %**	Gross profit (RMB'000)	Gross profit margin %
Sales of ophthalmic medical equipment	**304,846**	**47.5**	321,528	44.7
Sales of ophthalmic medical consumables	**229,173**	**55.6**	209,168	51.2
Technical services	**91,231**	**48.0**	70,104	43.4
Others	**88**	**0.8**	8,671	91.0
Total	**625,338**	**49.9**	609,471	46.9

Other Income and Gains

During the Reporting Period, the Group's other income and gains primarily consisted 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 (the Group's transactions with many brand partners, loan at fair value through profit or loss and Preferred Shares are denominated in foreign currencies).

The Group's other income and gains decreased significantly from RMB77.9 million for the year ended December 31, 2021 to RMB21.1 million for the year ended December 31, 2022. Such decrease was mainly because the Group recorded exchange losses of RMB172.5 million (included in other expenses) in 2022, while the Group recorded exchange gains of RMB61.8 million in 2021, primarily attributable to the foreign exchange losses or gains relating to the Preferred Shares as the result of the fluctuation in exchange rate during the years.

Selling and Distribution Expenses

During the Reporting Period, the Group's selling and distribution expenses primarily consisted of (i) salaries and remuneration of the Group's sales and marketing personnel; (ii) marketing expenses for holding marketing events and promotion of the Group's products; and (iii) transportation and travel expenses incurred in the course of the Group's marketing activities.

The Group's selling and distribution expenses decreased slightly by 0.9% from RMB189.5 million for the year ended December 31, 2021 to RMB187.8 million for the year ended December 31, 2022, primarily due to the increase in the number of terminal medical institutions and the increase in staff costs during the Reporting Period, which was partially offset by the decrease in advertisement and promotion expenses.

As a percentage of revenue, selling and distribution expenses slightly increased from 14.6% for the year ended December 31, 2021 to 15.0% for the year ended December 31, 2022, primarily due to the increase in staff costs during the Reporting Period, reflecting the expansion of selling professional team.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses primarily consisted of (i) salaries and remuneration of administrative staff; (ii) consulting services fees, which includes IT and other service expenses procured to support company operations and the listing expenses; (iii) transportation and travel expenses incurred in the course of administration; and (iv) depreciation of right-of-use assets.

The Group's administrative expenses increased by 11.2% from RMB131.5 million for the year ended December 31, 2021 to RMB146.2 million for the year ended December 31, 2022, primarily attributable to the increase in the listing expenses and staff costs.

Finance Costs

During the Reporting Period, the Group's finance costs primarily consisted of interest expenses on bank and other borrowings and lease liabilities. The Group's finance costs decreased significantly by 48.9% from RMB83.5 million for the year ended December 31, 2021 to RMB42.7 million for the year ended December 31, 2022, primarily attributable to the decrease in interest expenses of bank and other borrowings as a result of the partial repayment of various interest-bearing borrowings of the Group (including mezzanine facility loan and other interest-bearing bank borrowings).

R&D Expenses

During the Reporting Period, the Group's R&D expenses increased significantly by 74.8% from RMB23.5 million for the year ended December 31, 2021 to RMB41.1 million for the year ended December 31, 2022, primarily as the Group continuously expanded its R&D team and upgraded its R&D center. As of the date of this annual report, Gaush Teleon has completed the construction of factory in Shenzhen, the factory and most equipment have been put into operation. The incorporation and establishment of the new subsidiary, Shenzhen Gaush Technology, has also been completed, to engage in the R&D of electrophysiological diagnostic equipment and other products, which incurred R&D expenses of RMB1.9 million in 2022. R&D of OK-Lens by Suzhou Gaush Clear has also been completed and entered into clinical trial process, thereby incurring the R&D expenses of RMB11.1 million in 2022. The increase in R&D expenses reflected the Group's commitment as to R&D of Proprietary Products (currently including optometric products, OK-Lens, intraocular lens and related products and technology), as well as consumables products for ultrasonic emulsification and electrophysiological diagnostic equipment products.

Fair Value Changes of Convertible Redeemable Preferred Shares

During the Reporting Period, the Group's fair value change losses of convertible redeemable preferred shares decreased from RMB375.6 million for the year ended December 31, 2021 to RMB307.4 million for the year ended December 31, 2022, primarily attributable to the change in valuation of the Group.

Other Expenses

During the Reporting Period, the Group's other expenses primarily consisted of foreign exchange losses (including foreign exchange losses on Preferred Shares), asset impairment losses and credit impairment losses.

The Group's other expenses increased significantly from RMB21.7 million for the year ended December 31, 2021 to RMB196.4 million for the year ended December 31, 2022, primarily attributable to the increases in foreign exchange losses on Preferred Shares.

Income Tax Expenses

The Group's income tax expenses increased by 44.8% from RMB53.6 million for the year ended December 31, 2021 to RMB77.6 million for the year ended December 31, 2022, primarily attributable to the increase in taxable profits in 2022.

Loss for the year

For the foregoing reasons, the Group recorded loss for the year ended December 31, 2022 of RMB352.7 million, and recorded loss for the year ended December 31, 2021 of RMB191.6 million.

Non-IFRS Measure — Adjusted Net Profit

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. The Group defines adjusted net profit (non-IFRS measure) as net loss (i) adding back fair value losses on Preferred Shares and listing expenses, and (ii) adding back/deducting foreign exchange losses/gains on Preferred Shares. Fair value losses and foreign exchange losses/(gains) on Preferred Shares are non-cash in nature and do not result in cash outflow, and given that the Preferred Shares have been converted into ordinary Shares of the Company upon Listing, the Group does not expect to record such losses or gains after Listing. Listing expenses are expenses relating to the Global Offering of the Company. The Group believes the exclusion of fair value losses and foreign exchange losses/(gains) on Preferred Shares and listing expenses provides investors and management with greater visibility as to the underlying performance of the Group's business operations and facilitates comparison of operating performance of other companies in the industry and of itself during different periods. However, the Group's 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, the Group's results of operations or financial condition as reported under the IFRS. The Group's adjusted net profit (non-IFRS measure) slightly decreased by 8.2% from RMB171.3 million for the year ended December 31, 2021 to RMB157.3 million for the year ended December 31, 2022, primarily attributable to the impact of the national pandemic restriction measures on the income of the subsidiaries in China in December 2022 and the increase in R&D expenses.

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

	For the year ended December 31,	
	2022	2021
	(RMB'000)	(RMB'000)
Loss for the year	**(352,712)**	(191,571)
Add:		
Fair value losses on Preferred Shares	**307,426**	375,606
Foreign exchange losses/(gains) on Preferred Shares	**163,170**	(37,949)
Listing expenses	**39,456**	25,233
Adjusted net profit (non-IFRS measure)	**157,340**	171,319

FINANCIAL POSITION

Inventories

The Group's inventories consisted of finished goods, goods in transit, raw materials and work-in-progress. Under the inventory control policy, the Group regularly monitors and analyzes its historical procurement, production and sales statistics and adjusts its inventories to meet the demand of customers in a timely manner without causing inventory accumulation. The Group's inventories increased by 17.1% from RMB240.1 million as of December 31, 2021 to RMB281.1 million as of December 31, 2022, primarily due to the Group's year-end balance of finished goods varied in line with the Group's sales plan and the lead time of the Group's products, which were volatile in response to the market conditions.

The Group's inventory turnover days increased from 129 days in 2021 to 155 days in 2022, primarily due to the decrease in sales during the resurgence of COVID-19, which still indicated that the Group's inventories were generally utilized or sold within six months. 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.

Trade Receivables

The Group's trade receivables represented outstanding amounts due from its customers. The Group's trade receivables slightly decreased by 4.7% from RMB180.2 million as of December 31, 2021 to RMB171.7 million as of December 31, 2022, primarily as the Group devoted more efforts to collecting long-aged trade receivables in 2022, which had achieved remarkable results.

The Group's trade receivable turnover days in 2021 and 2022 remained relatively stable at 50 days and 51 days, respectively, generally in line with the Group's credit term policies between one to three months.

Trade Payables

The Group's trade payables primarily represented payments due to suppliers. The Group's trade payables remained relatively stable at RMB68.0 million as of December 31, 2021 and RMB68.7 million as of December 31, 2022, respectively.

The Group's trade payable turnover days in 2021 and 2022 were 46 days and 40 days, respectively, generally in line with the credit term policies of the Group's suppliers between 30 days to 90 days.

Prepayments, Other Receivables and Other Assets

The Group's prepayments, other receivables and other assets primarily consisted of (i) prepayment to suppliers; (ii) deposits that the Group paid to its customers as product quality assurance deposits; (iii) deposits for participating in public tenders; (iv) advance payment of income tax; and (v) value-added tax recoverable. As of December 31, 2021 and December 31, 2022, the Group's prepayments, other receivables and other assets remained relatively stable at RMB78.8 million and RMB75.4 million, respectively.

Goodwill

Goodwill arose from acquisitions of the Group's subsidiaries including Teleon and Roland, of which, the carrying amounts of Roland and Teleon asset group were denominated in Euro. The Group's goodwill slightly increased by 2.7% from RMB882.7 million as of December 31, 2021 to RMB906.9 million as of December 31, 2022, primarily attributable to the exchange rate fluctuation between RMB and Euro. The Group did not record any goodwill impairment during the Reporting Period.

Intangible Assets

The Group's intangible assets (other than goodwill) mainly represented the software the Group purchased and used in the ordinary course of business as well as the patents and trademarks, identified as a result of business combinations. The Group's intangible assets slightly decreased by 8.2% from RMB303.9 million as of December 31, 2021 to RMB278.9 million as of December 31, 2022, primarily attributable to the accumulated amortization.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Company's Shares were listed on the Main Board of the Stock Exchange on December 12, 2022, and the share capital structure of the Group remain unchanged during the Relevant Period. As of December 31, 2022, the issued share capital of the Company was USD14,793, and the number of issued Shares of USD0.0001 each was 147,934,869.

In 2022, the Group used internal resources to fund its liquidity. As the Group's business can generate stable cash inflow, together with abundant cash and bank balances, the Group has sufficient liquidity and financial resources to satisfy its daily operation and working capital needs, as well as to support its expansion plan. The Group regards monetary fund management as an essential part in financial management, and incorporates it to the key items of financial inspection and internal audit, and has formulated corresponding internal control management systems, including the currency fund management system, to strengthen its monetary fund management, ensure the security of its monetary fund, and reduce the utilization costs and financial risks. As of December 31, 2022, the Group continued to maintain a solid financial position, with cash and cash equivalents amounting to RMB721.5 million, representing an increase of 18.5% from RMB609.0 million as of December 31, 2021, primarily due to the proceeds raised from the Listing in December 2022 and the increase in operating cash inflow in 2022. The Group's cash is mainly in the form of bank deposit balances and deposited with reputable financial institutions and mature within one year. As of December 31, 2022, all cash and cash equivalents of the Group were denominated in RMB, HKD, Euro and US dollars.

The Group's anticipated cash needs primarily include costs associated with the R&D of its products and business operations. The Group expects to fund its future working capital and other cash requirements with cash generated from its operations, the net proceeds from Global Offering and, when necessary, bank and other borrowings.

The Group's interest-bearing bank and other borrowings represented current and non-current secured bank loans and Senior Facility Loan. As of December 31, 2022, the Group's interest-bearing bank and other borrowings amounted RMB701.6 million, including short-term borrowings of RMB131.9 million and long-term borrowings of RMB569.7 million, all of which bore fixed interest rates except Senior Facility Loan. Currently, the Company's main borrowing is the long-term loan borrowed from a Swiss bank when it acquired Teleon, and the Group repaid part of the loan of EUR11.25 million in aggregate in 2022. The Group also repaid the mezzanine facility loan of EUR25.0 million in 2022. As of December 31, 2022, all of the Group's bank and other borrowings were denominated in RMB or Euro.

As of December 31, 2022, the effective interest rates of the Group's bank and other borrowings ranging from 1.50% to 7.00% (As of December 31, 2021: 2.85% to 7.00%), and the term of the outstanding loans ranged from within one year to three years. The Group will repay the above borrowings in due course on maturity.

CAPITAL EXPENDITURE

The Group's capital expenditure for the year ended December 31, 2022 amounted to RMB48.0 million, representing an increase of 71.2% compared to that of RMB28.0 million for the year ended December 31, 2021, primarily due to manufacturing equipment and daily decoration expenses of the Group's domestic manufacturing companies.

GEARING RATIO

Gearing ratio represented total interest-bearing borrowings divided by net assets or liabilities as of the end of the period and multiplied by 100%. Interest-bearing borrowings included interest-bearing bank borrowings and other borrowings, lease liabilities, and loan at fair value through profit and loss. As of December 31, 2022, the Group's gearing ratio was 50.9%. As of December 31, 2021, the Group's gearing ratio was negative 151.8%. Such negative gearing ratio was because the Group recorded net liabilities under the IFRS as of December 31, 2021.

PLEDGE OF ASSETS

Except for pledged assets mentioned in Notes 23 and 29 to the notes of the consolidated financial statements as set out in this annual report, the Group had no other pledged assets as of December 31, 2022.

CONTINGENT LIABILITIES

As of December 31, 2022, the Group did not have any outstanding debt securities, mortgages, charges, debentures or other loan capital (issued or agreed to issue), bank overdrafts, liabilities under acceptance or acceptance credits or other similar indebtedness, lease and finance lease commitments, hire purchase commitments, guarantees or other material contingent liabilities.

FINANCIAL RISKS

Foreign Currency Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the financial condition and results of operations of the Group. The Group purchases products from brand partners in many countries around the world. Therefore, the Group exposes to foreign currency risk when it enters into transactions denominated in multiple currencies. For example, changes in currency exchange rates may affect the Group's costs of goods sold and competitiveness against its domestic competitors or competitors who are multinational companies whose international operations provide a natural hedge to currency fluctuation risk. The Group predominantly purchases its products in US dollars and Euro. The Group sells the goods to distributors and hospitals and clinics in China in RMB. Currently, the Group does not have any foreign currency hedging policy. The Group's management will continue to monitor the Group's foreign exchange exposure and will consider the adoption of prudent measures in due course. The Group seeks to limit its 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. For the year ended December 31, 2021, the exchange differences on translation of foreign operations amounted to a loss of RMB58.6 million. For the year ended December 31, 2022, the exchange differences on translation of foreign operations amounted to a gain of RMB24.5 million, primarily due to the fluctuation of Euro during the Reporting Period.

Credit Risk

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

SIGNIFICANT INVESTMENT HELD

As of December 31, 2022, the Group did not have any significant investment.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures for the year ended December 31, 2022.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in this annual report and the Prospectus, the Group did not have any future plans for material investment and capital assets as of the date of this annual report.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual report, as of the date of this annual report, there was no subsequent event after the Reporting Period which has material impact to the Group.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Gao Tieta (高鐵塔), aged 58, is an executive Director, the chairman of the Board and the chief executive officer of the Company. Mr. Gao is responsible for the overall strategic development of the Group. He oversees the overall operations and management of the 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 the R&D, international business and human resources management of the Group. Mr. Gao is Mr. Zhang Jianjun's brother-in-law.

Mr. Gao founded the Group with other co-founders in August 1998. During the first few years after the Group was founded, Mr. Gao was responsible for the strategic planning of the 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 an executive Director on November 18, 2021. He began serving as the chief executive officer of the Company since January 2018 and was appointed as chairman of the Board on December 28, 2018. Mr. Gao also holds directorships 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.

Mr. Liu Xinwei (劉新偉), aged 41, is an executive Director and the co-chief executive officer of the Company. Mr. Liu is responsible for the overall operations and management of the Group, participating in the formulation of business plans and annual business targets and leading the achievement of business targets, and he directly takes charge of the R&D and production, international business, financial management and human resources management of the Group.

Mr. Liu has around ten years of experience in the medical industry. Mr. Liu joined the Group as the board secretary of Gaush Medical Corporation in May 2016. Mr. Liu has served as the chief financial officer of the Company from December 2018 to January 2023. He has served as a Director of the Company since November 21, 2019 and was re-designated as an executive Director on November 18, 2021. Mr. Liu was appointed as the co-chief executive officer of the Company on January 10, 2023. Mr. Liu also holds directorships in Gaush Germany, Gaush Netherlands, Gaush Teleon and Wuxi Gaush Innovation. Before joining the 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's degree in business administration from Tsinghua University (清華大學) in July 2013. He received his bachelor's 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 (北京註冊會計師協會) in April 2017.

Mr. Zhao Xinli (趙新禮), aged 56, is an executive Director and the chief compliance officer of the Company. Mr. Zhao is responsible for the legal and compliance affairs, oversees the internal audit and supervisory function of the Group, and participates in the decision-making of overall operations and management of the Group.

Mr. Zhao has around 30 years of experience in the field of medical and scientific devices. Mr. Zhao joined the 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 the Group. He has served as a Director of the Company since December 29, 2017 and was re-designated as an executive Director on November 18, 2021. Before joining the 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.

Mr. Zhang Jianjun (張建軍), aged 59, is an executive Director and the honorary president of the Company. Mr. Zhang is responsible for assisting Mr. Gao Tieta to share responsibility for coordinating designated works regarding, among others, strategic clients, significant public affairs, cultural construction and personnel development of the Group. Mr. Zhang is Mr. Gao Tieta's bother-in-law.

Mr. Zhang joined the 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 served as an executive director of Mingwang Medical from November 2009 to March 2023, 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 the Company since December 29, 2017 and was re-designated as an executive Director on November 18, 2021. From November 2021 to January 2023, he served as the president of the Company and was appointed as the honorary president of the Company on January 10, 2023. He is also 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.

NON-EXECUTIVE DIRECTORS

Dr. David Guowei Wang (formerly known as Wang Guowei (王國瑋)), aged 61, has served as a Director since December 29, 2017 and was re-designated as a non-executive Director on November 18, 2021. Dr. Wang participates in the formulation of the Company's corporate and business strategies and advises on the operation of the Group.

Dr. Wang has over 16 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 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 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.

Mr. Shi Long (施瓏), aged 43, has served as a Director since April 1, 2021 and was re-designated as a non-executive Director on November 18, 2021. Mr. Shi participates in the formulation of the 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Feng Xin (馮昕), aged 52, was appointed as an independent non-executive Director on November 11, 2022. 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[1] (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[2] (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[3] 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.

1. Beijing Hope Pharmaceutical Co., Ltd. was voluntarily delisted from the NEEQ in January 2020.

2. Beijing Explorer Software Limited was voluntarily delisted from the NEEQ in May 2020.

3. The Registrar of Companies in Hong Kong may strike the name of a company off the Companies Register under Division 1 of Part 15 of the Companies Ordinance 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.

Mr. Wang Li-Shin (王立新), aged 62, was appointed as an independent non-executive Director on November 11, 2022. Mr. Wang supervises and provides independent judgment to the Board.

Mr. Wang has over 21 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. Chan Fan Shing (陳帆城), aged 46, was appointed as an independent non-executive Director on November 11, 2022. Mr. Chan supervises and provides independent judgment to the Board.

Mr. Chan has extensive experience in auditing, accounting and financial management and has worked in various international audit firms and listed companies in Hong Kong. From September 2009 to March 2016, Mr. Chan worked in CPMC Holdings Limited (stock code: 906), a company engaged in the manufacturing of packaging products and whose shares are listed on the Main Board of the Stock Exchange, where his position was company secretary, financial controller and authorized representative, 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 secretarial 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 secretarial matters. From October 2018 to August 2020, Mr. Chan was an executive director of Tycoon Group Holdings Limited (stock code: 3390), a company which is a leading and reputable provider of a suite of health and well-being related products and 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.

SENIOR MANAGEMENT

Mr. Gao Tieta (高鐵塔), aged 58, is an executive Director, chairman of the Board and chief executive officer of the Company. For details of his biography, please refer to the above "Executive Directors" of this section.

Mr. Liu Xinwei (劉新偉), aged 41, is an executive Director and co-chief executive officer of the Company. For details of his biography, please refer to the above "Executive Directors" of this section.

Mr. Zhao Xinli (趙新禮), aged 56, is an executive Director and chief compliance officer of the Company. For details of his biography, please refer to the above "Executive Directors" of this section.

Mr. Zhang Jianjun (張建軍), aged 59, is an executive Director and the honorary president of the Company. For details of his biography, please refer to the above "Executive Directors" of this section.

Ms. Li Wenqi (李文奇), aged 49, is the chief financial officer and a joint company secretary of the Company. 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 and financial controller. She has served as the vice president of the Company from January 2018 to January 2023 and was appointed as a joint company secretary of the Company on November 18, 2021 and the chief financial officer of the Company on January 10, 2023.

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.

Dr. Alexey Nikolaevich Simonov, aged 51, is the chief technology officer of the Company. He is responsible for the management of the research and development of the Group.

Dr. Simonov is a self-starter with over 20 years of entrepreneurial and corporate R&D experiences in optical device industry (ophthalmic optics). Dr. Simonov started his career as an assistant professor in Lomonosov Moscow State University from May 2000 to October 2001, where he studied adaptive optics and high-precision measurements using dynamic holograms and lectured and taught physics to undergraduates. Later, Dr. Simonov served as a postdoctoral researcher in University of Groningen in Netherlands from November 2001 to October 2003 and then in Technical University of Delft in Netherlands from November 2003 to December 2006. From January 2007 to September 2018, Dr. Simonov served as the chief technical officer in AkkoLens International B.V., where he is primarily responsible for coordination of technical product development with the focus on novel ophthalmic medical devices. Dr. Simonov also served as the scientific and engineering consultancy in Flexible Optical B.V. from 2005 to 2006 and in Procornea (Oculentis) Nederland B.V. from 2005 to 2015, respectively. From October 2018 to October 2020, Dr. Simonov served as the Global Head of Optics and Metrology in HOYA Surgical Optics, where he led the development of product portfolio from idea to product. Since November 2020, Dr. Simonov has been serving as the chief technology officer in Teleon Surgical B.V., where he is responsible for overseeing the technology and product development of Teleon. Dr. Simonov was appointed as the chief technology officer of the Company on March 31, 2023.

Dr. Simonov received a bachelor's and master's degree in physics and a doctor's degree in laser physics and adaptive optics from Lomonosov Moscow State University in Moscow, Russian Federation in January 1995 and June 2000, respectively.

JOINT COMPANY SECRETARIES

Ms. Li Wenqi (李文奇), aged 49, is the chief financial officer of the Company and was appointed as one of the joint company secretaries of the Company on November 18, 2021. For details of her biography, please refer to the above "Senior Management" of this section.

Ms. Leung Shui Bing (梁瑞冰) was appointed as one of the joint company secretaries of the 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.

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended December 31, 2022.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands with limited liability on November 1, 2017. The Shares were listed on the Main Board of the Stock Exchange on December 12, 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Group is the R&D, the manufacture and sale of ophthalmic medical devices, and providing technical services to the end customers of the Group.

Analysis of the principal activities of the Company and its subsidiaries during the year ended December 31, 2022 is set out in note 1 to the consolidated financial statements.

An analysis of the Group's performance during the Reporting Period by business segments is set out in note 4 to the consolidated financial statements.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended December 31, 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 99 of this annual report.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended December 31, 2022.

AGM AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming AGM will be held on Thursday, May 25, 2023. For the purpose of determining the entitlement of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Monday, May 22, 2023 to Thursday, May 25, 2023 (both days inclusive), during which no transfer of Shares will be effected. The record date for determining the eligibility to attend and vote at the AGM will be Thursday, May 25, 2023. In order to be eligible to attend and vote at the AGM, the Shareholders must deliver all properly completed transfer forms accompanied by the relevant share certificates to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration of relevant transfers no later than 4:30 p.m. on Friday, May 19, 2023.

BUSINESS REVIEW

A fair review of the business of the Group during the Reporting Period as required by Schedule 5 to the Companies Ordinance, including an analysis of the Group's financial key performance indicators and an indication of likely future developments in the Group's business are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. The Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Environmental, Social and Governance Report" of this annual report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Subsequent Events After the Reporting Period" of "Management Discussion and Analysis" in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties faced by the Group, some of which are beyond its control:

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

- The Group's business is subject to complex and evolving laws and regulations. The Group 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 the products of the Group.

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

- The Group is subject to changing legal and regulatory requirements in the PRC healthcare industry, and new laws, rules and regulations may impose significant compliance burdens on the Group.

- The success of the Group is tied to its ability to retain and attract brand partners as well as the success of its brand partners and the Distribution Products which the Group distributes.

- The Group may not be able to protect its intellectual property rights which may adversely affect its reputation and disrupt its business.

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

- China's political, economic and social conditions could affect the Group's 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 the products and services which the Group provides and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment, giving back to the community and achieving sustainable growth. For more details, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last four financial years are set out on page 198 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Main Board of the Stock Exchange on December 12, 2022. The net proceeds raised from the Global Offering, after deduction of the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the Global Offering, amounted to approximately HK$284.71 million (the "**Net Proceeds**"), excluding the net proceeds from the partial exercise of the over-allotment option which took place after the Reporting Period.

As of the date of this annual report, there was no change in the intended use of Net Proceeds and the expected timeline as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The following table sets forth a summary of the utilization of the Net Proceeds as of December 31, 2022:

	Net Proceeds (HK$ in million)				
Purpose	**% of the Net Proceeds**	**Amount available for utilization**	**Utilized amount as of December 31, 2022**	**Unutilized amount as of December 31, 2022**	**Expected timeline for full utilization of the remaining Net Proceeds**
Improve the R&D capability of the Group and accelerate the commercialization of the Group's patents	38.2%	108.76	0.01	108.75	December 11, 2024
Improve the production capacity and strengthen the manufacturing capabilities of the Group	29.0%	82.56	2.08	80.48	December 11, 2024
Expand the Group's sales and marketing	9.5%	27.05	0.01	27.04	December 11, 2024
For working capital and general corporate purposes	10.6%	30.18	30.18	—	Not applicable
Repay the interest-bearing borrowings of the Group	12.7%	36.16	36.16	—	Not applicable
Total	100%	284.71	68.44	216.27	

As of December 31, 2022, the remaining Net Proceeds of approximately HK$216.27 million have been deposited into the bank account(s) maintained by the Group. The Group will gradually utilize the Net Proceeds in accordance with the intended purposes set out in the Prospectus.

Subsequent to the Reporting Period, on January 9, 2023, additional 35,500 Shares were issued by the Company at the price of HK$51.40 pursuant to the partial exercise of the over-allotment option, which resulted in additional net proceeds of approximately HK$1.77 million.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2022, the Group's sales to its five largest customers accounted for 15.8% (2021: 14.5%) of the Group's total revenue and the Group's sales to its single largest customer accounted for 7.8% (2021: 8.7%) of the Group's total revenue.

Major Suppliers

For the year ended December 31, 2022, the Group's purchases from its five largest suppliers accounted for 58.1% (2021: 66.9%) of the Group's total purchases and the Group's purchases from its single largest supplier accounted for 20.5% (2021: 19.0%) of the Group's total purchases.

During the Reporting Period, none of the Directors or any of their respective close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued Shares) had any interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended December 31, 2022 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended December 31, 2022 and details of the Shares issued during the year ended December 31, 2022 are set out in note 33 to the consolidated financial statements.

DONATIONS

During the Reporting Period, the charitable and other donations made by the Group amounted to RMB0.94 million.

DEBENTURE AND CONVERTIBLE BONDS ISSUED

The Company did not issue any debenture or convertible bonds during the year ended December 31, 2022.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended December 31, 2022 are set out on pages 196 and 102 respectively in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As of December 31, 2022, the Company's reserves available for distribution amounted to approximately RMB822.2 million (as of December 31, 2021: nil).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as of December 31, 2022 are set out in note 29 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

Mr. Gao Tieta *(Chairman and Chief Executive Officer)*
Mr. Liu Xinwei *(Co-Chief Executive Officer)*
Mr. Zhao Xinli
Mr. Zhang Jianjun

Non-executive Directors:

Dr. David Guowei Wang
Mr. Shi Long

Independent non-executive Directors:

Mr. Feng Xin *(appointed on November 11, 2022)*
Mr. Wang Li-Shin *(appointed on November 11, 2022)*
Mr. Chan Fan Shing *(appointed on November 11, 2022)*

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

In accordance with Article 113 of the Articles of Association, any Director appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office until the first AGM after his appointment and shall then be eligible for re-election. Accordingly, Mr. Gao Tieta, Mr. Liu Xinwei, Mr. Zhao Xinli, Mr. Zhang Jianjun, Dr. David Guowei Wang and Mr. Shi Long will retire by rotation at the forthcoming AGM, and they being eligible, will offer themselves for re-election at the AGM.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent throughout the Relevant Period and remain so as of the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company. Each service contract is for an initial term of three years commencing from the Listing Date or until the third AGM since the Listing Date (whichever is sooner). The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company. Each letter of appointment is for an initial term of three years commencing from the Listing Date or until the third AGM since the Listing Date (whichever is sooner). The letters of appointment may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or any of his/her connected entities had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended December 31, 2022.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance (whether for the provision of services to the Group or otherwise) in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Controlling Shareholder or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended December 31, 2022.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the date of this annual report.

EMPLOYEES AND REMUNERATION POLICIES

The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board, having regard to the Group's operating results, individual performance of the Directors and comparable market practices.

Details of the emoluments of the Directors and five highest paid individuals during the Reporting Period are set out in notes 8 and 9 to the consolidated financial statements.

During the year ended December 31, 2022, none of the Directors and the five highest paid individuals of the Group (i) received any emolument from the Group as an inducement to join or upon joining the Group; (ii) received any compensation for loss of office as a Director or management of any member of the Group; or (iii) waived or has agreed to waive any emoluments.

As of December 31, 2022, the Group had a total of 790 employees. For the year ended December 31, 2022, the total costs for the Group's employees amounted to RMB288.4 million. "Diligence and Capability" is the core value of the Group. The Group attaches great importance to employee training, and continuously establishes a comprehensive training management system according to the Company's development needs. Through new employee induction training, general skills training for all positions, business training and external learning, the Group keeps on providing its employees with professional and management knowledge and skills required for different fields, levels and positions, with an aim to help the employees achieve their career plan and development direction, effectively implement the overall strategic planning of human resources, and build sufficient talent reserves for the Group to achieve long-term high-quality development.

The Group adheres to the principles of fairness, justice and reasonable remuneration and provides its employees with competitive remuneration and benefits. The remuneration package of employees mainly includes basic salary and performance-based bonus. The performance targets of employees are primarily determined according to their positions and departments, and regular performance review will be conducted, and salaries, bonus and promotion appraisals will be determined based on appraisal results.

RETIREMENT AND EMPLOYEE BENEFITS SCHEMES

The Group only operates defined contribution pension schemes. The employees of the Group's subsidiaries are required to participate in the retirement pension schemes organized by the relevant local government authorities. The subsidiaries of the Company are required to contribute, based on a certain percentage of the payroll costs of their employees, to the retirement pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement pension schemes.

No forfeited contribution (by the Group on behalf of its employees who leave the schemes prior to vesting fully in such contributions) is available to be utilized by the Group to reduce the contributions payable in the future years or to reduce the Group's existing level of contributions to the pension schemes.

Details of the retirement and employee benefits schemes of the Company are set out in note 2.4 to the consolidated financial statements.

CHANGE TO INFORMATION IN RESPECT OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY

Mr. Liu Xinwei has been appointed as the co-chief executive officer of the Company and ceased to act as the chief financial officer of the Company with effect from January 10, 2023. As recommended by the Remuneration Committee and approved by the Board on January 10, 2023, the total remuneration of Mr. Liu Xinwei has been adjusted from RMB1,070,000 to RMB1,170,000 per annum with effect from January 10, 2023.

Mr. Zhang Jianjun has resigned as the president of the Company and been appointed as the honorary president of the Company with effect from January 10, 2023. As recommended by the Remuneration Committee and approved by the Board on January 10, 2023, the total remuneration of Mr. Zhang Jianjun has been adjusted from RMB1,160,000 to RMB800,000 per annum with effect from January 10, 2023.

Save as disclosed above and in this annual report, there has been no other change to information which is required to be disclosed and has been disclosed by Directors and chief executives of the Company pursuant to Rule 13.51B(1) of the Listing Rules after the publication of the Prospectus and up to the date of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As of December 31, 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interest in Shares of the Company

Name of Directors	Capacity and nature of interest	Number of Shares held[(1)]	Approximate percentage of the Company's issued share capital[(2)]
Mr. Gao Tieta[(3)]	Interest in a controlled corporation	63,263,528	42.76%
Mr. Zhang Jianjun[(4)(6)]	Interest in controlled corporations	7,112,360	4.81%
Mr. Zhao Xinli[(5)]	Interest in a controlled corporation	3,436,116	2.32%
Mr. Liu Xinwei[(6)]	Interest in a controlled corporation	955,879	0.65%

Notes:

(1) All interests stated are long positions.

(2) The percentage is calculated is based on the total number of 147,934,869 ordinary Shares of the Company in issue as of December 31, 2022.

(3) As of December 31, 2022, Mr. Gao Tieta wholly owns GT HoldCo, and therefore he is deemed to be interested in the 63,263,528 Shares directly held by GT HoldCo.

(4) As of December 31, 2022, Mr. Zhang Jianjun holds 74.42% equity interest in GMC IV, and therefore he is deemed to be interested in the 6,156,481 Shares directly held by GMC IV.

(5) As of December 31, 2022, Mr. Zhao Xinli holds 33.33% equity interest in GMC V, and therefore he is deemed to be interested in the 3,436,116 Shares directly held by GMC V.

(6) As of December 31, 2022, 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 Mr. Liu Xinwei and Huyang Group Ltd is wholly owned by Mr. Zhang Jianjun. Therefore, both Mr. Liu Xinwei and Mr. Zhang Jianjun are deemed to be interested in the 955,879 Shares directly held by GMC Teleon.

Save as disclosed above, as of December 31, 2022, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As of December 31, 2022 or at any time during the Reporting Period, none of the Company or any of its subsidiaries was a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

As of December 31, 2022, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

INTEREST IN SHARES OF THE COMPANY

Name of Shareholders	Capacity and nature of interest	Number of Shares held[1]	Approximate percentage of the Company's issued share capital[2]
GT HoldCo[3][4]	Beneficial owner	63,263,528	42.76%
OrbiMed Advisors III Limited[5]	Interest in a controlled corporation	18,039,426	12.19%
OrbiMed Asia GP III, L.P.[5]	Interest in a controlled corporation	18,039,426	12.19%
OrbiMed Asia[5]	Beneficial owner	18,039,426	12.19%
Warburg Pincus (Bermuda) Private Equity GP Ltd.[6]	Interest in a controlled corporation	11,375,840	7.69%
Warburg Pincus Partners II (Cayman), L.P.[6]	Interest in a controlled corporation	11,375,840	7.69%
Warburg Pincus (Cayman) China-Southeast Asia II GP LLC[6]	Interest in a controlled corporation	11,375,840	7.69%
Warburg Pincus (Cayman) China-Southeast Asia II GP, L.P.[6]	Interest in a controlled corporation	11,375,840	7.69%
Warburg Pincus China-Southeast Asia II (Cayman), L.P.[6]	Interest in a controlled corporation	11,375,840	7.69%
Cuprite Gem[6]	Beneficial owner	11,375,840	7.69%

Notes:

(1) All interests stated are long positions.

(2) The percentage is calculated based on the total number of 147,934,869 ordinary Shares of the Company in issue as of December 31, 2022.

(3) GT HoldCo is wholly owned by Mr. Gao Tieta.

(4) As of December 31, 2022, 36,892,670 Shares (the "**Existing Charged Shares**"), representing 24.94% of the total issued share capital of the Company, held by GT HoldCo were charged in favour of Credit Suisse AG, Singapore Branch ("**Credit Suisse**") to secure a loan facility of US$24,000,000 provided by Credit Suisse to GT HoldCo (the "**Existing Facility**"). As disclosed in the announcement of the Company dated January 6, 2023, the Existing Charged Shares was released in full after the Existing Facility was fully repaid and GT HoldCo further charged 38,972,718 Shares (the "**Charged Shares**") in favour of Credit Suisse to secure a loan facility of HK$185,000,000 provided by Credit Suisse to GT HoldCo (the "**Facility**") for the main purpose of fully repaying the Existing Facility prior to its due date. The number of the Charged Shares was later changed to 38,472,296 as 500,422 Shares of the Charged Shares was released due to the partial exercise of the over-allotment option. As disclosed in the announcement of the Company dated April 13, 2023, the Facility had been fully repaid by GT HoldCo and the Charged Shares had been released in full with effect from April 6, 2023. As of the date of this annual report, none of the Shares held by GT Holdco were subject to any share charge.

(5) As of December 31, 2022, OrbiMed Asia directly held 18,039,426 Shares. To the best knowledge of the 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. 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 under the SFO.

(6) As of December 31, 2022, Cuprite Gem directly held 11,375,840 Shares. To the best knowledge of the 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.

Save as disclosed above, as of December 31, 2022, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in any Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company or any of its subsidiaries during the year ended December 31, 2022 or subsisted as of December 31, 2022.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Relevant Period.

TAX RELIEF AND EXEMPTION

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group for the year ended December 31, 2022.

RELATED PARTY TRANSACTIONS

The related party transactions of the Group during the year ended December 31, 2022 as disclosed in note 37 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules or were exempt from reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

During the year ended December 31, 2022, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this annual report pursuant to Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended December 31, 2022, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. The Company has arranged appropriate liability insurance to indemnify the Directors and senior management of the Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

AUDIT COMMITTEE

The Audit Committee had, together with the management and external auditor of the Company (the "**Auditor**"), reviewed the accounting principles and policies adopted by the Group and the annual results of the Group for the year ended December 31, 2022. The Audit Committee considered that the annual results of the Group for the year ended December 31, 2022 are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 45 to 63 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The Shares were listed on the Stock Exchange on December 12, 2022, and the Company has no change in the Auditors since the Listing Date.

Ernst & Young was appointed as the Auditor for the year ended December 31, 2022. The accompanying financial statements prepared in accordance with IFRSs have been audited by Ernst & Young.

Ernst & Young shall retire at the forthcoming AGM and being eligible, will offer itself for re-appointment. A resolution for the re-appointment of Ernst & Young as Auditor will be proposed at the forthcoming AGM.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

All references above to other sections, reports or notes in this report form part of this annual report.

On behalf of the Board
Mr. Gao Tieta
Chairman and Executive Director

Hong Kong, March 31, 2023

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2022.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 of the Listing Rules as its own code of corporate governance. Save as disclosed in this annual report, the Company has, to the best knowledge of the Board, complied with all applicable code provisions of the CG Code during the Relevant Period.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Cultures and Values

A healthy corporate culture across the Group is integral to attaining its vision and strategy. It is the Board's role to foster a corporate culture with the following core principles and to ensure that the Company's vision, values and business strategies are aligned to it.

1. Integrity and code of conduct

The Group strives to maintain high standards of business ethics and corporate governance across all activities and operations. The Directors, management and staff are all required to act lawfully, ethically and responsibly, and the required standards and norms are explicitly set out in the training materials for all new staff and embedded in various policies such as the Group's employee handbook (including therein the Group's code of conduct), the anti-corruption policy and the whistleblowing policy of the Group. Trainings are conducted from time to time to reinforce the required standards in respect of ethics and integrity.

2. Commitment

The Group believes that the culture of commitment to workforce development, workplace safety and health, diversity and sustainability is one where people have a feeling of commitment and emotional engagement with the Group's mission. This sets the tone for a strong, productive workforce that attracts, develops and retains the best talent and produces the highest quality work. Moreover, the Company's strategy in the business development and management are to achieve long-term, steady and sustainable growth, while having due considerations from environment, social and governance aspects.

Responsibilities

The Board is responsible for the overall leadership of the Group, overseeing the Group's strategic decisions and monitoring the Group's business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "**Board Committees.**") The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

As of December 31, 2022 and the date of this annual report, the Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors as follows:

Executive Directors:
Mr. Gao Tieta *(Chairman and Chief Executive Officer)*
Mr. Liu Xinwei *(Co-Chief Executive Officer)*
Mr. Zhao Xinli
Mr. Zhang Jianjun

Non-executive Directors:
Dr. David Guowei Wang
Mr. Shi Long

Independent non-executive Directors:
Mr. Feng Xin
Mr. Wang Li-Shin
Mr. Chan Fan Shing

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

During the Relevant Period, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise. Among the three independent non-executive Directors, Mr. Chan Fan Shing has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

During the Relevant Period, the Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

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

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

Independent non-executive Directors

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Group's strategies, performance and control, as well as ensure that the interests of all Shareholders are considered. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience. None of the independent non-executive Directors held any other offices in the Company or any of its subsidiaries or is interested in any shares of the Company.

The Company has adopted the Board Independence Assessment Mechanism (the "**Board Independence Assessment Mechanism**") on March 31, 2023. The Board Independence Assessment Mechanism aims to ensure that the Board has strong independent elements, so that the Board can effectively make independent judgments and better protect the interests of the Shareholders.

In order to ensure that independent views and input of the independent non-executive Directors are made available to the Board, the Nomination Committee and the Board are committed to assessing the independence of the independent non-executive Directors annually with regards to all relevant factors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs;
- firm commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as independent non-executive Directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and
- the chairman of the Board meets with the independent non-executive Directors regularly without the presence of the executive Directors.

In addition, according to the Board Independence Assessment Mechanism, Directors are allowed to seek independent professional advice when performing their duties and are encouraged to independently contact and consult the senior management of the Company.

The Company has received from each independent non-executive Director an annual confirmation of his independence, and the Company considers such Directors to be independent throughout the Relevant Period in accordance with the criteria set out in Rule 3.13 of the Listing Rules.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of the Board and to maintain high standards of corporate governance. The Board Diversity Policy sets out the objective and approach to achieve and maintain diversity of the Board. Pursuant to the Board Diversity Policy, the Company seeks 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, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and the contribution that the selected candidates will bring to the Board.

Under the current composition of the Board, all the Directors are male, and the Board has a wide range of age, ranging from 41 years old to 62 years old. The 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 delegated by the Board to be responsible for compliance with relevant code provisions governing board diversity under the CG Code. The Nomination Committee will, from time to time and at least once annually, monitor and evaluate the implementation of the Board Diversity Policy to ensure its continued effectiveness.

The Nomination Committee and the Board have reviewed the membership, structure and composition of the Board, and are of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable the Company to maintain high standard of operation.

Measurable Objectives

As disclosed in the Prospectus, the Company will continue to work to enhance gender diversity of the Board. The Company will appoint at least one female Director within one year from the Listing Date. In addition, it targets to achieve a female representation of not less than 20% of the members of the Board within five years from the Listing Date, subject to the 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 the Company and the 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, the Company will take opportunities to increase the proportion of female members of the 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 the Board, the 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 the senior management or the Board. The Company is of the view that such strategy will offer chances for the Board to identify capable female candidates to be nominated as a member of the Board with an aim to achieving gender diversity of the Board in the long run.

The Company has taken, and will continue to take, steps to promote gender diversity at all levels of the Company, including but not limited to the Board and the senior management levels. In particular, Ms. Li Wenqi, serving as the vice president of the Company during the Relevant Period and as the chief financial officer of the Company from January 2023 who takes the overall responsibility for the financial management of the Group, is female and forms part of the senior management team.

The Board has also assessed the Group's diversity profile annually of all levels of employees and applied the diversity policy to attract, retain and motivate employees from the widest possible pool of available talent. As of December 31, 2022, the Group had 790 full-time employees (including senior management), of whom the number of female employees (including senior management) accounted for approximately 36.7% and the Group has achieved the objective of maintaining a relatively balanced gender ratio. For the purpose of implementation of the gender diversity for the Group's workforce, the measurable objectives adopted include, among other things, (i) at least one of the senior management members of the Company shall be female; and (ii) at least 35% of the Group's full-time employees shall be female. Based on the Board's review, there was no mitigating factor or circumstance which makes achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in appropriate continuous professional development seminars and programmes to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company has also engaged external legal advisers to provide training to Directors on updates of the Listing Rules as well as the latest changes in relevant rules and regulations.

According to the information provided by the Directors, a summary of trainings received by the Directors throughout the year ended December 31, 2022 is as follows:

Name of Directors	Nature of Continuous Professional Development Programmes
Executive Directors	
Mr. Gao Tieta *(Chairman and Chief Executive Officer)*	A, B, D
Mr. Liu Xinwei *(Co-Chief Executive Officer)*	A, B, D
Mr. Zhao Xinli	A, B, D
Mr. Zhang Jianjun	A, B, D
Non-executive Directors	
Dr. David Guowei Wang	A, B, D
Mr. Shi Long	A, B, D
Independent Non-executive Directors	
Mr. Feng Xin	A, B, D
Mr. Wang Li-Shin	A, B, C, D
Mr. Chan Fan Shing	A, B, D

Notes:

A: Attending seminars and/or meetings and/or forums and/or briefings

B: Giving talks in the seminars and/or meetings and/or forums

C: Attending trainings conducted by lawyers

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

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

During the Relevant Period, Mr. Gao Tieta is the chairman of the Board (the "**Chairman**") and chief executive officer of the Company (the "**Chief Executive Officer**"). While this constitutes a deviation from code provision C.2.1 of the CG Code, the Board believes that, in view of Mr. Gao's experience, personal profile and his roles in the Company, Mr. Gao has extensive understanding of the Group's business as the 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 and Chief Executive Officer 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 the Group.

The Board believes that this arrangement will not impact on the balance of power and authorizations between the Board and the management of the Company, given that: (i) 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 the Company; (ii) there is sufficient check and balance in the Board, which comprises experienced and high-caliber individuals, and decision to be made by the Board requires approval by at least a majority of the Directors; and (iii) the overall strategic and other key business, financial and operational policies of the Group are and will be made collectively after thorough discussion at both the Board and senior management levels.

Appointment and Re-election of Directors

Each of the executive Directors and non-executive Directors has entered into a service contract with the Company. Each service contract is for an initial term of three years commencing from the Listing Date. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Each of the independent non-executive Directors has entered into an appointment letter with the Company. Each letter of appointment is for an initial term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

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

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

According to Article 113 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first AGM after his/her appointment and shall then be eligible for re-election. Accordingly, Mr. Gao Tieta, Mr. Liu Xinwei, Mr. Zhao Xinli, Mr. Zhang Jianjun, Dr. David Guowei Wang and Mr. Shi Long will retire by rotation at the forthcoming AGM, and they being eligible, will offer themselves for re-election at the AGM.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board prior to the meeting. Minutes of meetings are kept by the company secretary of the Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

Code provision C.5.1 of the CG Code provides that board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on the Stock Exchange on December 12, 2022, the Company did not hold any Board meetings during the Relevant Period. The Company will hold at least four regular Board meetings for the year ending December 31, 2023.

Code provision C.2.7 of the CG Code provides that the chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors. As the Company was only listed on the Stock Exchange on December 12, 2022, the chairman of the Board did not hold any meeting with the independent non-executive Directors during the Relevant Period. The chairman of the Board will hold at least one meeting with the independent non-executive Directors without the presence of other Directors for the year ending December 31, 2023.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. The Company has made specific enquiries of all the Directors and each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the Relevant Period.

During the Relevant Period, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

Delegation by the Board

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report of the Company.

BOARD COMMITTEES

Audit Committee

The Audit Committee currently comprises three members, including two independent non-executive Directors namely Mr. Chan Fan Shing (chairman) and Mr. Feng Xin, and one non-executive Director namely Dr. David Guowei Wang.

The principal duties of the Audit Committee include the following:

1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of their resignation or dismissal;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;

3. to review the Company's financial information, including organizing and leading the Company's annual audit work, monitoring integrity and ensuring the truthfulness, accuracy and completeness of the financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports during the audit process, reviewing significant financial reporting judgements contained in them, and submitting them to the Board; and

4. to oversee the Company's financial reporting system, risk management and internal control systems.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

Due to the fact that the Company was listed on December 12, 2022, no Audit Committee meeting was held during the Relevant Period.

The Audit Committee held one meeting on March 31, 2023, which was attended by Mr. Chan Fan Shing and Mr. Feng Xin, constituting a quorum for such meeting. At the meeting, the Audit Committee reviewed, among other things, the audited consolidated financial statements and annual results of the Group for the year ended December 31, 2022, and the effectiveness of the financial reporting, risk management and internal control systems of the Company.

Nomination Committee

The Nomination Committee currently comprises three members, including two independent non-executive Directors namely Mr. Wang Li-Shin (chairman) and Mr. Feng Xin, and one executive Director namely Mr. Gao Tieta.

The principal duties of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to extensively identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships and senior management members;

3. to assess the independence of independent non-executive Directors to determine their eligibility;

4. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman of the Board and the Chief Executive Officer;

5. to develop and formulate the criteria and procedures for identifying and assessing the qualifications of and conducting preliminary examination of qualifications of candidates for directorships and senior management positions and make recommendations to the Board, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepared a description of the role and capabilities required for a particular appointment;

6. to develop policy concerning diversity of Board and reviewing the policy and the progress on achieving the objectives set for implementing the policy;

7. to keep under review the leadership needs of the organization, both executive and non-executive, with a view to ensuring the continued ability of the organization to compete effectively in the marketplace;

8. to keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;

9. to ensure that on appointment to the Board, non-executive Directors and independent non-executive Directors receive a formal letter of appointment setting out clearly the expectations of them in terms of time commitment, committee service and involvement outside Board meetings;

10. to review and assess the adequacy of the corporate governance guidelines of the Company and to recommend any proposed changes to the Board for approval;

11. to do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board; and

12. to conform to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

Due to the fact that the Company was listed on December 12, 2022, no Nomination Committee meeting was held during the Relevant Period.

The Nomination Committee held one meeting on March 31, 2023, which was attended by all members of the Nomination Committee, and among other things, (i) reviewed the composition of the Board and its committees as well as the skills, knowledge and experiences of the Board members, (ii) made recommendations to the Board on the re-election of retiring Directors, (iii) evaluated the independence of independent non-executive Directors, (iv) made recommendation to the Board on the appointment of Dr. Alexey Nikolaevich Simonov as the chief technology officer of the Company, and (v) reviewed the Board Diversity Policy and the Director nomination policy.

Nomination Policy

The Company has adopted a director nomination policy (the "**Director Nomination Policy**") in accordance with the CG Code for selecting and recommending candidates for directorships.

The Director Nomination Policy sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

Selection Criteria

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to criteria, having due regard to the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, sufficient time to effectively carry out their duties, their services on other listed and non-listed companies which should be limited to reasonable numbers, qualifications including accomplishment and experience in the relevant industries the Company's business is involved in, independence, reputation for integrity, potential contributions that the individual(s) can bring to the Board and commitment to enhance and maximise shareholders' value.

Nomination Process

The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) to consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from Shareholders of the Company with due consideration given to the criteria;

(b) to adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(c) upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(d) to make the recommendation to the Board in relation to the proposed appointment; and

(e) the Board will have the final authority on determining the selection of nominees.

For the re-election of Directors at the general meeting, the Nomination Committee shall review the overall contributions and services to the Company of the retiring Directors, including its attendance at Board meetings, Board Committee meetings and general meetings (if applicable), and his/her level of participation and performance on the Board. The Nomination Committee shall require the nominee to submit updated biographical information and the consent to be re-elected as a Director; and should review and determine whether retiring Directors still meet the criteria for Director selection. The Nomination Committee shall then make recommendations to the Board on the re-election of Directors.

The Nomination Committee shall also monitor and review the implementation of the Director Nomination Policy, as appropriate from time to time, and will report to the Board annually. As of the date of this annual report, the Nomination Committee and the Board have reviewed the Director Nomination Policy and consider it effective.

Remuneration Committee

The Remuneration Committee currently comprises three members, including two independent non-executive Directors namely Mr. Feng Xin (chairman) and Mr. Wang Li-Shin, and one executive Director namely Mr. Gao Tieta.

The principal duties of the Remuneration Committee include the following:

1. to review the system and policy of the remuneration management of the Company, and to make recommendations to the Board on the policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

3. to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Company. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to make recommendations to the Board on the remuneration of non-executive Directors of the Company;

5. to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Company and its subsidiaries;

6. to contemplate the criteria for appraising Directors and senior management members, to conduct the appraisal, and to submit the appraisement reports to the Board;

7. to review and approve compensation payable to executive Directors and senior management of the Company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

8. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

9. to ensure that no Director of the Company or any of his associates is involved in deciding his own remuneration;

10. where the service contract of a director or proposed Director of the Company or its subsidiaries is required to be approved by the Shareholders of the Company pursuant to Rule 13.68 of the Listing Rules, the Remuneration Committee (or an independent board committee) shall form a view in respect of such service contract and advise Shareholders (other than Shareholders who are Directors with a material interest in such service contract and their associates) as to whether the terms are fair and reasonable, advise whether such service contract is in the interests of the Company and its Shareholders as a whole and advise Shareholders on how to vote;

11. to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and

12. to consider all other matters as referred to the Remuneration Committee by the Board.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

Due to the fact that the Company was listed on December 12, 2022, no Remuneration Committee meeting was held during the Relevant Period.

Two meetings were held by the Remuneration Committee on January 10, 2023 and March 31, 2023, respectively, which were attended by all members of the Remuneration Committee, and among other things, (i) reviewed the remuneration of Directors and senior management for the year ended December 31, 2022, (ii) made recommendations to the Board on the remuneration of the Directors and senior management for the year ending December 31, 2023, including the remuneration of Dr. Alexey Nikolaevich Simonov who was newly appointed as the chief technology officer of the Company on March 31, 2023, and (iii) adjusted the remuneration of certain executive Directors and senior management.

Directors' Remuneration Policy

The Directors' remuneration policy comprises primarily a fixed component (in the form of a base salary) and a variable component (which includes discretionary bonus and other merit payments), considering other factors such as their experience, level of responsibility, individual performance, the profit performance of the Group and general market conditions.

The Remuneration Committee will meet at least once for each year to discuss remuneration related matters (including the remuneration of Directors and the senior management) and review the remuneration policy of the Group. The Remuneration Committee would make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

Remuneration of Directors and Senior Management

Particulars of the remuneration of the Directors and the five highest paid individuals for the year ended December 31, 2022 are set out in notes 8 and 9 to the consolidated financial statements. Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Directors and Senior Management" in this annual report for the year ended December 31, 2022 by band is set out below:

Remuneration band	Number of individual
HK$500,000 to HK$1,000,000	1

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended December 31, 2022 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 96 to 98 of this annual report.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the Auditor to the Group during the year ended December 31, 2022 is set out as follows:

Type of Services	Amount (RMB'000)
Audit services	
— Listing-related audit service	11,470
— Non-listing-related audit service	200
— Annual audit service	5,917
Non-audit services	
— Review services	1,600
— Tax services	182
— ESG services	150
Total	19,519

GOVERNANCE POLICIES

To uphold high standards of business integrity, honesty and transparency in all its business dealings, the Group has established anti-corruption and whistleblowing policies, which are conducive to setting a healthy corporate culture and good corporate governance practices.

Anti-Corruption Policy

The Company has adopted an anti-corruption policy (the "**Anti-corruption Policy**"), which prohibits corruption and bribery acts of the Group's employees to ensure their compliance with applicable laws and regulations, aiming to uphold its high probity standards, professional ethics and integrity to make sure that the Group is operating in an honest, fair and impartial environment and acting in the Shareholders' best interest, and that the employees conduct activities in an appropriate manner that complies with applicable laws and regulations.

The Anti-corruption Policy forms an integral part of the Group's corporate governance framework, including, among other things, (i) maintaining top level commitment to adopting ethical and anti-corruption business practices, high standard of integrity and zero-tolerance to corruption; (ii) scope of the policy, including activities that are considered as misconduct and personnel to which the policy applies; (iii) policy statements against corruption in doing business and key integrity and conduct requirements for personnel; (iv) measures for prevention and control of corruption and bribery behaviors; and (v) procedures on investigation and disciplinary measures for corruption incidents. The Board and its Audit Committee supervise the design and implementation of the Anti-corruption Policy, with the audit and supervision department as the standing department for anti-corruption work of the Group primarily responsible for receiving reports, investigation and reporting to the Board and its Audit Committee.

The Anti-corruption Policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice.

Whistleblowing Policy

The Company has adopted a whistleblowing policy (the "**Whistleblowing Policy**"), the purpose of which is to (i) foster a culture of compliance, ethical behaviour and good corporate governance across the Group; (ii) promote the importance of ethical behaviour, and (iii) encourage employees of and those who deal with the Group to raise concerns, in confidence and anonymity, relating to the misconduct, unlawful and unethical behavior in any matters related to the Group.

The nature, status and the results of the complaints received under the Whistleblowing Policy are reported to the audit and supervision department of the Group , which is a subordinate body governed by the Audit Committee, for preliminary investigation. The possible improprieties will be discussed with the Directors, and determined by the Audit Committee or the Board, as the case may be, for necessity of further investigation. No incident of fraud or misconduct that have material effect on the Group's financial statements or overall operations for the year ended December 31, 2022 has been discovered. The Whistleblowing Policy is reviewed annually by the Audit Committee to ensure its effectiveness.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the Group's risk management and internal control systems and reviews their effectiveness on an annual basis. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established the risk management and internal control systems, which are designed to enable the Company to maintain the highest standards of corporate governance and to identify and reduce any potential risks. The Group also provides employees with revised staff manual and various management systems from time to time. The Group has set up employee induction training and assessment mechanism and provides employees with compliance training on a regular basis to enhance compliance awareness. The Group has established a risk management system, which clarifies the division of responsibility and authority of risk management corresponding to each relevant department and standardizes the basic process of risk management.

The Group has established an internal audit function. The Group's internal audit function plays a major role in monitoring the internal governance of the Company. The major tasks of the internal audit function are reviewing the financial condition and internal control of the Company and conducting audits of the branches and subsidiaries of the Company on a timely basis. The internal audit function reports to the Audit Committee to ensure that any major issues identified are channeled to the Audit Committee on a timely basis. The Audit Committee then discusses the issues with, and reports to, the Board, if necessary.

The Company understands its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to its attention and/or it is the subject of a decision unless it falls within any of the "Safe Harbours" as provided in the SFO. Meanwhile, the Company has set up an inside information management system, where the insider internal reporting obligations, reporting procedures and liability of disclosure of information of the personnel concerned have been clearly stated, and the Company shall arrange self-examination in a timely manner in accordance with the provisions of the relevant regulatory authorities. The real-time monitoring performed by the Company may involve the inside information, and the Company should organize intermediary agencies to determine whether the information belongs to an inside information and is practical. If it has fulfilled the disclosure requirements, the Company will soon organize the disclosure and will strictly control the scope of monitoring before the disclosure. The volatility of share price will be monitored until the disclosure of inside information is completed. If the disclosure requirements are not satisfied, the Company will also maintain strict confidentiality.

The main features of the risk management and internal control systems are to safeguard assets, to ensure proper maintenance of accounting records and provide reliable financial reporting, and to ensure compliance with relevant legislation and regulations.

The Company reviews the risk management and internal control systems once a year. The Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the year ended December 31, 2022 to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards, and to resolve material internal control defects. The review covered all material controls, including financial, operational and compliance controls and risk management functions. In particular, the Board considered the resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial functions, as well as those relating to the Company's ESG performance and reporting to be adequate. The review was conducted through discussions with the management of the Company, its external auditors and the assessment performed by the Audit Committee.

The Board considers that the current risk management and internal control measures effectively and adequately cover the existing businesses of the Group, and will continue to be optimised in line with the business development of the Group. The risks mentioned herein include, among other things, material risks relating to ESG.

JOINT COMPANY SECRETARIES

Ms. Li Wenqi was appointed as a joint company secretary of the Company on November 18, 2021. In order to maintain good corporate governance and to ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also engaged Ms. Leung Shui Bing of TMF Hong Kong Limited, a company secretarial service provider, as another joint company secretary of the Company to assist Ms. Li Wenqi in performing her duties as company secretary of the Company. Ms. Li Wenqi is the principal contact person of Ms. Leung Shui Bing with the Company.

In accordance with Rule 3.29 of the Listing Rules, Ms. Li Wenqi and Ms. Leung Shui Bing have attended not less than 15 hours of relevant professional training during the Reporting Period.

DIVIDEND POLICY

Currently, 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 discretion of the Board and will be based on the profits, cash flows, financial condition, capital requirements and other conditions of the Group that the Board deems relevant. The payment of dividends may be limited by other legal restrictions and agreements that the Group may enter into in the future.

Under the Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. The Company may, however, pay a dividend out of its share premium account unless the payment of such a dividend would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

GENERAL MEETING

The Company became listed on December 12, 2022. No general meeting was held after the Listing.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The AGM provides opportunity for the Shareholders to communicate directly with the Directors. The chairman of the Board and the chairmen of the Board Committees will attend the AGMs to answer Shareholders' questions. The Auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and maintains a website of the Company at www.gaush.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

The Company has established several channels to communicate with the Shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.gaush.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information is made available on the Company's website;

(iv) AGMs and extraordinary general meetings provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Hong Kong branch share registrar of the Company serves the Shareholders in respect of Share registration, dividend payment and related matters.

The Company has reviewed the implementation and effectiveness of the Shareholders' communication policy. The Board is of the view that the Shareholders' communication policy of the Company has facilitated sufficient Shareholders' communication and considered the policy is effective and adequate.

SHAREHOLDERS' RIGHTS

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

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

CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

In accordance with Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. One or more Shareholders holding, as of 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 general meeting. Such requisition shall be made in writing to the Board or the company 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.

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

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

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at Room 1901, Building A, Zhonghui Plaza No.11 Dongzhimen South Avenue, Dongcheng District, Beijing, China or email to the Company (email address: IR@gaush.com).

CHANGE IN CONSTITUTIONAL DOCUMENTS

The memorandum and Articles of Association of the Company has been amended and restated with effect from the Listing Date, the latest versions of which available from the websites of the Company and the Stock Exchange.

Save as disclosed above, during the year ended December 31, 2022, there was no change in the memorandum and Articles of Association of the Company.

Environmental, Social and Governance Report

ABOUT THIS REPORT

OVERVIEW

This report is the first Environmental, Social and Governance Report (hereinafter referred to as the "**ESG Report**") issued by Gaush Meditech Ltd (hereinafter referred to as the "**Company**", "**Gaush Meditech**" or the "**company**"), it related to all stakeholders of the Company and the main purpose of which is to disclose the management, practise and performance of Gaush Meditech Ltd and its subsidiaries in environmental, social and governance (hereinafter referred to as the "**ESG**").

Reporting Period

This report covers the period from January 1, 2022 to December 31, 2022 (hereinafter referred to as the "**Reporting Period**"), with some content dating back to previous years.

Reporting Scope and Boundary

The policies and data in this report cover the Company and its subsidiaries, and the reporting scope is consistent with that of the annual report. Unless otherwise stated, the financial data in this report are denominated in RMB. The Company determines the scope of this report by assessing the impact of all relevant operating entities of the Company on the society and environment during the reporting year.

Abbreviation of subsidiaries involved in the main text of the report:

Roland: Roland Consult Stasche & Finger GmbH;

Teleon: collectively, Teleon Holding B.V., Teleon Surgical B.V., Teleon IP B.V., Teleon Surgical Vertriebs GmbH and Teleon Surgical GmbH.

Basis of Preparation

This report is prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Source of Information and Reliability Assurance

The information and data disclosed in this report are derived from the Company's statistical reports and official documents, and have been reviewed by relevant departments. The Company undertakes that there are no false records or misleading statements in this report, and is responsible for the authenticity, accuracy and completeness of the contents.

Response to the ESG Reporting Principles of the Stock Exchange

Materiality: In order to further specify the key areas of the Company's ESG practises and information disclosure, and improve the pertinence and responsiveness of the report, Gaush Meditech identifies ESG issues and determines its materiality in accordance with the requirements of the ESG Reporting Guide, to ensure that the information disclosed in the report fully covers the Company's development and key issues concerned by stakeholders. Judgement is mainly based on:

- Values, policies, strategies, operation management, and long-term and short-term goals of the Company
- Relevant laws, regulations, ESG Reporting Guide and international agreements that have strategic value to the Company
- Results of the materiality assessment of the ESG information disclosure made by peers

Quantitative: In accordance with the requirements of the ESG Reporting Guide, the Company discloses or explains all quantitative indicators related to the "environment" aspect, fully discloses the quantitative indicators related to the "society" aspect, and explains some of the data when necessary.

Consistency: Since the listing of the Company, the Company has established a unified system to collect ESG information, clarified the statistical methods adopted for ESG information, and standardised the disclosure scope of the report.

STATEMENT OF THE BOARD

Gaush Meditech adheres to the sustainable development strategy and is committed to providing innovative medical products and services to the society. The Company has established a sound ESG management system and working mechanism, and incorporated product quality, employee management, business ethics and supply chain ESG management into the Company's operation and management, striving to maintain a harmony and inclusive relationship with the society and the environment, and creating long-term and stable value for the society, environment and corporate.

The board of directors of Gaush Meditech (the "**Board**") is the highest responsible and decision-making body for ESG matters, and assumes full responsibility for the Company's ESG-related strategy and management. The Board monitors and reviews the Company's ESG-related policies, management, performance and target progress through holding regular meetings. Meanwhile, during the course of regular supervision, the Board continuously evaluates, prioritises and manages material ESG-related issues and risks by taking into account the actual development of the Company's business. In the future, the Company will set up an environmental, social and governance committee, a committee under the Board, to support the Board in making decision related to ESG management and review the Company's ESG performance in accordance with ESG-related goals.

In order to effectively carry out our ESG-related work, the Company has established an ESG working group, the member of which comprise our senior management and department heads. The ESG working group is responsible for implementing our ESG plan, preparing annual ESG reports and reporting ESG matters to the Board on a regular basis.

After being confirmed by the management, this report was approved by the Board of Directors on 31 March 2023.

COMMUNICATION WITH STAKEHOLDERS

Each department of the Company communicates and exchanges with corresponding stakeholders on an ongoing basis, to enable them to understand the Company's development trends and future plans in a timely manner on one hand, and actively understand the requirements of stakeholders and take corresponding measures to meet their reasonable expectations on the other hand.

Category of stakeholders	Expectations	Means of communications and response
Customers	Product quality and safety Technology and innovation Customer service Information security and privacy protection	Customer service hotline Business communication Customer feedback Exchange and seminars Negotiation and cooperation
Shareholders and investors	Operating performance Anti-corruption Risk management Response to climate change	General meetings Listing information disclosure Company announcement
Government and regulatory authorities	Anti-corruption Risk management Compliance operation Emission management Use of energy Water resources management Packaging materials	On-site research Official correspondence
Employees	Occupational health and safety Employees training and development Compliance employment Diversity and equal opportunities Talent introduction and retention	Regular communication Employees satisfaction survey
Academic institutions	Cooperative research Innovative products and technologies Industry development	Execution of cooperation agreement Academic exchange
Suppliers	Fair and open tendering process Anti-corruption Compliance operation Supply chain management Packaging materials Product quality and safety Technology and innovation	On-site research Negotiation and cooperation Tendering platform
Community	Public welfare and charity Public information Community engagement	Public welfare activities Company website Company announcement Interview and exchange

In 2022, through internal and external stakeholder surveys and after taking account into management's opinions, the Company identified and evaluated the sustainable development topics that are important to the Company's business based on the Company's sustainable development management system and business development status, further discussion is set out in the subsequent sections of this report. The Company has identified a total of 21 ESG topics and classified them into three categories, namely environment, society and governance, of which topics of high importance include product quality and safety, compliance employment, employees training and development, supply chain management, responsible marketing, information security and privacy protection, as well as anti-corruption.

Table: Important topics to Gaush Meditech

Environmental	Social	Governance
• Emission management • Use of energy • Water resources management • Packaging materials • Response to climate change	• Product quality and safety • Intellectual property • Information security and privacy protection • Responsible marketing • Customer service • Employee benefits and remuneration • Diversity and equal opportunities • Occupational health and safety • Employees training and development • Compliance employment • Supply chain management • Public welfare and charity	• Anti-corruption • Risk management • Compliance operation • Governance structure

I. OPERATIONAL RESPONSIBILITY

Gaush Meditech is committed to achieving long-term commercial success by creating value for the economy, environment and society. The Company regards business ethics, information security, marketing management and intellectual property rights as the core of its operational responsibilities. By continuously improving our governance structure and establishing a sound management process, the Company strives to create sustainable development value for all stakeholders.

1.1 Anti-corruption

The Company adheres to the principle of "punishment and precaution, and emphasis on precaution", and strictly abides by the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不當競爭法》) and other relevant laws and regulations of China and the place of our overseas operation. The Company keeps enhancing Gaush Meditech's business ethics system, and has formulated Gaush Meditech Anti-fraud and Anti-commercial Bribery Management System, Conflict of Interest Management System and other regulation, which has clearly provided the professional code of conduct for all employees of the Company, especially our Directors, middle and senior management, and key employees, so as to protect the legitimate rights and interests of the Company and its shareholders. During the Reporting Period, the Company has not involved in any litigation related to corruption, bribery and unfair competition.

The Company has established a clear management structure for anti-fraud and commercial bribery, which consists of the audit committee, the management, the audit and supervision department and various business departments. Although the independent non-executive Directors of the Company are not involved in and independent of the Company's day-to-day management and operation, they are required to make recommendations to the Board on the management of ethics and anti-bribery, and on the compliance of the anti-bribery regulations, and jointly monitor the Company's effort on anti-corruption with the Board. In addition, the Company requires all employees of the Company to sign the Anti-fraud, Anti-commercial Bribery and Anti-money Laundering Commitment Letter (《反舞弊反商業賄賂反洗錢承諾函》), aiming to effectively foster an integrity culture and strengthen integrity awareness in our daily operation on an ongoing basis.

Table: Management structure for anti-commercial bribery

Department	Duties
Audit Committee	Responsible for the review and supervision of the Company's audit and risk management, and the supervision of anti-fraud and commercial bribery
Management	Responsible for establishing sound anti-corruption related management measures, assessing and managing fraud, commercial bribery and other risks
Audit and Supervision Department	Responsible for formulating the Company's anti-fraud and business ethics work plan, receiving reports on commercial bribery cases, and carrying out relevant investigations
Various Business Department	Responsible for anti-fraud work of respective departments

Gaush Meditech has established a smooth reporting channel and publicly announced the ways to blow the whistle. The Company encourages all employees, customers, suppliers and other stakeholders to report any suspected violations, breaches or improper behaviours through reporting hotline, e-mail and other means. The Company has established a system to protect the whistle-blower, members of the investigation team shall keep the information of the whistle-blower confidential and shall not present the information about the report to persons other than those involved in the investigation or decision-making. The management personnel at all levels shall not suppress or attach the whistle-blower by any means to ensure that the privacy and safety of the whistle-blower are not infringed.

In order to continuously enhance the compliance awareness of the Board members and employees, the Company has established an anti-fraud and anti-bribery training framework to ensure that there will be at least one training and propagation programme for all employees and one to two training and propagation programme for senior management level every year. In addition, the Company also organises anti-corruption training on laws and regulations, integrity and ethics for new employees. On February 14, 2022, Gaush Meditech continued the propagation on anti-corruption and enhancing integrity awareness, and started an online compliance and anti-fraud training for all employees. The training focused on the compliance requirements for medical industry and company, and studied anti-corruption cases, aiming at enhancing employees' compliance and anti-corruption awareness. During the Reporting Period, the Company conducted two anti-fraud trainings for Board members and employees, with 464 Board members and employees participating in the trainings.

1.2 Information Security

The Company attaches great importance to information security and privacy protection, and strictly comply with systems including the Regulations of the People's Republic of China on the Safety Protection of Computer Information Systems (《中華人民共和國計算機信息系統安全保護條例》), the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》), the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) and other relevant laws and regulations of China and the place of our overseas operation. The Company has formulated the Information Security Management System (《信息安全管理制度》), the Information System Account and Authority Management Rules (《信息系統賬號及權限管理細則》), the Gaush Meditech Customer Management System (《高視醫療客戶管理制度》) and other rules to regulate computer equipment security, data information security, account password security, software security, email security, network security, server room security and other aspects. The specific requirements of those systems are as follows:

Computer equipment security	• Maintain a clean, safe and good working environment for computer equipment • In case of failure, it should be reported to the information department in a timely manner. Any hardware damage must state the reason for damage, no parts can be dismantled or replaced without permission
Data security	• Copying of confidential documents of the Company with personal media discs, USB storage and mobile hard discs and other storage devices is prohibited • Printed confidential documents of the Company shall not be taken out of the Company • Personal work files shall be archived in a timely manner, and shall not place any word files on the desktop of the computer • When an employee resigns, the person-in-charge of the department shall be responsible for the handover of computer equipment and work information
Account password security	• The password of the information system is updated every six months and the password of the information system is changed according to the strength requirement • Disclosure of system accounts and passwords to others is strictly prohibited • When an employee resigns or transfers, the Information Department shall be promptly notified to cancel the respective information system account
Software security	• Set scheduled automatic update for anti-virus software and firewall and update virus library regularly
Email security	• All emails communication with external parties for business purpose shall only be sent and received through the corporate mailbox of the Company • Use secure email gateway to check and screen out phishing emails, emails with virus, etc.

Network security	• No access to websites not related to work during working hours is allowed • Dissemination or forward of information harmful to the Company and public order of the society through network is prohibited
Server room security	• No person other than the administrator from the information department can enter the server room, for people who need to enter the server room, one must first obtain the approval from the information department

When purchasing third-party services, the Company requires the third party to sign a confidentiality agreement with the Company to regulate the use of information by the third-party and protect the Company's business data and customer's privacy information. In order to strengthen employees' information security management capabilities, the Company regularly organises information security and privacy protection training. In 2022, the Company organised an information system application and information security training for 60 new employees, which has effectively improved employees' safety awareness of protecting customer privacy and information. In addition, the Company invited a third-party institution to perform information management audit during the Reporting Period, and no relevant loopholes were found during the audit. In 2022, the Company did not have any information security and privacy leakage incidents.

1.3 Marketing Management

The Company strictly complies with the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) and other relevant laws and regulations of China and the place of our overseas operation, and has formulated the Regulations on Brand Communication and Management of Gaush Meditech Group (《高視醫療集團品牌傳播管理規範》), the Administrative Measures on Marketing Materials and Non-marketing Materials of Gaush Meditech (《高視醫療推廣材料和非推廣材料管理辦法》) and other systems, which have clearly stated the regulations and management of marketing information and non-marketing information, including not to mislead consumers by misrepresentation, exaggeration, excessive emphasis, omission, or any other means, and implemented strictly review procedures on the printing of promotion materials and labels, dissemination of materials to external parties, etc.

In order to ensure responsible marketing can be implemented in full, all medical devices advertisements are collectively managed by our marketing department, and our quality management department conducts sample check from time to time. For the existing advertisements and labels on the market which have not yet obtained approval or have already expired or become invalid, the Company will carry out rectification within time limit to ensure that the marketing and promotion information are effectively managed and in compliance with the laws and regulations. In order to standardise the management of the Company's requirements and to maintain an accurate and unified brand image, the Company provides regular training to our marketing personnel to ensure that they fully understand and are familiar with the requirements of responsible marketing.

1.4 Intellectual Property

Gaush Meditech attaches great importance to the protection of intellectual property and respects the intellectual property rights of third parties. The Company strictly complies with the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Intellectual Property Law of the People's Republic of China (《中華人民共和國知識產權法》) and other relevant laws and regulations of China and the place of our overseas operation, and has established the Intellectual Property Management and Reward System (《知識產權管理及獎勵制度》), which clearly provided the management process and reward mechanism of intellectual property. The Company drives technology advancement through the implementation of our intellectual property strategy, intellectual property rights education, and igniting the employees' passion for invention and creation. As of December 31, 2022, the total number of authorised patents of Gaush Meditech in China and overseas was 135.

II. PRODUCT RESPONSIBILITY

Gaush Meditech upholds its vision of "Being the Leader in the Global Ophthalmic Device Industry", and uses the our quality products to satisfy the needs of our customers, and attach great importance on customer's experience and feedback to continuously improve our service quality. The Company also firmly believes that the quality and resilience of the supply chain are the boosters for the sustainable development of enterprises. The Company uses quality, safety, anti-corruption and other indicators to manage our suppliers, with an aim to encourage the whole supply chain to develop in a socially responsible and environmentally responsible manner.

2.1 Product Quality

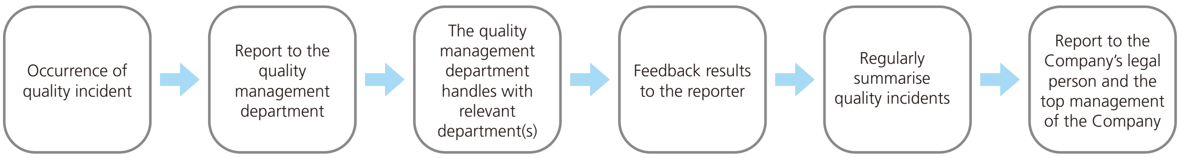
Gaush Meditech truly believes that quality and safety of products are crucial to the health of patients, and understands that product quality is the most intuitive experience and feelings of users on the Company's brand. The Company has always adhered to strict quality standards and established a quality management system based on ISO13485 Quality Management System Certification for Medical Devices, Good Manufacturing Practise for Medical Devices (《醫療器械生產質量管理規範》) and Good Supply Practise for Medical Devices (《醫療器械經營質量管理規範》) to ensure that product inspection, warehousing, delivery and all other aspects are managed in accordance with strict quality standards, effectively ensuring the excellent quality of our products.

2.1.1 Quality Assurance

Product quality is always the Company's first priority, we will continue to optimise and upgrade the product quality management system. The Company strictly complies with and implements the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the Regulations on the Quality Management of Medical Device Operation (《醫療器械經營質量管理規範》), the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), the Measures for the Supervision and Administration of Medical Device Operation (《醫療器械經營監督管理辦法》) and other relevant laws and regulations of China and the place of our overseas operation, and has formulated the Gaush Meditech's Special Event Reporting and Handling System (《高視醫療質量專項事件報告與處置管理制度》), the Gaush Meditech's Operation Quality Compliance and Management System (《高視醫療經營質量合規管理制度》), the Measures for Quality Management of Backup Machines of Technology Department (《技術部備用機質量管理辦法》) and other internal systems, which have clearly stated the roles and responsibilities of relevant departments in quality compliance and management, and required to adopt effective quality control measures in the procurement, acceptance, storage, sales, transportation, after-sales service of medical devices.

In order to effectively control quality incidents and related risks, Gaush Meditech classifies quality incidents into low-risk incident, medium-risk incident and high-risk incident according to the nature of the risk of the quality incident. When the products of the Company cause suspected quality non-compliance incidents due to product quality, after-sales service and other factors, the relevant personnel shall immediately notify the competent department and notify the quality management department. The specific procedures are as follows:

Picture: Process for handling quality incident



2.1.2 Product Recall Management

In accordance with the Measures for the Administration of Medical Device Recalls (《醫療器械召回管理辦法》) issued by the China Food and Drug Administration, the Company has established a series of management procedures applicable to product adverse events and product recalls in the places where we operate around the world, and has formulated the Gaush Meditech's Operation Quality Compliance Management System (《高視醫療經營質量合規管理制度》), which has clearly stipulated the standards and procedures for medical device recall. At the same time, the Company has formulated the Report Form for Medical Device Recall Plan (《醫療器械召回計劃報告表》), the Report Form for Medical Device Recall Incident (《醫療器械召回事件報告表》) and the Report Form for Implementation of Recall Plan (《召回計劃實施情況報告表》) and other internal documents to ensure the recall work can be commenced in a swift, standardised and effective way. During the Reporting Period, the Company did not have any product recall.

2.1.3 Establish a Culture for Quality

The Company keeps up its effort in the construction of a culture for quality and continuously improves the effectiveness of quality management through quality training. During the Reporting Period, the Company conducted a total of 6 quality management related trainings for the quality management department, logistics department, procurement department and other departments. The training covered many aspects, including industry regulations, propagation on quality management system, and description of medical device labels and tags.

On June 9, 2022, in order to strengthen the Company's compliance management and control on operation quality and standardise the operation quality compliance work process, the quality management department has organised a training on the Gaush Meditech's Operation Quality Compliance Management System (《高視醫療經營質量合規管理制度》) to standardise the work process of operation quality compliance and effectively implement the operation quality compliance management and control requirements. The training covered 14 aspects, including the quality standards for the shipment and delivery of medical devices, the advertising of medical devices, the handling of adverse events and the recall of medical devices, and has further enhanced employees' awareness of quality compliance and helped to enhance and improve the quality of the Company's product.

2.2 Customer Service

The Company sticks to a "customer-first" mindset, and strictly complies with the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) and other relevant laws and regulations of China and the place of our overseas operation. We have established and kept improving our customer feedback mechanism. Regular customer satisfaction surveys will be conducted to improve customer service quality.

In order to provide customers with timely and effective communication channels and solutions, the Company actively establishes customer communication channels, and collects customer feedback through 400 customer service hotlines, customer feedback WeChat Mini Programme and other means. At the same time, the Company has clear regulations to regulate the process of handling customer's complaints, and has clear complaint channels, handling methods and handling time requirements for different types of complaints to ensure that all complaints are handled in a timely and effective manner. In addition, the Company will analysis the issues related to the customer complaints in a timely manner, so as to enhance the quality of customer service. During the Reporting Period, the Company received a total of 3 complaints from our customers, all of which have been properly resolved pursuant to the stipulated system.

The Company conducts annual customer satisfaction survey to understand customers' expectations and demands in a timely manner, and builds up competitive advantage by continuously improving customer satisfaction. In 2022, the Company held more than 100 academic and training exchange events to share our experience on clinical application, and provided users a more professional and efficient communication platform. In addition, the Company has built a min programme named "Gaush Solution". The program comprise four modules: "micro-showroom, micro-classroom, micro-clinic and micro-college", which clearly showcased the related information, application methods and clinical experience of the Company's ophthalmic equipment, devices and consumable products, and the programs has provided the ophthalmic medical personnel a ready-to use and worry-free solution. During the Reporting Period, the Company conducted surveys on service attitude, service efficiency, service quality, service standards and other aspects, and distributed questionnaires to 951 people, with customer satisfaction rate reaching 98%.

2.3. Supply Chain Management

Gaush Meditech sees supply chain management as an important part for fulfilling product responsibility. The Company attaches great importance to the selection of suppliers, hoping to establish a close and stable cooperative relationship with excellent suppliers, and work together with suppliers to create a high-quality and responsible supply chain.

The Company strictly complies with the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) and other relevant laws and regulations of China and the place of our overseas operation, and has formulated the Procurement Management System (《採購管理制度》) to clearly provided the environmental and social management requirements and standards for the selection and admission, screening and approval, management and evaluation of suppliers, and promote the systematic and standardised management of suppliers.

Suppliers of the Company mainly include medical devices and non-medical devices suppliers, international and domestic logistics service providers. When admitting a supplier, the Company gives priority to suppliers with outstanding performance in product quality, health and safety, and environmental protection, and signs anti-commercial bribery agreements with suppliers. During the Reporting Period, the Company has verified of suppliers' certification, such as ISO9001 Quality Management System, ISO14001 Environmental Management System and ISO45001 Occupational Health and Safety Management System, during the admission process and annual assessment. It helped us effectively analysed and supervised the social and environmental risks of suppliers in occupational health and safety, quality management, environment, emissions management and other aspects. At the same time, the Company actively cooperates with suppliers to reduce the impact on the environment brought by the packaging materials used (such as plates and plastic), and encourages them to use materials that are more environmentally friendly.

Table: Number of suppliers by geographical region

Indicator	Unit	2022
Total number of suppliers	Number	203
Number of suppliers from Mainland China	Number	173
Number of suppliers from Hong Kong, Macau, Taiwan and overseas	Number	30

In 2022, the Company monitored and reviewed 25 suppliers in terms of product quality, anti-corruption, service performance and other aspects according to the Annual Supplier Evaluation Form (《供應商年度評價表》). At the same time, the Company classified suppliers into four categories, namely A, B, C and D, based on the supplier evaluation results. The Company will classify underperforming suppliers into grade D, which will be notified to make rectification within a time limit and will be re-evaluated after rectification. Suppliers who fail to rectify will be taken off from the list directly,

III. ENVIRONMENTAL RESPONSIBILITY

The Company adheres to our environmental protection approach of "Turing bad into good through comprehensive planning, arrangement and utilization", and sticks to green development philosophy in construction, production, and office scenarios. The Company focuses on the reasonable use of various resources and manage our emission in compliance with laws and regulations. The Company incorporates environmental protection awareness into our slogans for work and daily practices, and assumes ecological and environmental protection responsibility, committed to green and sustainable development.

3.1. Environmental Management

The Company strictly complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Regulations on the Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》), the European Climate Law and other relevant domestic and foreign laws and regulations, and continues to improve the our energy, water resources and raw materials use efficiency, as well as to reduce and eliminate pollutant emissions in the course of production and operation, and to minimize the impact on the environment of the places where the Company operates.

For the sake of stable environmental management, Gaush Meditech has formulated and implemented various internal systems, such as the Corporate Environmental Protection Management System (《企業環境保護管理制度》), the Hazardous Chemicals Management System (《危險化學品管理制度》) and the Regulations on the Management of Temporary Storage Room for Hazardous Waste (《危廢暫存間管理規定》). In order to further incorporate environmental management practices into our daily operation, the Company has established an environmental management structure consisting of the general manager, department heads and professional environmental protection technicians. Under the coordination, guidance, supervision and inspection of the general manager, all departments have achieved full and reasonable utilization of resources and energy, effectively prevented and controlled the pollution of "three wastes", and actively implemented the environmental protection responsibility system.

The Company sets our environmental objectives and formulates relevant work plan to achieve such objectives in a scientific way based on relevant guidelines and our own development strategy and takes into consideration of historical environmental data and other information.

Table: Environmental objectives of the Company

Emission Targets	• Implement energy-saving measures in daily work to reduce greenhouse gas emissions; • Adopt scientific methods to collect exhaust gas and reduce harmful exhaust gas emissions; • Reduce waste materials generated in the operation process, prevent leakage of hazardous wastes, promote recycling of packaging materials and other resources, and reduce the generation of hazardous and non-hazardous wastes;
Resource Consumption Targets	• Reduce energy consumption and improving energy consumption efficiency to reduce unnecessary energy consumption and waste; • Pay attention to water conservation in the course of production and operation, prevent the abuse of water resources, and reduce water consumption in business activities.

3.2 Resources Consumption

Gaush Meditech integrates the concept of green development into its production and operation, and tries to explore ways in reducing energy and water consumption, recycling of packaging materials, etc., and is highly committed to achieving high quality green development while developing its business.

3.2.1 Energy Consumption

The revenue of Gaush Meditech is mainly derived from the distribution of ophthalmic medical equipment, development and manufacturing of Proprietary Products. Compared with traditional manufacturing industries, our business consumes less energy and resource and has less impact on the environment and natural resources. Electricity is the Company's major energy consumption during production, therefore, the Company tries to reduce energy consumption in our premises, as well as in the course of production and operation through the application of energy-saving technology and daily management, and keep on maximizing our energy usage efficiency to reduce unnecessary waste of energy.

Energy-saving design

Building is where the Company commences all businesses and where energy consuming activities occur, as such, the Company has integrated energy-saving technology and energy-saving equipment into the building during the design stage of the building, which has broken the traditional model of energy consumption, and reducing energy consumption from the source.

During the design of its new production base, Teleon has established a low-energy consuming technology system that does not use fossil fuels. The building uses heat exchanger for cooling, the heat generated from production activities is recycled for heating of the building, thus achieving self-sufficiency of cooling and heating for the whole building, reducing the net energy consumption during the use of the building.

The Company uses energy-saving devices, such as LED lightings and smart lighting control switches in various places of operation, and implements reasonable lighting control according to users' needs to reduce energy waste. In 2022, Teleon achieved 100% coverage of energy-saving lightings in its operation sites in Netherlands, and 50% coverage of energy-saving lightings in its operation sites in Germany.

Energy Conservation Management

The Company pays attention to scientific energy management in its production and operation, puts forward energy-saving requirements for different scenarios and advocates electricity saving, helps employees to build up energy-saving habits in daily life, and takes multiple measures to prevent energy waste.

Table: Energy Saving Management Measures

Eliminate "24-hour lighting" and "lighting before sunset"	Require all workshops, factories, offices and dormitories to turn off lights when there is sufficient daylight, turn on less light if there are only a few people, turn off lights before leaving, and adjust the lights on and lights off time according to the daylight brightness;
Control the usage time of electrical appliances	Require all employees to switch off all equipment before off duty, including computers, water dispensers, printers and other electrical appliances in the office, to reduce the standby time of the equipment, so as to minimize energy consumption;
Adjust air conditioning temperature	Require setting the air conditioning cooling and heating temperature at 25 degrees, close the doors and windows when the air conditioner is turned on, and strictly prohibit to turn on the air conditioner when the room is vacant;
Use of clean energy vehicles	Increase the proportion of clean energy vehicles and reduce energy consumption in business trips. In 2022, 54.2% of the company vehicles of Teleon is electric and hybrid vehicles.

Table: Energy Consumption Status

Indicators	Unit	2022 Data
Electricity consumption	0'000 kWh	282.96
Natural gas consumption	m^3	63,178
Comprehensive energy consumption[1]	tons of coal equivalent ("TCE")	431.78
Comprehensive energy density	TCE/million of revenue	0.34
Greenhouse gas emissions (Scope 1)	tCO_2e	136.60
Greenhouse gas emissions (Scope 2)	tCO_2e	1,613.71
Total greenhouse gas emissions[2]	tCO_2e	1,750.31
Greenhouse gas emissions density	tCO_2e/million of revenue	1.40

3.2.2 Water Consumption

Under the backdrop of severe freshwater scarcity problem, the Company is well aware of the importance of water conservation, and has taken up the responsibility of water conservation on ourselves. In the course of our production and operation, the Company commits to the reasonable use of water resources, gradually optimizes our water consumption pattern, and has established the goal of developing a water-saving operation mode. The water resources of the Company are all supplied by municipal water supply, and the Company did not encounter any problems in water supply during the year.

The Company strengthens the daily maintenance and management of industrial and domestic water equipment, performs dripping and leakage checks every morning and evening, and carries out repair and maintenance work timely upon malfunction is found. At the same time, the Company posts water conservation slogans near water taps, requires employees to turn off the tap after use, and encourages employees to save water and develop water conservation habits.

In addition, the Company carried out delicacy management in the selection of water sources, so as to select suitable water sources for different water consumption scenarios, and strictly prevent the abuse of water resources. In 2022, in order to save tap water resources, Teleon installed well pumps and used natural well water to water its gardening plants.

1 The calculation of the comprehensive energy consumption referred to the General Principles for Calculation of the Comprehensive Energy Consumption (《綜合能耗計算通則》) (GBT2589–2020).

2 The calculation of the greenhouse gas emissions were calculated according to the Notice on the 2023–2025 Work Related to the Management of Corporate Greenhouse Gas Emissions Reporting in the Power Industry and the Guidelines on Accounting Methods (《關於做好2023–2025年發電行業企業溫室氣體排放報告管理有關工作的通知》) and Reporting of Greenhouse Gas Emissions of Other Industrial Enterprises (《工業其他行業企業溫室氣體排放核算方法與報告指南》).

Table: Water Consumption Status

Indicators	Unit	2022 Data
Water consumption	tonnes	9,561.00
Water consumption density	tonnes/million of revenue	7.63

3.2.3 Other Resources Consumption

In respect of the resources consumed by the Company, the Company emphasises conservation and environmental protection, and implement measures to manage our packaging materials, office supplies and equipment consumables, strive to save our costs and reduce waste of resources and our impact on environment.

Table: Management of other resources consumption

Packaging materials	• Packaging materials are mainly plastic and paper; • Actively use recyclable packaging, promote the shifting to green packaging, and improve the consumption efficiency and sustainable value of packaging materials; • Roland plans to replace plastic packaging with paper packaging to help improve the degradation rate and recycling ability of packaging.
Office consumables	• Gradually shift to paperless office and encourage reduce printing and copying; • If print out is required, double-sided printing will be used for daily documents and other paper materials used internally to reduce the consumption of paper of office operation, which, at the same time can also reduce the use of toner cartridges, ink cartridges and other consumables.
Equipment maintenance consumables	• Reasonable use of consumables to avoid waste and improper disposal.

Table: Packaging Materials Consumption Status

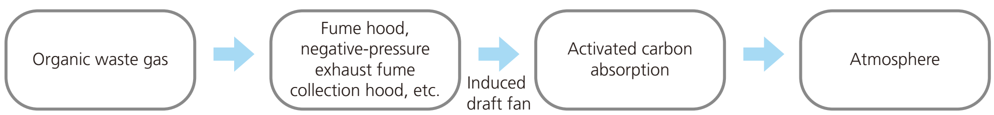
Indicators	Unit	2022 Data
Total packaging consumption	Kilogram ("kg")	2,366
Packaging consumption density	kg/million of revenue	1.89

3.3 Emission Management

Gaush Meditech commits to comply all laws and regulations related to waste discharge and management, and adheres to the Company's principle of reducing waste from source. The Company disposes and discharges environmental pollutants, such as waste gas, wastewater and waste, in compliance with laws and regulations, and effectively controls the negative impact of its business activities on the environment. In 2022, the Company did not experience any major environmental pollution incidents.

3.3.1 Waste Gas Management

The Company carries out waste gas treatment operation in accordance with the General Technical Principles for Application and Issuance of Pollutant Discharge Permits (《排污許可證申請與核發技術規範總則》)(HJ942–2018), the Emission Limits of Air Pollutants (《大氣污染物排放限值》)(DB44/27–2001), the Standard for fugitive emission of volatile organic compounds (《揮發性有機物無組織排放濃度控制標準》) (GB37822–2019) and other standards. The waste gas from the Company's production and operation mainly comes from the volatile organic compounds generated during experiment and production process. To prevent the harm to human health and the atmosphere caused by reckless emission of waste gas, the Company has installed ventilation facilities and activated carbon adsorption devices in our production workshops and laboratories, after activated carbon adsorption process, waste gas is transformed into harmless gas and discharged through pipelines.



Picture: Treatment process of organic waste gas

3.3.2 Wastewater Management

The wastewater generated from the Company's operating activities includes industrial wastewater such as wastewater from hydrates removal, wastewater from laboratory, and domestic sewage. In particular, industrial wastewater is collected and handed over to a qualified third party for treatment and domestic wastewater is treated in the septic tanks within the industrial park in accordance with the Discharge Limits of Water Pollutants (《水污染排放限值》) (DB44/26–2001).

Table: Wastewater discharge status

Indicators	Unit	2022 Data
Chemical oxygen demand (COD)	kg	0.57
Total wastewater discharge	tonnes	161.89

3.3.3 Waste Management

The Company strictly controls the waste discharged during our production and operation process, and has formulated internal systems, such as the Hazardous Chemicals Management System (《危險化學品管理制度》) and the Regulations on the Management of Temporary Storage Room for Hazardous Wastes (《危廢暫存間管理規定》) to standardize the management of dangerous goods in respect of their transportation, storage and treatment, and prevent the leakage of dangerous goods and hazardous waste. Besides ensuring the compliance of the laws and regulations of wastes disposal, the Company strives to reduce the generation of wastes as much as possible.

The non-hazardous wastes generated by the Company in its production and operation mainly include waste packaging materials, domestic waste and kitchen waste. The Company hands over the waste packaging materials generated during the packaging process to qualified third parties for recycling to facilitate the reuse the wastes packaging materials. At the same time, the Company put the domestic waste generated from office operation into the garbage station of the park, which will then be handled by third-party organization appointed by the park.

The hazardous wastes generated by the Company in its production and operation mainly include organic mixed liquid waste, waste containers and waste batteries from laboratory. The Company collects, classifies and stores all our hazardous wastes, and regularly hand them over to qualified third-party companies for disposal.

Table: Hazardous Waste Management

Transportation	• Implement strict control on the transportation process of hazardous chemicals, designated person is assigned to handle the process with caution to avoid leakage of hazardous materials caused by crushing and damage of container.
Storage	• Stick label of hazardous waste as identification, and use uniform packaging to avoid leakage; • During the time the hazardous wastes are temporarily stored at our facilities, our management personnel will inspect the hazardous wastes packaging and storage facilities once a week, and will take measures to clean up and replace them in a timely manner if any damage is found to prevent leakage; • Store separately in the temporary storage room for hazardous waste and store separately from other garbage or waste to prevent the spread of contamination; • Chemical warehouses and hazardous waste storage rooms that deal with hazardous wastes are designated as key areas for anti-seepage, in accordance with the Standard for Pollution Control on Hazardous Waste Storage (《危險廢物儲存污染控制標準》) (GB18597–2001), high-performance and high-density anti-seepage grouting materials are used to reduce the chance of soil contamination caused by infiltration and seepage.
Processing	• Hazardous waste generated from various activities will be collected and stored together, and when it reached the prescribed quantity, the management personnel shall promptly notify qualified third-party companies for disposal.

Table: Generation of waste

Indicators		Unit	2022 Data
Hazardous waste	Total amount of hazardous waste	kg	605.00
	Hazardous waste density	kg/million of revenue	0.48
Non-hazardous waste	Total amount of non-hazardous waste	kg	1,942.00
	Non-hazardous waste density	kg/million of revenue	1.55

3.4 Climate Change

Against the backdrop of global warming, the probability of extreme weather events continues to rise. Typhoons, rainstorms and other disasters will affect the normal operation of the enterprise, and as policy makers and stakeholders attach greater attention to environmental issues, the business strategy and operation costs of the Company will be affected.

In 2022, the Company actively support the global climate change target set out in the Paris Agreement (《巴黎協定》), Teleon signed the Climate Pledge[3] (《氣候宣言》) and committed to achieve the goal of the Paris Agreement (《巴黎協定》) 10 years ahead of schedule, that is to achieve net zero emissions by 2040.

In response to the potential risks brought by climate change, the Company actively responds to sudden climate events, pays attention to the weather forecast, establishes an emergency management system that includes warning, reporting and handling, and carries out reasonable response measures according to the severity of the event. When there is typhoon or rainstorm, the Company requires all doors and windows to be closed and all staff to take shelter indoor. While ensuring the safety of our staff, preventive measures are in place to prevent damage to equipment and facilities caused by bad weather and reduce maintenance costs due to equipment failure.

Table: Response typhoon and rainstorm

Orange typhoon warning signal	Arrange employee to report duty later, off duty in advance or cancel their duty, and provide necessary shelter for staff who are on duty or stranded in the workplace;
Red typhoon warning signal	All staff should stop working, and shelter will be provided to staff who stranded in the workplace;
Red rainstorm warning signal	Arrange employee to report duty later, off duty in advance or cancel their duty, and provide necessary shelter for staff who are on duty or stranded in the company.

3 The Climate Pledge (《氣候宣言》) is a joint initiative of Amazon and Global Optimism, which promises to achieve net zero emissions 10 years ahead of the Paris Agreement (《巴黎協定》).

IV. SOCIAL RESPONSIBILITY

In Gaush Meditech, it is always our principle to use talent to drive development, and our responsibility is to safeguard the health and safety of the public. The Company protects the rights and interests of employees in accordance with the law and strive to create a diversified, equal and harmonious working environment. The Company provides active support in talent cultivation and continuously optimize the building of talent pool through diversified training strategies. The Company attaches great importance to the health and safety of our staff, and continuously strengthen the health and safety management system, and enhance their safety awareness. In addition, the Company actively participates in ophthalmic medical social welfare and contribute to the medical social welfare business.

4.1 Employment

Gaush Meditech is in strict compliance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other relevant laws and regulations of China and the place of our overseas operation, and has formulated internal systems, such as the Recruitment Management System Document and the Employee Handbook, to state clearly the specific requirements for employment, becoming a regular staff, promotion and resignation, and set out detailed provisions on employees' remuneration, insurance, working hours, holidays, etc. At the same time, the Company has stated clearly in such system that all staff will have equal employment opportunities and will promote the diversified development of our staff. The Company is committed to eliminating all forms of discrimination in respect of ethnicity, region, gender, marital status, disability and age, and have developed corresponding management and supervision processes to create an equal, fair, diversified and inclusive workplace for our staff.

The Company prohibits any form of child labour and forced labour, and handle relevant incidents in accordance with laws and regulations. Gaush Meditech clearly stipulates in the Employee Handbook that employment of person under the age of 18 is strictly prohibited, and shall check the identity card of the proposed staff to avoid employment of child labour. In addition, the Company respects the selection of candidates and will only conduct background checks and verifications with the consent of candidates to ensure that the candidates are employed on a voluntary, legal and compliant basis. In 2022, the Company did not have any incidents of child labour and forced labour.

Table: Number of employees by category

Indicators		Unit	2022 Data
Number of full-time employees		person	790
Number of staff by rankings	Senior management[4]	person	25
	Middle-level staff	person	50
	General staff	person	715
Number of staff by gender	Male staff	person	500
	Female staff	person	290
Number of staff by age	30 and below	person	171
	31 to 50	person	538
	51 and above	person	81
Number of staff by region	Mainland China staff	person	617
	Overseas, Hong Kong, Macao and Taiwan staff	person	173

Table: Turnover rate of employees by category

Indicators		Unit	2022 Data
Turnover rate of staff by gender	Male staff	%	13.4%
	Female staff	%	9.3%
Turnover rate of staff by age	30 and below	%	19.3%
	31 to 50	%	10.8%
	51 and above	%	3.7%
Turnover rate of staff by region	Mainland China	%	12.8%
	Overseas, Hong Kong, Macao and Taiwan	%	8.7%

4 Refers to the reporting line with the CEO within two levels (including two levels), responsible for planning, directing and formulating policies, formulating strategies and providing the overall direction of the enterprise/organization to develop and deliver products or services.

4.2 Talent Cultivation

"Diligence and capability" is Gaush Meditech's core value. The Company attaches great importance to employee training, and continuously establishes a comprehensive training management system according to the Company's development needs. Through new employee induction training, general skills training for all positions, business training and external learning, we keep on providing its employees with professional and management knowledge and skills required for different fields, levels and positions, with an aim to help the employees achieve their career plan and development direction, effectively implement the overall strategic planning of human resources, and build sufficient talent reserves for Gaush Meditech to achieve long-term high-quality development.

Table: Staff Training System

Type of training	Detail description
Training for new staff	The Company introduces new employees to the Company's overview, development, rules and regulations, etc., so that they can understand and be familiar with the Company's situation, adapt to the Company's working environment and deepen their recognition of the Company's culture.
General skills training	The Company formulates practical general skills training according to the needs of employees' positions to improve their working skills in daily work.
Business skill training	The Company formulates corresponding training plans every year based on the business and functions for which the employees are responsible for, and regularly organizes relevant training according to the staff's performance and needs of their work.
External training	The Company provides external training opportunities for some employees every year according to the development needs of different positions, so that they can learn leading domestic and foreign technical achievements.

Table: The percentage of employees received training and average training hours by category

Indicators		Unit	2022 Data
Percentage of staff received training by gender	Male staff	%	87
	Female staff	%	83
Percentage of staff received training by type of employment	Senior management	%	72
	Middle-level staff	%	98
	General staff	%	85
Average number of hours of training received by staff by gender	Male staff	hour	7.47
	Female staff	hour	8.56
Average number of hours of training received by staff by type of employment	Senior management	hour	4.01
	Middle-level staff	hour	4.38
	General staff	hour	8.25

Gaush Meditech adheres to the principles of fairness, justice and reasonable remuneration and provides its employees with competitive remuneration and benefits. In compliance with the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), the Provisions on Labour Protection of Female Employees (《女職工勞動保護規定》) and other laws and regulations, the Company provides our staff with social insurance such as pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund. At the same time, the Company also provides our staff with a variety of staff benefits, including commercial insurance, health check-ups, joining anniversaries, festival gifts, paid holidays, etc., to attract and retain talents through various means and continuously enhancing the well-being of our staff.

4.3 Health and Safety

In Gaush Medical, we believe that protecting the health and safety of our staff is always the top priority for a socially responsible enterprises. The Company is in strict compliance with the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and other relevant occupational health and safety laws and regulations of China and the place of our overseas operation. The Company continues to establish a sound health and safety management system, and formulates the Occupational Health Management System (《職業健康管理制度》), the Occupational Health Inspection System (《職業健康檢查制度》), the Regulations on the Use of Work Related Protective Gear (《勞動防護用品使用規範》), the Employee Handbook (《員工手冊》) and other systems, which have clarified the corresponding responsibilities of all levels and departments, standardized the occupational health and safety management and supervision process, provided guidance to our staff on the effectively use of work related protective gear, and effectively protected the safety and health of our staff.

The Company has a series of measures to protect the health and safety of our staff, we provide anti-dust masks, protective earplugs and other protective equipment to our staff. At the same time, the Company arranges dedicated person to transport chemicals and collect and transfer hazardous waste in laboratories and workshops. In addition, the Company arranges annual physical examinations for our staff, and uses different means to show our care for their health and development.

In order to reduce the risk of operation, the Company has formulated the Emergency Plan for Fire Accidents (《火災事故應急預案》), the Emergency Plan for Worker Fall from Height (《高空作業落地應急預案》) and the Emergency Plan for Electric Shock Accidents (《觸電事故應急預案》), which have stated clearly the emergency command unit and its responsibilities, and standardized the risk analysis, preventive measures, precautions, handling procedures, reporting methods and other aspects of safety accidents, and enhanced the emergency response capabilities of our staff. During the Reporting Period, the Company actively carried out safety training related to safe operation and warehouse explosion prevention, which effectively enhanced the self-protection ability and safety awareness of our staff. From 2020 to 2022, the Company recorded no occupational fatality. In 2022, the number of working days lost due to work related injury for the Company was zero.

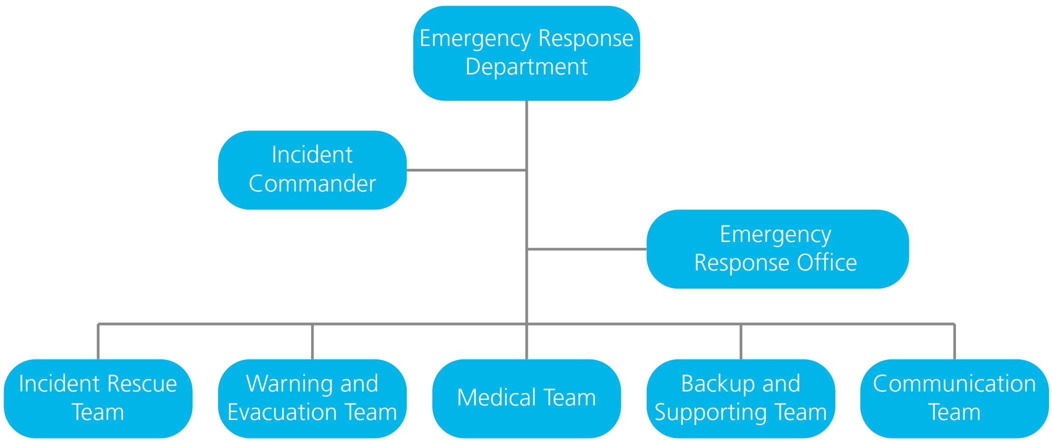


Table: Gaush Meditech Production Safety Accident Emergency Response Organization Structure

4.4 Community Welfare

Gaush Meditech actively undertakes corporate social responsibility and leverage on its own resources and advantages to help more people improve their ophthalmic health. In 2022, the Company joined hands with Bascom Palmer Eye Institute of University of Miami to provide training courses for ophthalmologists in Latin America and the Caribbean region, and share practical solutions to clinical issues. In addition, at the end of August 2022, Gaush Meditech was invited by Heilongjiang Feihe Charity Foundation (飛鶴慈善基金會) and Kedong County People's Hospital (克東縣人民醫院) to participate in a 6-day free ophthalmology medical consultation event, Feihe Charity Action (慈善光明行·飛鶴公益行動). More than 20 ophthalmologists took part in this charity event to show their care and bring the gift of sight to the patients. Those ophthalmologists use their leisure time to join every free ophthalmology medical consultation event. In this event, Gaush Meditech provided surgery equipment to Kedong County People's Hospital, including a Geuder Phaco-Vitrectomy All-in-One machine, and arranged engineers to participate in the whole process to make sure the operation can undergo smoothly. During the event, we have screened more than 110,000 people for ophthalmic diseases in the whole county, and provided 1,797 times of free medical consultations, performed 323 ophthalmic surgeries, with a success rate of 100%. During the Reporting Period, the Company's investment in community welfare amounted to RMB940,000.

HKEX INDICATORS INDEX

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<tr><th colspan="2">Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")</th><th>Section index</th></tr>
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<tr><td colspan="3">Aspect A1: Emissions</td></tr>
<tr><td colspan="3">General Disclosure
Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.
Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.</td></tr>
<tr><td>KPI A1.1</td><td>The types of emissions and respective emissions data.</td><td>Emission Management</td></tr>
<tr><td>KPI A1.2</td><td>Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</td><td>Energy Consumption</td></tr>
<tr><td>KPI A1.3</td><td>Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</td><td>Emission Management</td></tr>
<tr><td>KPI A1.4</td><td>Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).</td><td>Emission Management</td></tr>
<tr><td>KPI A1.5</td><td>Description of emission target(s) set and steps taken to achieve them.</td><td>Environmental Management, Emission Management</td></tr>
<tr><td>KPI A1.6</td><td>Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.</td><td>Environmental Management, Emission Management</td></tr>
</table>

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Section index
Aspect A2: Use of Resources		
General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.		
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Resources Consumption
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Resources Consumption
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Management, Resources Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Management, Resources Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Resources Consumption
Aspect A3: The Environment and Natural Resources		
General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.		
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Management, Emission Management
Aspect A4: Climate Change		
General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

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<tr><td colspan="3">Employment and Labour Practices</td></tr>
<tr><td colspan="3">Aspect B1: Employment</td></tr>
<tr><td colspan="3">General Disclosure
Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer
relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</td></tr>
<tr><td>KPI B1.1</td><td>Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.</td><td>Employment</td></tr>
<tr><td>KPI B1.2</td><td>Employee turnover rate by gender, age group and geographical region.</td><td>Employment</td></tr>
<tr><td colspan="3">Aspect B2: Health and Safety</td></tr>
<tr><td colspan="3">General Disclosure
Information on:
(a) the policies; and
(b) compliance with relevant laws and regulations that have a significant impact on the issuer
relating to providing a safe working environment and protecting employees from occupational hazards.</td></tr>
<tr><td>KPI B2.1</td><td>Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</td><td>Health and Safety</td></tr>
<tr><td>KPI B2.2</td><td>Lost days due to work injury.</td><td>Health and Safety</td></tr>
<tr><td>KPI B2.3</td><td>Description of occupational health and safety measures adopted, and how they are implemented and monitored.</td><td>Health and Safety</td></tr>
</table>

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Section index
Aspect B3: Development and Training		
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.		
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Talent Cultivation
KPI B3.2	The average training hours completed per employee by gender and employee category.	Talent Cultivation
Aspect B4: Labour Standards		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.		
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employment
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure Policies on managing environmental and social risks of the supply chain.		
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Subject Areas, Aspects, General Disclosures and Key Performance Indicators ("KPIs")		Section index
Aspect B6: Product Responsibility		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Quality
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Customer Service
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property
KPI B6.4	Description of quality assurance process and recall procedures.	Product Quality
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Information Security
Aspect B7: Anti-corruption		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
Community		
Aspect B8: Community Investment		
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Welfare
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Welfare

Independent Auditor's Report

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To the shareholders of Gaush Meditech Ltd
(Incorporated in the Cayman Islands as an exempted company with limited liability)

OPINION

We have audited the consolidated financial statements of Gaush Meditech Ltd (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 99 to 197, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

EY 安永

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
As at 31 December 2022, the Group recorded goodwill of RMB907 million. The goodwill of the Group was acquired by the acquisition of non-public interest entities. The management of the Group performed impairment test at least on an annual basis and have involved an independent third party valuer to assist in performing impairment test. The assumptions applied in the impairment test required significant management estimates, including revenue growth rate, gross profit margin and discount rate. There are significant uncertainties in these estimates, which are affected by management's judgement on the future market and economic environment, and the recoverable amount of goodwill can be affected by the adoption of different estimates and assumptions. Therefore, we identified the impairment of goodwill as a key audit matter. The related disclosure is included in note 15 to the consolidated financial statements.	Our audit procedures included, among others, the following: 1) Evaluating the management's identification of the CGU to which the goodwill is allocated; 2) Evaluating the competence, capabilities and independence of the management's independent third party valuer and involving our internal valuation specialists to assist us in evaluating the methodologies and the discount rate used by the management and external valuer for determining the recoverable amount; 3) Evaluating the appropriateness of discount rate by comparing to the similar companies in the same industry and same economic environment; 4) Evaluating the appropriateness of key assumptions and estimates including revenue growth rate and gross margin rate by comparing with historical data; 5) Evaluating the sensitivity of key assumptions by assessing the changes to the recoverable amounts of the CGUs resulting from changes in these assumptions; and 6) Assessing the adequacy of the disclosure in in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

EY 安永

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong

31 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**1,253,785**	1,298,218
Cost of sales		**(628,447)**	(688,747)
Gross profit		**625,338**	609,471
Other income and gains	5	**21,115**	77,900
Selling and distribution expenses		**(187,766)**	(189,470)
Administrative expenses		**(146,169)**	(131,522)
Research and development costs	6	**(41,089)**	(23,506)
Fair value changes of convertible redeemable preferred shares	32	**(307,426)**	(375,606)
Other expenses		**(196,415)**	(21,706)
Finance costs	7	**(42,682)**	(83,525)
LOSS BEFORE TAX		**(275,094)**	(137,964)
Income tax expense	10	**(77,618)**	(53,607)
LOSS FOR THE YEAR		**(352,712)**	(191,571)
Attributable to:			
Owners of the parent		**(349,619)**	(190,447)
Non-controlling interests		**(3,093)**	(1,124)
		(352,712)	(191,571)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
For loss for the year (in RMB)	12	**(3.61)**	(1.99)
LOSS FOR THE YEAR		**(352,712)**	(191,571)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods			
Exchange differences:			
Exchange differences on translation of foreign operations		**24,502**	(58,601)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(328,210)**	(250,172)
Attributable to:			
Owners of the parent		**(325,117)**	(249,048)
Non-controlling interests		**(3,093)**	(1,124)
		(328,210)	(250,172)

Consolidated Statement of Financial Position

As at December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**72,019**	42,882
Right-of-use assets	14(a)	**54,735**	42,643
Goodwill	15	**906,869**	882,698
Intangible assets	16	**278,884**	303,889
Long-term prepayments and other receivables	21	**22,983**	23,843
Contract assets	22	**—**	84
Deferred tax assets	30	**56,266**	40,849
Total non-current assets		**1,391,756**	1,336,888
CURRENT ASSETS			
Financial asset at fair value through profit or loss	18	**2,095**	—
Inventories	19	**281,120**	240,109
Trade receivables	20	**166,397**	170,054
Contract assets	22	**2,247**	1,937
Cash in transit for investment	17	**90,540**	—
Prepayments, other receivables and other assets	21	**52,463**	54,928
Pledged deposits	23	**9,949**	13,757
Cash and cash equivalents	24	**721,523**	608,996
Total current assets		**1,326,334**	1,089,781
CURRENT LIABILITIES			
Trade payables	25	**68,703**	68,018
Derivative financial instruments	28	**—**	296
Other payables and accruals	26	**123,175**	124,181
Tax payable		**13,581**	19,792
Interest-bearing bank and other borrowings	29	**131,880**	122,464
Contract liabilities	27	**136,049**	93,884
Lease liabilities	14(b)	**19,235**	12,600
Total current liabilities		**492,623**	441,235
NET CURRENT ASSETS		**833,711**	648,546
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,225,467**	1,985,434

As at December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	29	**569,708**	635,334
Loan at fair value through profit or loss	31	**—**	159,099
Convertible redeemable preferred shares	32	**—**	1,660,424
Contract liabilities	27	**26,891**	29,259
Deferred tax liabilities	30	**71,951**	66,374
Other payables and accruals	26	**35,053**	36,536
Lease liabilities	14(b)	**35,179**	31,779
Total non-current liabilities		**738,782**	2,618,805
Net assets/(Liabilities)		**1,486,685**	(633,371)
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**102**	65
Other reserves	34	**1,469,455**	(656,497)
		1,469,557	(656,432)
Non-controlling interests		**17,128**	23,061
Total equity		**1,486,685**	(633,371)

Tieta Gao
Director

Xinwei Liu
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Note	Share capital RMB'000	Capital reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent						
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	33	2	56,722	—	—	56,724	—	56,724
Shares repurchased	33	(9)	(489,724)	—	—	(489,733)	—	(489,733)
Capital injection from a non-controlling shareholder**		—	—	—	—	—	2,000	2,000
As 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(656,497,000) in the consolidated statements of financial position as at 31 December 2021.

** 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.

	Note	**Share capital RMB'000**	**Capital reserve* RMB'000**	**Exchange fluctuation reserve* RMB'000**	**Accumulated losses* RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
		Attributable to owners of the parent						
At 1 January 2022		**65**	**(368,095)**	**(51,573)**	**(236,829)**	**(656,432)**	**23,061**	**(633,371)**
Total comprehensive loss for the year		**—**	**—**	**24,502**	**(349,619)**	**(325,117)**	**(3,093)**	**(328,210)**
Issue of shares	33	**5**	**327,795**	**—**	**—**	**327,800**	**—**	**327,800**
Share issue expenses		**—**	**(8,754)**	**—**	**—**	**(8,754)**	**—**	**(8,754)**
Conversion of convertible redeemable preferred shares to ordinary shares	33	**32**	**2,130,988**	**—**	**—**	**2,131,020**	**—**	**2,131,020**
Capital injection from a non-controlling shareholder **		**—**	**—**	**—**	**—**	**—**	**1,000**	**1,000**
Share acquisition from a non-controlling shareholder ***		**—**	**1,040**	**—**	**—**	**1,040**	**(3,840)**	**(2,800)**
As 31 December 2022		**102**	**2,082,974**	**(27,071)**	**(586,448)**	**1,469,557**	**17,128**	**1,486,685**

* These reserve accounts comprise the consolidated reserves of RMB1,469,455,000 in the consolidated statements of financial position as at 31 December 2022.

** 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 RMB1,000,000 from a non-controlling shareholder.

*** On August 25, 2022, the Group acquired 40% of the equity of the Gaush Consumables Ltd. from a minority shareholder. The Group generated the capital reserve of RMB1,040,000 due to the equity transaction. After the acquisition, the Group holds 100% equity of Gaush Consumables Ltd..

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax:		**(275,094)**	(137,964)
Adjustments for:			
Finance costs	7	**42,682**	83,525
Interest income	5	**(4,675)**	(2,020)
Loss on disposal of property, plant, and equipment	6	**665**	48
Fair value losses on preferred shares	6	**307,426**	375,606
Fair value losses on derivative financial instruments	6	**—**	295
Fair value gains on financial assets at fair value through profit or loss	6	**(6)**	—
Fair value losses on warrants	6	**—**	3,077
Fair value losses on loans at fair value through profit or loss	6	**20,956**	4,710
Depreciation of property, plant, and equipment	6	**11,587**	8,141
Depreciation of right-of-use assets	6	**19,755**	14,957
Amortisation of intangible assets	6	**34,406**	36,962
Impairment (gain)/loss recognised on trade receivables, net	6	**(2,243)**	4,767
Impairment loss/(gain) recognised on contract assets, net	6	**8**	(6)
Impairment (gain)/loss recognised on other receivables, net	6	**(871)**	736
Gain on disposal of financial assets at fair value through profit or loss	5/6	**—**	(92)
Amortisation of government grants		**—**	(99)
Write-down of inventories to net realisable value	6	**4,091**	7,858
Scrap for inventories		**(3,776)**	(6,312)
Foreign exchange differences, net		**176,762**	(52,539)
Decrease/(increase) in pledged bank deposits for retention		**3,256**	(562)
(Increase)/decrease in inventories		**(41,776)**	38,586
Decrease in trade receivables		**8,494**	19,663
(Increase)/decrease in contract assets		**(234)**	824
(Increase) in prepayments, other receivables and other assets		**(8,700)**	(30,560)
(Decrease) in trade payables		**(4,178)**	(42,571)
Increase/(decrease) in other payables and accruals		**582**	(37,514)
Increase/(decrease) in contract liabilities		**39,797**	(27,603)
Cash generated from operations		**328,914**	261,913
Income tax paid		**(94,492)**	(97,427)
Net cash flows from operating activities		**234,422**	164,486

For the year ended December 31, 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	**4,675**	2,020
Proceeds from disposal of financial assets at fair value through profit or loss		**—**	66,071
Purchases of property, plant, and equipment and other long-term assets		**(45,395)**	(26,545)
Purchases of financial assets at fair value through profit or loss		**(2,162)**	(66,071)
Acquisition of subsidiaries, net of cash received	35	**—**	105,771
Cash in transit for investment	17	**(90,540)**	—
Additions of intangible assets		**(2,618)**	(1,503)
Investment income from financial assets at fair value through profit or loss	5	**—**	92
Net cash flows (used in)/from investing activities		**(136,040)**	79,835
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		**57,724**	66,082
Repayment of bank borrowings		**(316,310)**	(90,553)
Acquisition of non-controlling interests		**(2,800)**	—
Payments of lease liabilities	14	**(23,625)**	(14,411)
Contributions by non-controlling shareholders		**1,000**	2,000
Issuance of ordinary shares		**327,801**	29,072
Issuance of preferred shares	32	**—**	659,119
Repurchase of shares		**—**	(489,733)
Pledged bank deposits for loans		**554**	(6,385)
Payment of listing expenses		**(2,444)**	(6,256)
Interest paid		**(38,822)**	(76,092)
Net cash flows from financing activities		**3,078**	72,843
NET INCREASE IN CASH AND CASH EQUIVALENTS		**101,460**	317,164
Cash and cash equivalents at beginning of year	24	**608,996**	307,490
Effect of foreign exchange rate changes, net		**11,067**	(15,658)
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**721,523**	608,996

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's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 December 2022.

The Company is an investment holding company. During the year, 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. Particulars of the Company's principal 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.	The British Virgin Islands 8 November 2017	USD1	100%	—	Investment holding
GMC MEDSTAR LIMITED	The British Virgin Islands 10 July 2017	USD100	100%	—	Investment holding
Gaush Medical Limited	Hong Kong 15 November 2017	HKD1	—	100%	Investment holding
GMC Medstar Limited	Hong Kong 10 July 2017	HKD100	—	100%	Investment holding
Global Vision Hong Kong Limited	Hong Kong 19 December 2013	HKD10,000	—	100%	Sale of ophthalmic devices and consumables
Gaush Medical Corporation (高視醫療科技集團有限公司)	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)	PRC/Mainland China 27 August 1998	RMB5,000,000	—	100%	Sale of and services related to ophthalmic devices and consumables
MingWang Medical Ltd (上海高視明望醫療器械有限公司) (i)	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)	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) (ii)	PRC/Mainland China 6 January 2016	RMB10,000,000	—	100%	Sale of and services related to ophthalmic devices and consumables
Gaush Jingpin Ltd. (天津高視晶品醫療技術有限公司)	PRC/Mainland China 15 February 2016	RMB7,000,000	—	100%	Sale of and services related to ophthalmic devices and consumables

1. CORPORATE AND GROUP INFORMATION *(Continued)*

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 Diopsys Ltd. (天津高視大奥醫療科技有限公司)*	PRC/Mainland China 13 October 2016	RMB10,000,000	—	60%	Sale of and services related to ophthalmic devices and consumables
Gaush Medica Ltd. (寧波高斯醫療科技有限公司)*	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)*	PRC/Mainland China 31 May 2006	RMB3,500,000	—	100%	Manufacture, research and sale of ophthalmic devices
Gaush Medical Service Ltd. (天津高視醫療技術服務有限公司)*	PRC/Mainland China 13 May 2019	RMB10,000,000	—	100%	Warranty service
Gaush CRO Ltd. (海南高視醫學研究有限公司)*	PRC/Mainland China 27 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)* (iii)	PRC/Mainland China 8 February 2017	RMB5,000,000	—	100%	Production and research of ophthalmic consumables
Gaush Precision Ltd. (高視精密醫療器械(蘇州)有限公司)*	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)*	PRC/Mainland China 27 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)*	PRC/Mainland China 24 February 2021	RMB50,000,000	—	80%	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)	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)*	PRC/Mainland China 22 June 2021	RMB50,000,000	—	100%	Production and research of ophthalmic consumables
Gaush Tech Ltd. (深圳高視科技有限公司)*	PRC/Mainland China 6 January 2022	RMB30,000,000	—	100%	Production and research of ophthalmic devices
Global Vision Ltd. (無錫高視遠望醫療有限公司)*	PRC/Mainland China 23 June 2022	RMB10,000,000	—	100%	Sale of and services related to ophthalmic devices and consumables
Gaush Europe GmbH	Germany 21 February 2021	EUR25	—	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION *(Continued)*

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	
Roland Consult Stasche & Finger GmbH	Germany 29 November 1995	EUR25.61	—	80%	Manufacture, research and sale of ophthalmic devices
Gaush Coöperatief U.A.	Netherlands 29 October 2020	EUR1	—	100%	Investment holding
Teleon Holding B.V.	Netherlands 27 March 2013	EUR1,000	—	100%	Investment holding
Teleon Surgical B.V.	Netherlands 22 October 2014	EUR1,100	—	100%	Production, research and sale of ophthalmic consumables
Teleon Surgical Vertriebs GmbH	Germany 21 November 2016	EUR25,000	—	100%	Sale of ophthalmic devices and consumables
Teleon Surgical GmbH	Germany 23 June 2015	EUR25,000	—	100%	Investment holding
Teleon IP B.V.	Netherlands 10 July 2014	EUR1,100	—	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 registered their official English names.

Notes:

(i) The subsidiary changed its Chinese name from "上海明望醫療器械有限公司" to "上海高視明望醫療器械有限公司" from 6 September 2022.

(ii) The subsidiary was dissolved on 28 December 2021.

(iii) On August 25, 2022, the Group acquired 40% of the equity of the subsidiary from a minority shareholder. After the acquisition, the Group holds 100% equity of the subsidiary.

(iv) The subsidiary was dissolved on 20 February 2023.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, convertible redeemable preferred shares, loan at fair value through profit or loss, and derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. 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).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the Conceptual Framework for Financial Reporting (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(d) *Annual Improvements to IFRSs 2018–2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2,4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, 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 the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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; (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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

Categories	**Estimated useful lives**
Machinery and equipment	3–10 years
Transportation equipment	4 years
Office equipment and others	3–10 years
Decoration	10–40 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 each financial year end.

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

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

Intangible assets (other than goodwill)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

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	5–10 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(a) Right-of-use assets

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

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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

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 and contract assets 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 and contract assets 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 payables, other payables and accruals, tax payable, contract liabilities, interest-bearing bank and other borrowings, convertible redeemable preferred shares, lease liabilities, loans at fair value through profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 forward currency contracts 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, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

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

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

Provisions

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

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

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services 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 the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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, associates and joint ventures, 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, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, for which it is intended to compensate, are expensed.

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

Revenue recognition

Revenue from contracts with customers

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

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

(a) Sale of industrial 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 or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 11 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

The functional currencies of certain overseas subsidiaries other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period 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.

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 Hong Kong dollars 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 Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Revenue from contracts with customers

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

(a) 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 equipment nor the installation modifies or customises the other. Consequently, the Group has allocated a portion of the transaction price to the industrial products and the installation 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 machinery due to the significance of these assets to its operations.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was RMB906,869,000 (2021: RMB882,698,000). Further details are given in note 15.

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, product type, 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 the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 20 and note 22 to the financial statements, 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 (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). 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).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

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 reporting period as disclosed in notes 28, 31 and 32 to the financial statements.

Mezzanine facility loan is not traded in an active market and its 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, are made by management. Further details are included in note 31 to the financial statements.

The convertible redeemable preferred shares issued by the Company are not traded in an active market and the 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 financial statements.

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 financial statements.

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 products segment sells multi-function diagnostic equipment, ocular fundus diagnosis, surgical and treatment equipment and related supporting consumables produced by Heidelberg, 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 agent registration services to certain customers, and licensing out of certain of intellectual properties, as well as providing Clinical Research Organisation (CRO) service.

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.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2022	**Proprietary products RMB'000**	**Distribution products RMB'000**	**Technical services RMB'000**	**Others RMB'000**	**Total RMB'000**
External sales	**308,305**	**744,814**	**190,084**	**10,582**	**1,253,785**
Intersegment sales	**80,749**	**—**	**—**	**503**	**81,252**
Total	**389,054**	**744,814**	**190,084**	**11,085**	**1,335,037**
Elimination of intersegment sales					**(81,252)**
Segment revenue	**308,305**	**744,814**	**190,084**	**10,582**	**1,253,785**
Segment cost	**121,706**	**397,394**	**98,853**	**10,494**	**628,447**
Segment gross profit	**186,599**	**347,420**	**91,231**	**88**	**625,338**

Year ended 31 December 2021	Proprietary products RMB'000	Distribution products RMB'000	Technical services RMB'000	Others RMB'000	Total 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

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2022 **RMB'000**	2021 RMB'000
Greater China	**1,001,358**	1,033,863
Asia Pacific (excluding Greater China)	**46,905**	64,856
Germany	**120,219**	103,566
Europe (excluding Germany)	**47,535**	56,677
Americas (including Canada)	**12,983**	16,798
Oceania	**16,618**	17,026
Others	**8,167**	5,432
	1,253,785	1,298,218

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

(b) Non-current assets

	2022 **RMB'000**	2021 RMB'000
Greater China	**116,233**	88,060
Germany	**17,723**	18,836
Netherlands	**1,197,055**	1,187,131
	1,331,011	1,294,027

The non-current asset information above is based on the locations of the assets and excludes 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 year (2021: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

Segments	2022 RMB'000	2021 RMB'000
Types of goods or services		
Sale of ophthalmic medical devices	**641,305**	718,718
Sale of ophthalmic medical consumables	**411,814**	408,368
After-sales services*	**190,084**	161,605
Others	**10,582**	9,527
Total revenue from contracts with customers	**1,253,785**	1,298,218
Geographical markets**		
Greater China	**1,001,569**	1,033,863
Germany	**119,796**	120,028
Netherlands	**132,420**	144,327
Total revenue from contracts with customers	**1,253,785**	1,298,218
Timing of revenue recognition		
Goods transferred at a point in time	**1,053,120**	1,133,983
Services transferred over time	**200,665**	164,235
Total revenue from contracts with customers	**1,253,785**	1,298,218

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

** Revenue allocated by the geographical location of entities.

The following table shows the amount of revenue recognised in the current reporting year that was included in the contract liabilities at the beginning of the reporting year:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting year	**88,727**	121,584

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers *(Continued)*

(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 consumables 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.

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Other income and gains

	2022 **RMB'000**	2021 RMB'000
Other income		
Bank interest income	**4,675**	2,020
Government grants	**14,495**	13,908
Others	**1,939**	58
	21,109	15,986
Gains		
Foreign exchange gains	**—**	61,822
Fair value gains on financial assets at fair value through profit or loss	**6**	—
Gain on disposal of financial assets at fair value through profit or loss	**—**	92
	6	61,914
	21,115	77,900

6. LOSS BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		**519,100**	596,390
Cost of services provided		**109,347**	92,357
Cost of sales		**628,447**	688,747
Depreciation of property, plant and equipment*	13	**11,587**	8,141
Depreciation of right-of-use assets*	14(a)	**19,755**	14,957
Amortisation of intangible assets*	16	**34,406**	36,962
Research and development costs		**41,089**	23,506
Lease payments not included in the measurement of lease liabilities	14(c)	**825**	1,376
Listing expenses (including auditor's remuneration)		**39,456**	25,233
Employee benefit expense (including directors' and chief executive's remuneration (note 8))**:			
Wages and salaries and pension scheme contributions		**288,410**	255,916
Foreign exchange losses/(gains), net****		**172,470**	(61,822)
(Reversal of impairment)/impairment of trade receivables, net***	20	**(2,243)**	4,767
Impairment/(reversal of impairment) of contract assets, net***		**8**	(6)
(Reversal of impairment)/impairment of other receivables, net***		**(871)**	736
Write-down of inventories to net realisable value***		**4,091**	7,858
Fair value losses, net:			
Preferred shares***	32	**307,426**	375,606
Derivative financial instruments***		**—**	295
Financial assets at fair value through profit or loss	5	**(6)**	—
Warrants		**—**	3,077
Loans at fair value through profit or loss	31	**20,956**	4,710
Bank interest income	5	**(4,675)**	(2,020)
Gain on disposal of financial assets at fair value through profit or loss	5	**—**	(92)
Loss on disposal of property, plant, and equipment*****		**665**	48

6. LOSS BEFORE TAX *(Continued)*

* 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 RMB95,982,000 (2021: RMB91,017,000) is included in cost of sales in the consolidated statements of profit or loss for the years ended 31 December 2022. Employee benefit expense of approximately RMB22,242,000 (2021: RMB13,149,000) is included in research and development costs in the consolidated statements of profit or loss for the year ended 31 December 2022.

*** The write-down of inventories to net realisable value and the impairment of trade receivables, contract assets and other receivables, and fair value losses (except for convertible redeemable preferred shares) 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 on disposal of property, plant, and equipment is included in "Other expenses" in the consolidated statements of profit or loss, respectively.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 **RMB'000**	2021 RMB'000
Interest on bank and other borrowings	**40,756**	82,269
Interest on lease liabilities (note 14(b))	**1,926**	1,256
	42,682	83,525

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2022 **RMB'000**	2021 RMB'000
Fees	**—**	—
Other emoluments:		
Salaries, other allowances and benefits in kind	**2,905**	2,421
Performance related bonuses	**1,440**	1,822
Pension scheme contributions	**244**	220
	4,589	4,463

(a) Independent non-executive directors

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

	2022	2021
Mr. Feng Xin	**19**	—
Mr. Wang Li-shin	**19**	—
Mr. Chan Fanshing	**19**	—
	57	—

Mr. Feng Xin, Mr. Wang Li-shin and Mr. Chan Fanshing were appointed as independent non-executive directors of the Company on 12 December 2022.

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

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

	Fees RMB'000	Salaries, other allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2022					
Executive directors:					
Mr. Gao Tieta	—	744	540	60	1,344
Mr. Zhang Jianjun	—	725	224	64	1,013
Mr. Zhao Xinli	—	710	336	60	1,106
Mr. Liu Xinwei	—	726	340	60	1,126
Non-executive director:					
Mr. David Guowei Wang	—	—	—	—	—
Mr. Shi Long	—	—	—	—	—
	—	2,905	1,440	244	4,589

	Fees RMB'000	Salaries, other allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2021					
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 director:					
Mr. David Guowei Wang	—	—	—	—	—
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 year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director and the chief executive (2021: nil), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2021: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, other allowances and benefits in kind	**4,745**	5,293
Performance related bonuses	**1,655**	2,003
Pension scheme contributions	**373**	309
	6,773	7,605

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

	2022 **RMB'000**	2021 RMB'000
HKD1,500,001 to HKD2,000,000	**3**	4
HKD2,000,001 to HKD2,500,000	**1**	1
	4	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. 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 was entitled to a preferential EIT rate of 15% for the years ended 31 December 2021 and 2022. "High and New Technology Enterprise" qualification is subject to review by the relevant tax authority in the PRC for every three years.

Pursuant to Caishui [2022] No.13 "Circular of the Ministry of Finance, the State Administration of Taxation Issued on the further Implementation of Preferential Tax Policies for Small Meagre-profit Enterprises" (財政部、稅務總局關於進一步實施小微企業所得稅優惠政策的公告), for certain small low-profit subsidiaries, the portion of the annual taxable income of not more than RMB1,000,000 will be included in the actual taxable income at a reduced rate of 12.5%, subject to income tax at a rate of 20%; for the portion exceeding RMB1,000,000 but not exceeding RMB3,000,000, 25% of which is deducted from the taxable income, and the income tax is paid at the rate of 20%.

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%. 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.

10. INCOME TAX *(Continued)*

Income tax for other jurisdictions *(Continued)*

Subsidiaries established in the Netherlands were subject to corporate income tax at the rate of 15% for taxable income of EUR245,000 or less and at the rate of 25% for the portion exceeding EUR245,000 during the year ended 31 December 2021. From 1 January 2022, subsidiaries established in the Netherlands were subject to corporate income tax at the rate of 15% for taxable income of EUR395,000 or less and at the rate of 25.8% for the portion exceeding EUR395,000. 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.

An analysis of the provision for tax in the financial statements is as follows:

	2022 **RMB'000**	2021 RMB'000
Current — Hong Kong	**11,471**	8,497
Current — Mainland China	**50,012**	50,772
Current — other jurisdictions	**26,675**	12,333
Deferred (note 30)	**(10,540)**	(17,995)
Total tax charge for the year	**77,618**	53,607

10. INCOME TAX *(Continued)*

Income tax for other jurisdictions *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, are as follows:

	2022 **RMB'000**	2021 RMB'000
Loss before tax	**(275,094)**	(137,964)
Tax at the statutory tax rate	**53,162**	43,288
Lower tax rates for specific jurisdictions or enacted by local authority	**(6,301)**	(3,754)
Tax losses utilised from previous periods	**(185)**	—
Expenses not deductible for tax	**19,931**	10,074
Super deduction for research and development expenses*	**(4,393)**	(1,550)
Unrecognised temporary differences and tax losses	**16,640**	5,447
Adjustments in respect of current tax of previous period	**(877)**	—
Other items	**(359)**	102
Tax charge at the Group's effective rate	**77,618**	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%. For the enterprises entitled to the current weighted pre-tax deduction ratio of 75% for research and development expenses, such ratio is raised to 100% during the period from 1 October 2022 to 31 December 2022.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 years of 2021 and 2022.

11. DIVIDENDS

No dividends have been declared and paid by the Company for the year ended 31 December 2022 (2021: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 96,947,859 (2021: 95,840,830) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the warrants, preferred shares and over-allotment option. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the impact of the warrants, preferred shares and over-allotment option outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

Except for the over-allotment option, the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022.

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

	2022 **RMB'000**	2021 RMB'000
Earnings:		
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**(349,619)**	(190,447)

	2022	2021
Shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation	**96,947,859**	95,840,830

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment RMB'000	Transportation equipment RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 31 December 2022						
At 1 January 2022						
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
At 1 January 2022, net of accumulated depreciation	25,017	499	4,546	—	12,820	42,882
Additions	19,649	16	1,637	7,230	12,275	40,807
Reclassification	3,170	—	—	(3,170)	—	—
Disposals	(865)	—	(7)	—	—	(872)
Depreciation provided during the year (note 6)	(5,876)	(115)	(1,291)	—	(4,305)	(11,587)
Exchange realignment	570	—	89	—	130	789
At 31 December 2022, net of accumulated depreciation	41,665	400	4,974	4,060	20,920	72,019
At 31 December 2022:						
Cost	57,516	2,850	7,764	4,060	26,131	98,321
Accumulated depreciation	(15,851)	(2,450)	(2,790)	—	(5,211)	(26,302)
Net carrying amount	41,665	400	4,974	4,060	20,920	72,019

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Machinery and equipment RMB'000	Transportation equipment RMB'000	Office equipment and others RMB'000	Leasehold improvements RMB'000	Total RMB'000
At 31 December 2021					
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 year are as follows:

	Motor vehicles RMB'000	Plant and buildings RMB'000	Total RMB'000
As 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 1 January 2022	**518**	**42,125**	**42,643**
Additions	**3,659**	**27,242**	**30,901**
Depreciation charge (note 6)	**(1,601)**	**(18,154)**	**(19,755)**
Exchange realignment	**117**	**829**	**946**
At 31 December 2022	**2,693**	**52,042**	**54,735**

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

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

	2022 **RMB'000**	2021 RMB'000
Carrying amount at 1 January	**44,379**	20,123
New leases	**30,806**	6,432
Acquisition of subsidiaries (note 35)	**—**	33,573
Accretion of interest recognised during the year (note 7)	**1,926**	1,256
Payments	**(23,625)**	(14,411)
Exchange realignment	**928**	(2,594)
Carrying amount at year end	**54,414**	44,379
Analysed into:		
Current portion	**19,235**	12,600
Non-current portion	**35,179**	31,779

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

	2022 **RMB'000**	2021 RMB'000
Interest on lease liabilities (note 7)	**1,926**	1,256
Depreciation charge of right-of-use assets (note 6)	**19,755**	14,957
Expense relating to short-term leases (note 6)	**825**	1,376
Total amount recognised in profit or loss	**22,506**	17,589

(d) The total cash outflow for leases is disclosed in note 36(c) to the financial statements.

15. GOODWILL

	RMB'000
At 31 January 2021:	
Cost	31,228
Accumulated impairment	—
Net carrying amount	31,228
Cost at 1 January 2021, net of accumulated impairment	31,228
Acquisition of subsidiaries (note 35)	949,088
Exchange realignment	(97,618)
At 31 December 2021	882,698
At 31 December 2021:	
Cost	882,698
Accumulated impairment	—
Net carrying amount	882,698
Cost at 1 January 2022, net of accumulated impairment	**882,698**
Exchange realignment	**24,171**
Cost and net carrying amount at 31 December 2022	**906,869**
At 31 December 2022:	
Cost	**906,869**
Accumulated impairment	**—**
Net carrying amount	**906,869**

15. GOODWILL *(Continued)*

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:

	2022 **RMB'000**	2021 RMB'000
Gaush Medica Ltd.	**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	**6,808**	6,622
Teleon Holding B.V.	**876,190**	852,205
	906,869	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. The cash flow projections covering a 5-year period were applied to Gaush Medica Ltd., Roland Consult Stasche & Finger GmbH and Gaush Europe GmbH as well as Teleon Holding B.V.; and the cash flow projections covering an 8-year period was applied to Gaush Consumables Ltd. and Gaush Precision Ltd.

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.

15. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

	As at 31 December 2022		
	Pre-tax discount rate	**Budgeted gross profit margin**	**Terminal growth rate**
Gaush Medica Ltd.	**17.45%**	**33.45%-46.00%**	**3.00%**
Gaush Consumables Ltd.	**18.34%**	**29.49%-46.90%**	**3.00%**
Gaush Precision Ltd.	**17.70%**	**30.55%-47.78%**	**3.00%**
Roland Consult Stasche & Finger GmbH and Gaush Europe GmbH	**23.23%**	**40.52%-41.22%**	**2.00%**
Teleon Holding B.V.	**15.58%**	**54.92%-61.35%**	**2.00%**

	As 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 31 December 2022 and 31 December 2021. 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 profit 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 of 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 Group assessed that any reasonably possible change in any of these assumptions would not cause the carrying amounts of these cash-generating units to exceed their respective recoverable amounts as at 31 December 2022.

16. INTANGIBLE ASSETS

	Software RMB'000	**Patent RMB'000**	**Trademark RMB'000**	**Total RMB'000**
31 December 2022				
Cost at 1 January 2022, net of accumulated amortisation	**7,068**	**256,355**	**40,466**	**303,889**
Additions	**2,194**	**424**	**—**	**2,618**
Amortisation provided during the year (note 6)	**(1,120)**	**(28,571)**	**(4,715)**	**(34,406)**
Exchange realignment	**217**	**5,753**	**813**	**6,783**
At 31 December 2022	**8,359**	**233,961**	**36,564**	**278,884**

	Software RMB'000	Patent RMB'000	Trademark RMB'000	Total 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. CASH IN TRANSIT FOR INVESTMENT

	2022 RMB'000	2021 RMB'000
Value Investment Fund SP	**90,540**	—

Global Vision Hong Kong Limited paid USD13.00 million (equivalent to RMB90.54 million) to purchase Value Investment Fund SP. The payment was processing on 31 December 2022 and the fund was credited to beneficiary on 3 January 2023.

18. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	RMB'000	RMB'000
Value Investment Fund SP	**2,095**	—

The financial asset at fair value through profit or loss as at 31 December 2022 amounted to RMB2,095,000 is the fund purchased from Future Vision Fund SPC with expected rate of return ranging from 2.5% to 3.0% per annum. The fund was classified as financial asset at fair value through profit or loss as it was held for trading.

19. INVENTORIES

	2022	2021
	RMB'000	RMB'000
Finished goods	**251,260**	215,868
Goods in transit	**10,763**	13,179
Raw materials	**10,422**	7,582
Work in progress	**14,946**	8,986
	287,391	245,615
Provision for inventories	**(6,271)**	(5,506)
	281,120	240,109

20. TRADE RECEIVABLES

	2022	2021
	RMB'000	RMB'000
Trade receivables	**171,696**	180,190
Impairment	**(5,299)**	(10,136)
	166,397	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.

20. TRADE RECEIVABLES *(Continued)*

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 **RMB'000**	2021 RMB'000
Within 3 months	**95,230**	96,644
3 months to 6 months	**25,938**	20,243
6 months to 1 year	**28,141**	17,474
1 to 2 years	**14,016**	18,051
2 to 3 years	**2,628**	13,120
3 to 4 years	**398**	4,481
4 to 5 years	**46**	41
Over 5 years	**—**	—
	166,397	170,054

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

	2022 **RMB'000**	2021 RMB'000
At beginning of year	**10,136**	5,847
Impairment losses, net	**(2,243)**	4,767
Exchange realignment	**15**	—
Write-off	**(2,609)**	(478)
At end of year	**5,299**	10,136

The Group applies the simplified approach to provide 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 each reporting date 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 reporting date about past events, current conditions and forecasts of future economic conditions.

20. TRADE RECEIVABLES *(Continued)*

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 2022

	Gross carrying amount RMB'000	Expected credit losses RMB'000
Individual evaluation of expected losses	**3,937**	**1,749**
Assessment of expected credit losses by credit risk portfolio	**167,759**	**3,550**
At end of year	**171,696**	**5,299**

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Within 1 year	**1.18%**	**150,103**	**1,771**
1 to 2 years	**3.46%**	**13,265**	**459**
2 to 3 years	**9.35%**	**2,897**	**271**
3 to 4 years	**27.85%**	**553**	**154**
4 to 5 years	**86.71%**	**346**	**300**
Over 5 years	**100.00%**	**595**	**595**
	2.12%	**167,759**	**3,550**

20. TRADE RECEIVABLES *(Continued)*

As at 31 December 2021

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

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses 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	86.39%	977	844
Over 5 years	100.00%	120	120
	4.04%	173,480	7,000

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 **RMB'000**	2021 RMB'000
Prepayments	**6,729**	14,825
Deposits and other receivables	**17,096**	13,578
Value added tax recoverable	**14,804**	2,789
Advance payment of income tax	**19,138**	18,032
Service fee to be amortised	**15,410**	12,408
Prepayments for long-term assets	**3,094**	10,130
Listing expenses	**—**	7,160
Others	**—**	1,739
Less: Impairment allowance	**(825)**	(1,890)
	75,446	78,771
Classified as:		
Non-current portion	**22,983**	23,843
Current portion	**52,463**	54,928

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

As at 31 December 2022, none of the balances, except for the other receivables, was either past due or impaired as they related to balances for whom there was no recent history of default and past due amounts (2021: Nil).

22. CONTRACT ASSETS

	2022 **RMB'000**	2021 RMB'000
Contract assets arising from:		
Sale of industrial products	**2,278**	2,044
Less: Impairment	**(31)**	(23)
	2,247	2,021
Classified as:		
Non-current portion	**—**	84
Current portion	**2,247**	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.

22. CONTRACT ASSETS *(Continued)*

The Group's trading terms and credit policy with customers are disclosed in note 20 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2022 **RMB'000**	2021 RMB'000
Within one year	**2,247**	1,937
After one year	**—**	84
Total contract assets	**2,247**	2,021

23. PLEDGED DEPOSITS

	2022 **RMB'000**	2021 RMB'000
Pledged deposits	**9,949**	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 2022, the Group's deposits are as following: Roland Consult Stasche & Finger GmbH issued a letter of guarantee that is beneficial to Kimadia, a company in Iraq, with a carrying amount of RMB633,000 (equivalent to EUR85,301) as the performance bond. Besides, the pledged deposits with a carrying amount of RMB3,483,000 (equivalent to USD500,101) were to secure a fixed deposit for a foreign trade project of the Health and Family Planning Commission of Alxa League of Inner Mongolia (內蒙古阿拉善盟衛生和計劃生育委員會外貿項目). The rest of pledged deposits amounting to RMB5,832,000 (equivalent to EUR785,736) was pledged to secure the interest of the senior facility loan respectively as detailed in note 29 to the financial statements.

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 (內蒙古阿拉善盟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 financial statements.

24. CASH AND CASH EQUIVALENTS

	2022	2021
	RMB'000	RMB'000
Cash and bank balances	**721,523**	608,996

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

	2022	2021
	RMB'000	RMB'000
RMB	**388,268**	347,886
USD	**13,479**	20,831
EUR	**24,054**	17,455
HKD	**68,126**	2,761

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and 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 reporting period, based on the invoice date, is as follows:

	2022	2021
	RMB'000	RMB'000
Within 3 months	**65,816**	65,421
3 to 6 months	**607**	532
6 months to 1 year	**1,520**	786
Over 1 year	**760**	1,279
	68,703	68,018

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

26. OTHER PAYABLES AND ACCRUALS

	2022 **RMB'000**	2021 RMB'000
Payroll payable	**54,160**	53,177
Other taxes payable	**47,585**	40,092
Other payables	**14,581**	15,848
Accruals	**41,902**	51,600
	158,228	160,717
Classified as:		
Non-current portion	**35,053**	36,536
Current portion	**123,175**	124,181

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

27. CONTRACT LIABILITIES

	2022 **RMB'000**	2021 RMB'000
Deferred revenue	**162,940**	123,143
Classified as:		
Non-current portion	**26,891**	29,259
Current portion	**136,049**	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 2022 was primarily attributable to the increase in registration services, and the increase of the new customers to purchase ophthalmic medical devices.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	2022 **RMB'000**	2021 RMB'000
Interest rate swaps	**—**	296

28. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The Group had interest rate swap agreements in place with notional amounts of nil (2021: RMB18,095,000, equivalent to EUR2,506,000). The fair values of the interest rate swaps amounted to nil (2021: RMB296,000).

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2022		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Current			
Bank loans — secured*	**1.50–3.10**	**2023**	**45,287**
Senior facility loan — secured***	**3.00–4.20**	**2023**	**86,593**
			131,880
Non-current			
Senior facility loan — secured***	**3.15–4.20**	**2024**	**389,702**
Vendor loan — secured**	**7.00**	**2024–2025**	**180,006**
			569,708

	As at 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

* Includes the effects of a related foreign currency swap as further detailed in note 28 to the financial statements.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

* The balance 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 2022 was RMB25,918,000 (2021: RMB18,117,000). The information about the guarantee is as follows:

Credit facility (Financing amount)	Guarantee
30 December 2022	
Short-term loans or accounts receivable of USD5,000,000 or its equivalent in Euro (recyclable)	Guaranteed by Gaush Medical Corporation and MingWang Medical Ltd. with the maximum amount of USD6,853,000 or its equivalent in Euro
31 December 2021	
Short-term loans or accounts receivable of USD5,000,000 or its equivalent in Euro (recyclable)	Guaranteed by Gaush Medical Corporation and MingWang Medical Ltd. with the maximum amount of USD6,853,000 or its equivalent in Euro

Note: The loans were also guaranteed by Mr. Gao Tieta and Mr. Gao Fan before 11 November 2021 and 13 October 2020, respectively. The guarantees provided by Mr. Gao Tieta and Mr. Gao Fan in favour of the lenders of the bank loans were released on 11 November 2021 and 13 October 2020, respectively.

* 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 2022 were RMB19,369,000 (2021: RMB20,125,000). The information about the guarantees are as follows:

Credit facility (Financing amount)	Guarantee
31 December 2022	
(a) RMB20,000,000 or its equivalent in USD, EUR and JPY	Guaranteed by Global Vision Corporation, MingWang Medical Ltd. and Gaush Medical Corporation
(b) USD700,000	Guaranteed by 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 whose amount was 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 and Mr. Gao Fan 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 released on 3 December 2021 and 20 May 2020 respectively.

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

29. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

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

Owner	Building	Certificate No.
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

** 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 Coöperatief U.A., a five-year vendor loan amounting to RMB180,006,000 (equivalent to EUR24,250,000) (2021: 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 RMB476,295,000 (equivalent to EUR64,166,000) (2021:RMB544,478,000, equivalent to EUR75,416,000) as at 31 December 2022 was guaranteed by Gaush Meditech Ltd, Global Vision Hongkong Limited, Gaush Medical Limited and GMC Medstar Limited, and pledged by 100% shares of Gaush Coöperatief 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 RMB5,832,000 (equivalent to EUR785,736) (2021: 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.

	2022 **RMB'000**	2021 RMB'000
Analysed into:		
Bank borrowings repayable:		
Within one year or on demand	**131,880**	122,464
In the second year	**389,702**	81,222
In the third to fifth years, inclusive	**—**	379,034
	521,582	582,720
Other borrowings repayable:		
Within one year or on demand	**—**	—
In the second year	**90,003**	—
In the third to fifth years, inclusive	**90,003**	175,078
	180,006	175,078

30. DEFERRED TAX

The movements in deferred tax liabilities during the reporting year before offsetting are as follows:

Deferred tax liabilities

	Fair value adjustment arising from acquisition of subsidiaries RMB'000	**Leases RMB'000**	**Total RMB'000**
At 1 January 2022	**66,359**	**9,907**	**76,266**
Exchange realignment	**1,531**	**263**	**1,794**
Deferred tax charged to profit or loss during the year	**3,796**	**3,110**	**6,906**
Deferred tax liabilities at 31 December 2022	**71,686**	**13,280**	**84,966**

	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Leases RMB'000	Total RMB'000
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

30. DEFERRED TAX *(Continued)*

The movements in deferred tax assets during the reporting year before offsetting are as follows: (continued)

Deferred tax assets

	As at 31 December 2022						
	Impairment provision for assets RMB'000	**Unrealised internal transaction profit RMB'000**	**Tax deductible losses RMB'000**	**Leases RMB'000**	**Accrued social welfare RMB'000**	**Others RMB'000**	**Total RMB'000**
At 1 January 2022	**2,428**	**7,701**	**4,898**	**10,307**	**845**	**24,562**	**50,741**
Exchange realignment	**16**	**—**	**—**	**259**	**—**	**819**	**1,094**
Deferred tax (charged)/credited to profit or loss during the year	**(1,002)**	**13,114**	**(590)**	**2,560**	**(280)**	**3,644**	**17,446**
Deferred tax assets at 31 December 2022	**1,442**	**20,815**	**4,308**	**13,126**	**565**	**29,025**	**69,281**

	As 31 December 2021						
	Impairment provision for assets RMB'000	Unrealised internal transaction profit RMB'000	Tax deductible losses RMB'000	Leases RMB'000	Accrued social welfare RMB'000	Others RMB'000	Total 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:

	2022 RMB'000	2021 RMB'000
Deferred tax assets	**69,281**	50,741
Offset amount	**(13,015)**	(9,892)
Net deferred tax assets	**56,266**	40,849

30. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

	2022 **RMB'000**	2021 RMB'000
Deferred tax liabilities	**84,966**	76,266
Offset amount	**(13,015)**	(9,892)
Net deferred tax liabilities	**71,951**	66,374

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

	2022 **RMB'000**	2021 RMB'000
Tax losses	**56,607**	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 2021 and 2022, 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 amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB110,515,000 (2021: RMB135,982,000).

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 and 1 January 2022	159,099
Changes in fair value	**20,956**
Foreign exchange differences	**2,231**
Repayment of the mezzanine facility loan	**(182,286)**
At 31 December 2022	**—**

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 initial public offering ("**IPO**") 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 nil (2021: RMB2,356,000, equivalent to EUR326,364) as at 31 December 2022. 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 Group fully prepaid the mezzanine loan in December 2022 after IPO.

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

32. CONVERTIBLE REDEEMABLE PREFERRED SHARES

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

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

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

Redemption

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

At any time upon the earlier of (each, a "**Redemption Event**")

(i) the occurrence of a material breach by any group or any of the key parties of any of their respective representations, warranties, covenants or undertakings;

(ii) the failure by the Company to submit an application to the relevant securities exchange for a qualified initial public offering (the "**Qualified IPO**") on or before 31 March 2024;

(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.

32. CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

Redemption *(Continued)*

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 IPO. If a closing of a Qualified IPO occurs, such automatic conversion of all of the outstanding Preferred Share shall be deemed to have been converted into shares of Ordinary Shares as of immediately prior to such closing.

Dividends, Distributions and Reserve

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

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

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

32. CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

Dividends, Distributions and Reserve *(Continued)*

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.

32. CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

Liquidation Preference *(Continued)*

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

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

Accounting for preferred shares

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

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 reporting period.

32. CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

Accounting for preferred shares *(Continued)*

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

	Series A Preferred Shares RMB'000	Series B Preferred Shares RMB'000	Total RMB'000
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 and at 1 January 2022	**959,543**	**700,881**	**1,660,424**
Changes in fair value	**241,434**	**65,992**	**307,426**
Foreign exchange differences	**96,766**	**66,404**	**163,170**
Converted to ordinary shares upon the completion of the IPO	**(1,297,743)**	**(833,277)**	**(2,131,020)**
At 31 December 2022	**—**	**—**	**—**

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:

	2022	2021
Risk-free interest rate	**—**	0.79%
Lack of marketability discount	**—**	8.13%
Volatility	**—**	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.

32. CONVERTIBLE REDEEMABLE PREFERRED SHARES *(Continued)*

Accounting for preferred shares *(Continued)*

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.

On 12 December 2022, the Company was successfully listed on the Stock Exchange and made an offering of 13,068,600 shares at a price of HK$51.40 per share. All Preferred Shares were converted into ordinary shares upon completion of the IPO on 12 December 2022. The fair value of each Preferred Share after capitalisation issue on the conversion date is the offer price in the global offering. The completion of the successful IPO has triggered the automatic termination of all the special rights granted to the shareholders of Preferred Shares.

33. SHARE CAPITAL

Shares

	2022 **RMB'000**	2021 RMB'000
Issued and fully paid:	**102**	65

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

	Number of shares in issue	**Share capital** **RMB'000**
At 1 January 2021	105,350,482	72
Share repurchase (i)	(13,494,674)	(9)
Issuance of ordinary shares (ii)	2,291,131	2
At 31 December 2021 and 1 January 2022	94,146,939	65
Conversion of preferred shares into ordinary shares (iii)	46,405,930	32
Issuance of ordinary shares (iv)	7,382,000	5
At 31 December 2022	147,934,869	102

(i) 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.

33. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

(ii) On 10 August 2021, the Company issued 955,879 ordinary shares to GMC Teleon Ltd.at a consideration of USD4,5000,000. On 20 October 2021, Credit Suisse AG exercised the warrants for the issue of 1,335,252 ordinary shares of the Company at a consideration of USD133.53.

(iii) All convertible redeemable preferred shares were automatically converted into ordinary shares on an one for one basis upon the successful IPO of the Company on 12 December 2022. As a result, the financial liabilities for convertible redeemable preferred shares were derecognised and recorded as share capital and share premium.

(iv) In connection with the Company's IPO on 12 December 2022, 7,382,000 new ordinary shares were issued at an offer price of HK$51.40 per share.

(v) The Company grants the over-allotment option to the international underwriters, exercisable by the overall coordinators and the joint global coordinators at any time up to 30 days after the last date for the lodging of applications under the Hong Kong public offering, pursuant to which the Company may be required to allot and issue up to an aggregate of 1,960,200 additional shares representing no more than 15.0% of the initial offer shares, at the same price per offer share under the international offering.

34. OTHER RESERVES

The amounts of the Group's other reserves and the movements therein for the reporting period 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.

35. BUSINESS COMBINATIONS

(a) Acquisition of Teleon Holding B.V.

On 4 January 2021, Gaush Coöperatief U.A., a subsidiary of the Company acquired a 100% equity interest in 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 payables		(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

35. BUSINESS COMBINATIONS *(Continued)*

(a) Acquisition of Teleon Holding B.V. *(Continued)*

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

	RMB'000
Cash consideration	(1,375,247)
Cash and cash equivalents 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 outflow of cash and cash equivalents included in cash flows used in investing activities	105,771

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 year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB30,806,000 (2021: RMB6,432,000), respectively, in respect of lease arrangements for plant and equipment.

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	**Loan at fair value through profit or loss RMB'000**	**Lease liabilities RMB'000**	**Convertible redeemable preferred shares RMB'000**
At 1 January 2022	**757,798**	**159,099**	**44,379**	**1,660,424**
Changes from financing cash flows	**(76,300)**	**(182,286)**	**(23,625)**	**—**
Interest paid from financing cash flows	**(38,822)**	**—**	**—**	**—**
Addition	**—**	**—**	**30,806**	**—**
Change in fair value	**—**	**20,956**	**—**	**307,426**
Exchange realignment	**18,156**	**2,231**	**928**	**163,170**
Conversion of convertible redeemable preferred shares to ordinary shares	**—**	**—**	**—**	**(2,131,020)**
Interest expense	**40,756**	**—**	**1,926**	**—**
At 31 December 2022	**701,588**	**—**	**54,414**	**—**

	Interest-bearing bank and other borrowings RMB'000	Loan at fair value through profit or loss RMB'000	Lease liabilities RMB'000	Convertible redeemable preferred shares 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 (note 14(a))	—	—	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

36. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS *(Continued)*

(c) Total cash outflows for leases

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

	2022 **RMB'000**	2021 RMB'000
Within operating activities	**825**	1,376
Within financing activities	**23,625**	14,411
	24,250	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 reporting period.

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
Ms. Li Wenqi	Key management personnel of the Company
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 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
Beijing Wangjing Bolin Eyecare Clinic (北京望京鉑林眼科診所有限公司)	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
Luannan Jidong Eye Hospital (灤南冀東視明眼科醫院有限公司)**	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
Yutian Jidong Eye Hospital (玉田縣冀東眼科醫院有限公司)**	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

37. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Name and relationship *(Continued)*

Name of related parties	Relationship with the Group
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
Beijing Shuangjing Bolin Eyecare Clinic (北京雙井鉑林眼科診所有限公司)	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 Tiantongyuan Bolin Eyecare Clinic (北京鉑林天通苑眼科診所有限公司)***	Controlled by Mr. Gao Fan
Beijing Shangdi Bolin Eyecare Clinic (北京鉑林上地眼科診所有限公司)***	Controlled by Mr. Gao Fan
Beijing Xiaojiahe Bolin Eyecare Clinic (北京鉑林肖家河眼科診所有限公司)***	Controlled by Mr. Gao Fan
Beijing Yongdinglu Bolin Eyecare Clinic (北京鉑林永定路眼科診所有限公司)***	Controlled by Mr. Gao Fan
Beijing Shunyijinjie Bolin Eyecare Clinic (北京鉑林順藝金街眼科診所有限公司)***	Controlled by Mr. Gao Fan
Beijing Beiyuan Bolin Eyecare Clinic (北京鉑林北苑眼科診所有限公司)***	Controlled by Mr. Gao Fan
Beijing Xizhimen Bolin Eyecare Clinic (北京鉑林西直門眼科診所有限公司)***	Controlled by Mr. Gao Fan

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

** Tangshan Jidong Eye Hospital (唐山冀東眼科醫院有限公司), Luannan Jidong Eye Hospital (灤南冀東視明眼科醫院有限公司), Luanzhou Jidong Eye Hospital (灤州冀東眼科醫院有限公司) and Yutian Jidong Eye Hospital (玉田縣冀東眼科醫院有限公司) were acquired by Chaoju Eye Care Holdings Limited and ceased to be related parties of the Group in the year of 2022.

*** Beijing Yayuncun Bolin Eyecare Clinic (北京亞運村鉑林眼科診所有限公司), Beijing Tiantongyuan Bolin Eyecare Clinic (北京鉑林天通苑眼科診所有限公司), Beijing Shangdi Bolin Eyecare Clinic (北京鉑林上地眼科診所有限公司), Beijing Xiaojiahe Bolin Eyecare Clinic (北京鉑林肖家河眼科診所有限公司), Beijing Yongdinglu Bolin Eyecare Clinic (北京鉑林永定路眼科診所有限公司), Beijing Shunyijinjie Bolin Eyecare Clinic (北京鉑林順藝金街眼科診所有限公司), Beijing Beiyuan Bolin Eyecare Clinic (北京鉑林北苑眼科診所有限公司), Beijing Xizhimen Bolin Eyecare Clinic (北京鉑林西直門眼科診所有限公司) were set up on 8 September 2021, 22 December 2021, 25 January 2022, 11 March 2022, 26 May 2022, 5 May 2022, 28 April 2022 and 21 February 2022, respectively.

37. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with related parties

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting period.

	Note	**2022** **RMB'000**	2021 RMB'000
Sales of goods to	(i)		
Entities controlled by Mr. Gao Fan		**549**	1,314
Mr. Gao Tieta		**—**	3
		549	1,317
Sales of services to			
Entities controlled by Mr. Gao Fan		**1**	668
		1	668
Purchases of products from	(ii)		
Entities controlled by Mr. Gao Fan		**3**	—
		3	—
Lease payments to			
Mr. Gao Tieta	(iii)	**1,440**	1,371

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) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their major customers.

(iii) The Group entered into certain property leasing agreements with Mr. Gao Tieta, and accordingly recognised lease liabilities of RMB1,472,000 (2021: RMB2,833,000) as at the end of the reporting period.

(c) Guarantees provided by the related parities

As disclosed in note 29 and note 31 to the financial statements, certain of the Group's bank loans were guaranteed by Mr. Gao Tieta and Mr. Gao Fan, 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.

37. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Balances with related parties

	Note	**2022 RMB'000**	2021 RMB'000
Amounts due from related parties:			
Trade balance			
Mr. Gao Tieta		**100**	—
Entities controlled by Mr. Gao Fan		**—**	1,304
		100	1,304
Amounts due to related parties:			
Trade balance			
Mr. Gao Tieta		**—**	2,833
Entities controlled by Mr. Gao Fan	(i)	**—**	218
Non-trade balance			
Mr. Liu Xinwei	(ii)	**—**	1
Ms. Li Wenqi	(ii)	**—**	1
		—	3,053

Notes:

(i) Balances due to the entities controlled by Mr. Gao Fan are contract liability balances resulted from sales of goods and services.

(ii) The Group had non-trade reimbursements balances to be paid to Mr. Liu Xinwei and Ms. Li Wenqi in aggregate amounting to RMB2,000 as at 31 December 2021, and these non-trade balances have been settled as at 31 December 2022.

37. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Compensation of key management personnel of the Group

	2022 **RMB'000**	2021 RMB'000
Salaries, other allowances and benefits in kind	**3,446**	2,868
Performance related bonuses	**1,657**	1,965
Pension scheme contributions	**303**	277
	5,406	5,110

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets	**Financial assets at amortised cost RMB'000**	**Financial assets at fair value through profit or loss RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss	**—**	**2,095**	**2,095**
Trade receivables	**166,397**	**—**	**166,397**
Cash in transit for investment	**—**	**90,540**	**90,540**
Financial assets included in other receivables	**17,096**	**—**	**17,096**
Pledged deposits	**9,949**	**—**	**9,949**
Cash and cash equivalents	**721,523**	**—**	**721,523**
	914,965	**92,635**	**1,007,600**

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2022 *(Continued)*

Financial liabilities	**Financial liabilities at amortised cost RMB'000**	**Financial liabilities at fair value through profit or loss RMB'000**	**Total RMB'000**
Trade payables	**68,703**	**—**	**68,703**
Financial liabilities included in other payables	**14,581**	**—**	**14,581**
Interest-bearing bank and other borrowings	**701,588**	**—**	**701,588**
Lease liabilities	**54,414**	**—**	**54,414**
	839,286	**—**	**839,286**

2021

Financial assets	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss RMB'000	Total 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

38. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2021 *(Continued)*

Financial liabilities	Financial liabilities at amortised cost RMB'000	Financial liabilities at fair value through profit or loss RMB'000	Total 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:

	2022 RMB'000	2021 RMB'000
Carrying amounts of:		
Non-current portion of interest-bearing bank and other borrowings	**569,708**	635,334
Fair values of:		
Non-current portion of interest-bearing bank and other borrowings	**632,846**	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.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

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 2022 was assessed to be insignificant.

The Group invests in a Future Vision SPC fund. The Group has estimated the fair values of these fund by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

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

Assets measured at fair value

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	—	2,095	—	2,095

The Group did not have any financial assets measured at fair value as of year ended 31 December 2021.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Liabilities measured at fair value

The Group did not have any financial liabilities measured at fair value as of year ended 31 December 2022.

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
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

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

31 December 2021	Valuation technique	Significant unobservable input	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 IPO	60.00%	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 IPO	60.00%	Increase of 10% would result in decrease in fair value by RMB2,684,000; decrease of 10% would result in increase in fair value by RMB2,684,000.

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, pledged deposits, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings 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 interest-bearing bank and other borrowings. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The Group's interest rate profile as monitored by management is set out in note 29 to the financial statements.

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) 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 the reporting year to a reasonably possible change in the RMB, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities).

	2022 **RMB'000**	2021 RMB'000
Assets		
USD	**98,147**	138,355
EUR	**216,624**	176,563
HKD	**73,034**	6,583
Liabilities		
USD	**10,688**	26,457
EUR	**177,472**	110,043
HKD	**33**	46
JPY	**807**	650

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD, EUR, HKD and JYP exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair values of monetary assets and liabilities).

	Increase/ (decrease) In rate %	Increase/ (decrease) in loss before tax RMB'000
Year ended 31 December 2022		
If the USD strengthens against the RMB	5	4,373
If the USD weakens against the RMB	(5)	(4,373)
If the EUR strengthens against the RMB	5	1,958
If the EUR weakens against the RMB	(5)	(1,958)
If the HKD strengthens against the RMB	5	3,650
If the HKD weakens against the RMB	(5)	(3,650)
If the JYP strengthens against the RMB	5	(40)
If the JYP weakens against the RMB	(5)	40
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 reporting period. The amounts presented are gross carrying amounts for financial assets.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

31 December 2022	**12-month ECLs**	**Lifetime ECLs**			
				Simplified	
	Stage 1	**Stage 2**	**Stage 3**	**approach**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Trade receivables*	**—**	**—**	**—**	**171,696**	**171,696**
Financial assets included in prepayments, other receivables and other assets					
– Normal**	**17,096**	**—**	**—**	**—**	**17,096**
– Doubtful**	**—**	**—**	**—**	**—**	**—**
Pledged deposits	**9,949**	**—**	**—**	**—**	**9,949**
Cash and cash equivalents					
– Not yet past due	**721,523**	**—**	**—**	**—**	**721,523**
	748,568	**—**	**—**	**171,696**	**920,264**

31 December 2021	12-month ECLs	Lifetime ECLs			
				Simplified	
	Stage 1	Stage 2	Stage 3	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					
– Normal**	13,578	—	—	—	13,578
– Doubtful**	—	—	—	—	—
Pledged deposits	13,757	—	—	—	13,757
Cash and cash equivalents					
– 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 financial statements.

** 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"

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Further quantitative in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements. 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 year, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2022			
	Less than 1 year RMB'000	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Trade payables	**68,703**	**—**	**—**	**68,703**
Other payables	**14,581**	**—**	**—**	**14,581**
Interest-bearing bank and other borrowings	**173,575**	**591,257**	**—**	**764,832**
Lease liabilities	**20,800**	**28,204**	**5,344**	**54,348**
	277,659	**619,461**	**5,344**	**902,464**

	As at 31 December 2021			
	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	68,018	—	—	68,018
Other payables	15,848	—	—	15,848
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	—	2,413,802	—	2,413,802
Lease liabilities	14,712	25,011	9,460	49,183
	265,114	3,372,952	9,460	3,647,526

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

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. To maintain or adjust the capital structure, the Group may issue new shares or debt instruments. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2022.

41. EVENTS AFTER THE REPORTING PERIOD

There was no significant event after the reporting period.

42. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	2022	2021
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**33,856**	33,856
Total non-current assets	**33,856**	33,856
CURRENT ASSETS		
Other receivables due from subsidiaries	**738,166**	624,230
Financial assets at fair value through profit or loss	**2,095**	—
Cash and cash equivalents	**54,972**	91,185
Pledged deposits	**—**	2,356
Total current assets	**795,233**	717,771
CURRENT LIABILITIES		
Other payables due to subsidiaries	**6,787**	51,309
Total current liabilities	**6,787**	51,309
NET CURRENT ASSETS	**788,446**	666,462
TOTAL ASSETS LESS CURRENT LIABILITIES	**822,302**	700,318

42. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	2022 **RMB'000**	2021 RMB'000
NON-CURRENT LIABILITIES		
Loan at fair value through profit or loss	**—**	159,099
Convertible redeemable preferred shares	**—**	1,660,424
Total non-current liabilities	**—**	1,819,523
Net assets/(liabilities)	**822,302**	(1,119,205)
EQUITY		
Share capital	**102**	65
Other reserves	**822,200**	(1,119,270)
Total equity	**822,302**	(1,119,205)

A summary of the Company's reserves is as follows:

	Share capital RMB'000	Capital reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	72	64,907	(356,552)	(291,573)
Total comprehensive loss for the year	—	—	(394,623)	(394,623)
Issue of shares	2	56,722	—	56,724
Shares repurchased	(9)	(489,724)	—	(489,733)
As 31 December 2021	65	(368,095)	(751,175)	(1,119,205)

	Share capital RMB'000	**Capital reserve RMB'000**	**Accumulated losses RMB'000**	**Total RMB'000**
At 1 January 2022	**65**	**(368,095)**	**(751,175)**	**(1,119,205)**
Total comprehensive loss for the year	**—**	**—**	**(508,559)**	**(508,559)**
Issue of shares	**5**	**327,795**	**—**	**327,800**
Share issue expenses	**—**	**(8,754)**	**—**	**(8,754)**
Conversion of convertible redeemable preferred shares to ordinary shares	**32**	**2,130,988**	**—**	**2,131,020**
As 31 December 2022	**102**	**2,081,934**	**(1,259,734)**	**822,302**

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2023.

Financial Summary

	For the year ended December 31,			
	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Operating results				
Revenue	**1,253,785**	1,298,218	962,075	1,106,655
Gross profit	**625,338**	609,471	436,177	463,345
Loss/(profit) before tax	**(275,094)**	(137,964)	149,155	2,149
Loss/(profit) for the year	**(352,712)**	(191,571)	98,538	(38,026)
Adjusted net profit (non-IFRS measure)(1)	**157,340**	171,319	118,004	144,674
Profitability				
Gross profit margin	**49.9%**	46.9%	45.3%	41.9%
Net profit/(loss) margin	**(28.1)%**	(14.8)%	10.2%	(3.4)%
Adjusted net profit margin(2)	**12.5%**	13.2%	12.3%	13.0%

	As of December 31,			
	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial Position				
Total current assets	**1,326,334**	1,089,781	749,037	947,199
Total current liabilities	**492,623**	441,235	1,280,500	406,977
Total non-current assets	**1,391,756**	1,336,888	1,486,739	81,838
Total non-current liabilities	**738,782**	2,618,805	907,466	691,845
Net (liabilities)/assets	**1,486,685**	(633,371)	47,810	(69,785)
Cash and cash equivalents	**721,523**	608,996	307,490	332,762

Note:

(1) Adjustments to the net loss for the year ended December 31, 2022 include: (i) fair value losses on Preferred Shares of RMB307.4 million; (ii) foreign exchange losses on Preferred Shares of RMB163.2 million; and (iii) listing expenses of RMB39.5 million. Adjustments to the net loss for the year ended December 31, 2021 include: (i) fair value losses on Preferred Shares of RMB375.6 million; (ii) foreign exchange gains on Preferred Shares of RMB37.9 million; and (iii) listing expenses of RMB25.2 million.

(2) Non-IFRS adjusted net profit margin was calculated based on adjusted net profit divided by revenue.

"AGM"	annual general meeting of the Company
"Articles of Association" or "Articles"	sixth amended and restated memorandum and articles of association of the Company conditionally adopted on November 11, 2022 with effect from the Listing Date, as amended from time to time
"associates"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the board of directors of the Company
"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
"China" or "PRC"	People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires otherwise, references in this annual report to "China" and the "PRC" do not include Hong Kong, Macau and Taiwan
"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
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"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"	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, the Shares of which are listed on the Main Board of the Stock Exchange
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Mr. Gao Tieta and GT HoldCo
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"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

"Cuprite Gem"	Cuprite Gem Investments Ltd, an exempted 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 — Pre-IPO Investments — Information on the Pre-IPO Investors" of the Prospectus
"Director(s)"	the director(s) of the Company
"Distribution Products"	products of the brand partners which the Group distributes
"ESG"	Environmental, Social and Governance
"EUR" or "Euro"	the lawful currency of the European Union
"Gaush BVI"	Gaush Medicare Ltd, a British Virgin Islands business company duly incorporated under the laws of the British Virgin Islands on November 8, 2017 and a wholly owned subsidiary of the 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 the 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 the 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 the 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 the 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 the Company
"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 an indirect subsidiary of the Company which it holds 52.00% equity interest
"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 the 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 the Company
"Geuder"	Geuder AG, a company established in Germany
"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 building up in the front part of the eye
"Global Offering"	the Hong Kong Public Offering and the International Offering
"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 the 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 the 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 the 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
"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
"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
"Group" or "Gaush Meditech"	the Company and all of its subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"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

"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"intraocular lens"	an artificial replacement for the lens of human eye removed during cataract surgery
"KOL"	key opinion leaders, being physicians with influence on their peers' medical practice for the purpose of this annual report
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on December 12, 2022
"Listing Date"	December 12, 2022
"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
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Mingwang Medical"	Mingwang Medical Ltd.* (上海高視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 the Company
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"NEEQ"	the National Equities Exchange and Quotations, a PRC over-the-counter system for trading shares of public companies
"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)
"Nomination Committee"	the nomination committee of the Company
"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 — Pre-IPO Investments — Information on the Pre-IPO Investors" of the Prospectus
"OK-Lens"	orthokeratology lenses, also known as orthokeratology, is a nonsurgical 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

"Preferred Shares"	the convertible redeemable preferred shares of the Company, which were converted into Shares and recorded as share capital upon the Listing
"Proprietary Products"	products that the Group develops and manufactures
"Prospectus"	the prospectus of the Company dated November 30, 2022
"refractive error"	eye disorder caused by irregularity in the shape of the eye, which makes it difficult for the eyes to focus images clearly
"R&D"	research and development
"Relevant Period"	for the period from the Listing Date up to December 31, 2022
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	for the year ended December 31, 2022
"RMB"	the lawful currency of the PRC
"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 indirect subsidiary of the Company which it holds 80% equity interest
"SBM"	SBM Sistemi S.r.l., a company established in Italy
"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 which will mature in 2024
"SFO"	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 the Company with a par value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Share(s)
"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 the Company in the process of deregistration
"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 the Company

"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
"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 indirect subsidiary of the Company which it holds 80.00% equity interest
"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 indirect subsidiary of the Company which it holds 85.00% equity interest
"Teleon"	collectively, Teleon Holding B.V., Teleon Surgical B.V., Teleon IP B.V., Teleon Surgical Vertriebs GmbH and Teleon Surgical GmbH
"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
"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)
"we", "us" or "our"	the Company or the Group, as the context requires
"Wuxi Gaush Innovation"	Gaush Innovation Technology Ltd* (高視創新科技有限公司), a company with limited liability incorporated under the laws of the PRC on February 15, 2023 and an indirect wholly owned subsidiary of the Company
"%"	per cent

* *For identification purpose only*