

C-MER 希瑪

C-MER EYE CARE HOLDINGS LIMITED 希瑪眼科醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 3309

GLOBAL OFFERING



Sole Sponsor, Sole Global Coordinator and Sole Bookrunner

CMS  **招商證券國際**

IMPORTANT

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



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GLOBAL OFFERING

Number of Offer Shares	: 197,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 19,700,000 Shares (including 1,970,000 Employee Reserved Shares) (subject to reallocation)
Number of International Offer Shares	: 177,300,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	: Not more than HK\$2.90 for each Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.1 per Share
Stock code	: 3309

Sole Sponsor, Sole Global Coordinator and Sole Bookrunner

CMS  **招商證券國際**
China Merchants Securities (HK) Co., Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

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

Our Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law of the United States and may not be offered or sold, pledged or transferred within the United States except that our Offer Shares may be offered, sold or delivered outside the United States in reliance on Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all information set forth in this prospectus, including but not limited to the risk factors set forth in the section headed "Risk Factors" in this prospectus.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator and Sole Bookrunner (acting in such capacity and as the Underwriter) and us on the Price Determination Date, which is expected to be on or around Monday, 8 January 2018 or such later date as may be agreed between the parties, but in any event no later than Friday, 12 January 2018. The Offer Price will not be more than HK\$2.90 for each Offer Share and is expected to be not less than HK\$2.35 for each Offer Share. Investors applying for our Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$2.90 for each Offer Share, together with brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$2.90 for each Offer Share.

The Sole Global Coordinator and Sole Bookrunner (acting in such capacity and as the Underwriter) may reduce the indicative range of the Offer Price stated above in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction of the indicative range of the Offer Price will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such a reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If applications for our Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the indicative range of the Offer Price is so reduced. If, for whatever reason, the Sole Global Coordinator and Sole Bookrunner (acting in such capacity and as the Underwriter) and us are unable to agree on the Offer Price on or before Friday, 12 January 2018, the Global Offering will not proceed and will lapse.

Prospective investors of our Hong Kong Offer Shares should note that the Hong Kong Underwriter is entitled to terminate its obligations under the Hong Kong Underwriting Agreement by notice in writing to us given by the Sole Global Coordinator and Sole Bookrunner (acting in such capacity and as the Hong Kong Underwriter) upon the occurrence of any of the events set forth in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in our Shares commence on the Stock Exchange.

29 December 2017

EXPECTED TIMETABLE⁽¹⁾

Our Company will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company at www.cmereye.com and the website of the Stock Exchange at www.hkexnews.hk if there is any change in the following expected timetable of the Global Offering. All times and dates stated below refer to Hong Kong local times and dates. Further information on the Global Offering, including the conditions of the Global Offering, is set forth in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

2018

Latest time to lodge **PINK** Application Forms. 12:00 noon on
Friday, 5 January

Latest time to complete electronic applications under **WHITE**
Form eIPO service through the designated website at
www.eipo.com.hk⁽²⁾ 11:30 a.m. on
Monday, 8 January

Application Lists open⁽³⁾ 11:45 a.m. on
Monday, 8 January

Latest time to lodge **WHITE** and **YELLOW** Application Forms. 12:00 noon on
Monday, 8 January

Latest time to give **electronic application instructions** to
HKSCC⁽⁴⁾. 12:00 noon on
Monday, 8 January

Latest time to complete payment of **WHITE Form eIPO**
applications by effecting Internet banking transfer(s) or
PPS payment transfer(s) 12:00 noon on
Monday, 8 January

Application Lists close 12:00 noon on
Monday, 8 January

Price Determination Date⁽⁵⁾ Monday, 8 January

(1) Announcement of the final Offer Price, the level of the applications in the Hong Kong Public Offering, the level of indication of interest in the International Offering and the basis of allotment of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before. Friday, 12 January

EXPECTED TIMETABLE⁽¹⁾

2018

(2) Results of allocations (with successful applicants' Identification document numbers or Hong Kong business registration numbers) of the Hong Kong Public Offering will be available through a variety of channels as set forth in the section headed "How to Apply for our Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus. Friday, 12 January

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk⁽⁶⁾ and our Company's website at www.cmereye.com⁽⁷⁾ from Friday, 12 January

Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID function" Friday, 12 January

Despatch of White Form e-Refund payment instructions/refund cheques in respect of wholly and partially successful (if applicable) and wholly and partially unsuccessful applications under the Hong Kong Public Offering on or before⁽⁸⁾ Friday, 12 January

Despatch of Share certificates of our Offer Shares or deposit of Share certificates of Offer Shares into CCASS in respect of wholly or partially successful applications under the Hong Kong Public Offering on or before⁽⁹⁾⁽¹⁰⁾ Friday, 12 January

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on Monday, 15 January

The application for the Hong Kong Offer Shares and Employee Reserved Shares will commence on Friday, 29 December 2017 through Monday, 8 January 2018 and Friday, 5 January 2018, respectively. Such time period is longer than the normal market practice of four days. The application monies (including the brokerage fees, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Friday, 12 January 2018. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Monday, 15 January 2018.

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

EXPECTED TIMETABLE⁽¹⁾

- (2) You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designed website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the Application Lists close.
- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Monday, 8 January 2018, the Application Lists will not open on that day. Further information is set forth in the section headed “How to Apply for our Hong Kong Offer Shares and Employee Reserved Shares — 10. Effect of bad weather on the opening of the Application Lists” in this prospectus. If the Application Lists do not open and close on Monday, 8 January 2018, the dates mentioned in this section may be affected. An announcement will be made by us in such event.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for our Hong Kong Offer Shares and Employee Reserved Shares — Applying by giving **electronic application instructions** to HKSCC via CCASS” in this prospectus.
- (5) The Offer Price is expected to be determined by Monday, 8 January 2018, but in any event, the expected time for determination of the Offer Price will not be later than Friday, 12 January 2018. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator and Sole Bookrunner (acting in such capacity and as the Underwriter) and our Company on or before Friday, 12 January 2018, the Global Offering will not proceed.
- (6) The announcement will be available for viewing on the Stock Exchange’s website at www.hkexnews.hk.
- (7) Neither our Company’s website nor any of the information contained on our Company’s website forms part of this prospectus.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable for each Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund cheque.
- (9) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect any refund cheques and Share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Friday, 12 January 2018. Applicants being individuals who are eligible for collection in person must not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for collection in person must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares and have provided all required information may collect their refund cheques, if any, in person but may not collect their Share certificates as such Share certificates will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

EXPECTED TIMETABLE⁽¹⁾

Applicants who have applied through the **WHITE Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares can collect their Share certificates (if any) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Friday, 12 January 2018. For applicants who apply through the **WHITE Form eIPO** service and paid the application monies from a single bank account, e-Refund payment instructions (if any) will be despatch to their application payment bank account on Friday, 12 January 2018. For applicants who apply through the **WHITE Form eIPO** service and used multi-bank accounts to pay the application monies, the refund cheques will be despatch to the address specified in their electronic application instruction to the **WHITE Form eIPO** Service Provider on or before Friday, 12 January 2018.

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for our Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus. Uncollected Share certificates and/or refund cheques will be despatch by ordinary post, at the applicants' own risk to the addresses specified in the relevant applications. Further information is set forth in the section headed "How to Apply for our Hong Kong Offer Shares and Employee Reserved Shares — 14. Despatch/collection of Share certificates and refund monies" in this prospectus.

- (10) **Share certificates for our Offer Shares will only become valid certificates of title at 8:00 a.m. on Monday, 15 January 2018 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated in accordance with its terms.**

Further information on the structure of the Global Offering, including the conditions thereto, is set forth in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

Prospective investors of our Offer Shares should note that the Hong Kong Underwriter is entitled to terminate its obligations under the Hong Kong Underwriting Agreement by notice in writing to us given by the Sole Global Coordinator and Sole Bookrunner (acting in such capacity and as the Hong Kong Underwriter) upon the occurrence of any of the events set forth in the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the day on which dealings in our Shares commence on the Stock Exchange.

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator and Sole Bookrunner, the Underwriter, any of our or their respective directors, officers, employees, agents or representatives or any other parties involved in the Global Offering.

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SUMMARY AND HIGHLIGHTS

This section aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety before you decide to invest in our Hong Kong Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in our Hong Kong Offer Shares are set forth in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in our Hong Kong Offer Shares.

Various expressions used in this section are defined or explained in the section headed “Definitions” in this prospectus.

OVERVIEW

We are one of the leading ophthalmic service providers in Hong Kong and Guangdong Province established under the brand of “C-MER Dennis Lam (希瑪林順潮)”. Headquartered in Hong Kong, we became the first foreign investor to wholly own an eye hospital in the PRC. Our Shenzhen C-MER Dennis Lam Eye Hospital (深圳希瑪林順潮眼科醫院), established in March 2013, is the first and as of the Latest Practicable Date, one of the only two Hong Kong privately-owned hospitals established under CEPA according to the Frost & Sullivan Report. Leveraging our experience in Hong Kong in offering ophthalmic services of international standard in treating a wide range of common to rare and complex eye problems and our first mover advantage in the PRC, we believe we have established one of the leading ophthalmic practices in Shenzhen. Our eye hospital operated by Shenzhen C-MER Hospital ranked third amongst 113 public and private hospitals in Shenzhen in 2016 (overall) and ranked second in the first quarter of 2017 in the quarterly surveys of “Patient Satisfaction” (病人滿意度) conducted by the Shenzhen Health Commission. With the experience from our eye hospital in Shenzhen, we have established our second eye hospital in Beijing, which is the second Hong Kong privately-owned hospital established under CEPA according to the Frost & Sullivan Report, for the purpose of expanding our service network into Northern China. Our eye hospital in Beijing is planned to commence business operations in January 2018.

Our business was founded in Hong Kong in January 2012 by Dr. Dennis LAM, an ophthalmic surgeon with over 30 years of clinical experience. Since then, our business has grown rapidly to include the Central Eye Centre, the Mongkok Surgery Centre and four Satellite Clinics in different locations in Hong Kong. Our fifth Satellite Clinic is expected to open in the first quarter of 2018. According to the Frost & Sullivan Report, our Hong Kong practice under the brand of “C-MER Dennis Lam & Partners (希瑪林順潮眼科中心)” is the second largest eye centre in Hong Kong private ophthalmic service market in 2016 in terms of revenue with a market share of 4.7%, and enjoyed the highest revenue growth in terms of percentages during the period from 2014 to 2016, among the five largest ophthalmic service providers in Hong Kong, achieving a CAGR of 29.6%. We believe our eye hospital operated

SUMMARY AND HIGHLIGHTS

by Shenzhen C-MER Hospital has also been a success. According to the Frost & Sullivan Report, our eye hospital operated by Shenzhen C-MER Hospital ranked third in the private ophthalmic service market in Guangdong Province in 2016 in terms of revenue with a market share of 5.4%.

We specialise in offering treatment and therapy services for ophthalmic diseases which include, amongst others, cataract, corneal and external eye diseases, glaucoma, vitreoretinal and macular diseases, as well as ancillary treatment by way of acupuncture and traditional Chinese medicine. Our business is led by our ophthalmologists and physicians and supported by management professionals with intensive experience. Guided by our doctor-led management team, we focus on the quality of our ophthalmic services and our patient experience and devote resources to allow our ophthalmologists and physicians to adhere to the international standard of professionalism, ethics and responsibility in providing our ophthalmic services. We are also committed to recruiting qualified ophthalmologists and physicians to form a comprehensive medical team.

As of the Latest Practicable Date, we had nine ophthalmologists practising in Hong Kong (including Dr. Dennis LAM) and 29 physicians in the PRC. Three of our PRC physicians are overseas ophthalmologists resident in the PRC.

As part of our business strategies, we plan to further expand our service network in Hong Kong and into other strategic locations in the PRC, including selected first-tier PRC cities and other cities in the Guangdong-Hong Kong-Macau Big Bay Area (粵港澳大灣區). During the three years ended 31 December 2016, we experienced a rapid growth and recorded a revenue of HK\$156.5 million, HK\$198.9 million and HK\$248.7 million, respectively. Our revenue during the six months ended 30 June 2017 amounted to HK\$140.4 million, representing a significant growth of 21.8% as compared with HK\$115.3 million during the six months ended 30 June 2016. Our net profit also increased from HK\$22.4 million in 2014, to HK\$38.4 million in 2015 and to HK\$46.9 million in 2016, with our net profit increased from HK\$20.6 million during the six months ended 30 June 2016 to HK\$25.4 million during the six months ended 30 June 2017, representing a significant increase of 23.2%.

OUR STRENGTHS

We believe that we have the following strengths:

- We are one of the leading ophthalmic service providers in Hong Kong and Guangdong Province.
- We offer comprehensive ophthalmic services of international standard to treat eye problems from common to rare and complex conditions.
- We are led by a team of ophthalmologists, which allows us to focus on the quality of our services and our patient experience.

SUMMARY AND HIGHLIGHTS

- We are well positioned to capture the growing demand for mid-to-high end private ophthalmic services in the PRC.
- We have a visionary and experienced management team with in-depth industry knowledge.

Further information on our strengths is set forth in the section headed “Business — Our strengths” from page 129 to page 134 in this prospectus.

OUR STRATEGIES

We intend to implement the following strategies:

- Establish or acquire eye hospitals, eye centre and clinics in Hong Kong and selected PRC cities including cities in Eastern China, Southwest or Central China and the Guangdong-Hong Kong-Macau Big Bay Area.
- Improve our operational capacity and service capability.
- Identify suitable strategic partners for collaboration.

Further information on our strategies is set forth in the section headed “Business — Our strategies” from page 134 to page 136 in this prospectus.

OUR SERVICES

We offer a comprehensive range of ophthalmic care, diagnostic, medical and surgical treatment services at our ophthalmic service network in Hong Kong and our eye hospitals operated by Shenzhen C-MER Hospital and Beijing C-MER Hospital. The extensive skills and knowledge of our ophthalmologists and physicians enables us to offer treatments and surgeries for a wide range of eye problems, from common issues to rare and complex conditions. In particular, our ophthalmologists in Hong Kong and physicians in the PRC are specialised in performing surgeries in relation to (a) cataract and intraocular lens implant; (b) refractive correction; (c) corneal and external eye diseases; (d) glaucoma; (e) vitreoretinal diseases; (f) oculoplastics and orbital diseases; and (g) squint and paediatric ophthalmology.

We aim to provide quality services and effective treatments to our clients. Our clinics and hospitals are designed to provide easy access, streamlined registration and check-out procedures. Our services may be categorised into (i) basic investigations; (ii) consultation; (iii) special investigations; (iv) treatments and procedures; (v) pharmaceuticals and optical prescriptions; and (vi) surgical interventions. Further information on our pricing strategies is set forth in the section headed “Business — Pricing” from page 160 to page 161 in this prospectus.

SUMMARY AND HIGHLIGHTS

FINANCIAL AND OPERATIONAL INFORMATION

The following sets forth our audited consolidated statements of comprehensive income for the years and periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
				(Unaudited)	
Revenue	156,472	198,851	248,659	115,310	140,449
Cost of revenue	(97,429)	(119,150)	(153,683)	(72,018)	(77,755)
Gross profit	59,043	79,701	94,976	43,292	62,694
Selling expenses	(2,918)	(4,694)	(7,874)	(3,621)	(4,235)
Administrative expenses					
– Listing expenses	–	–	–	–	(7,974)
– Other administrative expenses	(27,676)	(26,454)	(30,534)	(14,076)	(16,832)
Other income, net	201	547	1,497	817	678
Other gains, net	279	520	1,463	342	286
Operating profit	28,929	49,620	59,528	26,754	34,617
Finance expenses	(966)	(1,189)	(932)	(511)	(334)
Profit before income tax	27,963	48,431	58,596	26,243	34,283
Income tax expense	(5,602)	(10,074)	(11,709)	(5,667)	(8,927)
Profit for the year/period	22,361	38,357	46,887	20,576	25,356
<i>Item that may be subsequently reclassified to profit or loss</i>					
Currency translation differences	(724)	(2,222)	(3,869)	(457)	2,077
Total other comprehensive (loss)/income for the year/period	(724)	(2,222)	(3,869)	(457)	2,077
Total comprehensive income attributable to owners of the Company	21,637	36,135	43,018	20,119	27,433
Earnings per Share for profit attributable to owners of the Company during the year/period (expressed in HK\$ per Share)					
– basic	66.92	114.80	140.32	61.58	74.61
– diluted	66.92	114.80	140.32	61.58	74.39

SUMMARY AND HIGHLIGHTS

The amount of the currency translation differences represents the differences in the exchange rates between our reporting currency and the foreign currencies at the beginning and the end of the reporting year/period. These exchange differences are charged to our consolidated statement of comprehensive income because they are relating to the translation of foreign operations as of the respective reporting dates and arising in the preparation of our audited consolidated financial statements. Due to the significant depreciation of RMB against HK\$ in 2016 of 5.3%, the translation of RMB into HK\$ resulted in a significant exchange loss on translation of foreign operations. Due to the appreciation of RMB for the six months ended 30 June 2017 of 3.1%, there was an exchange gain on translation of our operations in the PRC.

Our revenue consisted of surgery fees and consultancy and other medical service fees charged to our clients and the sales of vision aid products. Our cost of revenue includes the cost incurred by us on medical consumables and supplies, eye drops, pharmaceuticals and intraocular lens used or sold by us as part of our services and the amount of consultancy fee paid to our Hong Kong Ophthalmologists under the revenue-sharing arrangement as part of the Cooperative Agreements.

The following sets forth our condensed consolidated balance sheet as of the dates indicated:

	As of 31 December			As of
	2014	2015	2016	30 June 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	49,898	41,824	42,752	67,506
Current assets	52,919	90,551	85,890	244,222
Total assets	102,817	132,375	128,642	311,728
Non-current liabilities	7,271	6,963	1,186	932
Current liabilities	64,733	58,464	64,024	75,888
Total liabilities	72,004	65,427	65,210	76,820
Net current (liabilities)/assets	(11,814)	32,087	21,866	168,334
Net assets/Total equity	30,813	66,948	63,432	234,908

As of 31 December 2014, we had net current liabilities of HK\$11.8 million, which was due to the addition of property, plant and equipment (being non-current assets) in the prior years financed by increased amount of short-term borrowings (which was treated as our current liability) and the amount withdrawn by Dr. Dennis LAM for his personal use. As of 31 December 2015 and 2016 and 30 June 2017, we had net current assets of HK\$32.1 million, HK\$21.9 million and HK\$168.3 million, respectively.

SUMMARY AND HIGHLIGHTS

NUMBER OF CLIENT VISITS AND AVERAGE SPENDING

The tables below set forth the key operational information of our ophthalmic service networks in Hong Kong and the eye hospital operated by Shenzhen C-MER Hospital in the PRC during the Track Record Period:

Hong Kong

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
Number of client visits					
Consultation and other medical services	20,129	23,848	32,873	16,420	19,284
Surgeries	2,408	2,553	3,062	1,601	1,646
	<u>22,537</u>	<u>26,401</u>	<u>35,935</u>	<u>18,021</u>	<u>20,930</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Average consultation and other medical services fee	1,582	1,554	1,590	1,449	1,552
Average surgery fee	26,100	32,815	35,141	30,949	35,037

PRC

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
Number of out-patient visits					
Consultation and other medical services	26,739	33,576	43,930	20,517	26,659
Surgeries	1,553	2,074	2,730	1,309	1,697
	<u>28,292</u>	<u>35,650</u>	<u>46,660</u>	<u>21,826</u>	<u>28,356</u>
Number of in-patient visits	<u>615</u>	<u>892</u>	<u>1,103</u>	<u>466</u>	<u>626</u>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Average consultation and other medical service fee	967	953	835	838	797
Average surgery fee	19,975	17,950	13,855	14,236	13,770

SUMMARY AND HIGHLIGHTS

Further information on the number of client visits and average spending is set forth in the sections headed “Business — Our Business — Hong Kong — Operational information” from page 138 to page 139 in this prospectus, “Business — Our Business — PRC — Operational information” from page 145 to page 146 in this prospectus and “Financial Information — Components of our audited consolidated statements of profit or loss and other comprehensive income — Revenue” from page 236 to page 241 in this prospectus.

OUR PROFESSIONAL TEAM OF OPHTHALMOLOGISTS AND PHYSICIANS

As of the Latest Practicable Date, we had nine ophthalmologists practising in Hong Kong (including Dr. Dennis LAM) and have employed 29 physicians in the PRC (including those permitted for multi-site practices). Further information on our team is set forth in the sections headed “Business — Our Business — Hong Kong — Our professional team” from page 139 to page 140 and “Business — Our Business — PRC — Our professional team” from page 146 to page 147 in this prospectus. During Track Record Period, our revenue in Hong Kong was generated from the ophthalmic services provided by the eight practicing ophthalmologists (including Dr. Dennis LAM). Consistent with the industry norm, we have entered into the Cooperative Agreements with our Hong Kong Ophthalmologists pursuant to which we have agreed to share with them 35.0% to 70.0% of the revenue generated from their practice, after deducting our charges on using our equipment, operating theatres and medical consumables. Further information on the Cooperative Agreements is set forth in the section headed “Business — Our Business — Hong Kong — Terms of Cooperation Agreements” from page 140 to page 142 in this prospectus.

Dr. Dennis LAM is our founder and one of our Controlling Shareholders and as such, we have not entered into any revenue-sharing arrangement with Dr. Dennis LAM in relation to his ophthalmic services rendered for us. During the three years ended 31 December 2016, Dr. Dennis LAM received compensation in the amount of HK\$4.4 million, HK\$8.8 million, HK\$6.6 million, respectively. During the six months ended 30 June 2016 and 2017, Dr. Dennis LAM received compensation in the amount of HK\$3.1 million and HK\$1.5 million, respectively. Such amounts received by Dr. Dennis LAM during the Track Record Period represented the total amount of compensation for all services rendered by Dr. Dennis LAM for us. Following the Listing, the current compensation arrangement with Dr. Dennis LAM will remain unchanged so long as he remains to be an executive Director and a Controlling Shareholder. Dr. Dennis LAM has entered into a three-year director’s service contract with us which will be effective from 13 December 2017, pursuant to which Dr. Dennis LAM will receive a fixed amount of compensation of HK\$6.0 million per annum (including an annual director’s fee of HK\$240,000) after the Listing for all services (including the ophthalmic services) to be rendered for us and in the capacity as the Chairman of our Board, our Chief Executive Officer and an executive Director. The scope of services (including the ophthalmic services) to be provided by Dr. Dennis LAM following the Listing will be identical to the services provided by him during the Track Record Period.

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Following the initial term of three years under the director's service contract, it is proposed that any renewal of such director's service contract, including the basis and the amount of annual compensation payable thereunder, will be subject to the approval of our independent Shareholders. It will also be one of the terms of the director's service contract that the annual compensation payable to Dr. Dennis LAM will be in fixed amount and any adjustment thereto in the next term of three years cannot be more than 15% of the annual compensation in the previous term on the basis that the annual amount of revenue generated by Dr. Dennis LAM will continue to grow during the term. If there is any decrease in the amount of revenue generated by the services rendered by Dr. Dennis LAM for us in any year, the amount of his annual compensation in the following year during the term will not be adjusted upward. This adjustment mechanism is required to be observed by the Remuneration Committee unless otherwise approved by our independent Shareholders at general meetings of our Company following the Listing.

Pro forma impact on our profitability

Based on the highest revenue-sharing percentage sets forth in the Cooperative Agreements, being 70%, of the revenue (after deducting the charges of using our equipment, operating theatres and medical consumables) generated by the services rendered by Dr. Dennis LAM for us in Hong Kong and the higher of (a) the compensation amounts for physicians employed by us or other comparable companies and (b) the annual salary paid by us to our physicians in the PRC, and taking into consideration the expertise, experience and reputation of Dr. Dennis LAM in the industry, the additional amount received by Dr. Dennis LAM (after taxation) would have been HK\$12.5 million, HK\$16.1 million and HK\$17.4 million for the three years ended 31 December 2016, respectively, and HK\$9.4 million for the six months ended 30 June 2017. The following table sets forth an illustration of the pro forma impact on our operating results during the Track Record Period:

		Year ended 31 December			Six months ended
		2014	2015	2016	30 June 2017
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year/period (audited)	(a)	22,361	38,357	46,887	25,356
Additional pro forma amount of compensation would have been received by Dr. Dennis LAM ⁽¹⁾	(b)	(12,449)	(16,086)	(17,434)	(9,384)
Pro forma profit for the year/period (unaudited)	(a)-(b)	<u>9,912</u>	<u>22,271</u>	<u>29,453</u>	<u>15,972</u>

SUMMARY AND HIGHLIGHTS

Note:

- (1) The above adjustments to our profit for the year/period for the Track Record Period are presented for illustration of the pro forma impact on our profitability if the amount of total compensation received by Dr. Dennis LAM were based on a revenue-sharing compensation arrangement with reference to his expertise, experience and reputation in Hong Kong and a comparable remuneration arrangement for our physicians in the PRC. The amount of the adjustments and the consequential impact on our profitability set forth above do not represent our historical operating results during the Track Record Period or otherwise form part of the audited financial information of our Group during the same period set forth in this prospectus.

Further information on the above is set forth in the sections headed “Business — Our Business — Hong Kong — Remuneration received and to be received by Dr. Dennis LAM” from page 142 to page 144 in this prospectus and “Financial Information — Analysis of the impact of the compensation arrangement with Dr. Dennis LAM during the Track Record Period” from page 252 to page 256 in this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

The following sets forth our condensed statements of cash flows for the years/periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Net cash generated from operating activities	42,606	50,545	53,497	27,482	34,425
Net cash used in investing activities	(28,372)	(25,739)	(13,821)	(27,887)	(47,856)
Net cash (used in)/generated from financing activities	(6,112)	(13,007)	(3,048)	4,338	135,698
Net increase in cash and cash equivalents	8,122	11,799	36,628	3,933	122,267
Cash and cash equivalents at beginning of year/period	2,900	11,246	23,348	23,348	58,760
Currency translation differences	224	303	(1,216)	(44)	1,202
Cash and cash equivalents at end of the year/period	<u>11,246</u>	<u>23,348</u>	<u>58,760</u>	<u>27,237</u>	<u>182,229</u>

SUMMARY AND HIGHLIGHTS

KEY FINANCIAL RATIOS

The following sets forth the key financial ratios indicating our performance for the years/periods indicated:

	Year ended 31 December			Six months ended 30 June
	2014	2015	2016	2017
Revenue growth (%)	N/A	27.1	25.0	21.8
Gross profit margin (%)	37.7	40.1	38.2	44.6
Net profit growth (%)	N/A	71.5	22.2	23.2
Net profit margin (%)	14.3	19.3	18.9	18.1
Return on equity (%)	72.6	57.3	73.9	21.6
Return on total assets (%)	21.7	29.0	36.4	16.3

	As of 31 December			As of 30 June
	2014	2015	2016	2017
Gearing ratio (%) (Note)	142.4	49.8	29.2	8.3
Current ratio (times)	0.8	1.5	1.3	3.2
Quick ratio (times)	0.8	1.5	1.3	3.2

Note: Gearing ratio is calculated based on our bank borrowings and other borrowings divided by total equity as of the end of each reporting year/period and multiplied by 100%.

Further information on the above financial ratios is set forth in the section headed “Financial Information — Key financial ratios” from page 293 to page 295 in this prospectus.

OUR CLIENTS AND SUPPLIERS

During the Track Record Period, our clients primarily consisted of (i) individual clients; and (ii) corporate clients, which include insurance companies and medical scheme providers, with which we entered into contractual arrangements for the provision our services. During the Track Record Period, individual clients represented a significant portion of our client base. Revenue generated from our individual clients represented 97.3%, 96.9%, 97.8% and 97.7% of our total revenue, respectively for the Track Record Period. During the same period, our five largest clients accounted for 3.0%, 3.4%, 2.4% and 2.8% of our total revenue, respectively, of which 1.7%, 1.9%, 1.2% and 1.5% of our total revenue was generated from our largest client, which was an insurance company. To the best knowledge and belief of our Directors, our five largest clients during the Track Record Period are Independent Third Parties and none of our Directors or their close associates or any Shareholders (which to the best knowledge of our Directors beneficially own more than 5.0% of our Shares) had any interests in any of our five largest clients during the Track Record Period.

Further information on our clients is set forth in the section headed “Business — Our clients” on page 153 in this prospectus.

SUMMARY AND HIGHLIGHTS

Our suppliers during the Track Record Period primarily included distributors of pharmaceuticals, medical consumables and intraocular lenses. During the Track Record Period, our five largest suppliers accounted for 62.1%, 56.5%, 55.8% and 56.5% of our total purchases, respectively. These five largest suppliers include suppliers of pharmaceuticals, medical consumables and intraocular lenses. For the same period, our largest supplier accounted for 24.2%, 23.2%, 22.5% and 23.5% of our total purchases, respectively. To the best knowledge and belief of our Directors, our five largest suppliers during the Track Record Period are Independent Third Parties and none of our Directors or their close associates or any Shareholders (which to the best knowledge of our Directors beneficially own more than 5.0% of our Shares) had any interests in any of our five largest suppliers during the Track Record Period. During the Track Record Period, none of our major suppliers were also our major clients.

Further information on our suppliers is set forth in the section headed “Business — Our Suppliers” from page 153 to page 160 in this prospectus.

APPLICATION FOR THE HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

The application for the Hong Kong Offer Shares and Employee Reserved Shares will commence on Friday, 29 December 2017 through Monday, 8 January 2018 and Friday, 5 January 2018, respectively. Such time period is longer than the normal market practice of four days. The application monies (including the brokerage fees, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Friday, 12 January 2018. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Monday, 15 January 2018.

OFFER STATISTICS

Offer size	Initially 197,000,000 Shares, representing 19.7% of the enlarged number of Shares in issue (subject to the Over-allotment Option) ⁽¹⁾
Offer structure	Initially 90% International Offering and 10% Hong Kong Public Offering (subject to re-allocation and the Over-allotment Option)
Over-allotment Option	Up to 15% of the initial number of our Offer Shares
Offer Price	HK\$2.35 to HK\$2.90 for each Share

	<u>Based on the low end of the indicative range of the Offer Price of HK\$2.35</u>	<u>Based on the high end of the indicative range of the Offer Price of HK\$2.90</u>
Market capitalisation of our Shares ⁽²⁾	HK\$2,350 million	HK\$2,900 million
Unaudited pro forma adjusted net tangible asset value per Share ⁽³⁾	HK\$0.66	HK\$0.76

SUMMARY AND HIGHLIGHTS

Notes:

- (1) The public float of our Company will include our Shares held by (a) the Pre-IPO Tranche A Investors (other than Mr. LAM Tak Kwan, the father of Dr. Dennis LAM, and Dr. LAU Johnson Yiu-Nam, our independent non-executive Director); and (b) the Pre-IPO Tranche B Corporate Investors. Taking into consideration the shareholding of these investors, the public float of our Company shall be 25.05% of the enlarged number of Shares in issue following completion of the Global Offering and Capitalisation Issue.
- (2) All statistics in this table are based on the assumption that the Over-allotment Option, the Pre-IPO Share Options and any option that may be granted under the Post-IPO Share Option Scheme is not exercised. The calculation of the market capitalisation is based on 1,000,000,000 Shares which are expected to be issued and outstanding following completion of the Global Offering and the Capitalisation Issue.
- (3) The unaudited pro forma adjusted net tangible asset value per Share are calculated based on 1,000,000,000 Shares, being the number of Shares expected to be in issue immediately following completion of the Global Offering without taking into consideration of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options and any option that may be granted under the Post-IPO Share Option Scheme.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

Assuming that the Over-allotment Option is not exercised, the net proceeds from the Global Offering, after deducting the estimated Listing expenses (including underwriting commission) of HK\$50.0 million, will be HK\$468.1 million based on the mid-point of the indicative range of the Offer Price of HK\$2.63. Our Directors intend to use the net proceeds for the following purposes:

- HK\$198.8 million, or 42.5% of the total net proceeds from the Global Offering, for possible acquisition of three operating eye hospitals in selected PRC cities. As of the date of this prospectus, we have yet to identify any business or hospital for our acquisition purpose.
- HK\$188.9 million, or 40.4% of the total net proceeds from the Global Offering, for establishing three eye hospitals in selected PRC cities. As of the date of this prospectus, we plan to establish eye hospitals in selected cities in each of (a) Eastern China (Ningbo or Hangzhou); (b) Southwest or Central China (Zhengzhou); and (c) the Guangdong — Hong Kong — Macau Big Bay Area (粵港澳大灣區), but we have yet to determine at which cities our new eye hospitals will be established.

We do not have any experience in operating eye hospitals in the regions in the PRC where we plan to acquire or establish new eye hospitals. We have conducted feasibility studies prior to the establishment of each Satellite Clinic in Hong Kong and the eye hospital currently operated by Shenzhen C-MER Hospital and will conduct feasibility studies prior to establishment of new eye hospitals. Further information on such feasibility studies is set forth in the section headed “Reasons for the Listing, Proposed Use of Net Proceeds from the Global Offering and Expansion Plans — Our expansion plans — Feasibility studies conducted by us on our expansion plans” on page 220 in this prospectus.

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Based on our understanding of the business environment, industry and competition landscape and demographics information of the major cities in the selected regions in the PRC, our Directors believe that our business plan of establishing new eye hospitals in these regions are feasible. Further information on the criteria in selecting the PRC cities for acquiring or establishing new eye hospitals is set forth in the section headed “Reasons for the Listing, Proposed Use of Net Proceeds from the Global Offering and Expansion Plans — Our expansion plans — Selection criteria of the locations of our new Satellite clinics and eye hospitals in the PRC” on page 224 in this prospectus.

- HK\$20.0 million, or 4.2% of the total net proceeds from the Global Offering, for establishing two Satellite Clinics in Shenzhen, the PRC.
- HK\$39.7 million, or 8.5% of the total net proceeds from the Global Offering, for upgrading our medical equipment and enhancing our information technology system in Hong Kong and the PRC.
- HK\$20.7 million, or 4.4% of the total net proceeds from the Global Offering, for our working capital and general corporate purpose.

Further information on the use of net proceeds from the Global Offering is set forth in the section headed “Reasons for the Listing, Proposed Use of Net Proceeds from the Global Offering and Expansion Plans” from page 216 to page 227 in this prospectus.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering and the Capitalisation Issue (without taking into consideration any Shares which may be issued upon the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme), C-MER Group, Dr. Dennis LAM and Ms. LI are a group of our Controlling Shareholders. The following table sets forth the number of Shares held by C-MER Group immediately after completion of the Global Offering and the Capitalisation Issue:

	Immediately after completion of the Global Offering and the Capitalisation Issue (without taking into consideration any Shares which may be issued upon the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme)	
	<i>Number of Shares</i>	<i>%</i>
C-MER Group	<u>722,696,756</u>	<u>72.3</u>

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C-MER Group is a company incorporated in the BVI and is owned as to 70.0% by Dr. Dennis LAM and 30.0% by Ms. LI. Ms. LI is the spouse of Dr. Dennis LAM, and both of them have been managing and operating our business collectively and reaching consensus before making major decisions in respect of our business. Both Dr. Dennis LAM and Ms. LI will continue to act jointly following the Listing so far as the exercise of the voting rights attached with our Shares (through C-MER Group) is concerned.

Further information on our Controlling Shareholders is set forth in the section headed “Controlling Shareholders and Substantial Shareholders” on page 211 in this prospectus.

PRE-IPO INVESTMENT

We completed the Pre-IPO Tranche A Investment on 30 May 2017 upon which we have received a total amount of HK\$40.0 million for an aggregate of 14,851 Shares allotted and issued to the Pre-IPO Tranche A Investors, representing 4.0% of our Shares in issue immediately before completion of the Global Offering and the Capitalisation Issue (without taking into consideration any Shares that may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options). Amongst the Pre-IPO Tranche A Investors are Mr. LAM Tak Kwan, the father of Dr. Dennis LAM, and Dr. LAU Johnson Yiu-Nam holding 18,750,221 Shares and 8,030,865 Shares, respectively, representing 1.88% and 0.80% of our Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (without taking into consideration any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme).

The shareholdings of Mr. LAM Tak Kwan and Dr. LAU Johnson Yiu-Nam are not considered as part of the public float of our Company upon Listing. The other Pre-IPO Tranche A Investors are Independent Third Parties and the aggregate shareholding of 0.53% will be treated as part of the public float of our Company upon Listing.

We completed the Pre-IPO Tranche B Investment on 6 June 2017 upon which we have received a total amount of HK\$102.0 million for an aggregate of 22,277 Shares allotted and issued to the Pre-IPO Tranche B Corporate Investors, representing 6.0% of our Shares in issue immediately before completion of the Global Offering and the Capitalisation Issue (without taking into consideration any Shares that may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options). The Pre-IPO Tranche B Corporate Investors are companies beneficially owned by, amongst others, Sun Hung Kai Properties Limited (stock code: 0016) and Dr. Allan ZEMAN and are Independent Third Parties. Following completion of the Global Offering and the Capitalisation Issue (without taking into consideration any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme), their aggregate shareholding is 4.82% and will be treated as part of the public float of our Company upon Listing.

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Further information on the Pre-IPO Investment is set forth in the section headed “Pre-IPO Investment” from page 120 to page 127 in this prospectus.

PRE-IPO SHARE OPTION SCHEME

Following the adoption of the Pre-IPO Share Option Scheme and as of the Latest Practicable Date, an aggregate of 46,765,000 Pre-IPO Share Options have been conditionally granted, representing 4.68% of our Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue (without taking into consideration any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme), to 140 Grantees, including three Connected Grantees, seven Doctor Grantees, five Consultant Grantees, two members of our senior management team, our employees in Hong Kong and our physicians and employees in the PRC.

The exercise price in respect of each Pre-IPO Share Option is in the range between HK\$0.1 per Share and HK\$1.0 per Share for different tranches of Grantees. No further share options will be granted under the Pre-IPO Share Option Scheme.

As of the Latest Practicable Date, all of the Pre-IPO Share Options were not exercised and remained outstanding. Assuming full vesting and exercise of the outstanding Pre-IPO Share Options, the shareholding percentage of our Shareholders immediately following the Listing would be diluted by 4.47% as calculated based on 1,046,765,000 Shares then in issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme) and the dilution effect on our earnings per Share would be 4.47%.

In addition, we are required to recognise share-based compensation as expenses. We estimate that the share-based compensation expenses to be recognised in the four years ending 31 December 2020 for the Pre-IPO Share Options will amount to HK\$6.6 million, HK\$6.3 million, HK\$3.0 million and HK\$0.7 million, respectively.

As agreed with our Pre-IPO Tranche B Corporate Investors, the maximum number of the Pre-IPO Share Options that may be granted shall not be more than 7.0% of the number of our Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue (without taking into consideration any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme).

Further information on the principal terms of the Pre-IPO Share Option Scheme and the Grantees are set forth in the section headed “History, Development and Reorganisation — Pre-IPO Share Options” from page 116 to page 119 in this prospectus and the paragraphs under “D. Share Option Schemes — 1 Pre-IPO Share Option Scheme” in Appendix IV from page IV-17 to page IV-25 in this prospectus.

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POST-IPO SHARE OPTION SCHEME

Pursuant to the resolutions of our Shareholders passed on 13 December 2017, we have conditionally adopted the Post-IPO Share Option Scheme. No option has been granted under the Post-IPO Share Option Scheme. The principal terms of the Post-IPO Share Option Scheme are set forth in the paragraphs under “D. Share Option Schemes — 2 Post-IPO Share Option Scheme” in Appendix IV from page IV-25 to page IV-36 in this prospectus.

DIVIDENDS

During the Track Record Period, we declared and paid dividend to C-MER Group in the amount of nil, nil, HK\$46.5 million and nil, respectively. The dividend was settled by way of offsetting part of the amount due from Dr. Dennis LAM and Ms. LI and C-MER Group. Dr. Dennis LAM and Ms. LI are the shareholders of C-MER Group, and there was no dividend declared and paid by us to Dr. Dennis LAM and Ms. LI during the Track Record Period.

On 30 September 2017, our Company declared a special interim dividend of HK\$100.0 million to our Shareholders. As part of the arrangements under the Pre-IPO Investment, Dr. Dennis LAM, being one of our Controlling Shareholders, is entitled to such dividends. Hence, the total amount of the special interim dividend of HK\$100.0 million has been paid to Dr. Dennis LAM, net of the amount due from our Controlling Shareholders, by way of cash from our internally generated financial resources. The arrangement on the dividend entitlement of Dr. Dennis LAM before the Listing has been negotiated between the Pre-IPO Investors and our Controlling Shareholders on an arm’s length basis upon normal commercial terms taking into consideration our estimated future performance and business plans.

We will not have any dividend policy or fixed dividend pay-out ratio to be adopted following the Listing. Any amount of dividends to be declared and paid by our Company following the Listing will be determined at the discretion of our Directors taking into consideration our future operations and earnings, our business development, capital requirements and surplus, general financial conditions, contractual restrictions and such other factors as our Directors consider appropriate. Any declaration and payment as well as the amount of dividends will be subject to the Articles and Cayman Companies Law. No dividend shall be declared or paid except out of our distributable profit and funds that are lawfully available for distribution under the Cayman Companies Law.

LISTING EXPENSES

Assuming that the Over-allotment Option is not exercised, the Listing expenses (including underwriting commission) are estimated to be HK\$50.0 million (based on the mid-point of the indicative range of the Offer Price of HK\$2.63), of which an amount of HK\$8.0 million has been charged to the consolidated statements of comprehensive income for the six months ended 30 June 2017. We expect that an amount of HK\$26.8 million will be charged to the consolidated statements of comprehensive income for the year ending 31

SUMMARY AND HIGHLIGHTS

December 2017 and HK\$23.2 million will be accounted for as a deduction from equity upon Listing. This amount of Listing expenses could have an adverse impact on our profitability for the year ending 31 December 2017.

Our Directors consider that our operating results for the years ending 31 December 2017 will be affected by the Listing expenses.

PRINCIPAL RISK FACTORS

There are risks associated with any investment, which may be broadly categorised into (a) risks relating to our business and industry; (b) risks relating to the PRC; and (c) risks relating to the Global Offering. In addition, there are uncertainties in relation to the possible reform of the regulatory framework in Hong Kong. We believe that our major risks include:

- We rely on the leadership and services of our Chairman, Chief Executive Officer and executive Director, Dr. Dennis LAM, and our inability to retain his services could adversely affect our business and financial conditions, operating results and business prospects. The revenue generated by the services provided by Dr. Dennis LAM amounted to HK\$66.7 million, HK\$88.7 million and HK\$81.5 million, which accounted for 42.6%, 44.6% and 32.8% of our total revenue, during the three years ended 31 December 2016, respectively. During the six months ended 30 June 2016 and 2017, the revenue generated by Dr. Dennis LAM amounted to HK\$39.1 million and HK\$41.4 million, which accounted for 33.9% and 29.5% of our total revenue, respectively.
- Our business depends significantly on the reputation of Dr. Dennis LAM and any negative publicity and allegations in the media against Dr. Dennis LAM could materially and adversely affect our business and financial conditions, operating results and business prospects.
- We may not be able to recruit and retain sufficient number of ophthalmologists/physicians.
- Malpractice, medical negligence or misconduct claims could adversely affect our business and financial conditions, operating results and business prospects.
- Our business depends significantly on our reputation, and any failure to develop, maintain and enhance our reputation, or any negative publicity and allegations in the media against us, could materially and adversely affect our business and financial conditions, operating results and business prospects.

Further information on the risk factors is set forth in the section headed “Risk Factors” from page 23 to page 49 in this prospectus.

SUMMARY AND HIGHLIGHTS

NON-COMPLIANCE INCIDENTS

In May 2017, the Medical Council informed Dr. Dennis LAM and our Hong Kong Ophthalmologists that a complaint had been received on their failure to take adequate steps to prevent the display of a signboard or a signboard on a background, which was ornate, graphical and illuminated, outside our Satellite Clinic in Yuen Long opened for business in January 2014. On 29 September 2017, the Preliminary Investigation Committee (PIC) of Medical Council has confirmed that no disciplinary inquiry on the matter would be held and the matter has been concluded.

We are also involved in a number of non-compliance incidents in the PRC, and none of these proceedings is important to our business operations.

Further information on the legal proceedings is set forth in the section headed “Business — Non-compliance incidents” from page 175 to page 178 in this prospectus.

LITIGATION AND CLAIMS

As set forth in the section headed “Risk Factors” in this prospectus, as we are engaged in the provision of ophthalmic services, we may be involved in legal proceedings from time to time. Dr. Dennis LAM and one of our wholly-owned subsidiaries are involved in a civil litigation before the High Court of Hong Kong in which the plaintiff, who is one of our patients in Hong Kong and an Independent Third Party, claims against Dr. Dennis LAM and us for medical negligence.

We are also involved in a number of legal proceedings in the PRC, and none of these proceedings is important to our business operations. Further information on the legal proceedings is set forth in the section headed “Business — Legal proceedings and claims” from page 179 to 183 in this prospectus.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Business

Following the Track Record Period, our business continued to grow. Based on the unaudited financial information for the three months ended 30 September 2017, our revenue has been increased as compared with the three months ended 30 June 2017. Our Mongkok Surgery Centre has commenced business operations since December 2017 and our eye hospital in Beijing is planned to commence business operations in January 2018. We also plan to open our fifth Satellite Clinic in Kwun Tong during the first quarter of 2018.

Nevertheless, our operating results during the year ending 31 December 2017 would be affected by the amount of Listing expenses charged to our consolidated statements of comprehensive income. We incurred Listing expenses in an amount of HK\$8.0 million, which was charged to our consolidated statements of comprehensive income for the six months

SUMMARY AND HIGHLIGHTS

ended 30 June 2017. We expect that an amount of HK\$26.8 million will be charged to the consolidated statements of comprehensive income for the year ending 31 December 2017 and HK\$23.2 million will be accounted for as a deduction from equity upon Listing. The aggregated amount of the Listing expenses will affect our operating results for the year ending 31 December 2017.

In addition, we expect that a share based payment of HK\$6.6 million would be charged to our consolidated statements of comprehensive income for the year ending 31 December 2017, representing the fair value of the Pre-IPO Share Options granted to the Grantees.

PHF Bill

The PHF Bill was gazetted on 16 June 2017 and introduced into the Legislative Council of Hong Kong on 21 June 2017. The first reading of the PHF Bill took place on 21 June 2017. The second reading has begun on 21 June 2017. A bills committee on PHF Bill was subsequently formed on 23 June 2017 to scrutinise the PHF Bill. There is no fixed timetable for the PHF Bill to be enacted as part of the legislation in Hong Kong. A summary of the PHF Bill is set forth in the section headed “Applicable Laws and Regulations — Hong Kong — Recent development on the regulatory framework of Hong Kong private healthcare facilities — Proposed statutory control” from page 81 to page 82 in this prospectus.

Our Directors have reviewed the proposed statutory provisions and are of the view that we should be able to comply with the relevant requirements without undertaking any major restructuring of our business operations or otherwise incurring any substantial amount of expenses for upgrading our facilities in Hong Kong.

Directors’ confirmation

Our Directors confirm that, up to the date of this prospectus, save as the impact of the expenses incurred by us for the Listing, there has been no material adverse change in our financial or trading position since 30 June 2017, being the date up to which our consolidated financial statements set forth in Appendix I to this prospectus are prepared, which would materially affect the information shown in the Accountant’s Report set forth in Appendix I to this prospectus.

DEFINITIONS

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

“APAO Limited”	Asia-Pacific Academy of Ophthalmology Limited, a company limited by guarantee incorporated in Hong Kong on 28 February 2012, which is an Independent Third Party
“Application Form(s)”	WHITE application form(s), YELLOW application form(s), GREEN application form(s) and PINK application form(s) or, where the context so requires, any of them
“Application Lists”	the application lists for the Hong Kong Public Offering
“Articles of Association” or “Articles”	the articles of association of our Company, conditionally adopted on 13 December 2017 which will become effective upon Listing, a summary of which is set forth in Appendix III to this prospectus, and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board established on 13 December 2017
“Beijing C-MER Hospital”	北京希瑪林順潮眼科醫院有限公司 (Beijing C-MER Dennis Lam Eye Hospital Co., Ltd.), a wholly-foreign owned enterprise established in the PRC on 24 June 2016 and a wholly-owned subsidiary of our Company
“Beijing Health Commission”	北京市衛生和計劃生育委員會 (Health and Family Planning Commission of Beijing)
“Board”	the board of Directors
“business day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open for normal banking business

DEFINITIONS

“Buy-back Mandate”	the general unconditional mandate granted to our Directors by our Shareholders in relation to the buy-back of our Shares, further information of which is set forth in the section headed “Share Capital — Buy-back Mandate” in this prospectus
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of the Capitalisation Shares to be made on the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraphs under “Further information about our Group” in Appendix IV to this prospectus
“Capitalisation Shares”	the 802,628,735 new Shares
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Cayman Principal Registrar”	Conyers Trust Company (Cayman) Limited, our principal Share registrar in the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Broker Participant”	a person admitted to participate in CCASS as a broker participant
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Broker Participant, CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

DEFINITIONS

“Central Eye Centre”	our eye centre located in Central trading as “C-MER Dennis Lam Partners Eye Centre” and “C-MER (Hong Kong) LASIK Eye Surgery Centre”
“CEPA”	The Mainland and Hong Kong Closer Economic Partnership Agreement 《內地與香港關於建立更緊密經貿關係的安排》 entered into between Hong Kong and the PRC
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“C-MER Eye Group”	C-MER Eye Care Group Limited (希瑪眼科集團有限公司), a company incorporated in the BVI with limited liability on 12 February 2016 and one of the wholly-owned subsidiaries of our Company
“C-MER Eye Medical”	C-MER Eye Care Medical Group Limited (希瑪眼科醫療集團有限公司), a company incorporated in the BVI with limited liability on 12 February 2016 and one of the wholly-owned subsidiaries of our Company
“C-MER Group”	C-MER Group Limited (希瑪集團有限公司), a company incorporated in the BVI with limited liability on 26 January 2016 and one of our Controlling Shareholders
“CMS”, “Sole Sponsor” or “Sole Global Coordinator and Sole Bookrunner”	China Merchants Securities (HK) Co., Limited, a licenced corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities (as defined in the SFO), being the sole sponsor to the Listing and the sole global coordinator and sole bookrunner of the Global Offering
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time

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“Company” or “our Company”	C-MER Eye Care Holdings Limited (希瑪眼科醫療控股有限公司), a company incorporated in the Cayman Islands on 1 February 2016, all of the Shares are proposed to be listed on the Main Board
"Connected Grantee(s)"	Grantee(s) who are connected persons of our Company, namely Dr. Vincent LEE and Mr. LI Chunshan, both of them are executive Directors, and Ms. CAO Yuerong, the mother of Ms. LI and the spouse of Mr. LI Chunshan, both of them are our executive Directors
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consultant Grantee(s)”	Grantee(s) who are our consultants in Hong Kong and the PRC or our business partners, and none of them is our employee, namely PANG Chi Pui, THAM Chee Yung Clement, ZHANG Ming Zhi and WANG Ning Li and a consultant who will join us in June 2018, namely LIU Zu Guo
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of our Company for the purpose of this prospectus and the Listing, C-MER Group, Dr. Dennis LAM and Ms. LI
“Cooperative Agreements”	the eight cooperative or partnership agreements entered into between the ophthalmologists practising with us in Hong Kong and us at the time they joined us, including any amendments and supplements thereto, a summary of the material terms is set forth in the section headed “Business — Our Business — Hong Kong — Terms of the Cooperative Agreements” in this prospectus
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set forth in Appendix 14 to the Listing Rules
“Deed of Indemnity”	the conditional deed of indemnity dated 13 December 2017 entered into by our Controlling Shareholders in favour of our Group, further information on which is set forth in the paragraphs under “E. Other Information — 1. Tax and other indemnities” in Appendix IV to this prospectus

DEFINITIONS

“Deed of Non-Competition”	the conditional deed of non-competition dated 13 December 2017 entered into, by our Controlling Shareholders and our executive Directors in favour of our Group, further information on which is set forth in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
"Doctor Grantee(s)"	Grantee(s) who work exclusively for us as ophthalmologists under the terms and conditions of the Cooperative Agreements, including our Hong Kong Ophthalmologists, namely Dr. FAN Hoi, Dr. WONG Chun Wah Alex, Dr. LAU Hoi Shan Flora, Dr. LEE Wai Yip Jacky, Dr. YAU Chun Yuen, Dr. LI Yuen Mei Emmy and Dr. CHAN Cheuk Ki
“Dr. Dennis LAM”	Dr. LAM Shun Chiu Dennis <i>JP</i> (林順潮醫生), one of our executive Directors and one of our Controlling Shareholders and the spouse of Ms. LI
“Dr. Vincent LEE”	Dr. LEE Yau Wing Vincent (李佑榮醫生), one of our executive Directors and one of our Hong Kong Ophthalmologists
“D&S Limited”	D&S International Holding Limited (formerly known as Hong Kong C-MER International Eye Care Group Limited (香港希瑪國際眼科醫療集團有限公司)), a company incorporated in Hong Kong on 10 October 2005 and owned by Dr. Dennis LAM as to 59.2%, further information on which is set forth in the section headed “History, Development and Reorganisation — Corporate history of D&S Limited and the Shenzhen Property” in this prospectus
“D&S Shareholders”	the shareholders of D&S Limited, including Dr. Dennis LAM and 10 individuals who are Independent Third Parties
“EIT”	enterprise income tax imposed and charged pursuant to Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“electronic application instruction(s)”	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for our Hong Kong Offer Shares
“Eligible Employee(s)”	any full-time employee of our Group who joined us on or before the Latest Practicable Date and who: (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of Hong Kong Identity Card; (c) remains as a full-time employee of our Company or any of our subsidiaries, and is not on probation, as at the Latest Practicable Date; (d) has not tendered resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before the Latest Practicable Date; (e) is not a Director or the chief executive of our Company or our subsidiaries or a close associate of such Director or chief executive; (f) is neither an, nor an associate of an, existing beneficial owner of Shares or of shares of any of our subsidiaries; and (g) is not any other connected persons of our Company
“Employee Preferential Offering”	the offer of the Employee Reserved Shares for subscription by the Eligible Employees at the Offer Price (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the PINK Application Form, as further described in the section headed “Structure and Conditions of the Global Offering — The Employee Preferential Offering” in this prospectus
“Employee Reserved Shares”	the 1,970,000 Offer Shares (representing 1.0% of the initial number of our Offer Shares) being offered for subscription pursuant to the Employee Preferential Offering and which are to be allocated out of the Hong Kong Offer Shares
“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“First Six-Month Period”	the first six-month period immediately after the Listing Date

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“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market, research and consulting company
“Frost & Sullivan Report”	the report commissioned by us and independently prepared by Frost & Sullivan on the healthcare service market, ophthalmic service market and the ophthalmic disease therapy market in Hong Kong and the PRC, a summary of which is set forth in the section headed “Industry Overview” in this prospectus
“General Mandate”	the general unconditional mandate granted to our Directors by our Shareholders in relation to the issue of new Shares, further information of which is set forth in the section headed “Share Capital — General Mandate” in this prospectus
“GFA”	gross floor area
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Grantee(s)”	the 140 grantees of the Pre-IPO Share Option Scheme, including the Connected Grantees, the Doctor Grantees, the Consultant Grantees and members of our senior management team and employees in Hong Kong and physicians and employees in the PRC
“GREEN application form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group” or “our Group”	our Company and our subsidiaries or, where the context so requires, in respect of the period prior to our Company becoming the holding company of the present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at that time
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HK C-MER China”	Hong Kong C-MER International Eye Care Group (China) Limited (香港希瑪國際眼科醫療集團(中國)有限公司) (formerly known as Pacific Hall Limited 泰戈爾有限公司), a company incorporated in Hong Kong with limited liability on 4 October 2005 and one of the wholly-owned subsidiaries of our Company

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“HK C-MER Vision”	C-MER Vision Limited (希瑪視光有限公司), a company incorporated in Hong Kong with limited liability on 4 December 2012 and one of the wholly-owned subsidiaries of our Company
“HK Eye Care”	Hong Kong (International) Eye Care Group Limited (香港(國際)眼科醫療集團有限公司), a company incorporated in Hong Kong with limited liability on 12 October 2010 and one of the wholly-owned subsidiaries of our Company
“HKFRS”	Hong Kong Financial Reporting Standards (including Hong Kong Accounting Standards and their interpretations) issued by the Hong Kong Institute of Certified Public Accountants
“HKSA”	Hong Kong Academy of Medicine (香港醫學專科學院), an independent institution with the statutory power to organise, monitor, assess and accredit all medical specialist training and to oversee the provisions of medical education in Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Offer Shares”	the 19,700,000 Offer Shares (including 1,970,000 Employee Reserved Shares) initially being offered by us for subscription at the Offer Price under the Hong Kong Public Offering, subject to reallocation as set forth in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“Hong Kong Ophthalmologists”	the seven practising ophthalmologists practising in Hong Kong working exclusively for us during the Track Record Period, namely Dr. Vincent LEE, Dr. FAN Hoi, Dr. WONG Chun Wah, Alex, Dr. LAU Hoi Shan, Flora, Dr. LEE Wai Yip, Jacky, Dr. YAU Chun Yuen and Dr. LI Yuen Mei, Emmy, under the terms and conditions of the Cooperative Agreements

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“Hong Kong Public Offering”	the conditional offering of our Hong Kong Offer Shares by our Company for subscription by members of the public in Hong Kong and upon the terms and conditions stated herein and in the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriter”	CMS, being the sole underwriter of the Hong Kong Public Offering
“Hong Kong Underwriting Agreement”	the Hong Kong underwriting agreement dated 28 December 2017 relating to the Hong Kong Public Offering entered into among our Company, our Controlling Shareholders, and CMS as the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor and the Hong Kong Underwriter, further information on which is set forth in the section headed “Underwriting — Hong Kong Underwriting Agreement” in this prospectus
“Independent Third Party(ies)”	a person or entity who is not considered a connected person of our Company under the Listing Rules
“International Offer Shares”	the 177,300,000 Shares being initially offered for subscription under the International Offering together with any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as set forth in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Offering”	the conditional offering of our International Offer Shares for and on behalf of our Company outside the United States in offshore transactions in reliance on Regulation S, including to professional, institutional and other investors in Hong Kong, as set forth in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Underwriter”	CMS, being the sole underwriter of the International Offering

DEFINITIONS

“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering which is expected to be entered into among our Company, our Controlling Shareholders, and CMS as the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor and the International Underwriter on or around the Price Determination Date
“Latest Practicable Date”	21 December 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Lease Agreement”	the lease agreement dated 25 May 2017 and entered into between Shenzhen Maida and Shenzhen C-MER Hospital in relation to the lease of the Shenzhen Property to Shenzhen C-MER Hospital, which constitutes continuing connected transactions for our Company
“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	Monday, 15 January 2018, being the date on which dealings in our Shares on the Stock Exchange are expected to commence
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Medical Council”	The Medical Council of Hong Kong (香港醫務委員會), a statutory body empowered by the Medical Registration Ordinance for handling various matters on the medical profession in Hong Kong
“Medical Registration Ordinance”	Medical Registration Ordinance (Chapter 161 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time

DEFINITIONS

“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, as amended from time to time
“Mongkok Surgery Centre”	our eye surgery centre located in Mongkok trading as “C-MER Eye Surgery Centre”, which has commenced business operations since December 2017
“Ms. LI”	Ms. LI Xiaoting (李肖婷女士), our executive Director, one of our Controlling Shareholders and the spouse of Dr. Dennis LAM
“Nomination Committee”	the nomination committee of our Board established on 13 December 2017
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which our Hong Kong Offer Shares are to be subscribed and our International Offer Shares are to be offered, to be determined in the manner set forth in the section headed “Structure and Conditions of the Global Offering — Pricing and allocation” in this prospectus
“Offer Shares”	our Hong Kong Offer Shares and our International Offer Shares, including the additional Shares that might be issued under any exercise of the Over-allotment Option
“Over-allotment Option”	the option that may be granted by our Company to the Sole Global Coordinator pursuant to which our Company may be required to issue up to aggregate of 29,550,000 additional Shares at the Offer Price, to cover, among others, over-allocations in the International Offering, further information on which is set forth in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“PHF Bill”	Private Healthcare Facilities Bill introduced by the government of Hong Kong into the Legislative Council of Hong Kong on 21 June 2017 for the reform of the regulated framework of private healthcare industry in Hong Kong
“PINK Application Form(s)”	the application form(s) to be sent to Eligible Employees to subscribe for the Employee Reserved Shares pursuant to the Employee Preferential Offering

DEFINITIONS

“Post-IPO Share Option Scheme”	the share option scheme conditionally adopted by our Shareholders on 13 December 2017 for the benefit of our employees, directors, and business partners, a summary of its principal terms is set forth in the paragraphs under “D. Share Option Schemes — 2. Post-IPO Share Option Scheme” in Appendix IV to this prospectus
“PRC” or “China”	The People’s Republic of China and, except where the context requires and only for the purpose of this prospectus, references in this prospectus to the PRC or China do not include Taiwan, Hong Kong and Macau
“PRC Government”	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or any of them
“Pre-IPO Investors”	the Pre-IPO Tranche A Individual Investors, the Pre-IPO Tranche A Corporate Investor and the Pre-IPO Tranche B Corporate Investors
“Pre-IPO Investment”	the Pre-IPO Tranche A Investment and the Pre-IPO Tranche B Investment
“Pre-IPO Share Option Scheme”	the share option scheme conditionally adopted by our Shareholders at the extraordinary general meeting held on 28 June 2017 for the purpose of providing incentives to the Grantees, further information on the Pre-IPO Share Option Scheme is set forth in the section headed “History, Development and Reorganisation — Pre-IPO Share Option Scheme” in this prospectus and a summary of its principal terms is set forth in the paragraphs under “D. Share Option Schemes — 1. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus
“Pre-IPO Share Options”	the share options granted pursuant to the Pre-IPO Share Option Scheme, further information on which is set forth in the paragraphs under “D. Share Option Schemes — 1. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus

DEFINITIONS

“Pre-IPO Tranche A Corporate Investor”	Moyal Pty Limited Superannuation Fund, an Independent Third Party, holds in aggregate 0.10% of our Shares in issue immediately before completion of the Global Offering and the Capitalisation Issue, further information on which is set forth in the section headed “Pre-IPO Investment — Information on the Pre-IPO Investors” in this prospectus
“Pre-IPO Tranche A Individual Investors”	10 individual investors, namely Mr. LAM Tak Kwan; Dr. FAN Yiu Wah; Dr. CHEUNG Ming Kuen; Dr. WOO Chai Fong; Dr. LAU Sau Wah; Dr. LEUNG Kwok Ling Ares; Ms. WONG Mee Mai Emily; Dr. WANG Haibo; Mr. Robert RITCH and Dr. Johnson LAU Yiu Nam, all are Independent Third Parties except for (a) Mr. LAM Tak Kwan (father of Dr. Dennis LAM) and (b) Dr. Johnson LAU Yiu Nam (who is an independent non-executive Director), holding in aggregate 3.9% of our Shares in issue immediately before completion of the Global Offering and the Capitalisation Issue, further information on them is set forth in the section headed “Pre-IPO Investment — Information on the Pre-IPO Investors” in this prospectus
“Pre-IPO Tranche A Investment”	the equity investment made by the Pre-IPO Tranche A Investors and under the Pre-IPO Tranche A Subscription Agreements completed on 30 May 2017, further information on which is set forth in the section headed “Pre-IPO Investment” in this prospectus
“Pre-IPO Tranche A Investors”	the Pre-IPO Tranche A Individual Investors and the Pre-IPO Tranche A Corporate Investor
“Pre-IPO Tranche A Subscription Agreements”	(a) the subscription agreement dated 30 May 2017 entered into between our Company and the Pre-IPO Tranche A Individual Investors and (b) the subscription agreement dated 30 May 2017 entered into among our Company, the Pre-IPO Tranche A Corporate Investor and Dr. Francis Joseph MARTIN, further information on which is set forth in the section headed “Pre-IPO Investment” in this prospectus

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“Pre-IPO Tranche B Corporate Investors”	three corporate investors, namely Homeway Services Limited, HKF (Nominees) Limited and LKF Capital Partners Limited, all are Independent Third Parties, holding in aggregate 6.0% of our Shares in issue immediately before completion of the Global Offering and the Capitalisation Issue, further information on them is set forth in the section headed “Pre-IPO Investment — Information on the Pre-IPO Investors” in this prospectus
“Pre-IPO Tranche B Investment”	the equity investment made by the Pre-IPO Tranche B Corporate Investors under the Pre-IPO Tranche B Subscription Agreements and completed on 6 June 2017, further information on which is set forth in the section headed “Pre-IPO Investment” in this prospectus
“Pre-IPO Tranche B Subscription Agreements”	(a) the subscription agreement dated 6 June 2017 entered into between our Company, C-MER Group, Homeway Services Limited and HKF (Nominees) Limited, both are Pre-IPO Tranche B Corporate Investors, and (b) the subscription agreement dated 6 June 2017 entered into between our Company, C-MER Group and LKF Capital Partners Limited, being a Pre-IPO Tranche B Corporate Investor, further information on which is set forth in the section headed “Pre-IPO Investment” in this prospectus
“Price Determination Date”	the date on which the Offer Price is to be fixed by the Sole Global Coordinator and Sole Bookrunner (acting in such capacity and as the Underwriter) and us, which is expected to be on or around Monday, 8 January 2018 and in any event not later than Friday, 12 January 2018
“Project Vision”	Project Vision Charitable Foundation Limited (亮睛工程慈善基金有限公司), a company limited by guarantee incorporated in Hong Kong on 16 December 2006, which is an Independent Third Party
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of our Board established on 13 December 2017

DEFINITIONS

“Reorganisation”	the corporate reorganisation steps undergone by our Group in preparation for the Listing described in the section headed “History, Development and Reorganisation — Reorganisation” in this prospectus
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“Satellite Clinics”	the clinics operated by us in Hong Kong which, as of the date of this prospectus, include our clinics in Causeway Bay, Mongkok, Yuen Long and Shatin
“Second Six-Month Period”	the six-month period immediately after the First Six-Month Period
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Option Schemes”	the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme
“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.1 each in the share capital of our Company
“Shenzhen C-MER Hospital”	深圳希瑪林順潮眼科醫院有限公司 (Shenzhen C-MER Dennis Lam Eye Hospital Co., Ltd.), a wholly-foreign owned enterprise established in the PRC on 11 January, 2013 and a wholly-owned subsidiary of our Company
“Shenzhen C-MER Hospital (Futian Branch)”	the branch company of Shenzhen C-MER Hospital established on 23 October 2015 in the PRC
“Shenzhen C-MER Management”	希瑪醫院管理 (深圳) 有限公司 (C-MER Hospital Management (Shenzhen) Company Limited), a wholly-foreign owned enterprise established in the PRC on 5 May 2017 and a wholly-owned subsidiary of HK C-MER China

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“Shenzhen C-MER Optical Trading”	深圳希瑪視光貿易有限公司 (Shenzhen C-MER Optical Trading Co., Ltd.), a wholly-foreign owned enterprise established in the PRC on 1 March 2013 and a wholly-owned subsidiary of our Company
“Shenzhen C-MER Research Institute”	深圳市希瑪醫院管理研究所 (Shenzhen C-MER Hospital Management Research Institute), private non-enterprise entity established in the PRC on 1 April 2015 and is a wholly-owned institute of Shenzhen C-MER Hospital
“Shenzhen Health Commission”	深圳市衛生和計劃生育委員會 (Health and Family Planning Commission of Shenzhen Municipality)
“Shenzhen Maida”	邁達醫療軟件開發 (深圳) 有限公司 (Maida Medical Software Development (Shenzhen) Company Limited), a wholly-foreign owned enterprise established in the PRC and a wholly-owned subsidiary of D&S Limited and not a member of our Group
“Shenzhen Property”	the property located at No. 101 Sheng Tang Building, Tairanjiu Lu, Futian, Shenzhen, the PRC with the gross floor area of 3,481.7 sq.m. and owned by Shenzhen Maida, which is currently used by Shenzhen C-MER Hospital as our eye hospital named as “深圳希瑪林順潮眼科醫院”
“sq. ft.”	square feet
“sq. m.”	square metre
“stabilising manager”	China Merchants Securities (HK) Co., Limited
“Stock Borrowing Agreement”	the stock borrowing agreement that may be entered into between the stabilising manager as borrower and C-MER Group as lender on or around the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising three years ended 31 December 2016 and six months ended 30 June 2017
“Underwriter”	CMS, being the sole underwriter of the Hong Kong Public Offering and the International Offering
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “US”	The United States of America, its territories and possessions, and all areas subject to its jurisdiction
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended
“we”, “us” or “our”	our Company or our Group, as the context may require
“ WHITE Application Form(s)”	the application form(s) for use by members of the public in Hong Kong who require such Hong Kong Offer Shares to be issued in the applicants’ own names
“ WHITE Form eIPO ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“ WHITE Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“ YELLOW Application Form(s)”	the application form(s) for use by members of the public in Hong Kong who require such Hong Kong Offer Shares to be deposited directly in CCASS
“%”	per cent.

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain definitions and technical terms used in this prospectus in connection with our business. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

“cataract”	opacity of the natural lens resulting in reduced vision
“day surgery”	a form of surgery that does not require overnight hospital stay
“glaucoma”	eye condition whereby the optic nerve is damaged
“intraocular lens”	man-made lens implant which is typically used for cataract surgery
“LASIK”	Laser-Assisted In-situ Keratomileusis, a laser surgical procedure for the correction of refractive errors
“oculoplastics”	corrective or aesthetic plastic surgery performed near or around the eye
“ophthalmologist”	medical physician or surgeon specialising in eye diseases
“ophthalmology”	medical subspecialty in eye diseases
“optometrist”	professional specialising in refraction and glasses prescription
“paediatric”	a branch of medicine for the medical care of infants, children and adolescents
“squint”	deviation of the eyes or condition whereby there is an eye misalignment (squint)
“vitreoretinal”	condition affecting the vitreous humour and the retina

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us.

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the commission of which would make any statement herein or this prospectus misleading.

INFORMATION AND REPRESENTATION

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants in the Hong Kong Public Offering, this prospectus and the Application Forms set forth the terms and conditions of the Hong Kong Public Offering. Our Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set forth herein and therein.

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus and the Application Forms. You should not rely on any information or representation not contained in this prospectus and the Application Forms as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator and Sole Bookrunner, the Underwriter, any of our or their respective directors, officers, agents, employees, advisers, representatives or any other party involved in this Global Offering. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in our Shares (or exercising rights attached to them). No responsibility is accepted by us or by any of the Sole Sponsor, the Sole Global Coordinator and Sole Bookrunner, the Underwriter, any of our or their respective directors, officers, agents, employees, advisers, representatives or any other party involved in this Global Offering for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

LOCK-UP UNDERTAKING BY OUR COMPANY AND OUR CONTROLLING SHAREHOLDERS

Further information is set forth in the sections headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Undertakings to the Stock Exchange pursuant to the Listing Rules” and “Underwriting — Underwriting arrangements and expenses — Undertakings pursuant to the Hong Kong Underwriting Agreement” in this prospectus.

DIVIDENDS

Further information is set forth in the section headed “Financial Information — Dividends” in this prospectus. We will not have any dividend policy or fixed dividend pay-out ratio to be adopted following the Listing.

VOTING RIGHT

Holder of each Share is entitled to one vote at our general meetings.

REGISTERS AND HONG KONG STAMP DUTY

Our Company’s principal register of members will be maintained by our Cayman Principal Registrar and our Company’s branch share register of members will be maintained by our Hong Kong Share Registrar. Unless otherwise approved by our Directors, all documents evidencing transfer of title to any Shares must be lodged for registration by our Hong Kong Share Registrar and cannot be lodged in the Cayman Islands.

Dealings in our Shares registered in our Company’s branch share register of members in Hong Kong will be subject to Hong Kong stamp duty.

RESTRICTIONS ON OFFERS AND OFFERS FOR SALE

Each person subscribing for our Hong Kong Offer Shares (including the Employee Reserved Shares) will be required to, or be deemed by his/her subscription for Hong Kong Offer Shares to, confirm that he/she/it is aware of the restrictions on offers for our Hong Kong Offer Shares described in this prospectus and on the relevant Application Forms.

No action has been taken to permit a public offering of our Hong Kong Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of our Hong Kong

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the Capitalisation Issue and the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme).

No part of our Share or loan capital of our Company is listed on or dealt in on any other stock exchange and nor is there at present any proposal to do so. The Listing is sponsored by the Sole Sponsor.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement is expected to be entered into on or around the Price Determination Date, subject to the agreement on the Offer Price between the Sole Global Coordinator and Sole Bookrunner (acting in such capacity and as the Underwriter) and us. The Global Offering is managed by the Sole Global Coordinator and Sole Bookrunner.

If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. Further information on the Underwriter and the underwriting arrangements is set forth in the section headed “Underwriting” in this prospectus.

SHARE WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposits, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

ROUNDING

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

EXCHANGE RATE CONVERSION

Unless the context requires otherwise, this prospectus contains certain translations for the convenience of the readers at the following rates:

RMB1.00 to HK\$1.124

US\$1.00 to HK\$7.8

These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB, US\$ or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

RISK FACTORS

An investment in our Shares involves risks. You should carefully consider the following information, together with the other information contained in this prospectus, including our consolidated financial statements and related notes, before you decide to subscribe for our Shares. If any of the circumstances or events described below actually arises or occurs, our business and financial conditions, operating results and business prospects could be adversely affected. In any such case, the market price of our Shares may decline, and you may lose all or part of your investment. This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We rely on the leadership and services of our Chairman, Chief Executive Officer and executive Director, Dr. Dennis LAM, and our inability to retain his services could adversely affect our business and financial conditions, operating results and business prospects.

Dr. Dennis LAM is our founder and our Chairman and Chief Executive Officer. Dr. Dennis LAM and his spouse, Ms. LI, are our Controlling Shareholders following the Listing. We believe that Dr. Dennis LAM is the driving force for our business growth and brand recognition, on account of his expertise, experience and leadership. Our sustained business growth in the future will continue to depend on the leadership and involvement of Dr. Dennis LAM. We may not be able to identify and engage a professional as suitable as Dr. Dennis LAM and may not be able to replace him easily, or at all. Revenue generated by Dr. Dennis LAM for us during the three years ended 31 December 2016 amounted to HK\$66.7 million, HK\$88.7 million, HK\$81.5 million, which accounted for 42.6%, 44.6% and 32.8% of our total revenue, respectively. During the six months ended 30 June 2016 and 2017, revenue generated by Dr. Dennis LAM amounted to HK\$39.1 million and HK\$41.4 million, which accounted for 33.9% and 29.5% of our total revenue, respectively.

During the three years ended 31 December 2016, Dr. Dennis LAM's remuneration amounted to HK\$4.4 million, HK\$8.8 million and HK\$6.6 million, respectively. During the six months ended 30 June 2016 and 2017, Dr. Dennis LAM's remuneration amounted to HK\$3.1 million and HK\$1.5 million, respectively. Unlike the remuneration payable to our Hong Kong Ophthalmologists (including Dr. Vincent LEE) under the Cooperative Agreements, the remuneration of Dr. Dennis LAM was not primarily based on the amount of revenue generated from services rendered by him. Dr. Dennis LAM's economic interest in our Group solely depends on the overall success and profitability and the potential amount of dividend to be declared and paid by our Company. Further information on the amount of remuneration of Dr. Dennis LAM during the Track Record Period and the impact on the performance of our Group during the Track Record Period had Dr. Dennis LAM been paid on a revenue-sharing basis is set forth in the sections headed "Business — Our business — Hong Kong — Remuneration received and to be received by Dr. Dennis LAM" and "Financial Information — Analysis of the impact of the compensation arrangement with Dr. Dennis LAM during the Track Record Period" in this prospectus.

RISK FACTORS

Being an eye surgeon practising full-time at our eye centres/hospital, and also having involvement in national and international conferences and other industry events, as well as other commitments towards training, education and development on ophthalmology, there are several demands on the time and attention of Dr. Dennis LAM. As a result, his attention to our business may be diverted. If Dr. Dennis LAM is unable for any reason to continue his present attention to our business, or to devote as much time to our operations as he has in the past, the revenue generated from services provided by Dr. Dennis LAM may reduce and this could have an adverse impact on our business and financial conditions, operating results and business prospects.

In addition, if we need to recruit an ophthalmologist with comparable experience with Dr. Dennis LAM, we would need to pay for the remuneration on a revenue-sharing basis similar to the terms set forth in the Cooperative Agreements. In such event, our profitability could also be adversely affected.

Our business depends significantly on the reputation of Dr. Dennis LAM and any negative publicity and allegations in the media against Dr. Dennis LAM could materially and adversely affect our business and financial conditions, operation results and business prospects.

Patients may seek our services on account of the reputation of Dr. Dennis LAM, our founder, Chairman, Chief Executive Officer and executive Director, and as such, our brand awareness is, to a certain extent, built upon the reputation of Dr. Dennis LAM which has enhanced our brand awareness in Hong Kong and the PRC. Dr. Dennis LAM and HK Eye Care are currently involved in a civil litigation before the High Court of Hong Kong in which the plaintiff, who is one of our patients in Hong Kong and an Independent Third Party, claims against Dr. Dennis LAM and HK Eye Centre for medical negligence. Further information on this matter is set forth in the section headed “Business — Legal proceedings and claims” in this prospectus. Our Directors expect that the trial would take place in the first quarter of 2019, and this may create negative publicity on our business and the reputation of Dr. Dennis LAM.

Negative publicity of or media coverage about or any other negative impact on the reputation of Dr. Dennis LAM could have a negative impact on our reputation or brand image, which could in turn materially and adversely affect our business and financial conditions, operating results and business prospects.

We may not be able to recruit and retain sufficient number of ophthalmologists/physicians.

The success of our business depends on our ability to recruit and retain sufficient number of adequately trained and skilled ophthalmologists/physicians at our eye centres/hospitals in Hong Kong and the PRC.

RISK FACTORS

During the three years ended 31 December 2016, the amount of revenue generated by our Hong Kong Ophthalmologists for ophthalmic services rendered in Hong Kong amounted to HK\$51.6 million, HK\$73.0 million and HK\$113.5 million, respectively, representing 34.0%, 38.4% and 48.4% of our total revenue generated from the ophthalmic services during the same period. During the six months ended 30 June 2016 and 2017, the amount of revenue generated by them amounted to HK\$51.8 million and HK\$66.1 million, respectively, representing 47.6% and 50.0% of our total revenue generated from the ophthalmic services during the same period.

Any loss of our ophthalmologists/physicians to our competitors, or the inability to attract sufficient number of qualified ophthalmologists/physicians for new eye centres/hospitals to be established by us could adversely affect our business and financial conditions, operating results and business prospects.

Factors that ophthalmologists/physicians may consider when deciding where to practise may include emoluments and incentives, the reputation of the eye centres/hospitals, the quality of medical equipment and the supporting infrastructure made available to them, opportunities for specialisation, sufficient number of patients and surgeries made available to them. We may not be able to compete with other ophthalmic service providers on any of these factors.

Patients may seek our services on account of the reputation of our key ophthalmologists/physicians and our inability to retain such key ophthalmologists/physicians at such locations could adversely impact our ability to operate profitably at such locations. We cannot assure you that our ophthalmologists/physicians will honour the terms of our agreements with them. Our failure to retain such key ophthalmologists/physicians could adversely affect our business and financial conditions, operating results and business prospects.

We incur significant costs on retention of services provided by ophthalmologists/physicians in Hong Kong and the PRC.

We incur significant costs to retain our ophthalmologists/physicians in Hong Kong and the PRC. Our expenses have increased significantly in recent years because of our business growth. During the three years ended 31 December 2016, we paid HK\$42.9 million, HK\$57.0 million and HK\$76.7 million to the ophthalmologists/physicians in Hong Kong and the PRC, representing 44.0%, 47.9% and 49.9% of our cost of revenue, respectively. During the six months ended 30 June 2017, we paid HK\$36.2 million to the ophthalmologists/physicians in Hong Kong and the PRC, as compared with HK\$35.3 million for the six months ended 30 June 2016, representing 46.5% and 49.1% of our cost of revenue, respectively.

RISK FACTORS

We currently adopt a revenue-sharing arrangement for remunerating the services rendered by our Hong Kong Ophthalmologists, further information on this arrangement is set forth in the section headed “Business — Our business — Hong Kong — Terms of the Cooperative Agreements” in this prospectus. Our physicians in the PRC are employees of our Group and there is no revenue-sharing arrangement adopted or planned to be adopted by us given that the fee levels and the cost structure are different between Hong Kong and the PRC. If we are required to increase the percentage of revenue sharing with our Hong Kong Ophthalmologists or increase the salaries payable to our physicians in the PRC, our cost of revenue will increase and this could have an adverse impact on our business and financial conditions and our operating results.

As our business continues to grow, we expect that the costs on retention of the services provided by ophthalmologists/physicians in Hong Kong and the PRC will continue to increase. The increase in the costs on retention will affect our profitability. If we are not able to control these costs effectively, our profitability could be adversely affected and we may also lose our competitiveness.

We are subject to credit risk in respect of the recoverability of our trade receivables.

Our trade receivables represent the receivables from banks (for credit card transactions), receivables from private hospitals in Hong Kong (for the surgery fee performed by Dr. Dennis LAM and our Hong Kong Ophthalmologists at those hospitals upon the request of the patients), insurance companies, medical scheme operators and the PRC Government for payment of the medical insurance scheme in the PRC. As of 31 December 2014, 2015 and 2016 and 30 June 2017, we recorded trade receivables of HK\$1.7 million, HK\$3.5 million, HK\$4.5 million and HK\$6.1 million, respectively. As of 31 December 2014, 2015 and 2016 and 30 June 2017, the balance of our trade receivables was past due but not impaired because we have not provided any credit term to our patients. Our trade receivable turnover days were 3 days, 5 days and 6 days during the three years ended 31 December 2016, respectively. Our trade receivable turnover days were 6 days and 7 days for the six months ended 30 June 2016 and 2017, respectively. As of 30 September 2017, an aggregate amount of HK\$5.7 million, or 93.4%, of our total trade receivables as of 30 June 2017 had been collected. Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our business and financial conditions and our operating results.

We recorded net current liabilities as of 31 December 2014 and we may expose ourselves to liquidity risk if we experience net current liabilities in the future.

We recorded net current liabilities of HK\$11.8 million as of 31 December 2014. The net current liabilities position was primarily due to the addition of property, plant and equipment (being non-current assets) financed by increased amount of short-term borrowings (which was treated as our current liabilities) and the amount withdrawn by Dr. Dennis LAM for his personal use. As of 31 December 2015 and 2016 and 30 June 2017, we had net current assets of HK\$32.1 million, HK\$21.9 million and HK\$168.3 million, respectively.

RISK FACTORS

We cannot assure you that we will not experience net current liabilities position in the future. We may not have sufficient working capital to meet any current liabilities positions or expand our operations as planned. In such circumstances, our liquidity, business and financial conditions and our operating results could be adversely affected.

Malpractice, medical negligence or misconduct claims could adversely affect our business and financial conditions, operating results and business prospects.

As a provider of ophthalmic services, we face the risk of exposure to malpractice, or medical or negligence or misconduct and claims on account of alleged deficiencies in ophthalmic services provided by us. We may not be able to avoid malpractice, medical negligence or misconduct exposure, including on account of error by our personnel, machine or equipment error, or the lack of pre-operative advice or post-operative care by patients.

During the Track Record Period, we were involved in two medical negligence claims in Hong Kong and the PRC. Dr. Dennis LAM and our Hong Kong Ophthalmologists are also involved in one misconduct allegation. Further information on these claims is set forth in the section headed “Business — Legal proceedings and claims” in this prospectus. These proceedings and claims are ongoing, and it would be difficult for us to predict the outcome of these proceedings and claims as well as the gravity of any negative publicity associated with these proceedings and claims may have on our business reputation and operations.

We cannot assure you that we or any of our ophthalmologists/physicians will not encounter malpractice, medical negligence or misconduct claims in the future. These claims may be brought against us or any of our ophthalmologists/physicians by way of legal proceedings or lodging of formal complaints with the relevant licensing regulatory bodies, such as the Medical Council. In any of these cases, we may be required to pay monetary compensation or damages or that the qualifications or licenses of our ophthalmologists/physicians may be suspended or revoked or otherwise they may be subject to other disciplinary action. Negative publicity associated with these claims or actions may affect our business as well as our business reputation.

In addition, defending in legal proceeding and claims may be costly. Although we have maintained medical negligence and business insurance for our protection, we cannot assure you that such insurance coverage is sufficient both in Hong Kong and the PRC. In any event, any legal proceedings and claims could require us to devote our time and resources and could have a significant impact on our business and financial conditions.

An assertion of malpractice, medical negligence or misconduct in the ophthalmic services provided by us, regardless of its merits or eventual outcome, could adversely affect our business and financial conditions and our operating results and business prospects and reputation.

Our business depends significantly on our reputation, and any failure to develop, maintain and enhance our reputation, or any negative publicity and allegations in the media against us, could materially and adversely affect our business and financial conditions, operating results and business prospects.

We believe that, “C-MER Dennis Lam & Partners (希瑪林順潮眼科中心)”, is a known brand to our target markets. We believe that our brand is driven by the quality of the ophthalmic services provided by us to our patients.

RISK FACTORS

If we fail to maintain a high level of patient satisfaction at our eye centres/hospitals, our reputation and brand value may be adversely affected and, as a result, our business, financial condition, operating results and business prospects may be adversely affected. Moreover, any negative publicity on any of our ophthalmologists/physicians or our Company, regardless of its merits or correctness, could also adversely affect our brand.

Our reputation is critical to our success in the rapidly expanding ophthalmic service markets in Hong Kong and the PRC. Many factors, some of which are beyond our control, are important for maintaining and enhancing our reputation and may negatively affect our reputation if not properly managed, including:

- our ability to effectively manage the quality of our services and facilities and to monitor the performance of our ophthalmologists, physicians and other medical staff; and
- our ability to adopt new technologies or adapt our systems to user requirements or emerging industry standards.

Our reputation could also be harmed if our services or facilities fail to meet the expectation of our patients or we fail to maintain our established standards or if we become the subject of any negative media coverage with respect to disputes between patients and ophthalmologists/physicians. Our brand-building efforts may be costly and may fail to effectively enhance our reputation. Our failure, if any, to develop, maintain and enhance our reputation may result in decreased revenue and loss of patients, and in turn adversely affect our business, financial condition and operating results.

Any negative publicity in relation to our services, our facilities or our industry, regardless of its merits or correctness, could seriously harm our reputation which in turn could result in loss of patients and ophthalmologists/physicians and have a material adverse effect on our business and financial conditions and operating results.

Demand for our ophthalmic services is affected by macroeconomic conditions that are outside of our control.

In Hong Kong and the PRC, we operate in the private sector healthcare industry. The demand for our ophthalmic services is affected and will continue to be affected by a number of factors outside our control. These factors include the quality of our ophthalmic services and the level of our competitiveness against our competitors in Hong Kong and the PRC in terms of fee levels, service network, quality of ophthalmic services provided and the team of ophthalmologists/physicians. In addition, certain macroeconomic factors, such as the overall affluence level and more importantly, the quality of the public sector healthcare services provided by the government, are crucial to the performance in private sector healthcare industry. Generally speaking, the increasing number of affluent population and the middle-class will increase the demand for private sector healthcare services. If the public sector is able to provide quality ophthalmic services competitively, both in terms of fee levels and waiting time for treatment, it will affect the demand for our ophthalmic services in private sector. In such event, our business and financial conditions as well as our operating results could be adversely affected.

RISK FACTORS

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

In Hong Kong, Dr. Dennis LAM and our Hong Kong Ophthalmologists are required to maintain comprehensive professional insurance at their own costs. Although we have maintained insurance including, among others, insurance for public liability, our insurance coverage may not be sufficient for all the claims that may be arising from the ordinary course of our business. If we experience any situation where any member of our Group is sued by our patients for damages caused by the acts or negligence of our Hong Kong Ophthalmologists, we cannot assure you that the insurance coverage maintained by us or our Hong Kong Ophthalmologists would be sufficient.

Our insurance policies consist of coverage for risks relating to the loss or damage to properties, and directors and officers liability. We also maintain key man insurance policy. While we maintain insurance in amounts that we believe to be appropriate for our operations, we may face losses and liabilities that are uninsurable by their nature, or that are not covered, fully or at all, under our subsisting insurance policies. Moreover, coverage under insurance policies would generally be subject to certain standard or negotiated exclusions or qualifications and, therefore, any future insurance claims by us may not be honoured by our insurers in full, or at all. In addition, our premium payments under our insurance policies may require a significant investment by us.

In the PRC, we have maintained medical liability insurance in respect of our business operations and any possible liability that we may encounter during the course of our business. In any event, if there is any claim or litigation, it would affect not only our reputation, but also our business and financial conditions, operating results and business prospects.

To the extent that we may suffer loss or damage for which we did not obtain insurance or which is not covered by insurance or exceeds our insurance coverage, the loss would have to be borne by us and our business and financial conditions and our operating results and business prospects could be adversely affected.

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

Our historical results and growth may not be indicative of our future performance and we may not be able to sustain our growth at a similar rate in the future. Our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. In such an event, our historical financial statements may not be comparable with our financial statements for any given future financial period, or as on any given date in the future and as such, our operating results and financial performance may not meet the expectations of market analysts or investors, which could cause the future price of our Shares to decline.

RISK FACTORS

Further, we may find that our expansion strategy may be more costly than anticipated and may not ultimately result in commensurate increases in revenue, which may further increase our losses and, as a result, we cannot assure you that we will continue to be profitable on a consolidated basis going forward.

Moreover, even in the event that we continue to grow at a rapid pace, we may encounter challenges in managing the increased scale of our operations, including as a result of possible deficiencies in our internal controls in the future, relative to other companies of comparable scale and size.

As we pursue further our expansion strategy into the PRC, it is expected that significant expenses would be incurred by our Group during the ramp-up period, which may include rental, marketing and recruitment expenses, before corresponding revenue and positive operating cash flow can be generated.

We may not be able to successfully implement our expansion strategy.

We intend to expand our business operations in markets in which we do not yet have a presence, or a significant presence we have limited or no presence. Such expansion plans may include the setting up of new eye centres/hospitals, establishment of joint ventures, expansion of existing eye centres/hospitals and the acquisition of assets, businesses and companies complementary to our existing business operations. The scope and complexity of our business operations would also increase significantly due to the expansion of our geographical reach. We may not be able to effectively manage the larger scale of our operations or achieve the desired profitability from such expansion. The challenges and execution risks that we may encounter in relation to this may include:

- our inability to identify suitable locations to open new eye centres/hospitals or, in the case of possible future inorganic growth, our inability to identify suitable targets for acquisition, including in view of our assessment of local demographics, local demand for our services;
- our ability to recruit and retain suitable number of appropriately skilled and trained ophthalmologists, physicians, and medical staff for our new locations, as well as to provide necessary on-the-job training to enable such persons to provide a consistently high level of care at each of our eye centres/hospitals;
- our Directors' limited experience or knowledge in new markets and the regulatory requirements applicable to such new markets;
- difficulties in establishing our brand in newer markets, including as a result of existing or new competitors having existing facilities or opening new facilities in close proximity to our eye centres/hospitals;

RISK FACTORS

- our ability to successfully integrate new or newly acquired eye centres/hospitals into our existing operations, or to manage widespread operations across several locations, including staffing and administrative concerns;
- our ability to obtain necessary regulatory approvals, registrations;
- our access to, and cost of, capital to fund pre-opening expenses including construction costs, and the cost of upgrade of facilities at our eye centres/hospitals, as well as our ability to control expenses and prevent delays or cost overruns; and
- our ability to negotiate the rental arrangements for new eye centres/hospitals to be set up in leased premises on terms and in a manner that we consider commercially acceptable.

Any of the factors discussed above could adversely affect our margins, or extend the time required to achieve profitability at a new location, as a result of which, our business, financial condition, operating results and business prospects may be adversely affected.

In addition, we may open our new eye centres/hospitals in cities or regions in which we currently have limited or no presence. We may not possess the same level of familiarity with the regulations in those markets. We cannot assure the investors that we will be able to obtain the requisite licences, approvals and permits in those cities. Any failure by our Group to obtain the requisite licences, approvals and permits in a timely manner and any unforeseen difficulties arising from the new and unfamiliar territories could have a material adverse effect on our business and financial conditions and our operating results and business prospects.

Our expansion into these newer markets may present competitive, logistical and operational challenges that are different from those we currently encounter in our existing markets. Our failure to successfully meet any of these challenges could adversely affect our business and financial conditions and our operating results and business prospects.

We may not be able to identify expansion and acquisition opportunities and may not be able to successfully integrate the business acquired by us.

Our growth depends on our ability to establish or acquire and manage additional eye centres/hospitals. We may not be able to identify suitable sites for new eye centres/hospitals or expand, improve and augment our existing eye centres/hospitals. The number of suitable acquisition or expansion opportunities may be limited and we may not be able to negotiate attractive terms for such acquisitions or expansions, which may command high valuations. As of the Latest Practicable Date, even though we planned to use part of the net proceeds for acquisition of eye centres/hospitals, we have yet to identify any suitable acquisition targets. If we are not able to successfully identify opportunities for the aforementioned expansions or face difficulties in the process of such expansions, our business and financial conditions and our operating results and business prospects could be materially and adversely affected.

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Our growth strategy involves the acquisition of established medical centres and expansion into first tier and second tier cities in the PRC. The process of integrating acquired businesses involve various risks including challenges in integrating the systems of the acquired entity(ies) with our own and in extending and preserving an uniform work ethic in respect of our integrated operations and difficulties in influencing and maintaining the quality of medical standards and practices at the acquired centres. In the event of our failure to successfully integrate any acquired businesses, our business reputation could be impaired or our local market share, revenue and operating efficiency could be less than we had anticipated at the time of acquisition or what we may have achieved if we had not acquired such businesses.

As of the Latest Practicable Date, even though we planned to use part of the net proceeds for acquisition of eye centres/hospitals, we have yet to identify any suitable acquisition targets.

Moreover, acquired businesses may have unknown or contingent liabilities, including liabilities for failure to comply with eye care laws and regulations, tax implications or undisclosed obligations towards regulatory agencies, creditors, current or former employees or current or former patients, or any litigation involving such acquired businesses, for which we may become liable. We would generally seek warranties and indemnities from prospective sellers of such acquired businesses covering such liabilities. We could nevertheless become liable for past acts and omissions of, or claims in respect of, any such acquired businesses. Any such factors could adversely affect our business and financial conditions and our operating results and business prospects.

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

In order to finance our growth and development, including any potential investments and upgrades in our existing centres/hospital, we will require additional financial resources. If our internal resources are insufficient to satisfy our cash requirements, we may seek additional financing. If we raise additional financing by issuing additional equity, our shareholders may experience dilution in their shareholdings.

To the extent we engage in debt financing, the indebtedness we incur would result in increased debt service obligations and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Serving our debt obligations could also be burdensome for our operations. In the event that we fail to satisfy any debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations, which could trigger a default of other debt obligations and materially and adversely affect our liquidity and financial condition. Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability from banks or other lenders, receipt of necessary PRC Government approvals, building investors' confidence, the general performance of the ophthalmic industry, and in particular, our operating and financial performance. We cannot assure you that future financing will be available in amounts or on terms acceptable to us, if at

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all. In the event that financing is not available or is not available on terms acceptable to us, our business, operating results and business prospects may be adversely affected.

Any future bank borrowing or other debt financing that we obtain may contain restrictive covenants that limit our ability to operate or grow our business and to respond to changes in market trends, and may result in higher leverage and finance costs. Any future equity financing that we raise may result in a dilution of your equity interests in our Company, which could be significant, or in turn, could materially and adversely affect the market price of our Shares.

Opening new eye centres/hospitals could result in fluctuations in our short-term financial performance.

Our operating results have been, and in the future may continue to be, affected by the timing of the opening of new eye centres/hospitals. We may also incur substantial amount of expenses before opening a new eye centres/hospitals, such as rental, renovation and recruitment of ophthalmologists/physicians before the commencement of business. In the PRC, for new eye centres/hospitals to be established by us, we need to confirm the location of our eye centres/hospitals before applying for the required licence, further information on which is set forth in the section headed “Applicable Laws and Regulations — Law and regulations related to healthcare service sector in the PRC — Regulations on the administrative and classification of healthcare institution” in this prospectus. During this period, we will continue to pay rent without generating any revenue from the provision of ophthalmic services. The amount of these expenses could be significant depending on the scale of the eye centres/hospitals. Accordingly, the number and timing of new eye centres/hospitals openings have, and will continue to have, a significant impact on our operating results.

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

Ophthalmologists/physicians are required by the code of professional conduct applicable to them not to disclose medical information of patients to any third party without the patient’s consent, except in certain specific circumstances.

In Hong Kong, we are also subject to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), which limits the use of personal data of individual patients collected by us to such purposes for which the personal data were collected, or for a directly related purpose. In the PRC, we are subject to a number of laws and regulations governing patient data privacy, including the PRC Tort Liability Law (中華人民共和國侵權責任法) and Provision on the Administration of Medical Records in Medical Institutions (醫療機構病歷管理規定). These laws and regulations prohibit medical and ophthalmic service providers from providing patients’ medical records to a third party without due authorisation from the patients.

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We rely on certain internal control measures that it has in place and on ophthalmologists/physicians and our staff to abide by the relevant laws, and there was no incident on patients' information leakage in the past. Nevertheless, we cannot assure you that the confidentiality measures can completely prevent the leakage of the patients' information or prevent such information from being used for improper purpose. Any breach of our confidentiality obligations towards the patients could expose us to potential claims or litigation or breach of the relevant laws and regulations, which could have a material impact on our business and financial conditions, operating results and business prospects.

We may not compete effectively against existing and new competitors.

We compete with eye centres/hospitals and other medical facilities in ophthalmic services in the regions in which we operate.

We cannot assure you that we will be able to successfully compete against new or existing competitors. We compete across various parameters, including location, price, range and quality of our ophthalmic services, skilled and experienced ophthalmologists/physicians, level of technology and supporting infrastructure. Increased competition could reduce our operating margins and profitability and may result in a financial loss and loss of market share, or require us to incur additional manpower costs and capital expenditure. Increase in competition may also lead us to reduce our prices to attract patients, adversely affecting our financial condition and operating results. In the event our competitors launch new eye centres/hospitals near our existing eye centres/hospitals, we may be unable to retain our ophthalmologists/physicians, employees and patients.

Some of our existing and potential competitors may have competitive advantages, such as longer operating histories, have greater financial, personnel and other resources than we do. If we fail to compete effectively, maintain or grow our market share, our business and financial conditions and operating results and business prospects will be adversely affected.

We lease the premises in which our eye centres/hospitals are located, and face certain risks relating to such leases.

Our eye centre/clinics in Hong Kong and our eye hospital in the PRC are operated at leased premises. During the three years ended 31 December 2016, rental expense amounted to HK\$15.4 million, HK\$14.0 million and HK\$16.5 million, representing 15.8%, 11.8%, and 10.8% of our cost of revenue, respectively. During the six months ended 30 June 2017, we incurred rental expense of HK\$9.1 million, representing 11.7% of our cost of revenue, respectively. The Lease Agreement will constitute continuing connected transactions for our Company following the Listing, further information on which is set forth in the section headed "Continuing Connected Transactions" in this prospectus.

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The lease agreements we entered into for our eye centre/clinics in Hong Kong and the PRC typically have lease term of one to ten years, and will expire as early as April 2019. The landlords may exercise early termination of our leases or may refuse to renew our leases on acceptable terms following expiration. We cannot assure you that we will be able to enter into new leases or renew our leases on commercially acceptable terms in the future or at all. The availability of commercially suitable and convenient locations is important to our business. If we are unable to maintain operations in such locations, our business and financial conditions and operating results could be adversely affected.

In the PRC, for new eye centres/hospitals to be established by us in the PRC, we need to obtain pre-approval for the premises to be used as our eye centres/hospitals before applying for the required licence. We may need to incur significant amount of rental expense before the leased premises can be used for the provision of ophthalmic services. The impact of the rental expense is expected to increase with the expansion of our service network as part of our business strategies, further information on which is set forth in the section headed “Applicable Laws and Regulations — Law and regulations related to healthcare service sector in the PRC — Regulations on the administrative and classification of healthcare institution” in this prospectus. In any of these events, our business and financial conditions and operating results could be adversely affected.

Application of HKFRS 16 Leases could affect our operating results, financial position and certain financial ratios due to our operating lease commitments.

We are a lessee of various properties, including offices, eye centre, surgery centre, satellite clinics and eye hospital, under which the relevant leases are classified as operating leases. As of 30 June 2017, the lease commitments amounted to HK\$133.6 million with most of them had an original lease term of over one year, which are currently classified under operating leases, i.e. the amount of our lease commitments is not recorded as part of our financial liabilities. Our current accounting policy for such leases is set forth in Note 2.24 to the accountant’s report in Appendix I to this prospectus.

HKFRS 16 was issued in May 2016, which will be effective for accounting periods beginning on or after 1 January 2019. We will apply HKFRS 16 as when it becomes effective as part of our accounting policy. Following the adoption of such accounting policy, we expect that certain part of the lease commitments will be recognised in our consolidated balance sheets as right of use assets and lease liabilities. The new accounting policy would therefore result in an increase in assets and financial liabilities in our consolidated balance sheets. In profit or loss, rental expenses under otherwise identical circumstances will decrease, but depreciation and related interest expense are expected to increase. Accordingly, the impacts on our Group’s financial results are not expected to be material but certain financial ratios, such as return on total assets, could be adversely affected.

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Allotment and issue of Shares upon the exercise of the options granted under the Pre-IPO Share Option Scheme will result in the dilution of your shareholdings in our Company could negatively impact the financial results of our operations on a per-share basis.

To provide incentives to our executive Directors, our ophthalmologists/physicians in Hong Kong and the PRC, members of our senior management team and employees and consultants in Hong Kong and the PRC, we granted the Pre-IPO Share Options which allow awards of options to be allotted and issued up to 46,765,000 Shares, representing 4.68% of the enlarged number of Shares immediately following completion of the Global Offering and the Capitalisation Issue (without taking into consideration any Share which may be issued upon any exercise of the Over-allotment and the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme).

As of the Latest Practicable Date, all of the Pre-IPO Share Options had not been exercised and remained outstanding. Assuming full vesting and exercise of the outstanding options granted under the Pre-IPO Share Option Scheme, the shareholding of our Shareholders immediately following the Listing would be diluted by 4.47% as calculated based on 1,046,765,000 Shares then in issue (without taking into consideration any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme) and the dilution effect on our earnings per Share would be 4.47%.

In addition, we are required to recognise share-based compensation as expenses. We estimate that the share-based compensation expenses we will recognise in the four years ending 31 December 2020 for the Pre-IPO Share Options will amount to HK\$6.6 million, HK\$6.3 million, HK\$3.0 million and HK\$0.7 million, respectively. Further information is set forth in the section headed “History, Development and Reorganisation — Pre-IPO Share Option Scheme” in this prospectus and the paragraphs under “D. Share Option Schemes — 1. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.

We account for the options granted under the Pre-IPO Share Option Scheme as an equity-settled share-based payment to our executive Directors, Hong Kong Ophthalmologists, members of our senior management team and our physicians and employees in Hong Kong and the PRC. The fair value of these share options is amortised within the vesting period under the Pre-IPO Share Options. We expect to recognise an amount of HK\$6.1 million as employee benefit expenses in the consolidated statement of comprehensive income in the year ending 31 December 2017.

Issuance of Shares pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme will result in an increase in the total number of Shares in issue and therefore dilute your shareholding percentage. Moreover, the issuance or award of Shares under the Post-IPO Share Option Scheme or any other share-based payment transactions that we may conduct may negatively impact the financial results of our operations on a per-Share basis.

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We may be subject to intellectual property rights infringement or misappropriation claims by third parties, which may force us to incur substantial legal expenses and, if determined adversely against us, may materially disrupt our business.

We may be exposed to intellectual property rights infringement or misappropriation claims by third parties during the course of our operations. We may also be subject to litigation involving claims of trademark infringement or violation of other intellectual property rights of third parties. Defence against any of these or other claims would be both costly and time-consuming, and could significantly divert the efforts and resources of our management and other personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licences from third parties, pay ongoing royalties, or subject us to injunctions prohibiting the provision and marketing of the relevant brand or services. To the extent that licences are not available to us on commercially reasonable terms or at all, we may be required to expend considerable time and resources sourcing alternative technologies or rebranding our services, if any, or we may be forced to delay or suspend the relevant services or the promotion of our brand. We may incur substantial expenses and require significant attention of management in defending against these third-party infringement claims, regardless of their merit. Protracted litigation could also result in our patients or potential patients deferring, reducing or cancelling their purchase of our services. In addition, we could face disruptions to our business operations as well as damage to our reputation as a result of such claims, and our business and financial conditions and operating results could be adversely affected.

We are subject to risk of system failure caused by unexpected network interruptions, security breaches, attack by hackers or computer virus, and business interruption due to natural or man-made disasters.

Our business operations depend significantly on the reliability of our information systems for medical centre administration, management of patient information and financial information. There is no assurance that we can successfully maintain the satisfactory performance, reliability, security, and availability of our information technology infrastructure. Such failure may be caused by unexpected network interruptions, security breaches, attacks by hackers or computer virus.

Further, our operation may be interrupted if any of our medical centres or information technology infrastructure suspends operations due to the occurrence of events such as fire, hardware and software failure or telecommunication failure.

If any of the above events occur, our business operation could be disrupted, thereby affecting our business and financial conditions, operating results and business prospects.

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We face risks related to health epidemics, contagious diseases and other outbreaks.

Our business could be materially and adversely affected by the outbreaks of contagious diseases such as Middle East Respiratory Syndrome, or MERS, Ebola, Severe Acute Respiratory Syndrome, or SARS, H5N1 avian influenza, human swine flu, or Influenza A or H1N1 flu, or another epidemic. Any prolonged recurrence of H5N1 avian influenza or SARS, an outbreak of other epidemics, or other adverse public health developments in Hong Kong and the PRC may have a material and adverse effect on our business operations. We have not adopted any written preventive measures to combat any future outbreak of MERS, Ebola, SARS or any other epidemics. In addition, since we are in the business of provision of ophthalmic services, any outbreak of epidemic may be expected to directly impact our operations, including straining our facilities and employees, exposing employees to the outbreak of epidemic, disrupting regular business operations, imposing upon the eye centres/hospitals and hospitals local, national or international requirements to contain the outbreak of epidemic, exposing the eye centres/hospitals and hospitals to potential liability for any actions taken or the failure to take with respect to instances of the outbreak of epidemic that are presented to the eye centres/hospitals and hospitals and other unforeseeable events.

We may incur investment loss in relation to the financial assets purchased by us.

Historically, we purchased principal-protected deposit or investment products issued by licensed banks in the PRC for the purpose of increasing the investment return of our cash and cash equivalent. We did not have any formal policy for such investment products, and we recorded gain on such financial assets during the three years ended 31 December 2016 of HK\$0.3 million, HK\$0.5 million and HK\$0.6 million, respectively. During the six months ended 30 June 2016 and 2017, our gain from such deposit or investment products amounted to HK\$0.3 million and HK\$0.7 million, respectively. Effective from July 2017, we implemented a formal cash management policy, further information on which is set forth in the section headed “Financial Information — Liquidity and capital resources — Cash management policy adopted by us” in this prospectus, for the purpose of effectively monitoring the risks involved in making investment products and the investment retain derived from such investment products. Nevertheless, whilst the purpose of making the investments is to fully utilise our cash surplus, we cannot assure you that we would not incur any loss in relation to such deposit or investment products in the future. In such event, our business and financial conditions could be adversely affected.

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

In August 2016, we declared special dividends in the total amount of HK\$46.5 million which was settled against the amount due from/(to) our Shareholders. On 30 September 2017, we declared a special interim dividend of HK\$100.0 million and that will be paid to Dr. Dennis LAM before the Listing Date. Following Listing, any dividend declared by us will have to be approved by our Board and the amount of any dividend will depend on various factors, including, without limitation, our operating results, financial condition, future prospects and

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other factors which our Board may determine are important. Our historical dividends are therefore not indicative of our future dividend distribution policy. Potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined.

RISK RELATING TO THE POSSIBLE REFORM OF THE REGULATORY FRAMEWORK IN HONG KONG

While private healthcare facilities in Hong Kong comprise a wide range of privately-owned facilities providing medical diagnosis and treatment, the current scope of regulation is limited to a narrow set of premises, namely private hospitals and non-profit-sharing medical clinics, respectively, registered under the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Chapter 165 of the Laws of Hong Kong) and the Medical Clinics Ordinance (Chapter 343 of the Laws of Hong Kong) since 1960s. In June 2017, the Hong Kong government proposed the PHF Bill which is intended to introduce a new regulatory framework to private healthcare facilities in Hong Kong. A brief summary of the PHF Bill is set forth in the section headed “Applicable Laws and Regulations — Recent development on the regulatory framework of Hong Kong private healthcare facilities — Proposed Statutory control” in this prospectus. The PHF Bill was introduced into the Legislative Council of the Hong Kong on 21 June 2017 and a bills committee was established on 23 June 2017 for reviewing the PHF Bill. The PHF Bill is not in its final form, and public consultation on the scope of the PHF Bill, the ramifications therein contained and the relationship with the existing regulatory framework on the conduct of medical practitioners remain unclear. We are not able to ascertain the impact of PHF Bill at the amount stage, nor are we able to determine whether it could be passed as Hong Kong legislation in its form or at all. There is also no fixed timetable on reading and considering the PHF Bill by the Hong Kong legislature.

As in all other cases, introduction of a new law may create uncertainty and conflicts. Compliance with the new statutory requirements may also be costly and may require additional time and resources from our management. Enforcement of new law may also be inconsistent, and this would create uncertainty in the operation model of the medical profession in Hong Kong. All of these factors could result in changes which could affect our business and financial conditions and operating results.

RISKS RELATING TO THE PRC

Increasing number of physicians permitted to be engaged in multi-site practice in the PRC could affect our operating results.

Further information on the regulations on multi-site practice by physicians in the PRC is set forth in the section headed “Applicable Laws and Regulations — PRC — Law and regulations related to healthcare service sector in the PRC — Laws and regulations on medical personnel of healthcare institutions” in this prospectus. As of the Latest Practicable Date, we had two physicians in the PRC employed by us and registered to be engaged in multi-site

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practice. Most of these physicians are experienced physicians and are practising in public hospitals in the PRC in a particular sub-specialty. If these physicians cease to practice with us or otherwise refer their patients to other eye centres/hospitals at which they practice, it would affect our patient intake as well as the amount of fees generated from them.

On the other hand, if our team of existing physicians would like to be engaged in multi-site practice, they may be more susceptible to attrition and may affect the time and attention to our business.

In any of these events, our business and financial conditions as well as our operating results could be adversely affected.

Regulatory pricing controls and reimbursement limits under social insurance programmes may affect our pricing of certain healthcare services and products.

The PRC Government imposes price controls and price ceilings on the healthcare services provided by public healthcare facilities. In addition, the healthcare services covered by social healthcare insurance programme are also subject to different reimbursement amounts. These mean that hospitals in private sector in the PRC providing such services under the social healthcare insurance programme may only seek reimbursement from the PRC Government up to the maximum amounts from time to time determined by the PRC Government. Further information on these price controls as well as the social healthcare insurance programme is set forth in the section headed “Applicable Laws and Regulations — Law and regulations related to the healthcare service sector in the PRC — Regulations on the reform of healthcare institutions” in this prospectus.

Although the price controls and price ceilings are not applicable to us, if our patients are seeking reimbursements from the social healthcare insurance, the maximum amount that may be charged by us for the ophthalmic services rendered could not be more than the designated amounts. Any additional or excessive amount will need to be borne by the patients themselves. During the three years ended 31 December 2016 and the six months ended 30 June 2017, the amount of our revenue received from patients under social healthcare insurance in the PRC was less than 3.0% of our total revenue.

Such adjustment may affect the amount of fees received from social healthcare insurance programme. If the PRC Government imposes stringent control on the reimbursement amount, our fee that may be charged by us to such patients under the social healthcare programme may decrease. This could affect the amount of revenue as well as our business and financial conditions.

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

The contents of our advertisements in the PRC are required to comply with the applicable PRC laws, and regulations. According to the Administrative Measures on Medical Advertisement (醫療廣告管理辦法) and Notice on Further Strengthening the Administration of Medical Advertisements (關於進一步加強醫療廣告管理的通知), Shenzhen C-MER Hospital must obtain a Medical Advertisement Review Certificate (醫療廣告審查證明) before publishing a medical advertisement. Any breach of these regulations may result in penalty against our subsidiaries in the PRC, including administrative, orders, warnings, suspension of operations, revocation of the permit to engage in the provision of ophthalmic services, i.e. the Medical Institution Practicing Licence.

In the PRC, our business promotion activities are subject to various laws and regulations as to the contents and the media on which we may advertise our business. During the Track Record Period, we received three complaints on non-compliance with content requirements of our advertisements in the PRC and we have paid administrative penalties. Further information on these non-compliance incidents is set forth in the section headed “Business — Non-compliance incidents” in this prospectus.

In addition, if the contents of the published advertisement are different from what is approved and documented in the Medical Advertisement Examination Certificate (醫療廣告審查證明), the competent authority may revoke the Medical Advertisement Examination Certificate (醫療廣告審查證明) and suspend any application for advertisement examination for one year. In any of these events, we may not be able to make advertisement in the PRC and our business and financial conditions and operating results could be adversely affected.

Failure to comply with anti-corruption laws could subject us to investigations, sanctions or fines, which may harm our reputation and have a material adverse effect on our business, operating results and prospects.

Our internal policies mandate compliance with anti-corruption laws. However, the ophthalmic industry in the PRC generally poses elevated risks of violations of anti-corruption laws, in particular with respect to improper payments received by our management and employees to facilitate preferential treatment with respect to services and drugs. The PRC Government has recently increased its anti-bribery efforts by introducing a range of measures to address such payments. We cannot assure you that our management and employees will fully comply with anti-corruption regulations at all times, or that our management will be able to detect and identify all instances of bribery involving our hospitals. We may also be subject to adverse publicity based on false allegations of bribery or corruption within our hospitals. In the event that any bribery incident involving our management or employees materialises, we may be subject to investigations, sanctions or fines, and our reputation could be significantly harmed by any negative publicity stemming from such incidents or any penalties levied against us arising from them, which may have a material adverse effect on our business, operating results and prospects.

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

Our growth relies to a significant extent on the continued development of the PRC ophthalmic industry, in particular the healthcare reform. Further information on healthcare reform measures in the PRC is set forth in the section headed “Applicable Laws and Regulations — Law and regulations related to the healthcare service sector in the PRC — Regulations on the reform of healthcare institutions” in this prospectus.

The policies of the PRC Government may change from time to time, depending on the objectives prioritised by the PRC Government, as well as the political climate at any given time and the continued development of the PRC healthcare industry. Any future change in the relevant government policies may affect public hospital reform and limit private or foreign investments in ophthalmic services. Such future changes or reforms, if adopted and implemented, may limit the services we are able or intend to provide and the sources of our revenue, increase the cost of our services, restrict our ability to pursue potential acquisitions and expansions, intensify the competition, or otherwise negatively affect us disproportionately compared to our competitors and may therefore adversely affect our operations and business prospects.

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

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

Certain of our business, assets, operations and revenue are located in or derived from our operations in the PRC, and as a result, our business, financial condition and operating results are subject, to a certain degree, to the economic, political, social and regulatory environment in the PRC. During the three years ended 31 December 2016, our revenue generated from the ophthalmic services rendered in the PRC accounted for 38.7%, 38.5% and 35.2% of our revenue, respectively. During the six months ended 30 June 2017, our total revenue generated from the PRC accounted for 37.2% of our total revenue.

The economy of the PRC differs from the economies of most developed countries in many respects, including, among others, the extent of government involvement, level of development, growth rate, and control of foreign exchange and the allocation of resources. The PRC economy has been undergoing a transition from a planned economy to a market-oriented economy. The PRC Government has in recent years implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises; however a substantial portion of productive assets in the PRC is still owned by the PRC Government. In addition, the PRC Government continues to play a

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significant role in regulating industry development by imposing industrial policies. The PRC Government still retains significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency denominated liabilities, setting monetary policy and providing preferential treatment to particular industries or enterprises.

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

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

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

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

Restrictions on foreign exchange and fluctuations in Renminbi exchange rates may limit the ability of our operating subsidiaries in the PRC to remit payments to us and may expose us to exchange rate volatility.

A growing portion of our revenue is expected to be denominated in RMB. During the three years ended 31 December 2016, our revenue denominated in RMB represented 38.7%,

RISK FACTORS

38.5% and 35.2% of our total revenue, respectively. During the six months ended 30 June 2017, our revenue denominated in RMB represented 37.2% of our total revenue. Under the existing foreign exchange regulations in the PRC, we may undertake current account foreign exchange transactions without prior approval from SAFE by complying with certain procedural requirements. The PRC Government may, however, decide to restrict access to foreign currencies for current account transactions in the future. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy any foreign currency-denominated obligations we may incur. In addition, since our future cash flow from operations in the PRC will continue to be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to receive dividends and distributions from our subsidiaries in the PRC, purchase goods and services outside of the PRC, or otherwise fund any future business activities that may be conducted in currencies other than the Renminbi.

The convertibility of the RMB into other currencies is subject to changes in the PRC policies and international economic and political developments. In 2005, the PRC Government changed its policy of pegging the value of the Renminbi to the US dollar. Under the current policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall within stipulated ranges from 1% to 5% against different currencies each day. This change in policy has resulted in an appreciation of the value of the Renminbi against the US dollar of approximately 30% from July 2005 to June 2013. The PBOC announced on 11 August 2015 that it would improve the middle price quotation mechanism for determining the US dollar-Renminbi exchange rates. On the same day, the daily reference rate for Renminbi against US dollars depreciated 1.9% to 6.2298 compared with 6.1162 for 10 August 2015.

We cannot predict whether the PRC Government may change its policies that have effect on the exchange rate of the Renminbi, as well as when and how Renminbi exchange rates may change going forward. Fluctuations in exchange rates may adversely affect the value, when translated or converted into US dollars or Hong Kong dollars (which are pegged to the US dollar), of our assets in the PRC, as well as the earnings or any declared dividends of our PRC subsidiaries. Also, there are limited hedging instruments available in the PRC to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any agreements to hedge our exchange rate exposure. In any event, to the extent such hedges are available, their effectiveness may be limited and we may be unable to hedge our exposure successfully, or at all.

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

We intend to finance our operations and intended expansion in the PRC with the net proceeds from the Global Offering through overseas shareholder loans or additional capital contributions, which require registration with or approvals from PRC Government authorities.

RISK FACTORS

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

Our dividend income from our foreign invested subsidiaries in the PRC may be subject to a higher rate of withholding tax than that which we currently anticipate.

Under the EIT Law and its implementation rules, PRC withholding tax at the rate of 10% is applicable to dividends paid by PRC enterprises to their foreign shareholders who are not “PRC tax resident enterprises”, unless the jurisdiction of such foreign shareholder has a tax treaty or similar arrangement with the PRC that provides for a different withholding arrangement and the foreign shareholder obtains approval from competent local PRC tax authorities for application of such tax treaty or similar arrangement. According to the Arrangement on Avoidance of Double Taxation and Tax Evasion between the Mainland and Hong Kong (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), if a Hong Kong incorporated entity is the direct “beneficial owner” of 25% or more in a PRC entity, a lower rate of 5% will be applied to the dividend made by the PRC entity to such Hong Kong entity.

The determination of beneficial ownership is clarified under the Notice on Understanding and Determining Beneficial Owners (國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知), which expressly excludes from the definition of a beneficial owner a “conduit company”, or any company established for the purposes of avoiding or reducing tax obligations or transferring or accumulating profits and not engaged in actual operations such as manufacturing, sales or management. We invest in our subsidiaries in the PRC through HK C-MER China. We intend to pay 5% withholding tax on the distributable profits of our subsidiaries in the PRC. It is uncertain whether our Hong Kong subsidiaries will be considered a “beneficial owner” and there is no assurance that the tax authority will not impose a higher withholding tax rate of 10% on our dividend income from our subsidiaries in the PRC. If the dividends from our subsidiaries in the PRC are subject to the higher withholding tax under the EIT Law, our business and financial conditions, operating results and business prospects could be materially and adversely affected.

RISK FACTORS

PRC regulation of loans and direct investment by offshore holding companies in relation to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or capital contributions to our subsidiaries in the PRC, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In utilising the proceeds from the Global Offering or any future offerings, as an offshore holding company of our subsidiaries in the PRC, we may make loans to our subsidiaries in the PRC, or we may make capital contributions to our subsidiaries in the PRC. Any loans to our Subsidiaries in the PRC are subject to PRC regulations and approvals. For example, loans by us to our wholly owned subsidiaries in the PRC to finance their activities are subject to statutory limits and must be registered with SAFE or its local counterpart. Any capital contributions to our subsidiaries in the PRC must be approved by MOFCOM or its local counterpart. The use of such Renminbi may not be changed without approval from SAFE, and may not be used to repay Renminbi loans which have been sub-lent to third parties.

We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our subsidiaries in the PRC or with respect to future capital contributions by us to our subsidiaries in the PRC. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we receive from the Global Offering and to capitalise or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business in the PRC.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.

Prior to the completion of the Global Offering, there has been no public market for our Shares. The Offer Price is the result of negotiations between us and the Sole Global Coordinator and Sole Bookrunner (acting in such capacity and as the Underwriter), which may not be indicative of the market prices at which our Shares will be traded following completion of the Global Offering. In addition, there can be no guarantee that an active trading market for our Shares will develop or if it does develop, that it will be sustained following completion of the Global Offering; or that the market prices of our Shares will not decline below the Offer Price.

RISK FACTORS

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

The market price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, Singapore, the United States and the United Kingdom, and elsewhere in the world. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the market price and trading volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, earnings and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

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

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

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution.

We may grant share options pursuant to the Share Option Scheme, which will entitle participants in these share incentive schemes to receive Shares under certain circumstances. Further information is set forth in the paragraphs under “D. Share Option Schemes” in Appendix IV to this prospectus. Exercise of options may result in an increase in our issued share capital, which in turn may result in a dilution of our Shareholders’ equity interest in our Company and a reduction in earnings per Share.

RISK FACTORS

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

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

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

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

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

The sale or availability for sale of substantial amounts of our Shares, especially by our Directors, senior management members and current shareholders, could materially and adversely affect the market price of our Shares.

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

RISK FACTORS

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

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

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Information contained in our website, located at www.cmereye.com, does not form part of this prospectus. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our ability to implement such strategies;
- our operations and business prospects, including development plans for our existing and new businesses;
- the future competitive environment of the ophthalmic practice in Hong Kong and the PRC;
- technological breakthrough in relation to medicine or the technology used in eye surgery;
- Hong Kong government policy on medical practice and the relationship between Hong Kong and the PRC in relation to the medical practice in general;
- the level of health consciousness and the general well-being of population in Hong Kong and the PRC; and
- the general economic trend in Hong Kong and the PRC.

The words “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “plan”, “seek”, “will”, “would” and similar expressions, as they relate to us, in particular, in the sections headed “Business” and “Financial Information” in this prospectus, are intended to identify a number of these forward-looking statements. These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. They reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, or expected. Accordingly, any of such statements is not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section.

WAIVER AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the Global Offering, we have sought the following waiver and exemption from strict compliance with certain provisions of the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER ON CONTINUING CONNECTED TRANSACTIONS

Following the Listing, the Lease Agreement will constitute continuing connected transactions for our Company. We have applied for and the Stock Exchange has granted a waiver from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules for such continuing connected transactions. Further information on the Lease Agreement is set forth in the sections headed “History, Development and Reorganisation — Corporate history of D&S Limited and the Shenzhen Property” and “Continuing Connected Transactions” in this prospectus.

WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO SHARE OPTION SCHEME

Under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this prospectus is required to include, among other things, details regarding the number, description and amount of any of our Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given, full details of all outstanding options and their potential dilution effect on the shareholdings upon Listing, as well as the impact on the earnings per Share arising from the exercise of such outstanding options under the Pre-IPO Share Option Scheme.

We granted the Pre-IPO Share Options to 140 Grantees to subscribe for 46,765,000 Shares on the terms set forth in the section headed “History, Development and Reorganisation — Pre-IPO Share Option Scheme” in this prospectus and the paragraphs under “D. Share Option Schemes — 1. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus. The Grantees include Connected Grantees, Doctor Grantees, Consultant Grantees and members of our senior management team and physicians and employees in the PRC and Hong Kong (the “Employee Grantees”).

We have applied (i) to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules and (ii) to the SFC for an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance pursuant to section 342A of Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details

WAIVER AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

relating to the Pre-IPO Share Options and certain Grantees in this prospectus. In light of the requirements under the relevant regulations described above, we have made the following submissions to the Stock Exchange and the SFC:

- (i) the Pre-IPO Share Options are granted to 140 Grantees to subscribe for 46,765,000 Shares, representing 4.68% of our Shares in issue immediately after completion of Global Offering and the Capitalisation Issue (without taking into consideration our Shares that may be allotted and issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Options and any option that may be granted under the Post-IPO Share Option Scheme). The Grantees comprise three Connected Grantees, seven Doctor Grantees, five Consultant Grantees, two members of our senior management team and 123 Employee Grantees;
- (ii) our Directors consider that it would be unduly burdensome to disclose in this prospectus full details of all the Pre-IPO Share Options granted by us to each of the Grantees, which would significantly increase the time required for prospectus preparation and more importantly, such information on the individual entitlement and personal information on each Grantee is of less relevance to the perspective investors in making their investment decision;
- (iii) our Directors intend to disclose key information of the Pre-IPO Share Options in this prospectus to provide the prospective investors with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the Pre-IPO Share Options in making their investment decision, and such information includes:
 - (a) a summary of the Pre-IPO Share Option Scheme;
 - (b) the aggregate number of our Shares subject to the Pre-IPO Share Options and the percentage of our Shares of which such number represents;
 - (c) the dilution effect and impact on earnings per Share for the year ended 31 December 2016 upon full exercise of the Pre-IPO Share Options;
 - (d) full details of (i) Pre-IPO Share Options granted by our Company to the Connected Grantees, the Doctor Grantees, the Consultant Grantees and members of our senior management team named in this prospectus; and (ii) Pre-IPO Share Options granted to Grantees (other than the Grantees referred to in (i) above) to subscribe for 500,000 Shares or above, on an individual basis, including (i) name and position; (ii) residential address; (iii) number of Shares underlying such pre-IPO Share Options; and (iv) percentage of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (without taking into consideration any Shares that may be issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Option and any option that may be granted under the Post-IPO Share Option Scheme);

WAIVER AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

- (e) full details of all Pre-IPO Share Options granted to the Grantees (excluding those referred to in (d) above) on an aggregate basis, including (i) the aggregate number of such Grantees; (ii) the aggregate number of Shares underlying such Pre-IPO Share Options; (iii) the exercise period of such Pre-IPO Share Options; (iv) the consideration then paid for such Pre-IPO Share Options; and (v) the exercise price of such Pre-IPO Share Options; and
- (f) the particulars of the waiver and exemptions granted by the Stock Exchange and the SFC;
- (iv) a full list of all the Grantees containing all details as required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection as described in the paragraphs under “Documents delivered to the Registrar of Companies and available for public inspection in Hong Kong” in Appendix V to this prospectus; and
- (v) the waiver and the exemption will not prejudice the interest of the investing public.

The Stock Exchange has granted us a waiver from strict compliance with the relevant requirements under the Listing Rules subject to the conditions under (iii) above.

The SFC has granted a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to the conditions that:

- (i) full details of (aa) Pre-IPO Share Options granted by our Company to the Connected Grantees, the Doctor Grantees, the Consultant Grantees and members of our senior management team named in this prospectus; and (bb) Pre-IPO Share Options granted to Grantees (other than the Grantees referred to in (aa) above) to subscribe for 500,000 Shares or above, on an individual basis, including (aa) name and position; (bb) residential address; (cc) number of Shares underlying such pre-IPO Share Options; and (dd) percentage of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (without taking into consideration any Shares that may be issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Option and any option that may be granted under the Post-IPO Share Option Scheme) , and such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

WAIVER AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

- (ii) full details of all Pre-IPO Share Options granted to the Grantees (excluding those referred to in (d) above) on an aggregate basis, including (aa) the aggregate number of such Grantees; (bb) the aggregate number of Shares underlying such Pre-IPO Share Options; (cc) the exercise period of such Pre-IPO Share Options; (dd) the consideration then paid for such Pre-IPO Share Options; and (ee) the exercise price of such Pre-IPO Share Options;
- (iii) a full list of all the Grantees containing all details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection as described in the paragraphs under “Documents delivered to the Registrar of Companies and available for public inspection in Hong Kong” in Appendix V to this prospectus; and
- (iv) the particulars of the exemption are set forth in this prospectus.

Further information on the Pre-IPO Share Option Scheme is set forth in the section headed “History, Development and Reorganisation — Pre-IPO Share Option Scheme” in this prospectus and the paragraphs under “D. Share Option Schemes — 1. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Names</u>	<u>Residential address</u>	<u>Nationality</u>
Executive Directors		
Dr. LAM Shun Chiu Dennis <i>JP</i> (林順潮醫生)	Flat C, 63/F, Tower 1, Sorrento 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong	Chinese
Ms. LI Xiaoting (李肖婷女士)	Flat C, 63/F, Tower 1, Sorrento 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong	Chinese
Dr. LEE Yau Wing Vincent (李佑榮醫生)	Flat 6212, Block A Cape Mansion 56-62 Mount Davis Road Pokfulam Hong Kong	Chinese
Mr. LI Chunshan (李春山先生)	No. 1, Building 47 Xi Yuan Shan Yuan Yulong Road Longhua District Shenzhen PRC	Chinese
Independent non-executive Directors		
Dr. LAU Johnson Yiu-Nam (劉耀南醫生)	9 Seabluff, Newport Beach California CA92660 United States	American
Dr. LI Kwok Tung Donald <i>SBS JP</i> (李國棟醫生)	Flat K, 4th Floor Pine Court 5 Old Peak Road Mid-Levels Hong Kong	British
Mr. MA Andrew Chiu Cheung (馬照祥先生)	House No. 6, Jardine Terrace 2-32 Price Road Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

<u>Names</u>	<u>Residential address</u>	<u>Nationality</u>
Mr. CHAN Chi Leong (陳智亮先生)	Flat 1002, 10th Floor, Block A Villa Verde 16 Guildford Road The Peak Hong Kong	Chinese
Ms. BENTLEY Annie Liang (梁安妮女士)	Flat 28 Block B Po Shan Mansion 10–16 Po Shan Road Mid-Levels Hong Kong	British

Further information is set forth in the section headed “Directors, International Advisory Council, Senior Management and Employees” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Sponsor, Sole Global Coordinator
and Sole Bookrunner**

China Merchants Securities (HK) Co., Limited
48th Floor, One Exchange Square
Central
Hong Kong
Licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities (as defined in the SFO)

Underwriter

China Merchants Securities (HK) Co., Limited
48th Floor, One Exchange Square
Central
Hong Kong
Licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities (as defined in the SFO)

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to our Company

as to Hong Kong law (corporate and securities matters):

Squire Patton Boggs
29th Floor
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

as to PRC law:

Tian Yuan Law Firm
10/F, CPIC Plaza
No. 28 Fengsheng Lane
Xicheng District, Beijing
China

as to Cayman Islands law:

Conyers Dill & Pearman
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

**Legal advisers to the Sole Sponsor, the
Sole Global Coordinator and Sole
Bookrunner and the Underwriter**

as to Hong Kong law:

Wilson Sonsini Goodrich & Rosati
Suite 1509, 15th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law:

Jingtian & Gongcheng
34th Floor
Tower 3, China Central Place
77 Jianguo Road
Beijing
China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Auditor and reporting accountants	PricewaterhouseCoopers <i>Certified Public Accountants</i> 22nd Floor Prince's Building Central Hong Kong
Independent industry consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. Suite 1014–1018, Tower B 500 Yunjin Road Xuhui District Shanghai China
Compliance adviser	WAG Worldsec Corporate Finance Limited Suite 1101, 11th Floor Champion Tower 3 Garden Road Hong Kong
Property valuer	Savills Valuation and Professional Services Limited 23/F, Two Exchange Square Central Hong Kong
Receiving bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business of Hong Kong	Suite 1535, Central Building 1-3 Pedder Street Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Dr. LAM Shun Chiu, Dennis (林順潮醫生) <i>JP</i> Flat C, 63/F, Tower 1, Sorrento 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong Ms. LI Xiaoting (李肖婷女士) Flat C, 63/F, Tower 1, Sorrento 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong
Company secretary	Mr. CHAN Wa Ping (陳華平先生) <i>CPA</i> Flat 17B Tower 5 Sausalito, 1 Yuk Tai Street Ma On Shan New Territories Hong Kong
Company's website	<u>www.cmereye.com</u> <i>(Information contained on this website does not form part of this prospectus)</i>
Audit Committee	Mr. MA Andrew Chiu Cheung (馬照祥先生) <i>(Chairperson)</i> Dr. LI Kwok Tung Donald (李國棟醫生) <i>SBS JP</i> Ms. BENTLEY Annie Liang (梁安妮女士)
Remuneration Committee	Mr. CHAN Chi Leong (陳智亮先生) <i>(Chairperson)</i> Ms. LI Xiaoting (李肖婷女士) Dr. LAU Johnson Yiu-Nam (劉耀南醫生)

CORPORATE INFORMATION

Nomination Committee

Dr. LAU Johnson Yiu-Nam (劉耀南醫生)
(*Chairperson*)
Mr. CHAN Chi Leong (陳智亮先生)
Mr. MA Andrew Chiu Cheung (馬照祥先生)

Cayman Principal Registrar

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services
Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal bankers

In Hong Kong:
The Bank of East Asia, Limited
Hoi Yuen Road Branch
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Guangdong Province
PRC

INDUSTRY OVERVIEW

The information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report, commissioned by us and independently prepared by Frost & Sullivan in connection with the Global Offering. In addition, certain information is based on, or derived or extracted from, among other sources, publications of government authorities and internal organisations, market data providers, communications with various PRC Government agencies or other independent third-party sources unless otherwise indicated. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information and statistics false or misleading. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of this prospectus which may qualify, contradict or adversely impact the quality of the information in this section. None of our Company, the Sponsor, the Sole Global Coordinator and the Sole Bookrunner, the Underwriter or their respective directors, advisers and affiliates have independently verified such information and statistics and no representation has been given as to their accuracy. Accordingly, such information should not be unduly relied upon.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an Independent Third Party, to conduct an analysis of and to report on the healthcare service market, ophthalmic service market and the ophthalmic disease therapy market in Hong Kong and the PRC. The preparation of the Frost & Sullivan Report is independent of our influence. The fee charged by Frost & Sullivan for preparing the report is HK\$732,000, which we consider that such fee reflects the market rates for similar services. Founded in 1961, Frost & Sullivan has 48 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. It offers industry research and market strategies and provides growth consulting and corporate training. Frost & Sullivan has covered the PRC market from its offices in the PRC since the 1990s.

The Frost & Sullivan Report includes information on the healthcare service market, ophthalmic service market and the ophthalmic disease therapy market in Hong Kong and the PRC as well as other market and economic data, which have been quoted in this prospectus. Frost & Sullivan has relied on the statistics and information obtained through primary and secondary research. Primary research includes interviewing industry insiders and recognised third-party industry associations, and secondary research includes reviewing corporate annual reports, database of relevant official authorities, independent research reports and publications, as well as the exclusive database established by Frost & Sullivan over the past decades.

The Frost & Sullivan Report is based on the following bases and assumptions:

- the social, economic and political environments of the PRC and Hong Kong will remain stable during the forecast period, which will ensure a sustainable and steady development of the PRC and Hong Kong healthcare industry;
- the PRC and Hong Kong healthcare market will grow as expected due to rising healthcare demand and supply; and
- the PRC government will continue to support healthcare reform.

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Our Directors have taken reasonable care in reviewing and discussing the above assumptions and factors with Frost & Sullivan, and nothing has come to the attention of our Directors to indicate that the disclosure of projections and industry data relating to future periods in this section is misleading. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm, after making reasonable enquiries, that there has been no adverse change in the market information since the date of the report of Frost & Sullivan which may qualify, contradict with or have an impact on the information included in this section.

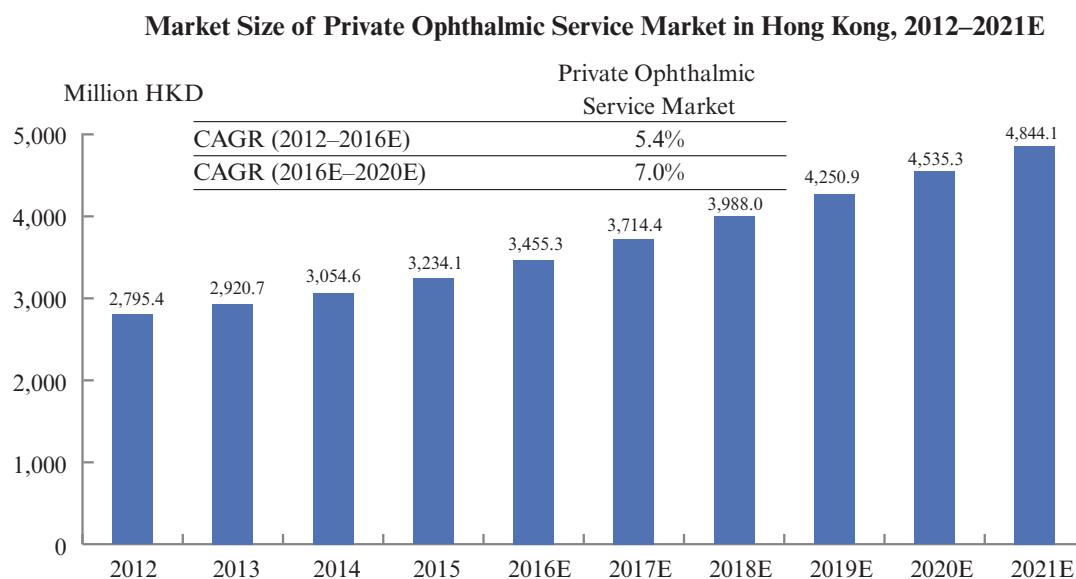
HEALTHCARE SERVICE MARKET IN HONG KONG

Based on the nature of ownership, the healthcare service system in Hong Kong is characterised by its public and private healthcare sectors. The public sectors are subsidised under regulation of Department of Health and Hospital Authority, and provide the healthcare services at affordable cost. In 2015, there were 39 public hospitals, 47 public specialist outpatient clinics and 73 public general outpatient clinics. The private healthcare institutions in Hong Kong dominate the primary medical care and high end medical service markets for local people. In 2015, there were 11 private hospitals, 759 private specialist outpatient clinics, 1,271 private general outpatient clinics and 423 private dental clinics in Hong Kong.

The total healthcare expenditure in Hong Kong medical service market has witnessed a steady growth, rising from HK\$104.4 billion in 2012 to HK\$139.6 billion in 2016, representing a CAGR of 7.5% during this period. Total healthcare expenditure is projected to reach HK\$178.2 billion in 2021, representing a CAGR of 5.0% from 2016 to 2021.

PRIVATE OPHTHALMIC SERVICE MARKET IN HONG KONG

From 2012 to 2016, private ophthalmic service market in Hong Kong has grown from HK\$2,795.4 million to HK\$3,455.3 million, with a CAGR of 5.4%. The growth is expected to continue in the next five years, driving the market size to reach HK\$4,844.1 million by 2021. The following diagram sets forth the historical and projected revenue of the private ophthalmic service market in Hong Kong for the periods indicated:



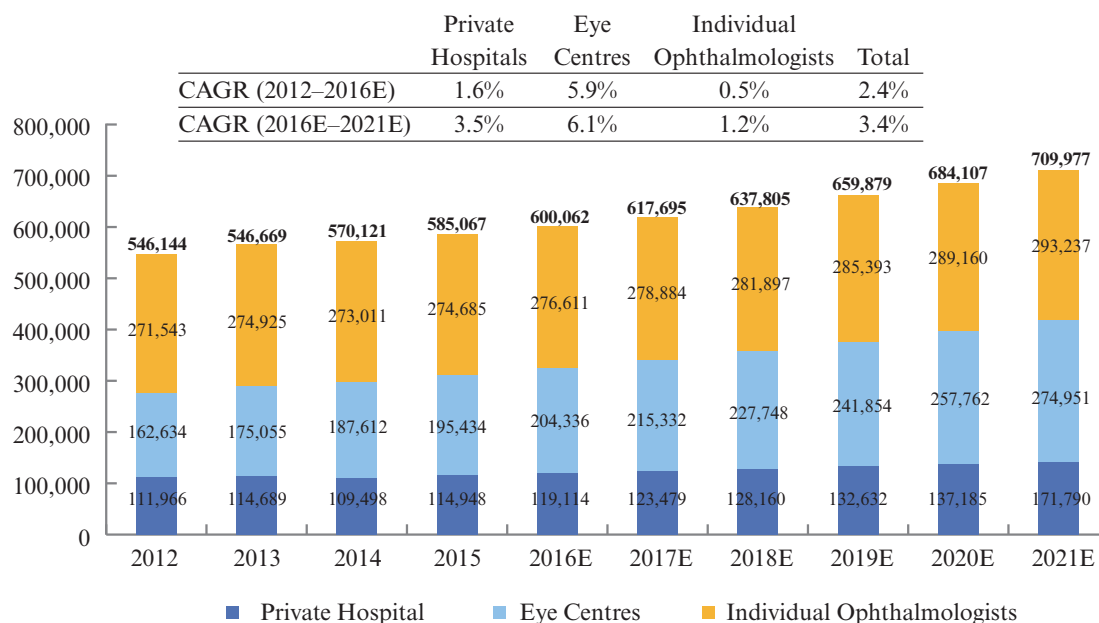
Source: Frost & Sullivan analysis

INDUSTRY OVERVIEW

Outpatient volume of ophthalmic diseases in private medical institutions in Hong Kong

Most ophthalmic consultations in the private sector are performed by eye centres and individual ophthalmic practitioners who run the clinic on their own. The following diagram sets forth a breakdown of the historical and projected outpatient volume of ophthalmic diseases in private ophthalmic service market in Hong Kong:

Outpatient Volume of Ophthalmic Diseases in Private Medical Institutions in Hong Kong, 2012–2021E



Source: Census and Statistics Department of Hong Kong, Frost & Sullivan analysis

We ranked third in terms of revenue in Hong Kong private ophthalmic service market in 2016, with a market share of 4.7%. We are the second largest eye centre in Hong Kong private ophthalmic service market. The following table sets forth the top five private ophthalmic service providers in Hong Kong in 2016 in terms of revenue and market share:

	2016 Revenue (HK\$ Million)	Market Share (%)	(Number of Registered Ophthalmologists, Per Ophthalmologist Revenue, Million)	Institutional Type
① Competitor A	262.3 ¹	7.6%	13, 20.18 ¹	Eye Centre
② Competitor B	254.1 ^{1,2}	7.4%	12, 21.18 ¹	Private Hospital
③ Our Group⁴	161.2³	4.7%	7, 23.03	Eye Centre
④ Competitor C	146.3 ^{1,3}	4.2%	8, 18.29 ¹	Eye Centre
⑤ Competitor D	140.0 ^{1,3}	4.1%	8, 17.50 ¹	Eye Centre

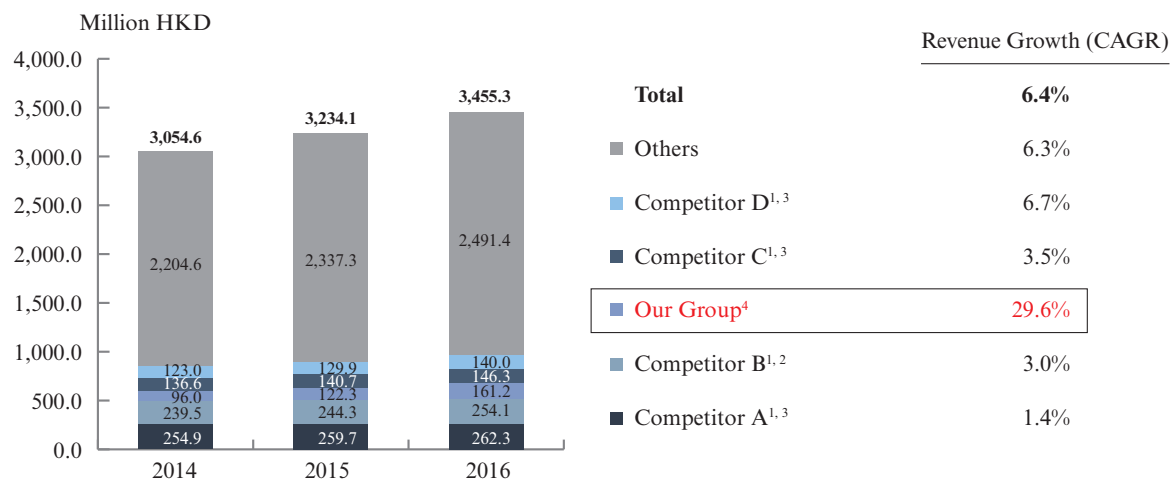
Source: Primary Research; Frost & Sullivan analysis

1. Estimated revenue based on public information.
2. The revenue is the total revenue of Competitor B, involving inpatient revenue and anaesthesia revenue.
3. The revenue does not involve inpatient revenue.
4. The amount is based on the revenue of our Group in Hong Kong for the year ended 31 December 2016.

INDUSTRY OVERVIEW

Our business in Hong Kong shows the highest revenue growth rate from 2014 to 2016 among the top five private ophthalmic service providers in Hong Kong, representing a CAGR of 29.6%. The following diagram sets forth the revenue growth for the top five private ophthalmic service providers in Hong Kong from 2014 to 2016:

Historical Revenue Growth for Top 5 Market Players (2014–2016) CAGR (2014–2016)



Source: Primary Research; Frost & Sullivan analysis

1. Estimated revenue based on public information.
2. The revenue is the total revenue of Competitor B, involving inpatient revenue and anaesthesia revenue.
3. The revenue does not involve inpatient revenue.
4. The amount is based on the revenue of our Group in Hong Kong for the year ended 31 December 2016.

Entry barriers of private ophthalmic service market in Hong Kong

Reputation of doctors. The reputation of private ophthalmologists is a critical factor to attract potential patients who usually take reference from their relatives or friends. It takes years for newly entered ophthalmologists to build up strong reputation and accumulate substantial customer base, thus hindering new entrants to the market.

Qualification of ophthalmologists. Currently, there are only two comprehensive medical institutes offering pharmacy and six-year medical programmes in Hong Kong. Specialist training is only offered at hospitals under the Hospital Authority. In order to be a qualified ophthalmologist, a trainee are required to undergo one year of pre-registration internship and at least six years of supervised specialist training. The number of trainees admitted to ophthalmology specialty training is usually around 15 in each year.

Drivers of private ophthalmic service market in Hong Kong

Ageing population leading to growing patient pool. In 2015, the percentage of people aged above 65 was about 1.12 million, equal to 15.3% of the total population in Hong Kong. As a result of the demographic shift, government expenditure on healthcare services is expected to grow substantially in future. As cataract, retinal detachments and glaucoma are common eye diseases among the elderly citizens, ageing population will result in rising demand for ophthalmic service.

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Technological advances in ophthalmic surgeries. Ophthalmic surgery, particularly cataract surgery, has undergone a significant transformation and technological development during the past years. With the introduction of cataract procedures involving advanced replacement lens technology, cataract surgery has evolved from a standard medical procedure – with a single option for lenses — to one with a variety of options based on lens technology selection. Technology advancement of various ophthalmic surgeries is forecasted to provide an impetus for the market growth in future.

Increasing prevalence of eye diseases. Growing prevalence of various eye diseases have led to the increase in demand for high quality ophthalmic service in Hong Kong, which provides vast opportunities for the growth in private sector. The underlying demographic shift toward older residents boosts the prevalence of age related eye diseases including cataract and macular degeneration. There will also be an increase in prevalence of myopia, the most common eye disorders among younger population.

Future trends of private ophthalmic service market in Hong Kong

More partnership among ophthalmic clinics. Under the “Code of Professional Conduct” issued by the Medical Council of Hong Kong, doctors are not allowed to advertise for themselves and as a result, the reputation of private clinic can only be earned by way of word-of-mouth. As such, more ophthalmic professionals and private clinics will work together as partners to extend their geographic coverage and increase the number of patients. Such kind of cooperation in the form of partnership will allow more initial capital for investment in advanced ophthalmic instruments, which can draw more patients and reduce the cost of operation as a result of the increase in scale of operation.

Technological Innovation. With the rising incidence of ophthalmic diseases due to an increasing ageing population as well as pressure stemming from studies and work, various technological innovations have been made in the field of ophthalmology, among which implantable contact lens for myopia, and new technique for glaucoma-screening have been introduced. It is expected that more ophthalmic clinics will enhance their competitive capability by introducing new technology in order to draw more patients to their clinics.

Use of Internet. Patients can locate the suitable clinics and ophthalmic professionals through internet platforms. Appointment can also be made through apps on phones. It is expected that online to offline mode will increase the number of patients, intensify competition and accelerate the industrial consolidation of the private clinics.

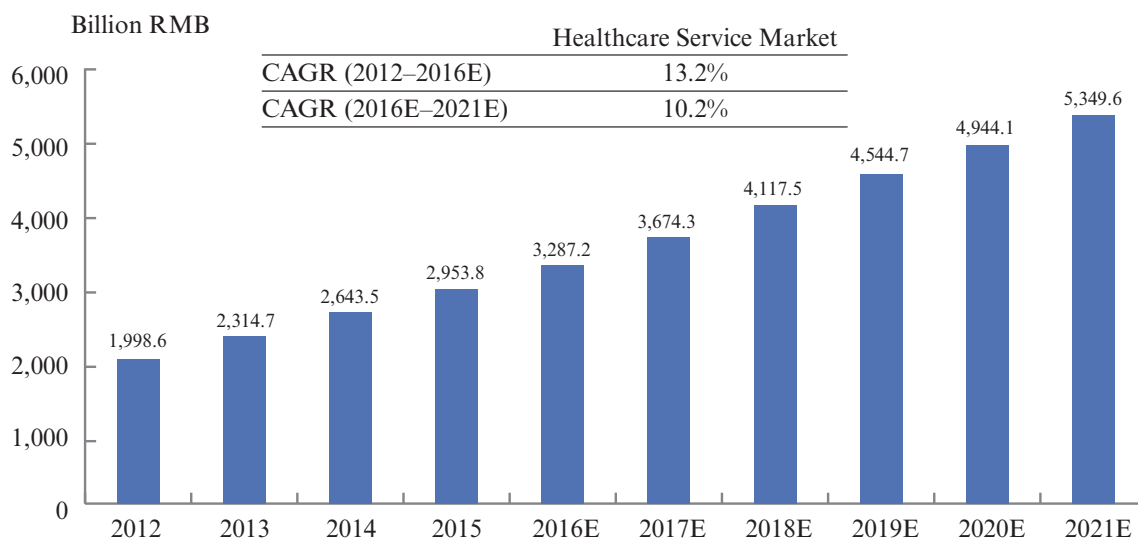
HEALTHCARE SERVICE MARKET IN CHINA

China’s healthcare spending has grown steadily in recent years due to the acceleration of ageing population and the rise in prevalence of various diseases. From 2012 to 2016, the total healthcare spending in China has grown from RMB2,811.9 billion to RMB4,605.9 billion, representing a CAGR of 13.1%. By 2021, China’s healthcare spending is forecasted to increase to RMB6,708.9 billion, representing a CAGR of 7.8% from 2016 to 2021. Revenue yielded by healthcare institutions in China reached RMB3,287.2 billion in 2016, and is projected to grow

INDUSTRY OVERVIEW

at a CAGR of 10.2% from 2016 to 2021. The following diagram sets forth the historical and projected revenue of the healthcare service market in China for the periods indicated:

Market Size of Healthcare Service Market in China, 2012–2021E



Source: NHFPC, Frost & Sullivan analysis

The future growth of the healthcare service market in China is expected to be primarily driven by the following factors:

Ageing population trend in China. According to the National Bureau of Statistics of China, population aged above 65 years old reached 150.0 million in 2016, accounting for 10.9% of the total population in China. It is expected that by 2021, population aged above 65 years old would reach 194.2 million, representing 13.8% of the total population in China. Such demographic shift offers immense opportunities for healthcare service providers in China.

Increased prevalence of hypertension, diabetes and chronic disease. The rising prevalence of hypertension, diabetes and chronic disease is expected to spur the healthcare spending on the treatment for such diseases.

Rising income. From 2012 to 2016, the per capita annual disposable income of Chinese population has increased from RMB16,510 to RMB23,821, representing a CAGR of 9.6%, and is expected to further increase to RMB36,274 with a CAGR of 8.8% from 2016 to 2021. The growth of per capita annual income of Chinese population has a positive effect on the purchasing power and the level of health awareness among the Chinese population.

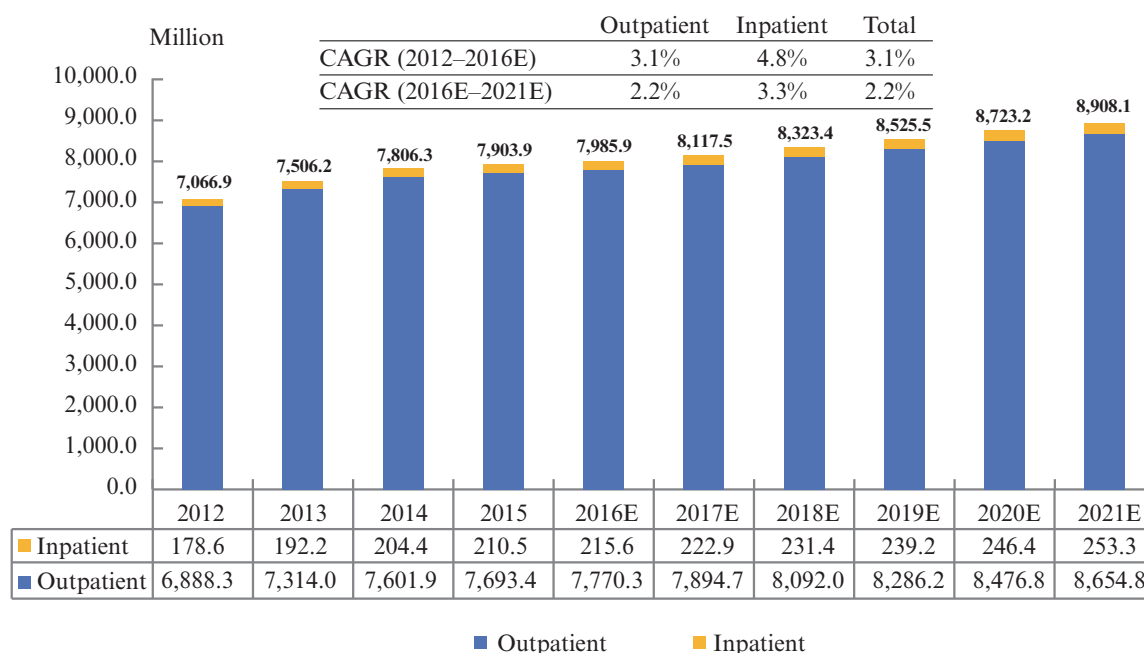
Expanding middle class. In recent years, China’s middle class has expanded rapidly. Economist Intelligence Unit forecasts that the percentage of households with annual earnings below US\$5,000 is expected to decrease from 22.4% in 2016 to 9.1% in 2021, and household group with annual earnings between US\$5,000–50,000 (the middle class) will make up 88.8% of Chinese households in 2021.

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Outpatient and inpatient volume of healthcare service market in China

Healthcare institutions in China are confronted with overwhelming pressure due to the large patient volume. Total outpatient volume has grown from 6,888.3 million in 2012 to 7,770.3 million in 2016, with a CAGR of 3.1%. The outpatient volume is expected to reach 8,654.8 million in 2021, representing a CAGR of 2.2% from 2016 to 2021. Further, total inpatient volume has grown to 215.6 million at a CAGR of 4.8% from 2012 to 2016, while the inpatient volume is expected to reach 253.3 million by 2021, representing a CAGR of 3.3% from 2016 to 2021. The following diagram sets forth a breakdown of the historical and projected outpatient and inpatient volume of healthcare service market in China for the periods indicated:

Outpatient and Inpatient Volume of Healthcare Service Market in China, 2012–2021E



Source: NHFPC, Frost & Sullivan analysis

Key trends of healthcare service market in China

Premium Healthcare Service. China's middle and high income groups have been expanding rapidly. With higher purchasing power and affordability and being more health conscious, such income groups are generally not satisfied with the healthcare service provided by the public hospitals which are usually crowded and less patient-centric. Hospitals that provide high-end healthcare services have emerged to address such inadequacies in public healthcare services to offer high-quality and comprehensive healthcare services to these customers.

Day Surgery development trends. Day Surgery becomes a mainstream surgery model. In China, the development of day surgery lags behind developed countries in terms of day surgery volume and day surgery facilities as well as day surgery management system. By the end of 2016, there are more than 2,000 hospitals which can perform day surgery and 396 hospitals have day surgery centres. The volume of day surgery accounts for 11.0% of total selective surgery volume, NHFPC plans to increase the percentage to 20.0%–30.0% before 2020 this means that there is huge market potential for day surgery in China.

INDUSTRY OVERVIEW

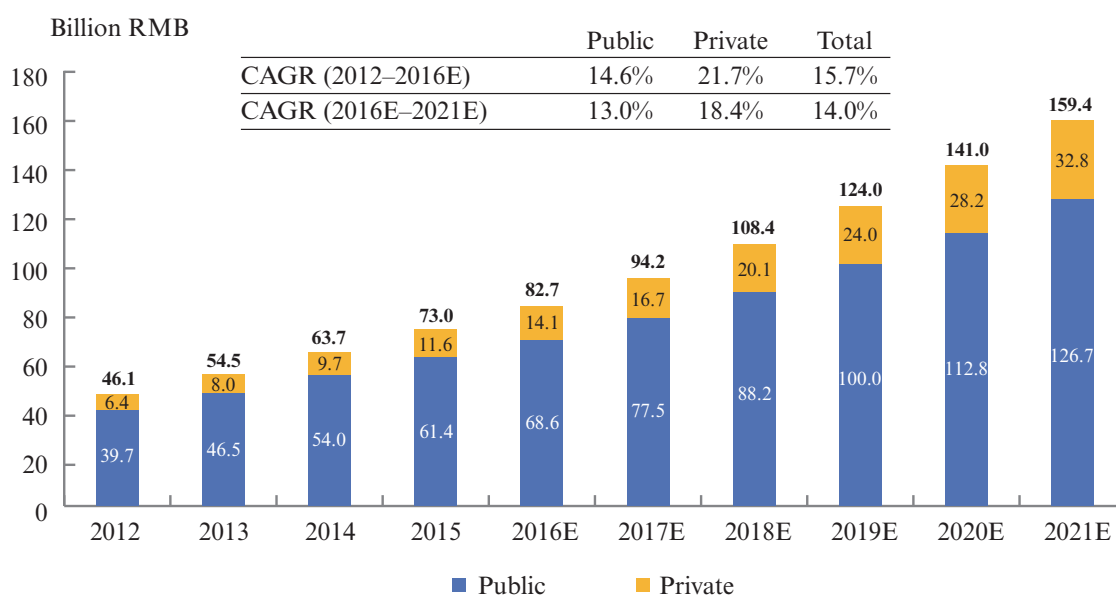
Development trends of healthcare service market in Guangdong Province

Guangdong is one of the most prosperous areas in China, with the per capita disposable income firstly reached RMB30,000 in 2016. The high per capita disposable income has resulted in a high consumption level and increased affordability to private healthcare service, particularly for high-end service. A number of government policies have been issued in recent years in order to accelerate the establishment of a mature and regulated market for the private medical institutions.

THE OPHTHALMIC SERVICE MARKET AND THE OPHTHALMIC DISEASE THERAPY MARKET IN CHINA

The market size of private ophthalmic service market in China in terms of revenue has increased from RMB6.4 billion in 2012 to RMB14.1 billion in 2016, with a CAGR of 21.7%. During the same period, the market size of public ophthalmic service market increased from RMB39.7 billion to 68.6 billion, with a CAGR of 14.6%. It is estimated that the market size of private ophthalmic service market will reach RMB32.8 billion in 2021, representing a CAGR of 18.4%, while the public ophthalmic service market will increase to RMB126.7 billion, representing a CAGR of 13.0% during 2016 to 2021. It is expected that private medical institutions will play an increasingly important role in the ophthalmic healthcare service market in China in the future. The following diagram sets forth a breakdown of the historical and projected revenue of the ophthalmic service market in China for the periods indicated:

Market Size of Ophthalmic Service Market in China, 2012–2021E



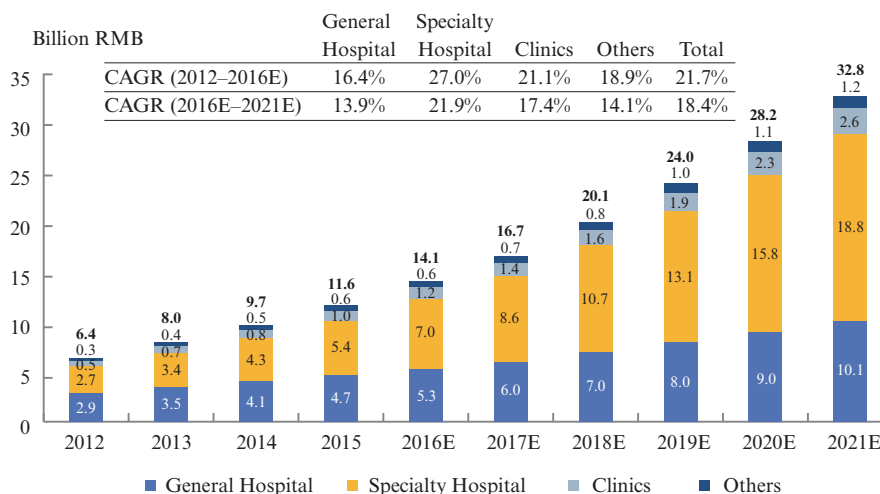
Source: NHFPC, Frost & Sullivan analysis

In 2016, specialty hospitals have surpassed general hospitals to become the largest segment in private ophthalmic service market in China. Revenue generated from ophthalmic service from specialty hospitals has grown from RMB2.7 billion in 2012 to RMB7.0 billion in 2016, with a CAGR of 27.0%. It is expected that the revenue will grow to RMB18.8 billion in 2021, representing a CAGR of 21.9% from 2016 to 2021. The following diagram sets forth a

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breakdown of the historical and projected revenue of private ophthalmic service market in China for the periods indicated:

Market Size of Private Ophthalmic Service Market in China (2012–2021E)

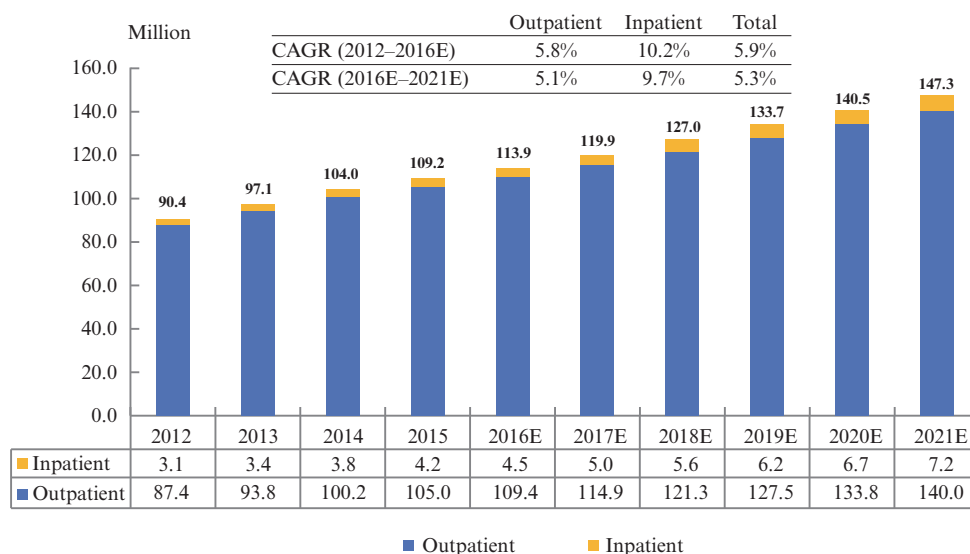


Source: NHFPC, Frost & Sullivan analysis

Outpatient and inpatient volume of ophthalmic diseases in China

The outpatient volume of ophthalmic diseases in China has grown from 87.4 million in 2012 to 109.4 million in 2016, with a CAGR of 5.8%, while the outpatient volume of ophthalmic diseases is expected to reach 140.0 million in 2021, representing a CAGR of 5.1% from 2016 to 2021. Meanwhile, the inpatient volume of ophthalmic diseases has grown at a CAGR of 10.2% during 2012 to 2016, and the number of inpatient volume of ophthalmic disease is expected to reach 7.2 million by 2021, representing a CAGR of 9.7% from 2016 to 2021. The following diagram sets forth a breakdown of the historical and projected outpatient and inpatient volume of ophthalmic diseases in China for the periods indicated:

Outpatient and Inpatient Volume of Ophthalmic Diseases in China (2012–2021E)

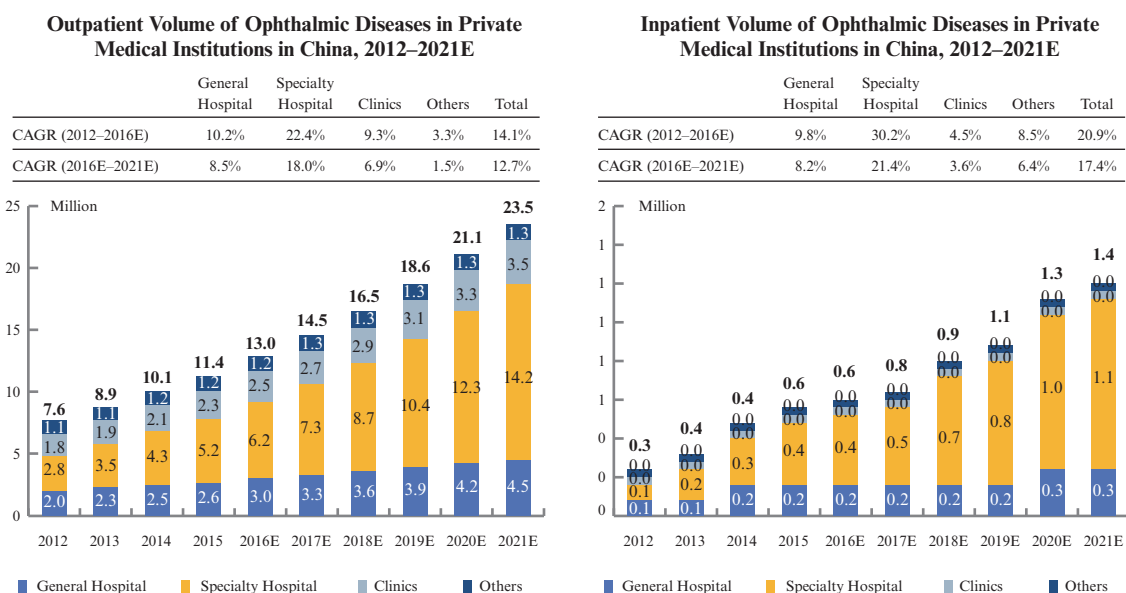


Source: NHFPC, Frost & Sullivan analysis

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Breakdown of outpatient and inpatient volume of ophthalmic diseases among Private Medical Institutions

Specialty hospitals account for the majority of the patient volume, and enjoy the fastest growth among all private medical institutions in China. The outpatient volume of ophthalmic diseases at specialty hospitals has grown from 2.8 million in 2012 to 6.2 million in 2016 with a CAGR of 22.4%. It is expected that the number will grow to 14.2 million in 2021, with a CAGR of 18.0%. Meanwhile, the inpatient volume of ophthalmic diseases at specialty hospitals has reached 0.4 million in 2016, and is expected to grow to 1.1 million in 2021. The following diagrams set forth a breakdown of the historical and projected outpatient and inpatient volumes of ophthalmic diseases in private medical institutions in China for the periods indicated:



Source: NHFPC, Frost & Sullivan analysis

Ophthalmic disease therapy service market in China

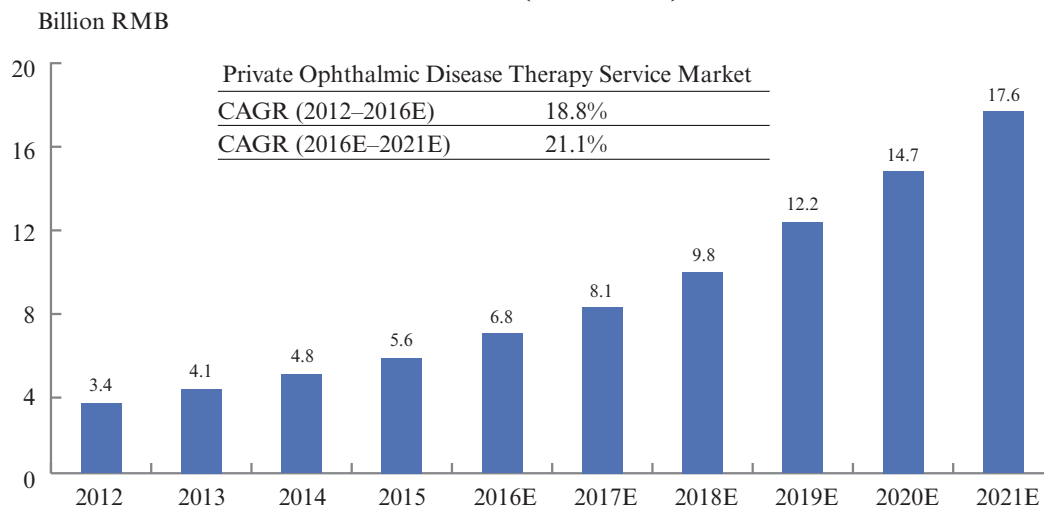
Ophthalmic disease therapy service market refers to the diagnosis and treatment of ophthalmic diseases, including cataract, glaucoma, ocular fundus diseases, strabismus and amblyopia etc., excluding laser myopia surgery and ophthalmic aesthetic surgery as well as optometry services. Compared with non-ophthalmic disease therapy services, ophthalmic disease therapy services represent clinical performance which requires complicated and advanced clinical treatment skills and has higher industry entry barriers.

The market size of the private ophthalmic disease therapy service market in China in terms of revenue is RMB6.8 billion in 2016, growing at a CAGR of 18.8%. The market size is expected to grow to RMB17.6 billion in 2021, representing a CAGR of 21.1% from 2016 to

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2021. The following diagram sets forth the historical and projected revenue of the private ophthalmic diseases therapy service market in China for the periods indicated:

Market Size of Private Ophthalmic Disease Therapy Service Market in China (2012–2021E)

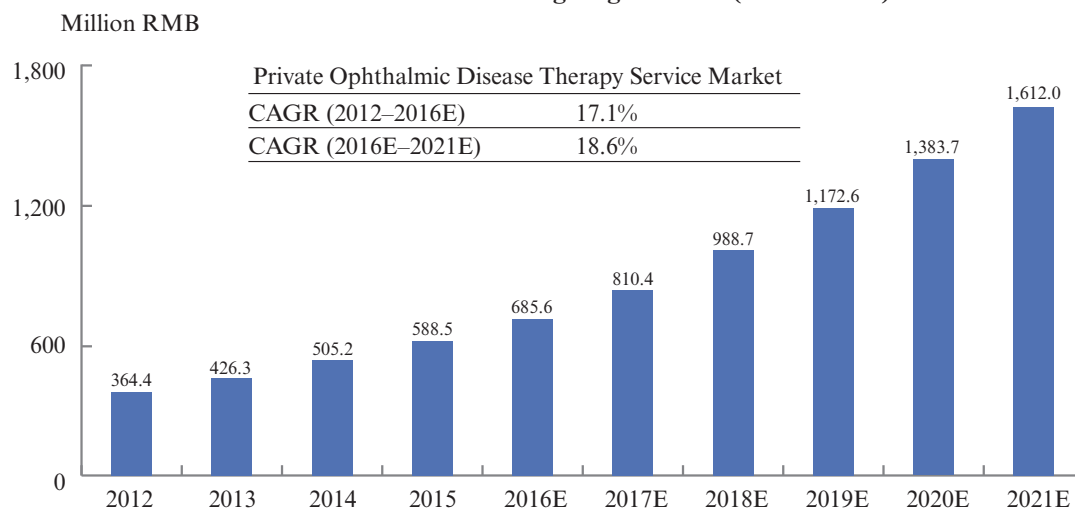


Source: Guangdong Health Department, Frost & Sullivan analysis

Market size of private ophthalmic disease therapy service market in Guangdong Province

The market size of private ophthalmic disease therapy service market in Guangdong Province reached RMB685.6 million in 2016, growing from RMB364.4 million in 2012, with a CAGR of 17.1%. The market size is expected to reach RMB1,612.0 million in 2021, representing a CAGR of 18.6% from 2016 to 2021. The following diagram sets forth the historical and projected revenue of private ophthalmic disease therapy service market in Guangdong Province for the periods indicated:

Market Size of Private Ophthalmic Disease Therapy Service Market in Guangdong Province (2012–2021E)



Source: Guangdong Health Department, Frost & Sullivan analysis

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Competitive landscape of private ophthalmic service market in Guangdong Province

Shenzhen C-MER Hospital ranked third in terms of revenue in private ophthalmic service market in Guangdong Province in 2016, with a market share of 5.4%, and is also the second largest market player in private ophthalmic service market in Shenzhen in 2016. Compared with the top two market players, Shenzhen C-MER dives deep in the ophthalmic disease therapy market. The following table sets forth the top five private ophthalmic service providers in Guangdong Province in terms of 2016 revenue and market share:

		2016 Revenue (RMB Million)	Market Share (%)	Location
①	CompetitorA	321.5 ¹	23.2%	Guangzhou, Shenzhen, Dongguan etc.
②	CompetitorC	76.5 ¹	5.5%	Donguan
③	Our Group	74.8²	5.4%	Shenzhen
④	CompetitorB	59.3 ¹	4.3%	Zhaoqing
⑤	CompetitorD	53.8 ¹	3.9%	Zhanjiang, Zhongshan

Source: Primary Research; Frost & Sullivan

1. Estimated revenue based on public information.
2. The amount is based on the revenue of Shenzhen C-MER Hospital for the year ended 31 December 2016 at the exchange rate in 2016 of RMB1.0 = HK\$1.16899.

Competitive landscape of private ophthalmic disease therapy service market in Guangdong Province

Shenzhen C-MER Hospital is the second largest market player in terms of revenue in 2016 in private ophthalmic diseases therapy service market in Guangdong Province, accounting for 8.7% of the total market share. Shenzhen C-MER ranked first in Shenzhen market in 2016. The following table sets forth the top five private ophthalmic diseases therapy services medical service providers in Guangdong Province in terms of the 2016 revenue and market share:

		2016 Revenue (RMB Million)	Market Share (%)	Location
①	Competitor A	170.3 ¹	24.8%	Guangzhou, Shenzhen, Dongguan etc.
②	Our Group	59.6²	8.7%	Shenzhen
③	Competitor B	47.7 ¹	7.0%	Zhaoqing
④	Competitor C	45.5 ¹	6.6%	Donguan
⑤	Competitor D	35.9 ¹	5.2%	Zhanjiang, Zhongshan

Source: Primary Research; Frost & Sullivan

1. Estimated revenue based on public information.
2. The amount is based on the revenue of Shenzhen C-MER Hospital generated from the disease therapy services for the year ended 31 December 2016 at the exchange rate in 2016 of RMB1.0 = HK\$1.16899.

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Entry barriers of private ophthalmic service market in China

Medical knowledge and technique. New market entrants need to possess sufficient medical knowledge and technique in order to enter into the ophthalmic service market in China and to compete with public hospitals and other private specialty hospitals to ensure quality and compliance with the industry safety standards.

Recruitment of medical staff. Experienced doctors generally are hesitant to work in private eye hospitals and prefer working in public hospitals. As such, new market entrants will continue to face challenges with recruiting a sufficient number of qualified medical staff when establishing new hospitals.

Capital-intensive nature of the industry. New market entrants need significant initial capital for acquiring land and construction of service sites, particularly if the hospital is to be located at a prime location. Some private hospitals may choose to lease premises for their operation to avoid such initial investment. Significant investment is also required to purchase advanced medical equipment in the establishment of private ophthalmic specialty hospitals.

Drivers of private ophthalmic service market in China

Favourable government policies. In the new round of healthcare reform, there is a strong government support for the development of better medical services for some major eye diseases, such as cataract. National Health and Family Planning Commission has initiated several favourable policies to help cataract patients regain their eyesight through surgeries. More eye diseases are covered by medical insurances, and better infrastructure for ophthalmic facilities are encouraged to be established, which makes better ophthalmic service more affordable and accessible to the mass majority. Private ophthalmic service providers will benefit from such favourable government policies.

Improvement of urban living standards. The disposable income per capita of urban residents in China increased from RMB26,467 in 2013 to RMB31,195 in 2015. The improvement in living standards and an increase in health awareness and eye care generally have driven the growth of private ophthalmic service market in China.

Expanding patient pool. The rising prevalence of ophthalmic disease in China are a result of a combination of factors, including ageing population and more access to digital products, which will expand the patient pool and drive the demand for ophthalmic service.

Technological advances in ophthalmic surgeries. There has been significant technological development in respect of ophthalmic surgeries during the past decades.

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Drivers of private ophthalmic service market in Guangdong Province

Government Support. Guangdong government has been making significant efforts to the development of private healthcare institutions since the “Reform and Opening”. With the implement of the health care reform, private medical institutions is being viewed as the solution to cater to the unmet needs of citizens for healthcare services. Pursuant to various policies issued in recent years, the Guangdong government is making various efforts with an objective to accelerate the establishment of a mature and regulated market for private medical institutions, including ophthalmic institutions.

High Income Level in Guangdong Province. Among one of the most prosperous areas in China, Guangdong Province has a per capita disposable income RMB30,000 in 2016 and ranked sixth among all provinces in China. The high per capita disposable income has led to a high consumption level and increased affordability to private healthcare service, particularly for premium and high-end services. The great market potential will offer enough space to the development of ophthalmic medical institutions.

Close to Macau and Hong Kong. The geographical proximity among the three areas allows the introduction of high-end ophthalmic medical technology and drawing of medical professionals from Hong Kong and Macau to Guangdong Province, which can stimulate the development of ophthalmology in Guangdong. Further, it is expected that more social capital from Macau and Hong Kong will enter into the private healthcare industry to enable close economic cooperation among the three areas.

Future trends of private ophthalmic service market in China

Growing demand for high-end services. With the increase in disposable income of patients and treatment demand, it is expected that there will be increasing demand for high-end services, which involves pre-surgery consultation, surgery by experienced or overseas ophthalmologist, use of high-end medical consumables and post-surgery tracking system. Patients can have better treatment experience compared with that provided by public hospitals.

Development in private eye care chains. As opposed to the previous belief held by the majority of public that only public hospitals can provide reliable medical services and little trust has been shown for medical services provided by private hospitals, more private eye care chain centres have emerged to provide professional ophthalmic treatments as well as more patient-oriented services. The government has also been extending the coverage of basic medical insurance to the private sector. Further, commercial insurances are more prevalent than before, which can offer more thorough coverage for people who choose for private eye care chain centres.

More advanced equipment. The equipment used in the examination and surgical treatment of ophthalmic diseases, such as phacoemulsifier, and LASIK machine, involve the use of advanced technology and are usually rather costly. More private Ophthalmic Service providers have capital investment in such instruments to offer sophisticated operations in the near future.

APPLICABLE LAWS AND REGULATIONS

The following is a brief summary of the laws and regulations in Hong Kong and the PRC that currently materially affect our business. The principal objective of this summary is to provide potential investors with an overview of the key laws and regulations applicable to us. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to our business and operations which may be important to potential investors. Investors should note that the following summary is based on laws and regulations in force as of the date of this prospectus, which may be subject to change.

APPLICABLE LAWS AND REGULATIONS TO OUR BUSINESS IN HONG KONG

Laws and regulations applicable to medical practitioners

Medical Registration Ordinance

Pursuant to the Medical Registration Ordinance, all practising medical practitioners (the “Registered Medical Practitioners”) in Hong Kong are required to be registered with the Medical Council and shall not practise medicine, surgery or midwifery in Hong Kong, or any branch of medicine or surgery in Hong Kong, without a valid practising certificate.

To register with the Medical Council, a medical practitioner should, *inter alia*:

- have specific professional qualifications passed the licencing examination conducted by the Medical Council;
- have completed internship;
- not have been convicted of any criminal offence punishable with imprisonment;
- not been found guilty of professional misconduct; and
- be of good character.

Registered Medical Practitioners are included in the General Register (as defined in the Medical Registration Ordinance) kept by the Medical Council and will be issued with a practising certificate which will be valid for one year. Registered Medical Practitioners are required to renew their practising certificates annually or their names may be subject to removal from the General Register.

The Medical Council also keeps a Specialist Register (as defined in the Medical Registration Ordinance) which shall include details of qualifications and experience and such other particulars necessary of those persons who have been approved by the Medical Council to have their names included in that register. To become registered in the Specialist Register, a Registered Medical Practitioner must have either:

- (i) been awarded a Fellowship of the HKAM and (ii) certified by HKAM that he has completed the postgraduate medical training, which comprised at least six years of

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supervised post-registration medical training and passing examinations accredited by HKAM, for the relevant specialty and satisfied the continuing medical education requirements for the relevant specialty; or

- been certified by the HKAM that he/she has (i) achieved a professional standard comparable to that recognised by HKAM for the award of his fellowship; (ii) completed postgraduate medical training comparable to those recommended by HKAM for the relevant specialty; and (iii) satisfied the continuing medical education requirements comparable to those recommended by HKAM for the relevant specialty.

The Education and Accreditation Committee (the “EAC”) of the Medical Council will consult with the appropriate specialty college and seek the formal endorsement of the HKAM’s council before making a recommendation to the Medical Council for registration.

A medical practitioner is entitled to only hold himself out as a specialist and use a specialist title in one of the 56 specialties in the Specialist Register, and is required to undergo continuing medical education determined by HKAM for his specialty.

Code of Professional Conduct

All Medical Practitioners in Hong Kong have to comply with the Code of Professional Conduct for the Guidance of Registered Medical Practitioners issued by the Medical Council (as may be amended from time to time), which covers, *inter alia*, the following aspects:

- medical practitioners’ professional responsibilities to patients such as their confidentiality obligations as well as the obligations to act in the interest of patients and, whenever an examination or treatment is beyond his capacity, to consult with or refer to another doctor who has the necessary ability;
- communication in medical practitioners’ professional practice, including restriction on practice promotion from being carried out by medical practitioners;
- requirements in relation to prescription and labelling of medicine/drugs to be dispensed;
- regulations in relation to relationship among medical practitioners and other practitioners and/or organisations;
- criminal conviction and disciplinary proceedings of medical practitioners;
- medical practitioners’ financial arrangements;
- regulations in relation to new medical procedures, clinical research and alternative medicine;
- regulations against abuse of professional position; and

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- regulations governing serious infectious disease and other special areas.

Contravention of the Code of Professional Conduct may render a Medical Practitioner liable to disciplinary action, such as imposition of fine or in the most serious cases, temporary suspension or revocation of the registration as a medical practitioner in Hong Kong.

Regulations on advertisements in Hong Kong

Undesirable Medical Advertisements Ordinance

The Undesirable Medical Advertisements Ordinance (Chapter 231 of the Laws of Hong Kong) (the “**Undesirable Medical Advertisements Ordinance**”) aims to protect public health through prohibiting or restricting advertisements which may induce the seeking of improper management of certain health conditions.

Among other restrictions, according to the Undesirable Medical Advertisements Ordinance, no person shall publish, or cause to be published any advertisements likely to lead to the use of any medicine, surgical appliance or treatment for:

- the purpose of treating human beings for, or preventing them from contracting any of the diseases or conditions specified in schedule 1 to the Undesirable Medical Advertisements Ordinance subject to certain exceptions; or
- treating human beings for any purpose specified in schedule 2 to the Undesirable Medical Advertisements Ordinance.

As defined in the Undesirable Medical Advertisements Ordinance, “advertisement” includes any notice, poster, circular, label, wrapper or document, and any announcement made orally or by means of producing or transmitting light or sound. These include advertisements published in newspapers and magazines, leaflets, on radio, television, and internet, as well as on the label of a container or package containing any medicine, surgical appliance, treatment, or orally consumed product.

If a person named in that advertisement is held out (i) as being a manufacturer or supplier of medicine or surgical appliances; or (ii) as being able to provide any treatment, that person is presumed, until the contrary is proved, to have caused the advertisement to be published. Any contravention is subject to a fine of HK\$100,000 and imprisonment for one year.

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Regulations on pharmaceutical products and drugs

Pharmacy and Poisons Ordinance

The Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong) (the “**Pharmacy and Poisons Ordinance**”) regulates the sale and labelling of products which are classified as pharmaceutical products and medicine. The Pharmacy and Poisons Ordinance also requires all pharmacists in Hong Kong to be registered with the Pharmacy and Poisons Board and shall not practise without a valid practising certificate.

Under the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong), pharmaceutical products must be registered before they can be sold, offered for sale, distributed or possessed for the purposes of sales, distribution or other use in Hong Kong.

Under the Pharmacy and Poisons Ordinance, pharmaceutical product or medicine means any substance or mixture of substances which:

- presented as having properties for treating or preventing disease in human beings or animals; or
- that may be used in, or administered to, human beings or animals, either with a view to (i) restoring, correcting or modifying physiological functions by exerting a pharmacological, immunological or metabolic action; or (ii) making a medical diagnosis.

Ingredients that are classified as poisons are listed in the poisons list under schedule 10 to the Pharmacy and Poisons Regulations. The levels of control over the sale of the poison depend on its categorisation as “Part I” or “Part II” poisons according to their potency, toxicity and potential side effects. The supply of medicine and substances categorised as poison by a Registered Medical Practitioner for the purposes of medical treatment is not subject to the conditions and limitations imposed by the Pharmacy and Poisons Ordinance and the Pharmacy and Poisons Regulations.

Any person who is guilty of an offence under this ordinance shall be liable on a conviction to a fine of HK\$100,000 and to imprisonment for two years.

Dangerous Drugs Ordinance

The Dangerous Drugs Ordinance (Chapter 134 of the Laws of Hong Kong) regulates the import, export, procuring, supply, dealing in or with, manufacture and possession of drugs or substances which are classified as dangerous drugs under the Dangerous Drugs Ordinance.

Dangerous drugs are not allowed to be supplied to any person except to a person authorised or licenced to be in possession of such drugs in accordance with the Dangerous Drugs Ordinance. Such contravention is subject to a fine of HK\$10,000 and to imprisonment for three years on summary conviction or HK\$100,000 and to imprisonment for 15 years on

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conviction on indictment. Administration of a dangerous drug by or under the direct personal supervision of, and in the presence of, a Registered Medical Practitioner is exempted from the limitations in the Dangerous Drugs Ordinance. A Registered Medical Practitioner is also authorised by the Dangerous Drugs Ordinance, so far as may be necessary for the practice or exercise of his profession and in his capacity as such, to be in possession of and to supply a dangerous drug as well as to have in his possession equipment or apparatus fit and intended for the injection of a dangerous drug.

Furthermore, the Dangerous Drugs Regulations (Chapter 134A of the Laws of Hong Kong) regulates the prescriptions, labelling and record keeping of dangerous drugs and monitors the sale of such drugs.

Regulations on clinical waste disposals

Waste Disposal Ordinance

The Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) (the “**Waste Disposal Ordinance**”) and the Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong) (the “**Waste Disposal Regulations**”) provide for, among others, the control and regulation of the production, storage, collection and disposal of clinical waste.

Under the Waste Disposal Ordinance, clinical waste means waste consisting of any substance, matter or thing generated in connection with a dental, medical or nursing practice and a dental, medical, veterinary or pathological laboratory practice, and which consists wholly or partly of any of the materials specified in one or more of the groups listed below:

- used or contaminated sharps;
- laboratory waste;
- human and animal tissues;
- infectious materials;
- dressings; and
- such other wastes as specified by the Director of Environmental Protection.

The Waste Disposal Regulations requires all waste producers to arrange for their clinical waste to be properly disposed of. Waste producers comply with this duty if they consign the waste to a licenced clinical waste collector or arrange for the waste to be delivered to a collection point or licenced clinical waste disposal facility according to the requirements specified in the WDR. The Waste Disposal Regulations also requires waste producers to keep records of the clinical waste consigned to licenced collectors or delivered to a collection point

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or licenced disposal facility, and to produce such records for inspection upon request by the Director of Environmental Protection. Such contravention is subject to a fine ranging from HK\$100,000 to HK\$500,000 and an imprisonment for six months. If the contravention is a continuing offence, such offence is subject to a fine of HK\$10,000 for each day.

The Secretary for the Environment under the Waste Disposal Ordinance published a Code of Practice for the Management of Clinical Waste for both major and small clinical waste producers and waste collectors under the Waste Disposal Ordinance to provide guidance to clinical waste producers to assist them to comply with the legal requirements of the Waste Disposal Ordinance and the Waste Disposal Regulations. The major clinical waste producers generally refers to hospitals, clinics managed by the Hospital Authority or the government. The small clinical waste producers generally refers to private medical clinics, private dental clinics, private veterinary clinics, nursing homes and health and beauty centres. Accordingly, we are classified as small clinical waste producers.

RECENT DEVELOPMENT ON THE REGULATORY FRAMEWORK OF HONG KONG PRIVATE HEALTHCARE FACILITIES (PHF)

Background information

The PHF in Hong Kong comprise a wide range of privately-owned and operated facilities providing medical diagnosis and treatment services. The current regulatory framework has been in place since 1960s primarily under the Hospitals, Nursing Homes and Maternity Homes Registration Ordinance (Chapter 165 of the Laws of Hong Kong) and the Medical Clinics Ordinance (Chapter 343 of the Laws of Hong Kong) (the “**Medical Clinics Ordinance**”). The scope of the current regulatory framework is limited to a narrow class of healthcare facilities, namely private hospital and non-profit-sharing medical clinics. With the advice from our legal advisers on the applicable Hong Kong laws and regulations to our business, our Directors confirm that the registration requirement under Medical Clinics Ordinance is not applicable to us as the legislation, which was enacted in 1960s in its present form, is intended to regulate non-profit-sharing clinics in Hong Kong which are operated by local welfare and non-profit making organisations. As of the Latest Practicable Date, there were 70 clinics registered under the Medical Clinics Ordinance. Further information on the existing regulatory framework on the business and the conduct of registered medical practitioners in Hong Kong is set forth in the paragraphs under “Laws and regulations applicable to medical practitioners” above. Based on the historical and current arrangements between Dr. Dennis LAM (being one of our Controlling Shareholders), our Hong Kong Ophthalmologists and us, as well as the terms of the Cooperative Agreements, our Directors consider that the Central Eye Centre and the Satellite Clinics do not fall within the scope of the Medical Clinics Ordinance.

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History of the PHF Bill

A steering committee was established in October 2012 to conduct a review on the regulation of PHFs and a public consultation was conducted in December 2014. Following the issue of the “*Consultation Report on the Regulation of Private Healthcare Facilities*” on 18 April 2016 by the Food and Health Bureau of the Hong Kong government, the members on the Panel on Health Services in the Legislative Council of Hong Kong Special Administrative Region of the PRC was briefed on 28 February 2017. The PHF Bill was gazetted on 16 June 2017 and introduced into the Legislative Council on 21 June 2017. The first reading of the PHF Bill took place on 21 June 2017. The second reading has begun on 21 June 2017. A bills committee on PHF Bill was subsequently formed on 23 June 2017 to scrutinise the PHF Bill. There is no fixed timetable for the PHF Bill to be enacted as part of the legislation in Hong Kong.

PHFs to be regulated

Under the PHF Bill, there will be four types of PHFs subject to regulation, namely (a) hospitals, (b) day procedure centres, (c) clinics and (d) health services establishments. Of these four types of PHFs, day procedure centres and health services establishments are newly created, while hospitals and clinics are already in existence under current legislation. Hospitals, day procedure centres and clinics focus on the practices of registered medical practitioners and registered dentists, and health services establishments cater for regulatory needs that might arise in future. The public was consulted on and widely supported the regulation of the first three types of PHFs.

Proposed statutory control

The five broad categories of control include corporate governance, standard of facilities, clinical quality, price transparency and sanctions. These categories may be summarised as follows:

- a licencing scheme including the application for, renewal, suspension and cancellation of a licence, appeal arrangements and related offences will be established for the purpose of control and regulate the PHFs;
- prohibition on operating PHFs without licences and the requirement of displaying the licence in the PHFs;
- general responsibilities and duties of the licensee and its duty to appoint a chief medical executive in charge of the day-to-day administration of a PHF, and related offences;
- requirement of price transparency to the effect that a PHF must be available to the public the prices of chargeable items and services provided in the PHF as specified by the Director of Health (the “**Director of Health**”) and in particular, private hospitals must

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provide budget estimate and historical statistics on fees and charges in respect of certain treatments and procedures specified by Director of Health;

- requirement to establish a medical advisory committee for certain PHFs, i.e. hospitals and specified clinics, to advise the PHFs on matters relating to the quality of services provided by the facility, and related offence; and
- requirement that the licensee of a PHF must put in place complaints handling procedure for receiving, managing and responding to complaints against the PHFs.

It is proposed that exemptions would be granted to clinics which are operated by not more than five registered medical practitioners or registered dentists under specified conditions.

The Private Healthcare Facilities Bill also seeks to provide the establishment of an independent complaints committee to deal with the complaints which cannot be resolved by the PHFs concerned the functions and investigation powers of the independent complaints committee are also set forth in the PHF Bill.

Status of the PHF Bill

The PHF Bill has yet to be passed as Hong Kong law and as such, the regulatory regime set forth therein has no legislative effect and may be changed following discussions at the Legislative Council of The Hong Kong Special Administrative Region of the PRC. Based on the information in public domain, there is no clear timetable for the enactment of the PHF Bill as part of the Hong Kong law regulating the private healthcare facilities. There are ongoing consultations amongst the registered medical practitioners, hospital operators and other stakeholders in the healthcare industry.

Impact of the PHF Bill on Our Business Operations

According to the proposed statutory provisions under the PHF Bill, our business operations may fall within the definitions of “clinic” and “day procedure centre”. Our Directors have reviewed the relevant statutory provisions and are of the view that we would be able to fully comply with the relevant requirements without undertaking any major restructuring of our business operations or otherwise incurring any substantial amount of expenses for upgrading the facilities in Hong Kong. All of our employees hold the relevant qualifications for their positions within our Group. We have also established complaint handling systems. Our investigation fee schedule is displayed in each of our Central Eye Centre and the Satellite Clinics. In addition, having reviewed the statutory provisions on operational matters under the PHF Bill, our Directors consider that our Central Eye Centre and the Satellite Clinics would be able to comply with these requirements if those requirements are enacted in their present form.

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One of the principal requirements under the PHF Bill is the licensing regime which will be extended to clinics and private healthcare facilities operated by registered medical practitioners under the Medical Registration Ordinance currently in force. Under the PHF Bill, two responsible persons will need to be appointed for each PHF, namely the licensee and the chief medical executive. The licensee's responsibilities include ensuring the facility's compliance with the licensing conditions and compliance with the applicable rules and regulations. The chief medical executive is responsible for the day-to-day administration of the PHF and is expected to meet certain requirements for medical qualifications and years of experience. Although the details of these requirements have yet to be released for public consultation, our Directors believe that our management team and our Hong Kong Ophthalmologists will satisfy the requirements to be enacted with their specialties and years of practising experience.

LAWS AND REGULATIONS RELATED TO THE HEALTHCARE SERVICE SECTOR IN THE PRC

Regulations on the Reform of Healthcare Institutions

Opinions on Promoting Further Reform of the Healthcare System

The Opinions on Promoting Further Reform of the Healthcare System (中共中央、國務院關於深化醫藥衛生體制改革的意見) (the “**Opinions**”), which was promulgated by the Central Committee of CPC and the State Council on 17 March 2009, advocate a range of measures to reform healthcare institutions in the PRC and establish a basic healthcare system covering urban and rural residents. Measures aimed at reforming healthcare institutions include the separation of: (i) government agencies from public healthcare institutions, (ii) for-profit healthcare institutions from not-for-profit healthcare institutions, (iii) sponsorship from operations of public hospitals, and (iv) pharmaceutical dispensing from pharmaceutical prescription. The Opinions include proposals for the establishment and improvement of corporate governance systems of public healthcare institutions, and checks and balances in decision-making, execution and supervision processes between organisers and operators of public healthcare institutions. The Opinions also encourage private capital to invest in healthcare institutions (including investments by foreign investors), the development of private healthcare institutions and the reform of public healthcare institutions (including those established by state-owned enterprises) through private capital investment.

Notice on Further Encouraging and Guiding Private Capital to Invest in Healthcare Institutions

The Notice of the State Council on Forwarding the Opinions of the National Development and Reform Commission, the National Health and Family Planning Commission and other Departments on Further Encouraging and Guiding Private Capital to Invest in Medical Institutions (關於進一步鼓勵和引導社會資本舉辦醫療機構意見的通知) (“**Order No. 58**”), which was promulgated by the General Office of the State Council on 26 November 2010, stipulates that the PRC Government encourages and supports investments by private investors in healthcare institutions of various types. Private investors are permitted to

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apply to establish for-profit or not-for-profit healthcare institutions. Private investors are also encouraged to participate in the reform of existing public hospitals, including those established by state-owned enterprises, by converting them into not-for-profit healthcare institutions in order to systematically reduce the proportion of public hospitals in the system. Private healthcare institutions with experience in the provision of healthcare services and good reputation shall be selected as participants in the restructuring of public hospitals. The restructuring of public hospitals may be carried out through pilot reform programmes in hospitals established by state-owned enterprises. Private healthcare institutions are encouraged to modernise hospital management, establish standardised corporate governance structures, step up cost control and quality management systems, and employ professional managers to manage the hospital. Private investors are encouraged to set up hospital management companies to provide specialised services. Private healthcare institutions are encouraged to engage or authorise domestic or overseas healthcare institutions with professional experience to participate in the management of hospitals to improve their efficiencies. Healthcare institutions are encouraged to develop into large, sophisticated, technology-intensive medical groups and adopt brand-focused development strategies to build good reputation and image. Private healthcare institutions are encouraged to improve their clinical research and build their research and development teams.

Several Opinions on Promoting the Development of Healthcare Service Industry

Several Opinions on Promoting the Development of Healthcare Service Industry (國務院關於促進健康服務業發展的若干意見) (the “**2013 Opinions**”) was promulgated by the State Council on 28 September 2013. The 2013 Opinions encourages the private sector to invest in the healthcare service industry by various means including new establishment and participation in restructuring, and also encourage private capital investment in not-for-profit healthcare institutions for provision of basic health care services. The 2013 Opinions proposes the idea of the relaxation of the requirements for sino-foreign equity joint or cooperative joint healthcare institutions and expand eligibility in the pilot programme for wholly foreign-invested healthcare institutions.

Several Opinions on Accelerating the Development of Medical Institutions with Social Capital

Several Opinions on Accelerating the Development of Medical Institutions with Social Capital (關於加快發展社會辦醫的若干意見), which was promulgated on 30 December 2013 by the National Health and Family Planning Commission and the State Administration of Traditional Chinese Medicine, stipulate the policies that support the development of private-invested healthcare institutions, including the (i) gradual relaxation of investment in healthcare institutions by foreign capital; (ii) relaxation of requirements for service sectors, allowing social capital’s investment in the areas which are not explicitly prohibited; (iii) relaxation of requirements for the deployment and use of large medical equipment in private hospitals; (iv) improvement of supporting policies for the development of private hospitals in aspects such as medical insurance and price control; (v) acceleration of the approval processing regarding the establishment and operation of private hospitals.

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Notice on Printing and Distributing the Outline of the National Medical and Healthcare Service System Plan (2015–2020)

The Notice on Printing and Distributing the Outline of the National Medical and Healthcare Service System Plan (2015–2020) (關於印發全國醫療衛生服務體系規劃綱要(2015–2020年)的通知), which was promulgated by the General Office of the State Council on 6 March 2015, stipulates that private medical institutions are significant and integral parts of the medical and healthcare service system as well as an effective approach to fulfilling people's multilevel and diversified medical and healthcare service needs. Private medical institutions may provide basic medical services, compete with public medical institutions in an orderly manner, provide top service to fulfil extra needs which are beyond basic needs and provide services in great demand such as rehabilitation and geriatric services to complement public medical institutions.

Up to 2020, planning shall be reserved for private medical institutions ensuring that each one thousand residents are entitled to no less than 1.5 hospital beds. Reservation shall also be made for the setup of diagnosis and treatment subjects and the allocation of large medical equipment. Requirements for the qualifications of medical institution sponsors shall be reduced as well as the conditions of setup medical institution through Sino-foreign equity/cooperative joint venture. The pilot scheme of establishment of medical institutions solely invested by qualified overseas capitals shall be expanded steps by steps. The requirements of service scope shall also be reduced and the social capitals shall be allowed to invest in areas not explicitly prohibited by the laws and regulations. Not-for-profit medical institutions are entitled to prior support. Private medical institutions shall be guided to develop into a high and large-scale level. Professional hospital management group shall develop. Support shall be made to the allocation of large medical equipment of private medical institutions. The review and approval formalities shall be more efficient. Where the private medical institution is qualified, the corresponding approval shall be assumed and the process shall be simplified to improve the approval efficiency.

Several Policies and Measures Regarding the Promotion of Accelerating the Development of the Medical Institutions Invested by Private Capital

Several Policies and Measures Regarding the Promotion of Accelerating the Development of the Medical Institutions Invested by Private Capital (關於促進社會辦醫加快發展若干政策措施的通知), which was promulgated by the General Office of the State Council on 11 June 2015 and came into effect on the same day, stipulate that, (i) the elimination and cancellation of unreasonable preceding items for examination and approval and the reduction in the time required for making such examination and approval; (ii) the reasonable control of the number and scale of the public medical institutions and the exploration of the space for development of the medical institutions invested by private capital; (iii) the support for the listing and financing of such eligible and qualified for-profit medical institutions invested by private capital; (iv) and that private investors with managerial experience in medical institutions are encouraged to participate in the management of public medical institutions

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through various forms including hospital management groups and subject to the clear distribution of power and responsibilities.

Notice on Printing Guiding Principles for the Allocation Planning of Medical Institutions (2016–2020)

The Notice on Printing Guiding Principles for the Allocation Planning of Medical Institutions (2016–2020) (國家衛生計生委關於印發醫療機構設置規劃指導原則(2016–2020年)的通知), which was promulgated by the National Health and Family Planning Commission on 21 July 2016, encourages the medical institutions with social capital and stipulates (i) the acceleration of the scale and high-level development of medical institutions with social capital, and the involvement of medical institutions with social capital in relevant planning to reserve space for the allocation of resources such as beds and large medical equipment according to a certain proportion; (ii) the cancellation of limitations on the amount and location of medical institutions with social capital in terms of the accordance with total amount and structure of planning; (iii) the preference to the allocation approval of resource-scarce and not-for-profit specialised medical institutions established by social capital; (iv) the encouragement of the establishment of private clinics by medical practitioners with middle and high professional title.

Regulations on the Administration and Classification of Healthcare Institutions

Administrative Measures on Medical Institutions and the Medical Institution Practicing Licence

The Administrative Measures on Medical Institutions (醫療機構管理條例), which was promulgated on 26 February 1994 by the State Council and came into effect on 1 September 1994 and amended on 6 February 2016, and the Implementation Measures of the Administrative Measures on Medical Institutions (醫療機構管理條例實施細則), which was promulgated by the National Health and Family Planning Commission on 29 August 1994 and came into effect on 1 September 1994 and amended on 21 February 2017, stipulate that the establishment of healthcare institutions shall comply with the relevant regional planning requirements as well as the basic standards of healthcare institutions. Any entity or individual that intends to establish a healthcare institution must follow the application approval procedures and register with the relevant healthcare administrative authorities to obtain a Medical Institution Practicing Licence (醫療機構執業許可證).

Administrative Measures for the Examination of Medical Institutions (For Trial Implementation)

The Administrative Measures for the Examination of Medical Institutions (For Trial Implementation) (醫療機構校驗管理辦法(試行)) (the “**Administrative Measures for Examination**”), which was promulgated by the National Health and Family Planning Commission and came into effect on 15 June 2009, stipulate a healthcare institution’s Medical Institution Practicing Licence is subject to periodic examinations and verifications by the registration authorities, and will be cancelled if such healthcare institution fails to pass the examination.

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Points Management System for Bad Practice of Medical Institutions

Many local administrative departments of health have promulgated regulations on points management system for bad practice of medical institutions. According to the Administrative Measures for Points Management System for Bad Practice of Medical Institutions (For Trial Implementation) promulgated by Guangdong Provincial Health Bureau (廣東省衛生廳關於醫療機構不良執業行為記分的試行管理辦法), the points of bad practice in medical institutions shall be counted as one cycle in one year, starting from the date of verification. If an medical institution scores up to 24 points in a year, the annual verification will be suspended for one to six months. The medical institution should take rectification measures during the suspension period and re-apply for verification within 5 days after the expiration date.

Opinions on Implementing Classification Administration of Urban Medical Institutions

The Opinions on Implementing Classification Administration of Urban Medical Institutions (關於城鎮醫療機構分類管理的實施意見), which was jointly promulgated by the National Health and Family Planning Commission, State Administration of Chinese Traditional Medicine, Ministry of Finance and National Development and Reform Commission on 18 July 2000 and came into effect on 1 September 2000, provide that not-for-profit and for-profit healthcare institutions shall be classified based on their business objectives, service purposes and implementation of various financial, taxation, pricing and accounting policies. Also, governments shall not operate for-profit healthcare institutions. Healthcare institutions shall file with relevant authorities of health written statements of their not-for-profit/for-profit status when they go through application, registration and re-examination procedures in accordance with relevant laws, and the handling authority of health shall, jointly with other relevant authorities, decide the not-for-profit/for-profit status for such healthcare institution based on the source of its investment and the nature of its business.

Categories of Healthcare Institutions in the PRC

According to the Basic Standards for Medical Institutions (For Trial Implementation) (醫療機構基本標準(試行)) which was promulgated on 2 September 1994 and revised on 2 August 2010, 5 December 2011 and 12 June 2017 and the Interim Measures for the Assessment of Medical Institutions (醫院評審暫行辦法) promulgated by the National Health and Family Planning Commission on 21 September 2011, medical institutions in the PRC can be graded into three classes (Class I, II and III) with regard to their medical practice conditions, including but not limited to, the amount of registered beds, treatment departments, personnel, properties, equipment as well as completeness of their internal rules and regulations. After obtaining the Medical Institution Practising License (醫療機構執業許可證) and three years of business operation, hospitals in the PRC may choose to apply for the classification and obtain a certificate confirming the grading. It is, however, not a compulsory requirement, and our Directors confirm that Shenzhen C-MER Hospital has no plans to apply for the grade assessment.

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Regulations on the Supervision over Pharmaceuticals and Medical Equipment in Healthcare Institutions

Measures for the Supervision and Administration of Pharmaceuticals in Medical Institutions (for Trial Implementation)

The Measures for the Supervision and Administration of Pharmaceuticals in Medical Institutions (for Trial Implementation) (醫療機構藥品監督管理辦法(試行)), which was promulgated by China Food and Drug Administration and came into effect on 11 October 2011, stipulate that healthcare institutions must purchase pharmaceuticals from enterprises qualified for the production or distribution of pharmaceuticals and comply with certain standards in respect of the storage, safekeeping, preparations and use of such pharmaceuticals. Pharmaceutical preparation produced by a healthcare institution must only be used by and for that healthcare institution. Healthcare institutions are prohibited from selling prescription pharmaceuticals to the public by such means as post, online transaction and open-shelf selection.

Regulations on the Administration of Narcotic Pharmaceuticals and Psychotropic Substances

The Regulations on the Administration of Narcotic Pharmaceuticals and Psychotropic Substances (麻醉藥品和精神藥品管理條例), which was promulgated by the State Council on 3 August 2005 and revised on 7 December 2013 and 6 February 2016, provide that, where a healthcare institution needs to use any narcotic pharmaceutical or Class I psychotropic substance, it shall, upon approval by the competent public health department, obtain the Seal Card for the Purchase and Use of Narcotic Pharmaceuticals and Class I Psychotropic Substances (the “Seal Card”). If a healthcare institution with a Pharmaceutical Preparation Certificate for Medical Institutions (醫療機構製劑許可證) and a Seal Card needs to dispense for clinical use any narcotic pharmaceutical or psychotropic substance which is not available on the market, the preparation shall be subject to approval by the competent provincial, regional or municipal pharmaceutical regulatory department where the healthcare institution is located. The pharmaceutical preparations of a narcotic pharmaceutical or psychotropic substance dispensed by the healthcare institution may only be used in the institution itself and may not be marketed.

Laws and Regulations on Medical Personnel of Healthcare Institutions

Law on Medical Practitioners of the PRC

The Law on Medical Practitioners of the PRC (中華人民共和國執業醫師法), which was promulgated by the Standing Committee of the National People’s Congress on 26 June 1998 and came into effect on 1 May 1999 and amended on 27 August 2009, provides that doctors in the PRC must obtain qualification licences for their medical profession. Qualified doctors and qualified assistant doctors must register with the relevant public health administrative authorities at or above the county level. After registration, doctors may work at healthcare institutions in their registered location in the types of jobs and within the scope of medical treatment, disease-prevention or healthcare business as provided in their registration.

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The Notice on Issues concerning Multi-sited Practices of Doctors

The Notice on Issues concerning Multi-sited Practices of Doctors (衛生部關於醫師多點執業有關問題的通知), which was promulgated by the National Health and Family Planning Commission on 11 September 2009 and came into effect on the same date, provides that a classification administration system shall be implemented for doctors' multi-sited practices. Doctors can practice in its cooperative healthcare institutions after performing relevant record-filing procedures with the authorities with which doctors' Medical Institution Practicing Licence registered. The local NHFPC shall implement its multi-sited practices policies after being approved by NHFPC. On 12 July 2011, the Notice of the Office of the National Health and Family Planning Commission on Expanding the Pilot Scope of Multi-sited Practices of Doctors (衛生部辦公廳關於擴大醫師多點執業試點範圍的通知) further expands the trial areas of doctors' multi-sited practices. Qualified doctors in the pilot areas can apply for at most three locations as their practicing sites. Several Opinions on Accelerating the Development of Medical Institutions with Social Capital (關於加快發展社會辦醫的若干意見), which was promulgated on 30 December 2013 by the National Health and Family Planning Commission and the State Administration of Traditional Chinese Medicine, specifically stipulate that multi-sited practices of doctors shall be permitted and relevant authorities should permit the orderly movements of the medical personnel among medical institutions of various sponsorship.

Administrative Provisions for Short-term Medical Practice of Doctors in Mainland China

According to the Interim Measures for the Administration of Short-term Medical Practice in China by Foreign Doctors (外國醫師來華短期行醫暫行管理辦法), which was promulgated by the Ministry of Health on 7 October 1992, became effective on 1 January 1993 and was amended on 19 January 2016, foreign doctors practicing medicine in China must register and obtain the certificate of short-term medical practice for foreign doctors (外國醫師短期行醫許可證).

According to the Administrative Provisions on Short-term Medical Practice in the Mainland of Doctors of the Hongkong and Macao Special Administrative Region (香港、澳門特別行政區醫師在內地短期行醫管理規定), which was promulgated by the Ministry of Health on 29 December 2008 and became effective on 1 March 2009, doctors in Hong Kong and Macao who practise medicine in the mainland should practise registration and obtain the certificate of short-term medical practice for Hong Kong and macao doctors (港澳醫師短期行醫執業證書).

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Regulations on Nurses

The Regulations on Nurses (護士條例), which was promulgated by the State Council on 31 January 2008 and came into effect on 12 May 2008, provide that a nurse must obtain a nurse's Practicing Certificate, which is valid for five years. The number of nurses on duty at a healthcare institution shall not be less than the standard number as prescribed by the public health administrative authority of the State Council.

Laws and Regulations on Medical Malpractice

The General Principles of the Civil Law of the PRC

The General Principles of the Civil Law of the PRC (中華人民共和國民法通則), which was promulgated by the National People's Congress on 12 April 1986, came into effective on 1 January 1987 and amended on 27 August 2009, provided that contracting parties shall perform their obligations in full as agreed. The General Rules of the Civil Law of the PRC (中華人民共和國民法總則), which was issued by the National People's Congress on 15 March 2017 and has come into effect since 1 October 2017, provide that a contract entered into in accordance with the law is legally binding on the parties concerned.

Contract Law of the PRC

The Contract Law of the PRC (中華人民共和國合同法), which was promulgated by the National People's Congress on 15 March 1999 and came into effect on 1 October 1999, provide that the contracting parties shall observe the principle of honesty and good faith in exercising their rights and performing their obligations. A lawfully established contract shall be legally binding on the contracting parties, each of whom shall perform its own obligations in accordance with the terms of the contract, and no party shall unilaterally modify or terminate the contract.

Tort Liability Law of the PRC

The Tort Liability Law of the PRC (中華人民共和國侵權責任法), which as promulgated by the Standing Committee of the National People's Congress on 26 December 2009 and came into effect on 1 July 2010, provides that, if a healthcare institution or its medical personnel are at fault for damage inflicted on a patient during the course of diagnosis and treatment, the healthcare institution will be liable for compensation. The damage caused to the patient by the failure of the medical personnel to fulfil their statutory obligations in the course of diagnosis and treatment will be paid by the healthcare institution. Healthcare institutions and their medical personnel will protect the privacy of their patients and will be liable for damage caused by divulging the patients' private or medical records without consent.

APPLICABLE LAWS AND REGULATIONS

Regulations on Handling Medical Malpractice

The Regulations on Handling Medical Malpractice (醫療事故處理條例), which was promulgated by the State Council on 4 April 2002 and came into effect on 1 September 2002, provide a legal framework and detailed provisions regarding the prevention, identification, disposition, compensation and penalties of or relating to cases involving personal injury to patients caused by healthcare institutions or medical personnel due to malpractice.

Regulations on Medical Advertising in the PRC

Advertisement Law of the PRC

The Advertisement Law of the PRC (中華人民共和國廣告法), which was promulgated by the Standing Committee of National People's Congress on 27 October 1994 and came into effect on 1 February 1995 and further amended and came into effect on 1 September 2015, provides that advertisements shall not contain false statements and be deceitful or misleading to consumers. Advertisements legally required to receive censorship, including those that are relating to pharmaceuticals and medical devices, shall be reviewed by relevant authorities in accordance with relevant rules before being distributed by broadcasting, movies, television, newspapers, journals or otherwise. The amended Advertisement Law further stipulates that any advertisement for medical treatment, pharmaceuticals or medical devices shall not contain: (i) any assertion or guarantee for efficacy and safety; (ii) any statement on cure rate or effective rate; (iii) any comparison with the efficacy and safety of other pharmaceuticals or medical devices or with other healthcare institutions; (iv) any use of endorsements or testimonials; or (v) other items as prohibited by laws and administrative regulations.

Interim Measures for the Administration of Internet Advertisement

The Interim Measures for the Administration of Internet Advertisement (互聯網廣告管理暫行辦法), which was promulgated by the State Administration of Industry and Commerce on 4 July 2016 and came into effect on 1 September 2016, provides that Internet advertisement shall be identifiable and clearly identified as an “advertisement” so that consumers will tell it is an advertisement. Paid search advertisements shall be clearly distinguished from natural search results. No entity and individual may publish any advertisement of over-the-counter medicines or tobacco by means of the Internet. No advertisement of any medical treatment, medicines, foods for special medical purpose, medical apparatuses, pesticides, veterinary medicines, dietary supplement or other special commodities or services which are subject to review by advertisement review authorities as stipulated by laws and regulations shall be released unless it has passed such review.

APPLICABLE LAWS AND REGULATIONS

Administrative Measures on Medical Advertisement

The Administrative Measures on Medical Advertisement (醫療廣告管理辦法), which was jointly promulgated by the State Administration of Industry and Commerce and the National Health and Family Planning Commission on 10 November 2006 and came into effect on 1 January 2007, require that medical advertisements shall be reviewed by relevant health authorities and obtain a Medical Advertisement Review Certificate (醫療廣告審查證明) before they may be released by a healthcare institution. Medical Advertisement Review Certificate has an effective term of one year and may be renewed upon application.

Regulations on Environmental Protection related to Healthcare Institutions

Regulations on the Management of Medical Waste and its implementation measures

The Regulations on the Management of Medical Waste (醫療廢物管理條例), which was promulgated by the State Council on 16 June 2003 and came into effect on the same day and further amended and came into effect on 8 January 2011, and the Implementation Measures of the Management of Medical Waste (醫療衛生機構醫療廢物管理辦法), which was promulgated by the National Health and Family Planning Commission on 15 October 2003 and came into effect on the same day, stipulate that healthcare institutions must timely deliver medical waste to a specially designated location for centralised disposal of medical waste and categorise the medical waste in accordance with the Classified Catalogue of Medical Waste. High-risk waste such as the culture medium or specimens of pathogens and the preserving liquid of bacteria strains or virus strains must be sterilised on the spot before disposal. Sewage generated by any healthcare institution and excretion of its patients or patients suspected of infectious diseases must be sterilised in accordance with the relevant laws, rules and regulations, and must not be discharged into sewage until the relevant standards are met.

Regulations on Urban Drainage and Sewage Treatment

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

APPLICABLE LAWS AND REGULATIONS

Laws and Regulations on Pharmaceutical Distribution

The Opinions on Promoting Drug Pricing Reform

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

Regulations on Medical Devices

Regulations on the Supervision and Administration of Medical Devices

The Regulations on the Supervision and Administration of Medical Devices (醫療器械監督管理條例) (the “**Regulations on Medical Devices**”), which was promulgated by the State Council on 4 January 2000 and amended on 7 March 2014 and 4 May 2017 and came into effect on the same day, mainly regulate the management of medical devices manufactures and the distribution and use of medical devices and the supervision over medical devices as well as relevant legal obligations.

The Administrative Measures for the Registration of Medical Devices (醫療器械註冊管理辦法), which was promulgated by China Food and Drug Administration on 30 July 2014 and came into effect on 1 October 2014, mainly regulate the registration and record-filing of medical devices. Sale or use of medical devices within the territory of the PRC shall be subject to application for registration or record-filing accordingly.

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Laws and Regulations Related to Foreign Investment in the PRC

Company Law of the PRC

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

Wholly Foreign-Owned Enterprise Law of the PRC and its implementation measures

The Wholly Foreign-Owned Enterprise Law of the PRC (中華人民共和國外資企業法), which was promulgated by the Standing Committee of the National People's Congress on 31 October 2000, and came into effect on the same day and further amended on 3 September 2016, and the Implementation Measures for the Wholly Foreign-Owned Enterprise Law (中華人民共和國外資企業法實施細則), which was promulgated by the State Council on 12 April 2001, came into effect on the same day and amended on 19 February 2014, stipulate that foreign enterprises and other economic organisations or individuals may establish wholly foreign-owned enterprises (“WFOEs”) in China. The application for the establishment of a WFOE is subject to the examination and approval by the competent commercial departments before an Approval Certificate is issued.

Interim Provisions on Investment Made by Foreign-Invested Enterprises in China

The Interim Provisions on Investment Made by Foreign-Invested Enterprises in China (關於外商投資企業境內投資的暫行規定), which was jointly promulgated by the Ministry of Commerce and the State Administration of Industry and Commerce on 25 July 2000 and amended on 28 October 2015, stipulate that the provisions of the Interim Provisions Guiding Foreign Investment Direction and the Industry Catalogue for Guiding Foreign Investment will govern foreign-invested enterprises' investment in China. Foreign-invested enterprises are not permitted to invest in any sector prohibited to foreign investment. Where a foreign-invested enterprise makes investment in a restricted sector, the foreign-invested enterprise must file an application with the provincial commercial department of the place where the investee company is located. The relevant company registration authority will, in accordance with the relevant provisions of the Company Law and the Regulations on the Administration of Company Registration of the PRC (中華人民共和國公司登記管理條例), decide whether or not to approve the registration. If the registration is approved, a Business Licence of an Enterprise Legal Person will be issued with the designation “Invested by a Foreign-Invested Enterprise”. The foreign-invested enterprise is required to report the establishment of the investee company within 30 days of the date of its establishment to the original examination and approval authority for record-filing.

Domestic Regulations on Establishment of Wholly Foreign Owned Hospitals

CEPA and its adoption into PRC domestic law

The Mainland and Hong Kong Closer Economic Partner Arrangement(內地與香港關於建立更緊密經貿關係的安排) and its six Annexes (collectively, “CEPA”) were entered into between the governments of Hong Kong and the PRC on 29 June 2003 and 29 September 2003, respectively. CEPA aims to promote the joint economic prosperity and development of the PRC and Hong Kong and to facilitate further development of economic links between the PRC, Hong Kong and other countries and regions. The Agreement on Trade in Services of Mainland and Hong Kong Closer Economic Partner Arrangement (《內地與香港關於建立更緊密經貿關係的安排》服務貿易協議) (the “**Agreement**”) was entered into between the Ministry of Commerce and Hong Kong on 27 November 2015 under the framework of CEPA, the Agreement came into effect on 27 November 2015 and was implemented on 1 June 2016. The Agreement makes reference to the framework of the Agreement between the Mainland and Hong Kong on Achieving Basic Liberalisation of Trade in Services in Guangdong (關於內地在廣東與香港基本實現服務貿易自由化的協議) (the “**Guangdong Agreement**”). On the basis of the Guangdong Agreement, the Agreement further enhances the liberalisation in both breadth and depth, including extending the implementation of the majority of Guangdong pilot liberalisation measures to the whole Mainland; reducing the restrictive measures in the negative list, and adding 28 liberalisation measures in the positive lists for cross-border services as well as cultural and telecommunications services. The main text of the Agreement sets out provisions for, among others, national treatment, most-favoured treatment, safeguard measures, exceptions, and investment facilitation. The favourable position of Hong Kong to enjoy the most preferential liberalisation measures of the Mainland is assured by the “most-favoured treatment” provision of the Agreement, which specifies that any preferential treatment the Mainland accorded to other countries or regions, if more preferential than those under CEPA, will be extended to Hong Kong.

Relevant CEPA provisions in relation to the medical service industry have been adopted into the PRC domestic law by (i) Interim Administrative Measures on the Establishment in the PRC of Wholly Foreign Owned Hospitals by Hong Kong and Macau Service Providers (《香港和澳門服務提供者在內地設立獨資醫院管理暫行辦法》), which was jointly published by the Ministry of Health and the Ministry of Commerce on 22 December 2010 and came into effect on 1 January 2011; (ii) the Notice on Certain Questions regarding the Establishment in the PRC of Medical Institution by Hong Kong and Macau Service Providers (《關於香港和澳門服務提供者在內地設立醫療機構有關問題的通知》), which was jointly published by the Ministry of Health and the Ministry of Commerce on 22 October 2012 and came into effect on 1 January 2013; (iii) the Notice of the Adjustment to the Approval Authority for the Establishment in the PRC of Medical Institution by Hong Kong and Macau Service Providers (《關於調整港澳台服務提供者在內地設置獨資醫院審批權限的通知》), which was published by the National Health and Family Planning Commission on and with effect from 12 December 2013; and (iv) Administrative Measures for Hong Kong and Macau Medical Practitioners to obtain Mainland’s Medical Practitioner’s Qualification Certificates through Accreditation (《香港和澳門特別行政區醫師獲得內地醫師資格認定管理辦法》), which was published by the

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Ministry of Health and State Administration of Traditional Chinese Medicine on 15 April 2009 and came into effect on 15 April 2009.

In accordance with CEPA and based on the aforementioned PRC domestic regulations, subject to the approval of the PRC health administration department at the provincial level, properly qualified and licenced Hong Kong service suppliers are permitted to establish wholly-owned medical institutions in the PRC. In addition, Doctors of Hong Kong and Macau Special Administrative Region are permitted to apply for and obtain the PRC medical practitioner qualification without examination if certain conditions are met. The effect of CEPA and the domestic regulations is therefore to lift the restrictions otherwise imposed on foreign investment in the medical industry under the Foreign Investment Catalogue and Interim Administrative Measures on Sino-foreign Equity Medical Institution and Sino-foreign Cooperative Medical Institutions. We comply with the regulations and Dr. Dennis LAM has obtained the PRC medical practitioner qualification in accordance with the regulations.

The Industry Catalogue for Guiding Foreign Investment and Interim Provisions Guiding Foreign Investment Direction

The current Industry Catalogue for Guiding Foreign Investment (外商投資產業指導目錄)(the “**Foreign Investment Catalogue**”), which was jointly promulgated by the National Development and Reform Commission and Ministry of Commerce on 10 March 2015, and came into effect on 10 April 2015, and the Provisions on Guiding Foreign Investment Direction (指導外商投資方向規定), which was promulgated by the State Council on 11 February 2002, and came into effect on 1 April 2002, classify all foreign investment projects into four categories: (1) encouraged projects, (2) permitted projects, (3) restricted projects, and (4) prohibited projects. If the industry in which the investment is to occur falls into the encouraged category, foreign investment, in certain cases, may enjoy preferential policies or benefits. If restricted, foreign investment may be conducted in accordance with applicable legal and regulatory restrictions. If prohibited, foreign investment of any kind is not allowed. On 29 June 2017, the National Development and Reform Commission and Ministry of Commerce jointly promulgated the Industry Catalogue for Guiding Foreign Investment (revised in 2017) (the “**2017 Foreign Investment Catalogue**”) which will become effective from 28 July 2017. According to the current Foreign Investment Catalogue and the 2017 Foreign Investment Catalogue, foreign investment in healthcare institutions is restricted to the form of sino-foreign cooperation or joint venture.

Pursuant to the Circular on Carrying Out the Pilot Programme of the Establishment of Wholly Foreign-Owned Hospitals (關於開展設立外資獨資醫院試點工作的通知), which was jointly promulgated by the Ministry of Commerce and the National Health and Family Planning Commission on 25 July 2014, foreign investors are allowed to set up wholly foreign-owned hospitals in Beijing, Tianjin, Shanghai, Jiangsu Province, Fujian Province, Guangdong Province and Hainan Province as long as they meet certain requirements.

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Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定) (the “M&A Rules”), which was jointly promulgated by the Ministry of Finance, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration of Industry and Commerce, the China Securities Regulatory Commission, and the State Administration of Foreign Exchange on 8 August 2006, came into effect on 8 September 2006 and subsequently amended on 22 June 2009, require that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by relevant commerce authorities.

Regulations on the Management of Lease Housing

Administrative Measures on Leasing of Commodity Housing

The Administrative Measures on Leasing of Commodity Housing, which was promulgated by the Ministry of Housing and Urban-Rural Development on 1 December 2010 and came into effect on 1 February 2011, stipulate that the lessor and the lessee shall complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development (real estate) department of the People’s Government of the centrally-administered municipality, municipality or county where the leased property is located. Organisations who violate the provisions of the 1st paragraph of Article 14 of these Measures shall be ordered by the development (real estate) department of the People’s Governments of centrally-administered municipalities, municipalities or counties to make correction within a stipulated period; where the organisation failed to make correction within the stipulated period, a fine ranging from RMB1,000 to RMB10,000 shall be imposed.

Laws and Regulations Related to Labour Protection

Labour Protection and Social Insurance

According to the Labour Law of the PRC (《中華人民共和國勞動法》) effected on 1 January 1995 and amended on 27 August 2009, the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) effected on 1 January 2008 and amended on 28 December 2012 and the Regulations on the Implementation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which was issued and became effective on 18 September 2008, an employer must enter into a written labour contract with any employees and the wage or salary must not be lower than the local minimum wage or salary. In addition, an employer must establish a system related to occupation health and safety, provide job training for employees to avoid occupational hazards and protect the rights of employees. When an employer recruits any employees, such employer must inform the employees of the work content, work conditions, work place, occupational hazards, safety conditions and labour compensations.

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According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was issued on 28 October 2010 and effected on 1 July 2011, the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費征繳暫行條例》), which was issued and effected on 22 January 1999, the Provisional Measures on Maternity Insurance of Enterprise Employees (《企業職工生育保險試行辦法》), issued on 14 December 1994 and effected 1 January 1995, the Regulations on Unemployment Insurance (《失業保險條例》), which was issued and effective on 22 January 1999, and the Regulations on Work Related Injuries (《工傷保險條例》), effected on 1 January 2004 and amended on 20 December 2010, an employer must make contributions to a number of social security funds for its employees, including the basic pension insurance, basic medical insurance, maternity insurance, unemployment insurance and work-related injury insurance. According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), effected on 3 April 1999 and amended on 24 March 2002, an employer must open a housing fund account with the department responsible for the management of housing fund for its employees and make contributions to such housing fund.

Laws and Regulations Relating to Taxation

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “EIT Law”), which was promulgated by the National People’s Congress on 16 March 2007 and came into effect on 1 January 2008, and further amended on 24 February 2017, and the Implementation Regulations on the EIT Law of the PRC (中華人民共和國企業所得稅法實施條例), which was promulgated by the State Council on 6 December 2007 and came into effect on 1 January 2008, the tax rate for both domestic-funded enterprises and foreign-invested enterprises is 25%. Under the EIT Law and EIT Rules, enterprises are classified as either “resident enterprises” or “non-resident enterprises”. Enterprises established outside the PRC whose “de facto management bodies” are located in the PRC are considered “resident enterprises” and subject to the uniform 25% EIT rate for their global income. According to the implementation rules of the EIT Law, a “de facto management body” refers to a managing body that exercises, in substance, overall management and control over the manufacture and business, personnel, accounting and assets of an enterprise. Dividends from resident enterprises to their investors, which are treated as resident enterprises, are exempted from withholding tax.

The EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose “de facto management bodies” are not within the PRC but which have an established or place of business in the PRC, or which do not have an established or place of business in the PRC but have income sourced within the PRC. The EIT Rules provide that after 1 January 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-resident enterprise investors which do not have an establishment or place of business in the PRC, or which have such established or place of business but the relevant income is not effectively connected with the established or place of business, to the extent such dividends are derived from source within the PRC. The income tax on the dividends may be

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reduced pursuant to a tax treaty between the PRC and the jurisdiction in which the non-resident enterprise investors is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

Tax Treaties

According to the Treaty on the Avoidance of Double Taxation and Tax Evasion between Mainland and Hong Kong (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 21 August 2006, if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which beneficially owns a 25% or more interest in the PRC enterprise, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments once approvals have been obtained from the relevant tax authorities. The determination of beneficial ownership is clarified under the Notice on Understanding and Determining Beneficial Owners (國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知) issued by the State Administration of Taxation on 27 October 2009, which expressly excludes from the definition of a beneficial owner any company not engaged in actual operations such as manufacturing, sales or management but that is established for the purpose of avoiding or reducing tax obligations or transferring or accumulating profits.

Pursuant to the Notice on the Several Issues of the Implementation of Tax Treaty (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated by the State Administration of Taxation and came into effect on 20 February 2009, the non-resident taxpayer or the withholding agent is required to obtain and keep sufficient documentary evidence proving that the recipient of the dividends meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty. Pursuant to the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (非居民納稅人享受稅收協定待遇管理辦法), which was promulgated by the SAT on 27 August 2015, any non-resident taxpayer fulfilling conditions for enjoying the convention treatment may be entitled to the convention treatment on its own when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》), which was promulgated by the Stated Council on 13 December 1993 and subsequently amended on 10 November 2008 and its Implementation Rules (《中華人民共和國營業稅暫行條例實施細則》) which was promulgated by the Ministry of Finance on 18 December 2008 and subsequently amended on 28 October 2011, all of which became effective on 1 January 2009, unless stated otherwise, the tax payers providing taxable services the PRC are required to pay a business tax at a normal tax rate of 5% of their revenues.

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Value-Added Tax

The Temporary Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例), which was promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994, and amended on 10 November 2008 and 6 February 2016, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例實施細則), which was promulgated by the Ministry of Finance and became effective on 25 December 1993, and was amended on 15 December 2008 and 28 October 2011, set forth that all taxpayers selling goods or providing processing, repairing or replacement services and importing goods in the PRC shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling or importing various goods and on taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

According to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (營業稅改徵增值稅試點方案), which was promulgated by the Ministry of Finance and the State Administration of Taxation, the government launched gradual taxation reforms starting from 1 January 2012, whereby it collected value-added tax in lieu of business tax on a trial basis in regions and industries showing strong economic performance, such as transportation and certain modern service industries.

Furthermore, according to the Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Programme of Replacing Business Tax with Value-added Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知), all business tax payers in consumer service industry shall pay value-added tax in lieu of business tax from 1 May 2016 and the taxpayer may continue to enjoy tax incentives of VAT in accordance with the relevant provisions in the remaining period of tax incentives if tax incentives of business tax before the application of pilot collection of VAT in lieu of business tax has already been enjoyed.

Legal Supervision Over Foreign Exchange In The PRC

The Regulations on the Control of Foreign Exchange (外匯管理條例), which was promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and was amended on 14 January 1997 and 5 August 2008, set forth that foreign exchange receipts of domestic institutions or individuals may be transferred to China or deposited abroad and that SAFE shall specify the conditions for transfer to China or overseas and other requirements in accordance with the international receipts, payments status and requirements of foreign exchange control. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Domestic institutions or individuals that make direct investments abroad or are engaged in the distribution or sale of valuable securities or derivative products overseas shall register according to SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with other competent authority shall complete the required approval

APPLICABLE LAWS AND REGULATIONS

or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

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

On 30 March 2015, the State Administration of Foreign Exchange promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (“**Circular 19**”), which came into effect on 1 June 2015. According to Circular 19, the foreign exchange capital of foreign invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement (“**Discretionary Foreign Exchange Settlement**”). The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of an foreign invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign invested enterprise. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of an foreign invested enterprise is temporarily determined as 100%. The RMB converted from the foreign exchange capital will be kept in a designated account and if an foreign invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks. Furthermore, Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of an foreign invested enterprise and capital in RMB obtained by the foreign invested enterprise from foreign exchange settlement shall not be used for the following purposes: (1) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (2) directly or indirectly used for investment in securities unless otherwise provided by relevant laws and regulations; (3) directly or indirectly used for granting the entrust loans in RMB (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in RMB that have been sub-lent to the third party; and (4) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

APPLICABLE LAWS AND REGULATIONS

Laws and Regulations Related to Dividend Distribution

The principal regulations governing distribution of dividends of foreign holding companies include the Company Law of the PRC (《中華人民共和國公司法》) promulgated by the National People's Congress Standing Committee in 1993 and amended in 1999, 2004, 2005 and 2013, the Foreign Investment Enterprise Law of the PRC (《中華人民共和國外資企業法》) promulgated by the National People's Congress Standing Committee in 1986 and amended in 2000 and 2016, and the Administrative Rules under the Foreign Investment Enterprise Law (《外資企業法實施細則》) promulgated by the State Council in 1990 and amended in 2001 and 2014. Under the laws and regulations, foreign investment enterprises in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly-foreign-owned enterprises in the PRC, like our PRC subsidiary, are required to allocate at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

Our history can be traced back to January 2012 when we established our first eye centre in Central, Hong Kong named “C-MER Dennis Lam & Partners (希瑪林順潮中心)”. In March 2013, we expanded our service network into the PRC, when our first eye hospital in Shenzhen was established. We have established four Satellite Clinics in Mongkok, Yuen Long, Shatin and Causeway Bay, Hong Kong during the last three years. In December 2017, the Mongkok Surgery Centre has commenced business operations. With the experience from our eye hospital in Shenzhen, we have established our second eye hospital in Beijing for the purpose of expanding our service network into Northern China. Our eye hospital in Beijing is planned to commence business operations in January 2018. We also plan intend to open our fifth Satellite Clinic in Kwun Tong during the first quarter of 2018.

For the purpose of the Listing, our Company was incorporated in the Cayman Islands under the Companies Law with limited liability on 1 February 2016 to be the holding company of our Group.

BUSINESS MILESTONES

The following sets forth our key business milestones since the inception of our business:

<u>Month/Year</u>	<u>Business milestones</u>
January 2012	Establishment of our first eye centre in Central, Hong Kong.
March 2013	Opening of our first eye hospital in Shenzhen, the PRC.
January 2014	Opening of our first Satellite Clinic in Mongkok, Hong Kong.
January 2016	Opening of our second Satellite Clinic in Yuen Long, Hong Kong.
June 2016	Opening of our third Satellite Clinic in Shatin, Hong Kong.
February 2017	Opening of our fourth Satellite Clinic in Causeway Bay, Hong Kong.
December 2017	Opening of the Mongkok Surgery Centre.

OUR CORPORATE HISTORY

Our Company

Our Company was incorporated in the Cayman Islands on 1 February 2016. Further information on our Company is set forth in the paragraphs under “A. Further information about our Group — 2. Changes in our share capital” in Appendix IV to this prospectus. Our Company does not carry on any business activities and has become the holding company of our Group following completion of the Reorganisation.

HISTORY, DEVELOPMENT AND REORGANISATION

As of the Latest Practicable Date, our Group comprised our Company and various wholly-owned subsidiaries established in the BVI, Hong Kong and the PRC. Except as otherwise disclosed, members of our Group commenced business from their respective dates of incorporation or establishment.

Subsidiaries of our Company

As of the Latest Practicable Date, we had the following subsidiaries:

Name of the subsidiaries	Date of incorporation/ establishment	Place of incorporation/ establishment	Approved business activities
C-MER Eye Medical	12 February 2016	BVI	Investment holding
C-MER Eye Group	12 February 2016	BVI	Investment holding
HK C-MER China	4 October 2005 ⁽¹⁾	Hong Kong	Engaged in the provision of ophthalmic services in Hong Kong through its branches and registered under CEPA to establish medical institute in the PRC
HK Eye Care	12 October 2010 ⁽²⁾	Hong Kong	Engaged in the provision of ophthalmic services in Hong Kong through its branches
HK C-MER Vision	4 December 2012	Hong Kong	Investment holding
Shenzhen C-MER Optical Trading	1 March 2013	PRC	Engaged in wholesale, retail, import and export trade of spectacles and their components and related accessory businesses

Notes:

- (1) On 15 December 2011, Dr. Dennis LAM and Ms. LI acquired all shares of HK C-MER China for HK\$1,000.0 from an Independent Third Party and HK C-MER China was not engaged in any business activities until we opened our first eye centre in January 2012.
- (2) On 16 February 2011, Dr. Dennis LAM acquired the only one issued share of HK Eye Care for HK\$1.0 from Ms. LAM Pui Ngo Rita, a younger sister of Dr. LAM and HK Eye Care was not engaged in any business activities until we opened our first eye centre in January 2012.

HISTORY, DEVELOPMENT AND REORGANISATION

Name of the subsidiaries	Date of incorporation/ establishment	Place of incorporation/ establishment	Approved business activities
Shenzhen C-MER Hospital	11 January 2013	PRC	Engaged in diagnosis and treatment of ophthalmology, medical laboratory, medical imaging, anesthesiology and Chinese medicine ophthalmology
Shenzhen C-MER Research Institute	1 April 2015	PRC	Engaged in the exploration of and research on hospital management innovation model and hospital management consultancy
Beijing C-MER Hospital	24 June 2016	PRC	Engaged in ophthalmology, medical laboratory, medical imaging, anesthesiology, Chinese medicine ophthalmology and optical check
Shenzhen C-MER Management	5 May 2017	PRC	Provision of hospital management and supporting services (excluding medical treatment) and healthcare consultation services and development in medical technology and technological consultation

Non-PRC subsidiaries

C-MER Eye Medical

C-MER Eye Medical was incorporated in the BVI on 12 February 2016 with the authority to issue up to 50,000 shares with no par value, and has been wholly owned by our Company with 2,000 shares in issue at US\$2,000 since the date of incorporation.

C-MER Eye Medical is an investment holding company wholly owned by our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

C-MER Eye Group

C-MER Eye Group was incorporated in the BVI on 12 February 2016 with the authority to issue up to 50,000 shares with no par value, and has been wholly owned by our Company with 2,000 shares in issue at US\$2,000 since the date of incorporation.

C-MER Eye Group is an investment holding company wholly owned by our Company.

HK C-MER China

On 4 October 2005, HK C-MER China was incorporated in Hong Kong as a limited liability company with an initial issued share capital of HK\$1.0. HK C-MER China initially had one issued ordinary share which was held by Wilpac Limited, an Independent Third Party.

On 1 November 2005, Wilpac Limited transferred one ordinary share to Mr. LAM Lai Kun, an Independent Third Party, for the consideration of HK\$1.0. On 14 January 2006, the issued share capital was increased from HK\$1.0 to HK\$1,000.0 by allotment and issue of additional 999 ordinary shares to Mr. LAM Lai Kun.

On 27 September 2011, HK C-MER China changed its name to “Hong Kong C-MER International Eye Care Group (China) Limited 香港希瑪國際眼科醫療集團(中國)有限公司”.

On 27 September 2011, the issued share capital was increased from HK\$1,000.0 to HK\$50,000.0 by the allotment and issue of additional 49,000 ordinary shares to Dr. Dennis LAM.

On 15 December, 2011, Mr. LAM Lai Kun transferred 999 ordinary shares to Dr. Dennis LAM and one ordinary share to Ms. LI, respectively, for HK\$999.0 and HK\$1.0, respectively, based on the par value of the issued shares. HK C-MER China was a company conducting no business. The share transfer allowed Dr. Dennis LAM using HK C-MER China to commence his business of provision of ophthalmic services in Hong Kong.

On 18 November 2016, the issued share capital was increased from HK\$50,000.0 to HK\$500,000.0 by the allotment and issue of additional 450,000 ordinary shares to C-MER Eye Group. On 5 December 2016, Dr. Dennis LAM transferred 49,999 ordinary shares to C-MER Eye Group and Ms. LI transferred one ordinary share to C-MER Eye Group, for HK\$49,999.0 and HK\$1.0, respectively, and C-MER Eye Group became the sole shareholder of HK C-MER China.

As of the Latest Practicable Date, HK C-MER China had an issued share capital of HK\$500,000.0, comprising 500,000 ordinary shares, all of which were held by C-MER Eye Group.

As of the Latest Practicable Date, HK C-MER China has been duly registered under CEPA to establish medical institute in the PRC and has established two branches for the operation of the Central Eye Centre and the Satellite Clinic in Yuen Long, Hong Kong.

HISTORY, DEVELOPMENT AND REORGANISATION

HK Eye Care

On 12 October 2010, HK Eye Care was incorporated in Hong Kong as a limited liability company with an initial issued share capital of HK\$1.0. Ms. LAM Pui Ngo Rita, a younger sister of Dr. Dennis LAM, initially held one issued ordinary share, representing all the issued shares of HK Eye Care.

On 16 February 2011, Ms. LAM Pui Ngo Rita transferred one ordinary share to Dr. Dennis LAM for the consideration of HK\$1.0 based on the par value of the initial issued share capital. The share transfer allowed Dr. Dennis LAM using HK Eye Care to commence his business in Hong Kong. On 16 February 2011, the issued share capital was increased from HK\$1.0 to HK\$100.0 by the allotment and issue of additional 69 ordinary shares to Dr. Dennis LAM and 30 ordinary shares to Ms. LI, the spouse of Dr. Dennis LAM.

On 18 November 2016, the issued share capital was increased from HK\$100.0 to HK\$10,000.0 by the allotment and issue of additional 9,900 ordinary shares to C-MER Eye Medical. On 5 December 2016, Dr. Dennis LAM transferred 70 ordinary shares to C-MER Eye Medical and Ms. LI transferred 30 ordinary shares to C-MER Eye Medical for HK\$70.0 and HK\$30.0, respectively. C-MER Eye Medical became the sole shareholder of HK Eye Care since then.

As of the Latest Practicable Date, HK Eye Care had an issued share capital of HK\$10,000.0, comprising 10,000 ordinary shares, all of which were held by C-MER Eye Medical.

As of the Latest Practicable Date, HK Eye Care has established five branches for the operation of the Central Eye Centre, Mongkok Surgery Centre and the Satellite Clinics in Mongkok, Shatin and Causeway Bay, Hong Kong.

HK C-MER Vision

On 4 December 2012, HK C-MER Vision was incorporated in Hong Kong as a limited liability company with an initial issued share capital of HK\$100.0 divided into 100 ordinary shares of HK\$1.0 each. Dr. Dennis LAM and Ms. LI initially held 70 issued ordinary shares and 30 issued ordinary shares, respectively.

On 18 November 2016, the issued share capital was increased from HK\$100.0 to HK\$10,000.0 by the allotment and issue of additional 9,900 ordinary shares to C-MER Eye Group. On 5 December 2016, Dr. Dennis LAM transferred 70 ordinary shares to C-MER Eye Group and Ms. LI transferred 30 ordinary shares to C-MER Eye Group for HK\$70.0 and HK\$30.0, respectively. C-MER Eye Group became the sole shareholder of HK C-MER Vision since then.

As of the Latest Practicable Date, HK C-MER Vision had an issued share capital of HK\$10,000.0, comprising 10,000 ordinary shares, all of which were held by C-MER Eye Group.

HISTORY, DEVELOPMENT AND REORGANISATION

PRC subsidiaries

Shenzhen C-MER Optical Trading

On 1 March 2013, Shenzhen C-MER Optical Trading was established in the PRC as a company with limited liability and had an initial registered capital of RMB1,000,000, all of which was contributed by HK C-MER Vision. Shenzhen C-MER Optical Trading is a wholly-owned subsidiary of our Company.

Shenzhen C-MER Hospital

On 11 January 2013, Shenzhen C-MER Hospital was established in the PRC as a company with limited liability and had an initial registered capital of RMB20,000,000, all of which was contributed by HK C-MER China. Shenzhen C-MER Hospital is a wholly-owned subsidiary of our Company.

Shenzhen C-MER Research Institute

On 1 April 2015, Shenzhen C-MER Research Institute was established in the PRC as a private non-enterprise entity with an initial registered capital of RMB100,000, all of which was contributed by Shenzhen C-MER Hospital. Shenzhen C-MER Research Institute is a wholly-owned subsidiary of our Company.

Beijing C-MER Hospital

On 24 June 2016, Beijing C-MER Hospital was established in the PRC as a company with limited liability and had an initial registered capital of RMB20,000,000, all of which was contributed by HK C-MER China. Beijing C-MER Hospital is a wholly-owned subsidiary of our Company.

Shenzhen C-MER Management

Shenzhen C-MER Management was established in Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone on 5 May 2017 by HK C-MER China. The registered capital of Shenzhen C-MER Management is RMB100,000, all of which was contributed by HK C-MER China. Shenzhen C-MER Management is a wholly-owned subsidiary of our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

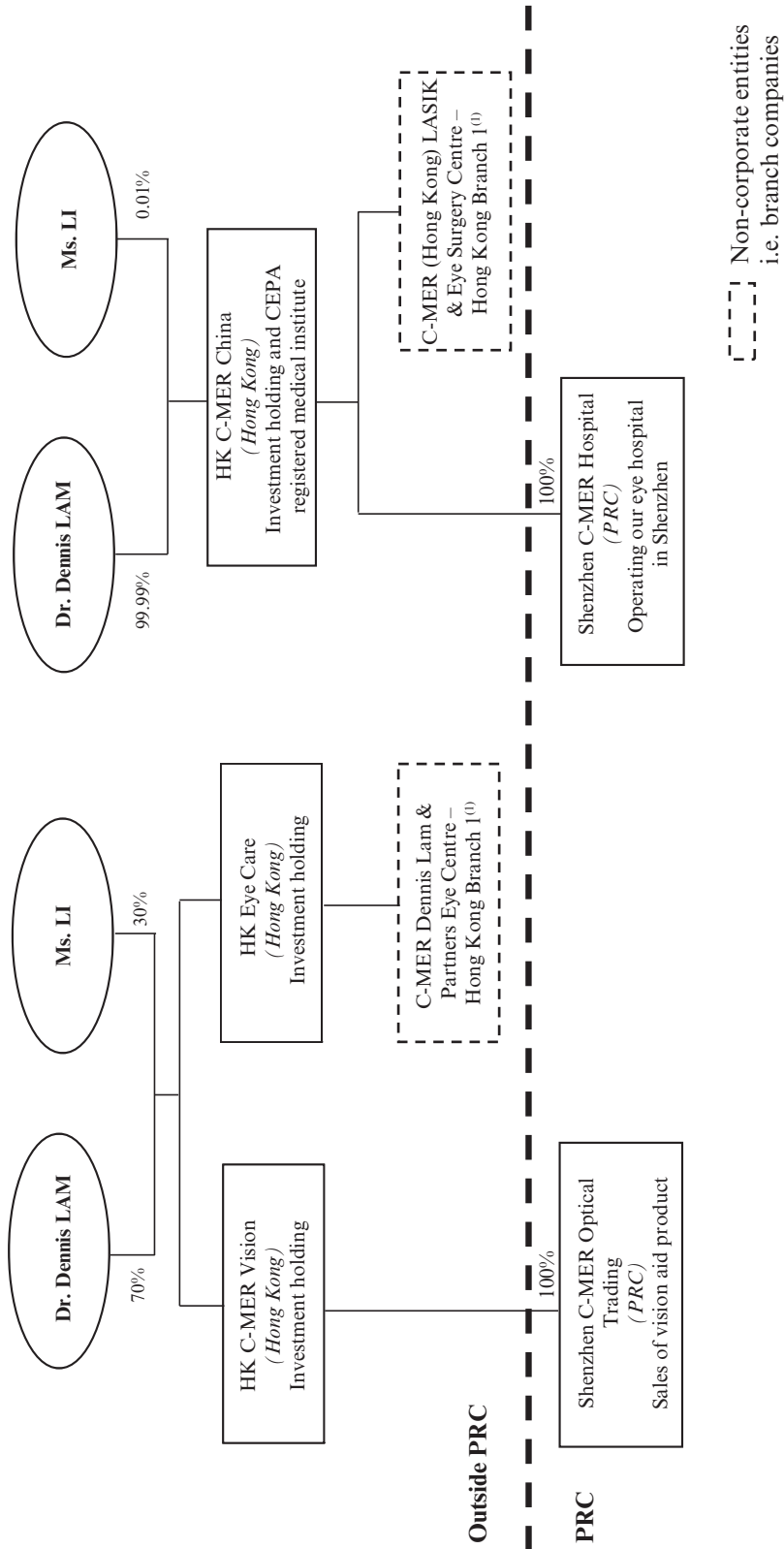
CORPORATE HISTORY OF D&S LIMITED AND THE SHENZHEN PROPERTY

In about April 2011, Dr. Dennis LAM and the other investors, who are Independent Third Parties and most of them are Hong Kong medical practitioners, agreed to invest in D&S Limited by way of (a) providing the shareholders' loans (the "**Shareholders' Loans**") in the aggregate amount of HK\$150.0 million and (b) accepting the transfer of the shares from the then initial shareholders for nominal consideration. The purpose of the investment project was to acquire the Shenzhen Property for investment purpose and for use as the premises for our eye hospital named "深圳希瑪林順潮眼科醫院". At that time, Dr. Dennis LAM contributed HK\$61.9 million out of his own financial resources, representing 41.2% of the equity ownership of D&S Limited. The Shenzhen Property is currently owned by Shenzhen Maida, a wholly-owned subsidiary of D&S Limited and our connected person, and has been leased to Shenzhen C-MER Hospital under the previous lease agreements since April 2013. The previous lease agreements were replaced by the Lease Agreement in June 2017. Further information on the Lease Agreement is set forth in the section headed "Continuing Connected Transactions" in this prospectus. As of the date of this prospectus, D&S Limited is owned as to 59.2% by Dr. Dennis LAM after accepting the transfer of the equity interest and the contributions to the Shareholders' Loans from some of the investors.

Although Dr. Dennis LAM is the majority owner of D&S Limited, most of the other D&S Shareholders do not want the Shenzhen Property to be injected into our Group because of constant cash inflows of rental income generated from lease of the Shenzhen Property to Shenzhen C-MER Hospital. Hence, the Shenzhen Property is not part of our assets. Our Directors do not consider that this arrangement has any impact on our independence as the terms (including the amount of the rental) of the Lease Agreement are negotiated on an arm's length basis and Shenzhen C-MER Hospital has the option to renew the Lease Agreement upon expiry with reference to the prevailing market rent subject to compliance with the Listing Rules for a term not exceeding three years from the expiry date of any preceding lease term. Such renewal arrangement will continue until Shenzhen C-MER Hospital decides not to exercise the renewal option. Further information is set forth in the sections headed "Relationship with our Controlling Shareholders" and "Continuing Connected Transactions" in this prospectus.

REORGANISATION

The following diagram illustrates our shareholding and corporate structure as of 1 January 2014, being the commencement date of the Track Record Period, and before completion of the Reorganisation:



Note:

(1) These two branch registrations refer to the Central Eye Centre.

HISTORY, DEVELOPMENT AND REORGANISATION

For the purpose of the Pre-IPO Investment and the Listing, we undertake the following steps of Reorganisation. Our Directors confirm that the following Reorganisation steps have been conducted and completed in accordance with the applicable laws and regulations.

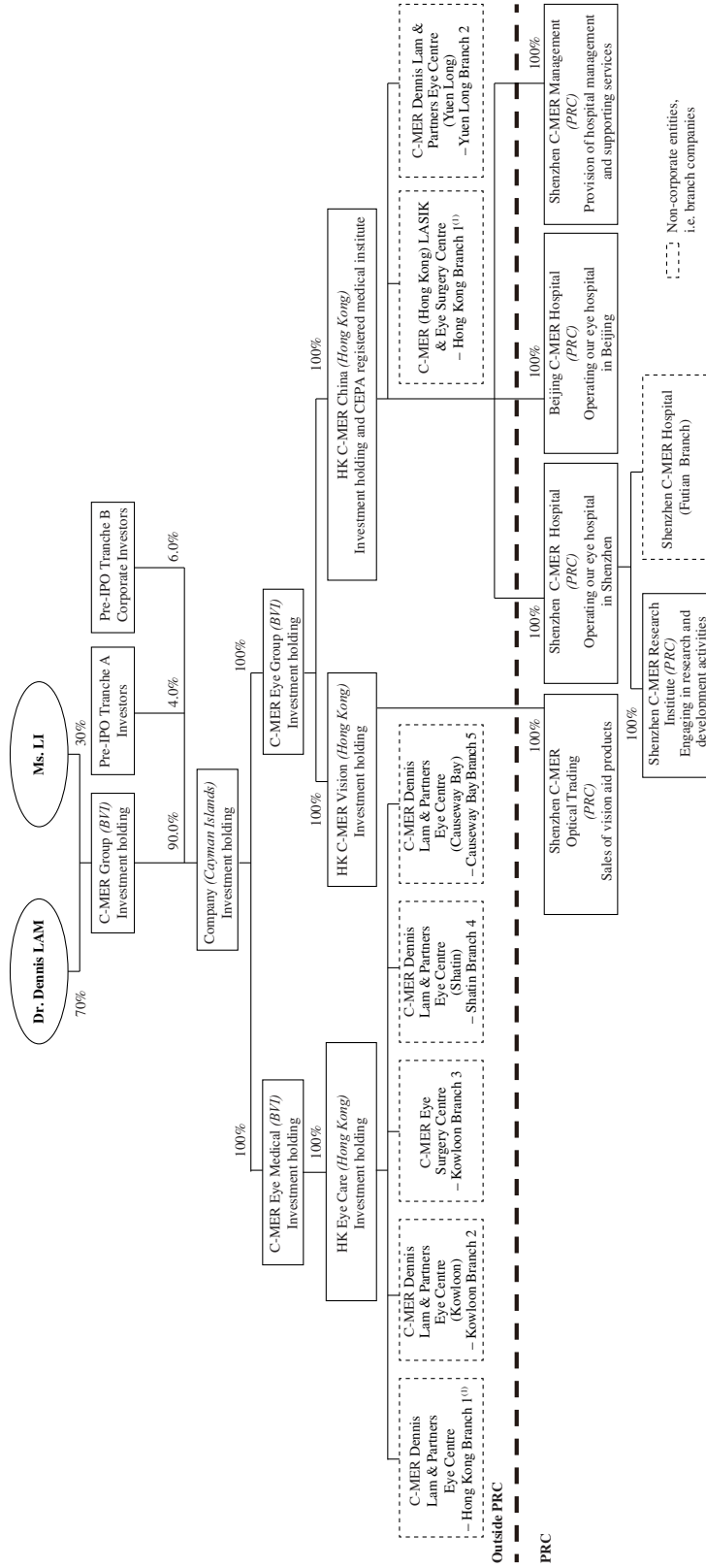
- (a) As of the date of incorporation of our Company on 1 February 2016, the authorised share capital of our Company was US\$50,000.0 divided into 50,000 ordinary shares of US\$1.0 each. On the same date, one share was taken up by Harneys Services (Cayman) Limited which was subsequently transferred to C-MER Group, one of our Controlling Shareholders, at the consideration of US\$1.0.
- (b) On 1 February 2016, 1,999 fully-paid shares of US\$1.0 each at the total consideration of US\$1,999.0 were allotted and issued to C-MER Group.
- (c) On 12 February 2016, C-MER Eye Group and C-MER Eye Medical were incorporated in the BVI with limited liabilities and became wholly-owned subsidiaries of our Company.
- (d) On 18 November 2016, HK Eye Care issued 9,900 new shares to C-MER Eye Medical, representing 99.0% of its shareholding thereafter. The remaining 70 shares and 30 shares were held by Dr. Dennis LAM and Ms. LI, respectively.
- (e) On 18 November 2016, HK C-MER Vision issued 9,900 new shares to C-MER Eye Group, representing 99.0% of its shareholding thereafter. The remaining 70 shares and 30 shares were held by Dr. Dennis LAM and Ms. LI, respectively.
- (f) On 18 November 2016, Hong Kong C-MER China issued 450,000 new shares to C-MER Eye Group, representing 90.0% of its shareholding thereafter. The remaining 49,999 shares and one share were held by Dr. Dennis LAM and Ms. LI, respectively.
- (g) On 5 December 2016, 70 shares and 30 shares of HK Eye Care were transferred to C-MER Eye Medical by Dr. Dennis LAM and Ms. LI for a cash consideration of HK\$70.0 and HK\$30.0, respectively. As a result, Hong Kong Eye Care became a wholly-owned subsidiary of C-MER Eye Medical.
- (h) On 5 December 2016, 70 shares and 30 shares of HK C-MER Vision were transferred to C-MER Eye Group by Dr. Dennis LAM and Ms. LI for a cash consideration of HK\$70.0 and HK\$30.0, respectively. As a result, HK C-MER Vision became a wholly-owned subsidiary of C-MER Eye Group.
- (i) On 5 December 2016, 49,999 shares and one share of Hong Kong C-MER China were transferred to C-MER Eye Group by Dr. Dennis LAM and Ms. LI for cash consideration of HK\$49,999.0 and HK\$1.0, respectively. As a result, Hong Kong C-MER China became a wholly-owned subsidiary of C-MER Eye Group.

HISTORY, DEVELOPMENT AND REORGANISATION

- (j) On 18 May 2017, pursuant to the written resolutions passed by our sole Shareholder, (i) our authorised share capital of US\$50,000.0 was increased by HK\$800,000,000.0 divided into 8,000,000,000 Shares of HK\$0.1 each, of which 156,000 Shares were issued and allotted to C-MER Group for cash at par; (ii) our Company repurchased the 2,000 existing shares of US\$1.0 each held by C-MER Group for a cash consideration of US\$2,000.0; and (iii) the amount of the authorised share capital of our Company was diminished to HK\$800,000,000.0 by the cancellation of all the 50,000 unissued shares of par value US\$1.0 each in the share capital of our Company.
- (k) On 18 May 2017, our Company allotted and issued 167,000 Shares at par to C-MER Group.
- (l) On 30 May 2017, our Company allotted and issued 14,851 Shares for HK\$40.0 million to the Pre-IPO Tranche A Investors pursuant to the Pre-IPO Tranche A Subscription Agreements. Further information on which is set forth in the section headed “Pre-IPO Investment” in this prospectus.
- (m) On 6 June 2017, our Company allotted and issued 11,137 Shares at par to C-MER Group.
- (n) On 6 June 2017, our Company allotted and issued 22,277 Shares for HK\$102.0 million to the Pre-IPO Tranche B Corporate Investors pursuant to the Pre-IPO Tranche B Subscription Agreements. Further information on which is set forth in the section headed “Pre-IPO Investment” in this prospectus.

HISTORY, DEVELOPMENT AND REORGANISATION

Following completion of the Reorganisation and the Pre-IPO Investment, and as of the Latest Practicable Date, our shareholding and corporate structure (without taking into consideration any Shares that may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options), is set forth below:



Note:

(1) These two branch registrations refer to the Central Eye Centre.

HISTORY, DEVELOPMENT AND REORGANISATION

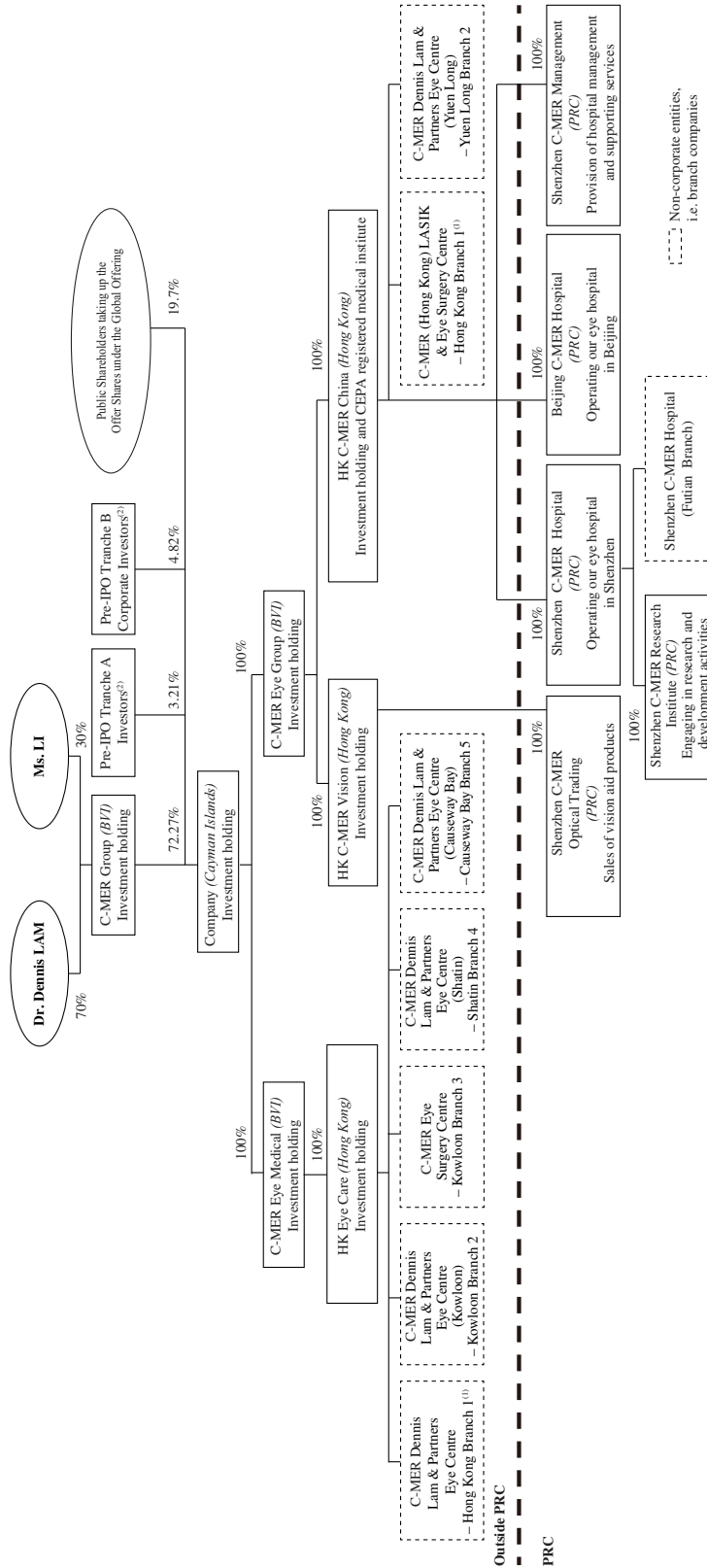
CAPITALISATION ISSUE

Pursuant to the Global Offering, new Shares representing 19.7% of the enlarged number of Shares in issue will be allotted and issued to the investors taking up our Shares under the Global Offering. The Global Offering comprises Hong Kong Public Offering and the International Offering.

Conditional on the share premium account of our Company being credited as a result of the Global Offering, the Capitalisation Shares will be allotted and issued to our Shareholders whose name appears on the register of members of our Company at the close of business on 13 December 2017 on a pro rata basis. The Capitalisation Shares to be allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares.

HISTORY, DEVELOPMENT AND REORGANISATION

The shareholding and corporate structure of our Group following completion of the Reorganisation, and immediately after the Global Offering and the Capitalisation Issue (without taking into consideration any Shares which may be issued upon the exercise of the Over-allotment Option and the Pre-IPO Share Options and any option that may be granted under the Post-IPO Share Option Scheme) is set forth below:



Notes:

- (1) These two branch registrations refer to the Central Eye Centre.
- (2) The public float of our Company will include our Shares held by (a) the Pre-IPO Tranche A Investors holding 3.21% (other than Mr. LAM Tak Kwan, the father of Dr. Dennis LAM, and Dr. LAU Johnson Yiu-Nam, our independent non-executive Director, holding 2.68% in aggregate) and (b) the Pre-IPO Tranche B Corporate Investors holding 4.82%. Taking into consideration the shareholding of these Pre-IPO Investors and the number of our Shares to be offered under the Global Offering, the public float of our Company shall be 25.05% of the enlarged number of Shares in issue following completion of the Global Offering and Capitalisation Issue (without taking into consideration our Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme).

PRE-IPO SHARE OPTION SCHEME

On 28 June 2017, we adopted the Pre-IPO Share Option Scheme. Pursuant to the Pre-IPO Share Option Scheme, we have granted the Pre-IPO Share Options to 140 Grantees, including three Connected Grantees, seven Doctor Grantees, five Consultant Grantees, two members of our senior management team and our physicians and employees in the PRC and Hong Kong, with further information set forth below. The adoption of the Pre-IPO Share Option Scheme is subject to the Listing becoming unconditional. The following table sets forth a summary of the key terms and conditions of the Pre-IPO Share Options:

Major terms	An executive Director, seven Doctor Grantees, selected physicians practising in the PRC and a member of our senior management team	Our employees in Hong Kong and a member of our senior management team	An executive Director, a Connected Grantee and our physicians and employees in the PRC	Five Consultant Grantees
Number of grantees	14 Grantees (including Dr. Vincent LEE and Mr. CHAN Wa Ping, a member of our senior management team, and seven Doctor Grantees). Further information on the Pre-IPO Share Options is set forth in the paragraphs under “D. Share Option Schemes — 1 Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.	28 Grantees (including Ms. SIU Man Yi, a member of our senior management team). Further information on the Pre-IPO Share Options granted to the member of our senior management team is set forth in the paragraphs under “D. Share Option Schemes — 1 Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.	93 Grantees (including Mr. LI Chunshan, an executive Director and Ms. CAO Yuerong, a Connected Grantee and the spouse of Mr. LI Chunshan and the mother of Ms. LI). Further information on the Pre-IPO Share Options granted to our executive Director is set forth in the paragraphs under “D. Share Option Schemes — 1 Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.	Five Consultant Grantees. Further information on the Pre-IPO Share Options is set forth in the paragraphs under “D. Share Option Schemes — 1 Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.

HISTORY, DEVELOPMENT AND REORGANISATION

Major terms	An executive Director, seven Doctor Grantees, selected physicians practising in the PRC and a member of our senior management team	Our employees in Hong Kong and a member of our senior management team	An executive Director, a Connected Grantee and our physicians and employees in the PRC	Five Consultant Grantees
<p>Pre-IPO Share Options granted (in terms of number of our Shares and the shareholding percentages)</p>	<p>An aggregate of 3.23% of the number of our Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue and assuming that the Over-allotment Option is not exercised, representing 32,276,000 Shares.</p>	<p>An aggregate of 0.47% of the number of our Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue assuming that the Over-allotment Option is not exercised, representing 4,666,000 Shares.</p>	<p>An aggregate of 0.73% of the total number of our Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue assuming that the Over-allotment Option is not exercised, representing 7,323,000 Shares.</p>	<p>An aggregate of 0.25% of the total number of our Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue assuming that the Over-allotment Option is not exercised, representing 2,500,000 Shares.</p>
<p>Exercise period</p>	<p>36-month period commencing from the third anniversary of the latter of (a) the expiry of the First Six-Month Period and (b) the first anniversary of 1 April 2017 or 1 December 2017. All unexercised Pre-IPO Share Options will lapse.</p> <p>or</p> <p>36-month period commencing from the latter of (a) the expiry of the First Six-Month Period and (b) the first anniversary of 1 January 2018. All unexercised Pre-IPO Share Options will lapse.</p>	<p>36-month period commencing from the third anniversary of 1 April 2017. All unexercised Pre-IPO Share Options will lapse.</p>	<p>36-month period commencing from the third anniversary of 1 April 2017 or 1 September 2017. All unexercised Pre-IPO Share Options will lapse.</p> <p>or</p> <p>36-month period commencing from the third anniversary of 1 April 2017 for 60.0%.</p> <p>60-month period commencing from the fifth anniversary of 1 April 2017 for 40.0%.</p>	<p>36-month period commencing from the third anniversary of the latter of (a) the expiry of the First Six-Month Period and (b) the first anniversary of 1 November 2017, 1 January 2018 or 1 June 2018.</p>

HISTORY, DEVELOPMENT AND REORGANISATION

Major terms	An executive Director, seven Doctor Grantees, selected physicians practising in the PRC and a member of our senior management team	Our employees in Hong Kong and a member of our senior management team	An executive Director, a Connected Grantee and our physicians and employees in the PRC	Five Consultant Grantees
Exercise percentages	In three equal tranches for each of the 12-month period commencing from the date of commencement of the exercise period for a period of 36-month. or One tranche.	One tranche.	One tranche. or Two tranches.	In three equal tranches for each of the 12-month period commencing from the date of commencement of the exercise period for a period of 36 months.
Exercise price	HK\$0.1 for each Share to be allotted and issued.	HK\$1.0 for each Share to be allotted and issued.	HK\$1.0 for each Share to be allotted and issued.	HK\$0.1 for each Share to be allotted and issued.
Performance target	No performance target for the physicians practising in the PRC and the member of our senior management team. The exercise of the Pre-IPO Share Options by our Hong Kong Ophthalmologists is subject to agreed performance target in terms of revenue generated in each of the 12-month period. If the performance target cannot be satisfied, the Pre-IPO Share Options exercisable during the relevant 12-month period would be exercisable on a pro-rata basis with the target amount of revenue.	No performance target.	The exercise of the Pre-IPO Share Options by 5 physicians in the PRC is subject to the agreed performance targets in terms of revenue generated during the first 36-month and then 24-month period immediately after 1 April 2017. If the performance target cannot be satisfied, the Pre-IPO Share Options exercisable during the relevant 12-month period would be exercisable on a pro-rata basis with reference to the target amount of revenue.	No performance target. The exercise of the Pre-IPO Share Options is subject to the completion of services for a period of 12 months.

HISTORY, DEVELOPMENT AND REORGANISATION

Major terms	An executive Director, seven Doctor Grantees, selected physicians practising in the PRC and a member of our senior management team	Our employees in Hong Kong and a member of our senior management team	An executive Director, a Connected Grantee and our physicians and employees in the PRC	Five Consultant Grantees
Cessation of cooperation or employment	Pro-rata in terms of revenue generated in each of the 12-month period with the target amount of revenue for those grantees subject to performance target. Pro-rata on the number of months of employment in each of the 12-month period for those grantees not subject to the performance target.	No pro rata adjustment and the unexercised Pre-IPO Share Options will lapse upon cessation of employment for whatever reasons.	No pro rata adjustment and the unexercised Pre-IPO Share Options will lapse upon cessation of employment for whatever reasons.	Pro-rata on the number of months of service engagement in the 36-month contract period commencing from 1 November in each year. Cessation of engagement before November will continue to be subject to the grant of the Pre-IPO Share Options in the forthcoming November.
Lock-up period following the exercise of the Pre-IPO Share Options	Not applicable.	Not applicable.	Not applicable.	Not applicable.

As of the Latest Practicable Date, all of the Pre-IPO Share Options had not been exercised and remained outstanding. Assuming full vesting and exercise of the outstanding Pre-IPO Share Options, the shareholding percentage of our Shareholders immediately following the Listing would be diluted by approximately 4.47% as calculated based on 1,046,765,000 Shares then in issue and the dilution effect on our earnings per Share would be 4.47%.

In addition, we are required to recognise share-based compensation as expenses. We estimate that the share-based compensation expenses we will recognise in the four years ending 31 December 2020 for the Pre-IPO Share Options will amount to HK\$6.6 million, HK\$6.3 million, HK\$3.0 million and HK\$0.7 million, respectively.

As agreed with our Pre-IPO Tranche B Corporate Investors, the maximum number of the Pre-IPO Share Options that may be granted shall not be more than 7.0% of the number of our Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue (without taking into consideration any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme).

PRE-IPO INVESTMENT

OVERVIEW

We completed the Pre-IPO Tranche A Investment on 30 May 2017 upon which we have received a total amount of HK\$40.0 million for an aggregate of 14,851 Shares allotted and issued, representing 4.0% of our Shares in issue immediately before completion of the Global Offering and the Capitalisation Issue (without taking into consideration any Shares that may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options). We completed the Pre-IPO Tranche B investment on 6 June 2017 upon which we have received a total amount of HK\$102.0 million for an aggregate of 22,277 Shares allotted and issued, representing 6.0% of our Shares in issue immediately before completion of the Global Offering and the Capitalisation Issue (without taking into consideration any Shares that may be allotted and issued pursuant to the exercise of the Pre-IPO Share Options).

Following completion of the Global Offering and the Capitalisation Issue, the Pre-IPO Tranche A Investors will hold 32,121,298 Shares and the Pre-IPO Tranche B Corporate Investors will hold 48,181,946 Shares, representing 3.21% and 4.82% of our Shares in issue, respectively, without taking into consideration any Shares which may be allotted and issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Options and any option that may be granted under the Post-IPO Share Option Scheme.

In consideration of Rule 8.24 of the Listing Rules, the public float of our Company will include our Shares held by (a) the Pre-IPO Tranche A Investors holding 3.21% (other than Mr. LAM Tak Kwan, the father of Dr. Dennis LAM, and Dr. LAU Johnson Yiu-Nam, our independent non-executive Director holding 2.68% in aggregate) and (b) the Pre-IPO Tranche B Corporate Investors holding 4.82%. Taking into consideration the shareholding of these Pre-IPO Investors and the number of our Shares to be offered under the Global Offering, the public float of our Company will be 25.05% of the enlarged number of our Shares in issue following completion of the Global Offering and Capitalisation Issue (without taking into consideration our Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options and any option that may be granted under the Post-IPO Share Option Scheme).

SUMMARY OF TERMS

The following table sets forth certain key information of the Pre-IPO Investment:

Terms	Pre-IPO Tranche A Investors (completed on 30 May 2017)	Pre-IPO Tranche B Corporate Investors (completed on 6 June 2017)
Date of the relevant investment agreements:	30 May 2017	6 June 2017
Name of the Pre-IPO Investors, number of Shares subscribed (before completion of the Global Offering and the Capitalisation Issue) and the subscription price:	<p>Mr. LAM Tak Kwan, the father of Dr. Dennis LAM (8,669 Shares, representing 2.33% of the number of Shares in issue following completion of the Pre-IPO Investment for HK\$23.35 million)⁽¹⁾</p> <p>Dr. FAN Yiu Wah (371 Shares, representing 0.10% of the number of Shares in issue following completion of the Pre-IPO Investment for HK\$1.00 million)</p> <p>Dr. CHEUNG Ming Kuen (130 Shares, representing 0.04% of the number of Shares in issue following completion of the Pre-IPO Investment for HK\$0.35 million)</p> <p>Dr. WOO Chai Fong (130 Shares, representing 0.04% of the number of Shares in issue following completion of the Pre-IPO Investment for HK\$0.35 million)</p> <p>Dr. LAU Sau Wah (74 Shares, representing 0.02% of the number of Shares in issue following completion of the Pre-IPO Investment for HK\$0.20 million)</p> <p>Dr. LEUNG Kwok Ling Ares (74 Shares, representing 0.02% of the number of Shares in issue following completion of the Pre-IPO Investment for HK\$0.20 million)</p> <p>Ms. WONG Mee Mai Emily (56 Shares, representing 0.02% of the number of Shares in issue following completion of the Pre-IPO Investment for HK\$0.15 million)</p> <p>Dr. WANG Haibo (1,114 Shares, representing 0.30% of the number of Shares in issue following completion of the Pre-IPO Investment for HK\$3.00 million)</p> <p>Dr. Robert RITCH⁽²⁾ (149 Shares, representing 0.04% of the number of Shares in issue following completion of the Pre-IPO Investment for HK\$0.40 million)</p>	<p>Homeway Services Limited (9,282 Shares, representing 2.50% of the number of Shares in issue following completion of the Pre-IPO Investment for HK\$42.50 million)</p> <p>HKF (Nominees) Limited (9,282 Shares, representing 2.50% of the number of Shares in issue following completion of the Pre-IPO Investment for HK\$42.50 million)</p> <p>LKF Capital Partners Limited (3,713 Shares, representing 1.00% of the number of Shares in issue following completion of the Pre-IPO Investment for HK\$17.00 million)</p>

Notes:

- (1) Mr. LAM Tak Kwan has confirmed that the equity investment made by him in our Company is financed from his own resources without any assistance from the core connected persons of our Company directly or indirectly. The primary reason for Mr. LAM's equity investment in our company is the anticipated business growth of our Group and the forthcoming listing plan on the Stock Exchange. Mr. LAM has also confirmed that he did not/do not accustom to act upon the instructions from Dr. Dennis LAM and/or other connected persons of our Company in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in his name or otherwise held by him. Pursuant to the Listing, Mr. LAM Tak Kwan is a connected person of our Company and our Shares held by him will not be counted as in public float upon the Listing.
- (2) A member of International Advisory Council.

PRE-IPO INVESTMENT

Terms	Pre-IPO Tranche A Investors (completed on 30 May 2017)	Pre-IPO Tranche B Corporate Investors (completed on 6 June 2017)
Name of the Pre-IPO Investors, number of Shares subscribed (before completion of the Global Offering and the Capitalisation Issue) and the subscription price:	Moyal Pty Limited Superannuation Fund (371 Shares, representing 0.10% of the number of Shares in issue following completion of the Pre-IPO Investment for HK\$1.00 million) Dr. LAU Johnson Yiu-Nam, an independent non-executive Director (3,713 Shares, representing 1.00% of the number of Shares in issue following completion of the Pre-IPO Investment for HK\$0.00 million) ⁽³⁾	
Aggregate investment amount:	HK\$40.0 million	HK\$102.0 million
Basis of determination of the subscription price:	Based on the historical earnings and financial performance of our Group.	Based on arm's length negotiations between the parties taking into consideration the business growth of our Group following completion of the Pre-IPO Tranche B Investment and the industry trends in the target market of our Group.
Strategic benefits:	The Pre-IPO Investors provided additional funding to us for our business development in the PRC and Hong Kong. With the background of the Pre-IPO Tranche A Investors provided additional funding for our business development prior to completion of the Global Offering. With the background of the Pre-IPO Tranche B Corporate Investors as leading property developers and renowned businesses in Hong Kong and the PRC, our Directors believe that they will bring us strategic benefits in expanding our service network in Hong Kong and the PRC as well as the overall business development of our Group in the future.	The amount of net proceeds from the Pre-IPO Tranche A Investors provided additional funding for our business development prior to completion of the Global Offering. With the background of the Pre-IPO Tranche B Corporate Investors as leading property developers and renowned businesses in Hong Kong and the PRC, our Directors believe that they will bring us strategic benefits in expanding our service network in Hong Kong and the PRC as well as the overall business development of our Group in the future.
Amount of net proceeds and utilisation:	The amount of net proceeds from the Pre-IPO Tranche A Investment of HK\$40.0 million has been used as our general working capital.	The amount of net proceeds from the Pre-IPO Tranche B Investment of HK\$102.0 million will be used for the implementation of our expansion plans, further information on which is set forth in the section headed "Reasons for the Listing, Proposed Use of the Net Proceeds from the Global Offering and Expansion Plans" in this prospectus. As of the Latest Practicable Date, an aggregate amount of approximately HK\$56.0 million has been used for these purposes.
Cost per Share paid:	HK\$2,643.72 prior to the Global Offering and the Capitalisation Issue and HK\$1.25 after completion of the Global Offering and the Capitalisation Issue, representing 52.5% ⁽⁴⁾ discount to the mid-point of the indicative range of the Offer Price.	For Homeway Services Limited and HKF (Nominees) Limited, HK\$4,578.75 before completion of the Global Offering and the Capitalisation Issue and HK\$2.12 after completion of the Global Offering and the Capitalisation Issue, representing 19.4% ⁽⁴⁾ discount to the mid-point of the indicative range of the Offer Price. For LKF Capital Partners Limited, HK\$4,578.50 before completion of the Global Offering and the Capitalisation Issue and HK\$2.12 after completion of the Global Offering and the Capitalisation Issue, representing 19.4% ⁽⁴⁾ discount to the mid-point of the indicative range of the Offer Price.

Notes:

- (3) Dr. LAU, Johnson Yiu-Nam is one of our independent non-executive Directors and our Shares held by him will not be counted as in public float upon the Listing.
- (4) The consideration was not determined with reference to the Offer Price. The discount to the Offer Price is based on the cost per Share (representing the total investment amount divided by the number of Shares that would be entitled to be allotted and issued following completion of the Global Offering and the Capitalisation Issue) divided by HK\$2.63. The calculation is for illustration purpose only.

PRE-IPO INVESTMENT

Terms	Pre-IPO Tranche A Investors (completed on 30 May 2017)	Pre-IPO Tranche B Corporate Investors (completed on 6 June 2017)
Percentage of shareholding at the time of Listing (without taking into consideration any Shares which may be issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Options and any option that may be granted under the Post-IPO Share Option Scheme):	The Pre-IPO Tranche A Investors will hold in aggregate 32,121,298 Shares representing 3.21% of our Shares in issue following completion of the Global Offering and the Capitalisation Issue, in which 5,340,212 Shares is considered in public hands. The following sets forth the individual Shareholding of each Pre-IPO Tranche A Investors:	The Pre-IPO Tranche B Corporate Investors will hold in aggregate 48,181,946 Shares representing 4.82% of our Shares in issue following completion of the Global Offering and the Capitalisation Issue, in which 48,181,946 Shares is considered in public hands. The following sets forth the individual shareholding of each Pre-IPO Tranche B Corporate Investors:
Percentage of shareholding at the time of Listing (without taking into consideration any Shares which may be issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Options and any option that may be granted under the Post-IPO Share Option Scheme):	Mr. LAM Tak Kwan, the father of Dr. Dennis LAM (18,750,221 Shares, representing 1.88% of the number of our Shares in issue following completion of the Global Offering and the Capitalisation Issue) ⁽⁵⁾ Dr. FAN Yiu Wah (802,438 Shares, representing 0.08% of the number of our Shares in issue following completion of the Global Offering and the Capitalisation Issue) Dr. CHEUNG Ming Kuen (281,178 Shares, representing 0.03% of the number of our Shares in issue following completion of the Global Offering and the Capitalisation Issue) Dr. WOO Chai Fong (281,178 Shares, representing 0.03% of the number of our Shares in issue following completion of the Global Offering and the Capitalisation Issue) Dr. LAU Sau Wah (160,055 Shares, representing 0.02% of the number of our Shares in issue following completion of the Global Offering and the Capitalisation Issue) Dr. LEUNG Kwok Ling Ares (160,055 Shares, representing 0.02% of the number of our Shares in issue following completion of the Global Offering and the Capitalisation Issue)	Homeway Services Limited (20,075,631 Shares, representing 2.01% of the number of our Shares in issue following completion of the Global Offering and the Capitalisation Issue) HKF (Nominees) Limited (20,075,631 Shares, representing 2.01% of the number of our Shares in issue following completion of the Global Offering and the Capitalisation Issue) LKF Capital Partners Limited (8,030,684 Shares, representing 0.80% of the number of our Shares in issue following completion of the Global Offering and the Capitalisation Issue)

Notes:

(5) The shareholding will not be treated as part of the public float of our Company following the Listing.

PRE-IPO INVESTMENT

Terms	Pre-IPO Tranche A Investors (completed on 30 May 2017)	Pre-IPO Tranche B Corporate Investors (completed on 6 June 2017)
Percentage of shareholding at the time of Listing (without taking into consideration any Shares which may be issued upon the exercise of the Over-allotment Option, the Pre-IPO Share Options and any option that may be granted under the Post-IPO Share Option Scheme):	<p>Ms. WONG Mee Mai Emily (121,123 Shares, representing 0.01% of the number of our Shares in issue following completion of the Global Offering and the Capitalisation Issue)</p> <p>Dr. WANG Haiho (2,409,476 Shares, representing 0.24% of the number of our Shares in issue following completion of the Global Offering and the Capitalisation Issue)</p> <p>Dr. Robert RITCH (322,271 Shares, representing 0.03% of the number of our Shares in issue following completion of the Global Offering and the Capitalisation Issue)</p> <p>Moyal Pty Limited Superannuation Fund representing Dr. Frank MARTIN (802,438 Shares, representing 0.08% of the number of our Shares in issue following completion of the Global Offering and the Capitalisation Issue)</p> <p>Dr. LAU Johnson Yiu-Nam, an independent non-executive Director (8,030,865 Shares, representing 0.80% of the number of our Shares in issue following completion of the Global Offering and the Capitalisation Issue)⁽⁴⁾</p>	
Pre-IPO dividends:	<p>Pursuant to the deeds (the “Dividend Assignment Deeds”) entered into between the Pre-IPO Investors and Dr. Dennis LAM and acknowledged by our Company, the special interim dividend declared by our Company from the respective completion dates of the Pre-IPO Investment to 30 September 2017 in the amount of HK\$100.0 million will be paid to Dr. Dennis LAM. None of the Pre-IPO Investors will be entitled to such special interim dividend. The arrangement on the dividend entitlement of Dr. Dennis LAM has been negotiated between the Pre-IPO Investors and our Controlling Shareholders on an arm’s length basis upon normal commercial terms taking into consideration our estimated future performance and business plans.</p>	

PRE-IPO INVESTMENT

Terms

Pre-IPO Tranche A Investors (completed on 30 May 2017)

Pre-IPO Tranche B Corporate Investors (completed on 6 June 2017)

Lock-up following the Listing:

Each of the Pre-IPO Investors will not, and will procure its nominee(s) will not, on or before the day falling 6 months after the Listing Date:

- (a) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of, directly or indirectly:
 - (i) any of our Shares (including, without limitation, the Subscription Shares and the Further Shares) and/or the interest in the Pre-IPO Investment (collectively, the “**Restricted Securities**”) from time to time held by any of them; or
 - (ii) securities exchangeable for or convertible into or exercisable for any of the Restricted Securities; or
 - (iii) warrants or other rights to purchase any of the Restricted Securities; or
 - (iv) any security or financial product whose value is determined directly or indirectly by reference to the price of any of the Restricted Securities,
- in each case, including equity swaps, forward sales and options representing the right to receive any Restricted Securities (whether or not such contract is to be settled by physical delivery, in cash or otherwise); or
- (b) enter into any other arrangement that transfers to others, in whole or in part, any of the economic consequences of ownership of any of the Restricted Securities; or
- (c) engage in any transaction, arrangement or activity having an economic effect similar to any of the activities set forth in sub-paragraph (a) or (b) above.

Special rights before the Listing:

Right of first refusal

If any of the Pre-IPO Tranche A Investors proposes to sell or transfer or otherwise dispose of any of our Shares, it shall promptly inform us and C-MER Group, one of our Controlling Shareholders. C-MER Group will then have 30 days to consider whether or not to purchase all or any part of our Shares proposed to be sold or transferred or otherwise to be disposed of by the Pre-IPO Tranche A Investors. The Pre-IPO Tranche A Investors may only sell or transfer or otherwise dispose of such Shares that C-MER Group has decided not to purchase to any third party.

Right of first refusal

If any of the Pre-IPO Tranche B Corporate Investors proposes to sell or transfer or otherwise dispose of any of our Shares, it shall promptly inform us and C-MER Group, one of our Controlling Shareholders. C-MER Group will then have 30 days to consider whether or not to purchase all or any part of our Shares proposed to be sold or transferred or otherwise to be disposed of by the Pre-IPO Tranche B Corporate Investors. The Pre-IPO Tranche B Corporate Investors may only sell or transfer or otherwise dispose of such Shares that C-MER Group has decided not to purchase to any third party.

PRE-IPO INVESTMENT

Terms

Pre-IPO Tranche A Investors (completed on 30 May 2017)

Put option

If the Listing does not take place on or before 31 December 2018 (or such other date as agreed between the Pre-IPO Tranche A Investors and us), the Pre-IPO Tranche A Investors may, within the next 30 days request our Company to repurchase all our Shares they subscribed pursuant to the Pre-IPO Tranche A Subscription Agreements for a consideration of HK\$2,693.42 per Share. The above rights will be terminated upon Listing.

Pre-IPO Tranche B Corporate Investors (completed on 6 June 2017)

Put option and minority shareholders' rights

If the Listing does not take place on or before 30 June 2018 (or such other date as agreed between us and the Pre-IPO Tranche B Corporate Investors), Homeway Services Limited and HKF (Nominees) Limited may jointly request and/or LKF Capital Partners Limited may request, on or before the earlier of (i) 30 September 2018 and (ii) the date on which the Pre-IPO Tranche B Corporate Investors approve our Company to proceed with the Listing that does not qualify as an initial public offering with a market capitalisation of our Group of not less than HK\$1.7 billion ("Qualified IPO"), us to repurchase all our Shares they respectively subscribed pursuant to the Pre-IPO Tranche B Subscription Agreements for a purchase price per Share equals to 103% of the original subscription price per Share under the relevant Pre-IPO Tranche B Subscription Agreements.

If there is no Qualified IPO and the Pre-IPO Tranche B Corporate Investors have not exercised the put rights mentioned above, the Pre-IPO Tranche B Corporate Investors may discuss with us on the availability of the customary minority shareholders rights, including but not limited to, the right to request Dr. Dennis LAM be remained as one of the ultimate beneficial owners of our Controlling Shareholder and an executive Director and other customary anti-dilution rights. If Homeway Services Limited and HKF (Nominees) Limited have not jointly exercised the put rights mentioned above, they may also discuss with us on the right to nominate a non-executive Director.

Co-sell rights

At any time immediately before the Listing, if C-MER Group proposes to sell or transfer any Share held by it, it shall promptly inform each of the Pre-IPO Tranche B Corporate Investors by issuing a proposed transfer notice describing in details the terms of the proposed transfer and the prospective transferee. The Pre-IPO Tranche B Corporate Investors will then have 15 days to participate in such transfer on the same terms and conditions as described in the said proposed transfer notice by selling such number of Shares equal to the multiple of (i) the aggregate number of Share proposed to be transferred by C-MER Group; and (ii) a fraction, the numerator of which is the number of Share owned by the relevant Pre-IPO Tranche B Corporate Investors on the date of the said proposed transfer notice and the denominator of which is the total number of Shares owned by the relevant Pre-IPO Tranche B Corporate Investors and the C-MER Group.

The above rights will be terminated upon Listing.

PRE-IPO INVESTMENT

INFORMATION ON THE PRE-IPO INVESTORS

Pre-IPO Tranche A Investors

Mr. LAM Tak Kwan is the father of Dr. Dennis LAM. Dr. LAU Johnson Yiu-Nam is our independent non-executive Director. Dr. FAN Yiu Wah, Dr. CHEUNG Ming Kuen Paul, Dr. WOO Chai Fong, Dr. LAU Sau Wah, Dr. LEUNG Kwok Ling Ares, Ms. WONG Mee Mai Emily, Dr. WANG Haibo, Dr. Robert RITCH and Dr. Francis Joseph MARTIN (who invested through a Moyal Pty Limited Superannuation Fund, which is a self-managed superannuation fund established in Australia and which both himself and his wife as trustees) are Independent Third Parties and are medical doctors or business acquaintances of Dr. Dennis LAM.

Pre-IPO Tranche B Corporate Investors

Homeway Services Limited

Homeway Services Limited holds our Shares as the nominee of Celestial Era Limited. Homeway Services Limited is a company incorporated under the laws of BVI. Celestial Era Limited is a company incorporated under the laws of BVI. Celestial Era Limited is held ultimately by certain discretionary trusts for the benefit of certain family members in the Kwok family, who are deemed to be interested as substantial shareholder in shares of Sun Hung Kai Properties Limited (stock code: 0016), the shares of which are listed on the Main Board. Other than Celestial Era Limited's investment (through Homeway Services Limited) in our Company, both Celestial Era Limited and Homeway Services Limited are Independent Third Parties.

HKF (Nominees) Limited

HKF (Nominees) Limited holds our Shares as the nominee of Good Collection Limited. HKF (Nominees) Limited is a company incorporated under the laws of Hong Kong. Good Collection Limited is a company incorporated under the laws of Hong Kong. Both HKF (Nominees) Limited and Good Collection Limited are wholly-owned subsidiaries of Sun Hung Kai Properties Limited (stock code: 0016), the shares of which are listed on the Main Board. Other than Good Collection Limited's investment (through HKF (Nominees) Limited) in our Company, both Good Collection Limited and HKF (Nominees) Limited are Independent Third Parties.

LKF Capital Partners Limited

LKF Capital Partners Limited is a company incorporated under the laws of Hong Kong on 30 October 2007. LKF Capital Partners Limited is established as a special purpose company and is wholly-owned by Dr. Allan ZEMAN *GBM GBS JP*, a renowned businessman in Hong Kong. Other than LKF Capital Partners Limited's investment in our Company, LKF Capital Partners Limited is independent from and not connected with our Directors, senior management, Controlling Shareholders or our Substantial Shareholders or any of our subsidiaries or any of their respective associates.

CONFIRMATION FROM THE SOLE SPONSOR

The Sponsor is not aware of any special circumstances or incidents that would lead to a belief that the Pre-IPO Investment by the Pre-IPO Investors was or is not in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange, Guidance Letter HKEX-GL43-12 and Guidance Letter HKEX-GL44-12 based on their review of the relevant documentation.

OVERVIEW

We are one of the leading ophthalmic service providers in Hong Kong and Guangdong Province established under the brand of “C-MER Dennis Lam (希瑪林順潮)”. Headquartered in Hong Kong, we became the first foreign investor to wholly own an eye hospital in the PRC. Our Shenzhen C-MER Dennis Lam Eye Hospital (深圳希瑪林順潮眼科醫院), established in March 2013, is the first and as of the Latest Practicable Date, one of the only two Hong Kong privately-owned hospitals established under CEPA according to the Frost & Sullivan Report. Leveraging our experience in Hong Kong in offering ophthalmic services of international standard in treating a wide range of common to rare and complex eye problems and our first mover advantage in the PRC, we believe we have established one of the leading ophthalmic practices in Shenzhen. Our eye hospital operated by Shenzhen C-MER Hospital ranked third amongst 113 public and private hospitals in Shenzhen in 2016 (overall) and ranked second in the first quarter of 2017 in the quarterly surveys of “Patient Satisfaction” (病人滿意度) conducted by the Shenzhen Health Commission. With the experience from our eye hospital in Shenzhen, we have established our second eye hospital in Beijing, which is the second Hong Kong privately-owned hospital established under CEPA according to the Frost & Sullivan Report, for the purpose of expanding our service network into Northern China. Our eye hospital in Beijing is planned to commence business operations in January 2018.

Our business was founded in Hong Kong in January 2012 by Dr. Dennis LAM, an ophthalmic surgeon with over 30 years of clinical experience. Since then, our business has grown rapidly to include the Central Eye Centre, the Mongkok Surgery Centre and four Satellite Clinics in different locations in Hong Kong. Our fifth Satellite Clinic in Kwun Tong is expected to open during the first quarter of 2018. According to the Frost & Sullivan Report, our Hong Kong practice under the brand of “C-MER Dennis Lam & Partners (希瑪林順潮眼科中心)” is the second largest eye centre in Hong Kong private ophthalmic service market in 2016 in terms of revenue with a market share of 4.7%, and enjoyed the highest revenue growth in terms of percentages during the period from 2014 to 2016, among the five largest ophthalmic service providers in Hong Kong, achieving a CAGR of 29.6%. We believe our eye hospital operated by Shenzhen C-MER Hospital has also been a success. According to the Frost & Sullivan Report, our eye hospital operated by Shenzhen C-MER Hospital ranked third in the private ophthalmic service market in Guangdong Province in 2016 in terms of revenue with a market share of 5.4%.

We specialise in offering treatment and therapy services for ophthalmic diseases which include, amongst others, cataract, corneal and external eye diseases, glaucoma, vitreoretinal and macular diseases, as well as ancillary treatment by way of acupuncture and traditional Chinese medicine. Our business is led by our ophthalmologists and physicians and supported by management professionals with intensive experience. Guided by our doctor-led management team, we focus on the quality of our ophthalmic services and our patient experience and devote resources to allow our ophthalmologists and physicians to adhere to the international standard of professionalism, ethics and responsibility in providing our ophthalmic services. We are also committed to recruiting qualified ophthalmologists and physicians to form a comprehensive medical team.

As of the Latest Practicable Date, we had nine ophthalmologists practising in Hong Kong (including Dr. Dennis LAM) and 29 physicians in the PRC. Three of our PRC physicians are overseas ophthalmologists resident in the PRC.

BUSINESS

In particular, Dr. Dennis LAM and Dr. Vincent LEE, apart from having over 20 years of clinical experiences, have assumed management roles in a number of medical institutions and associations including Hong Kong Eye Hospital and Hong Kong Ophthalmological Society.

We believe there will be immense growth opportunity for mid-to-high end ophthalmic service market in the PRC in the near future. According to the Frost & Sullivan Report, the size of the ophthalmic service market in the PRC reached RMB82.7 billion in 2016 and is expected to grow at a CAGR of 14.0% during the five-year period from 2016 to 2021. Furthermore, pursuant to the Frost & Sullivan Report, the private ophthalmic service market in the PRC is estimated to reach RMB32.8 billion in 2021, representing a CAGR of 18.4% during the same period. Leveraging our success, we believe we are well-positioned to capture the growing opportunities and benefit from the rapid expansion of the ophthalmic service market in the PRC.

As part of our business strategies, we plan to further expand our service network in Hong Kong and into other strategic locations in the PRC, including selected first-tier PRC cities and other cities in the Guangdong-Hong Kong-Macau Big Bay Area (粵港澳大灣區). During the three years ended 31 December 2016, we experienced a rapid growth and recorded revenue of HK\$156.5 million, HK\$198.9 million and HK\$248.7 million, respectively. Our revenue during the six months ended 30 June 2017 amounted to HK\$140.4 million, representing a significant growth of 21.8% as compared with HK\$115.3 million during the six months ended 30 June 2016. Our net profit also increased from HK\$22.4 million in 2014, to HK\$38.4 million in 2015 and to HK\$46.9 million in 2016, with our net profit increased from HK\$20.6 million during the six months ended 30 June 2016 to HK\$25.4 million during the six months ended 30 June 2017, representing a significant increase of 23.2%.

OUR STRENGTHS

We believe that we have the following strengths:

We are one of the leading ophthalmic service providers in Hong Kong and Guangdong Province.

We have evolved into a professionally managed network which comprises the Central Eye Centre, the Mongkok Surgery Centre and four Satellite Clinics in Hong Kong and two eye hospitals in Shenzhen and Beijing under our “C-MER Dennis Lam (希瑪林順潮)” brand since the inception of our business in 2012.

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We are one of the leading ophthalmic service providers in Hong Kong. We have established the Central Eye Centre, the Mongkok Surgery Centre and four Satellite Clinics in Hong Kong which are located in Central, Causeway Bay, Mongkok, Yuen Long and Shatin. Our service network enables us to serve our clients at different locations. According to the Frost & Sullivan Report, we are the second largest eye centre in the Hong Kong private ophthalmic service market in 2016 in terms of revenue with a market share of 4.7%, and enjoyed the highest revenue growth in terms of percentages during the period from 2014 to 2016, among the five largest ophthalmic service providers in Hong Kong, achieving a CAGR of 29.6%.

Leveraging our experience in Hong Kong, our Shenzhen C-MER Hospital, the first Hong Kong privately-owned hospital established under CEPA, has gained wide recognition in Guangdong Province. Shenzhen C-MER Hospital ranked third among all 113 public and private hospitals in Shenzhen in 2016 (overall) and ranked second in the first quarter of 2017 in the quarterly surveys of “Patient Satisfaction” (病人滿意度) conducted by the Shenzhen Health Commission. In Guangdong Province, we ranked third in terms of revenue in 2016 in the private ophthalmic service market in the region with a market share of 5.4%, according to the Frost & Sullivan Report.

We specialise in offering treatments for ophthalmic diseases including, among others, cataract, corneal and external eye diseases, glaucoma and vitreoretinal, as well as ancillary treatment by way of acupuncture and traditional Chinese medicine. Pursuant to the Frost & Sullivan Report, Shenzhen C-MER Hospital ranked second in the ophthalmic disease therapy market in terms of revenue in 2016 amongst the privately-owned eye hospitals in Guangdong Province with a market share of 8.7%.

Our eye hospital in Beijing, which is the second Hong Kong privately-owned hospital established under CEPA, is planned to commence business operations in January 2018. We believe that we are able to replicate the success of Shenzhen C-MER Hospital in Beijing, and together with our existing eye hospital operated by Shenzhen C-MER Hospital, our hospital network will cover two strategic locations in the PRC healthcare market. We will then benefit from the economies of scale and cost effectiveness of sharing administrative resources between the two hospitals.

We offer comprehensive ophthalmic services of international standard to treat eye problems from common to rare and complex conditions.

We believe our ophthalmic services are of international standard for the following reasons:

- *Maintaining international standard:* We started our business in Hong Kong, which is widely recognised as a mature healthcare market in Asia comprising a mix of seasoned Western and Chinese medical practitioners. With our presence in Hong Kong, our ophthalmologists and physicians are able to keep abreast of the latest international medical development and standards, and gain access to new drugs and advanced medical

facilities. Against this background, both our Hong Kong and PRC practices are devoted and accustomed to adhering to the international standard of professionalism, ethics and responsibility in providing our services. Our ophthalmologists in Hong Kong are all effectively bilingual which enables them to communicate better with local patients in Chinese with healthcare standards, knowledge, equipment and skills acquired or adopted from advanced Western healthcare systems. Accordingly, we are able to bring in an international practice into the PRC market.

- *Our international team of ophthalmologists and physicians:* We have a team of ophthalmologists and physicians with international exposure. We have an international advisory council providing us high-level intellectual and strategic guidance. They help to keep us abreast of the latest development in ophthalmology, advise us on complex and challenging cases, strategy, policy and our activities of corporate social responsibility, and future development in terms of clinical services, trainings and research. The international advisory council currently comprises 20 members from 10 countries or territories. The council members are regional and global leaders in the field of ophthalmology, seven of whom were elected “Top 100 Most Influential Ophthalmologists in the World” by the publication *The Ophthalmologist* from 2014 to 2016. Further information on their background is set forth in the section headed “Directors, International Advisory Council, Senior Management and Employees” in this prospectus.

As of the Latest Practicable Date, we had nine practising qualified ophthalmologists stationed in our Central Eye Centre and Satellite Clinics in Hong Kong and 29 physicians at the eye hospitals operated by Shenzhen C-MER Hospital and Beijing C-MER Hospital, three of whom are overseas ophthalmology residents in the PRC. All of our Hong Kong ophthalmologists have experiences in university-affiliated teaching hospitals. Our Hong Kong ophthalmologists constantly strive to improve their professional skills by actively participating in regional, national and international congresses and serving on various professional ophthalmological associations.

- *Practising in line with international trends:* The extensive skills and knowledge of our ophthalmologists and physicians enable us to offer treatments and surgeries for a wide range of eye problems, from common issues to rare and complex conditions. In line with the prevailing international market practice, we also offer such services through a day surgery setting. According to the Frost & Sullivan Report, the day surgery setting is more cost effective and encouraged by the PRC government, a mainstream surgery in the world and the development of day surgery in the PRC lags behind developed countries in terms of day surgery volume and day surgery facilities as well as day surgery management system. We believe our day surgery setting is well received by our patients.

As the only Hong Kong-based ophthalmic service provider in the PRC, we believe our unique combination of Hong Kong, PRC and overseas expertise instils confidence in our patients and differentiates us from our competitors, offering an alternative option of international standard medical services to our patients in the PRC.

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We are led by a team of ophthalmologists, which allows us to focus on the quality of our services and our patient experience.

We focus on the quality of our services and the needs of our patients with our operations being run by a doctor-led management team with intensive management experience. We strive to continuously improve our clinical care performance and enhance our patients' experiences with a commitment to serving their best interests. With a management team comprised of medical professionals, we are also more cognisant of the inherent risks of our business operation. Therefore, we are in a better position to manage and control the level of risks involved in our business operations.

To uphold our quality of services, we recruit qualified ophthalmologists, physicians, nurses and other allied health professionals to form our medical service team, which is mentored in a culture that emphasises a strong work ethic to patient care. We also believe that it is crucial to cultivate and foster a culture of knowledge sharing among the professionals that encourage discussion and sharing of expertise and experience as well as exchange of clinical findings in different areas of expertise.

To enhance our patients' experience, we are devoted to enhance our knowledge in the use of latest technology to strengthen our diagnostic capabilities and bolster surgical outcomes. We seek to make use of advanced technology as it is at the core of our organisational belief and commitment to provide the latest healthcare services and technologies available to our patients. Accordingly, we invested in advanced equipment and technologies including femto second laser machines to assist cataract surgery and cross-linking technology in treating keratoconus.

We believe that our doctor-led management culture with a focus on upholding the quality and safety of patient care has been instrumental to our growth and success. Further, we believe that we have a team of medical professionals that share our values and cultures, which is imperative for the continuous improvement of clinical care and enhancement of our patients' experience.

We are well positioned to capture the growing demand for mid-to-high end private ophthalmic services in the PRC.

We believe that there will be immense growth opportunity for the ophthalmic service market in the PRC in the near future. The delivery of ophthalmic services in the PRC has thus far relied on an ophthalmic service delivery system comprising predominantly of public hospitals and public ophthalmic facilities. Under the public hospital-based ophthalmic service delivery system in the PRC, ophthalmic benefits would generally be provided to employees by public hospitals through mandatory contributions by employers to the government health insurance schemes. As a result, there has been a general lack of alternatives providing better, economical and coordinated ophthalmic services to the middle-to-high income population. We

expect that there would be increasing demand for better ophthalmic services catering for the middle-to-high income population in the PRC in the coming years and we are well positioned to tap into this market.

According to the Frost & Sullivan Report, there has been a growing emphasis on the role of the private sector to supplement the public healthcare system and strong government support for better medical services for some major eye diseases, including cataract removal, under the healthcare reform in China. According to the Frost & Sullivan Report, the total ophthalmic service market in China has grown from RMB82.7 billion in 2016 to RMB159.4 billion in 2021, representing a CAGR of 14.0% during this period, and the technological development in ophthalmic surgeries has progressed rapidly over the past decades to tackle diseases which are previously untreatable.

As part of our business strategies, we plan to further expand our service network in Hong Kong and other strategic locations in the PRC, including selected first-tier PRC cities and other cities in the Guangdong-Hong Kong-Macau Big Bay Area (粵港澳大灣區) where the demand for mid-to-high end ophthalmic services is expected to increase with the continuing emergence of middle class and affluent population. With our two eye hospitals operated by Shenzhen C-MER Hospital and Beijing C-MER Hospital, our service network covers two strategic locations in Southern and Northern China.

Our eye hospital in Shenzhen, Shenzhen C-MER Dennis Lam Eye Hospital (深圳希瑪林順潮眼科醫院), was established in March 2013 and is the first and as of the Latest Practical Date, one of the only two Hong Kong privately-owned hospitals established under CEPA according to the Frost & Sullivan Report. Under CEPA and the relevant PRC domestic regulations, we are permitted to wholly own medical institutions in the PRC, which are otherwise restricted under the Foreign Investment Catalogue and Interim Administrative Measures on Sino-foreign Equity Medical Institution and Sino-foreign Cooperative Medical Institutions. This provides us with great flexibility in implementing our preferred international standard in our practice and cultivate our desired management culture. Under the CEPA, the qualifications of our ophthalmologists in Hong Kong are also recognised and they are allowed to practise in our PRC hospitals. We believe that the PRC domestic regulations create an entry barrier for other foreign investors to enter the PRC medical market and our first mover advantage differentiates us from the rest of our industry peers through our experience gained over the years.

We have a visionary and experienced management team with in-depth industry knowledge.

Our operation is run by two of our ophthalmologists with abundant management experience, supported by other management professionals.

Dr. Dennis LAM, our Chairman of the Board, our Chief Executive Officer and our executive Director, has over 30 years of clinical experience and contributed extensively to ophthalmic clinical research and development, prevention of blindness in the PRC and the advancement of academic ophthalmology in the Asia-Pacific region and beyond. Dr. Dennis

LAM has also accumulated abundant management experience in assuming management roles in numerous medical institutions, bodies and associations. Dr. Dennis LAM had served as the Chairman of the Department of Ophthalmology & Visual Sciences of The Chinese University of Hong Kong for 13 years from 1998 to 2011. He was also the Honorary Chief-of-Service of the Department of Ophthalmology of the Prince of Wales Hospital from 1994 to 1999, Honorary Chief-of-Service of the Hong Kong Eye Hospital from 1999 to 2011 and Director of the Joint Shantou International Eye Centre from 2003 to 2011.

Dr. Vincent LEE, our executive Director, has been practicing for our Group since January 2012 and is our Head of Hong Kong Operation, overseeing the administration and daily operation of our Hong Kong practice. Dr. LEE was the past President from 2013 to 2015 of the Hong Kong Ophthalmological Society (“HKOS”). Dr. LEE represented the eye profession in the Federation of Medical Societies of Hong Kong and was the Founding Chief Editor of the Newsletter of the HKOS named “Eye Opener”. Dr. LEE was elected as the regional secretary of Hong Kong and represented Hong Kong in the Asia-Pacific Academy of Ophthalmology from 2013 to 2017.

OUR STRATEGIES

Our goal is to become one of the leading and internationally recognised ophthalmic service providers in Hong Kong and strengthen our presence in the PRC focusing on mid-to-high end ophthalmic services. We intend to implement the following strategies to achieve our goal:

Establish or acquire eye hospitals, eye centre and clinics in Hong Kong and selected PRC cities including cities in Eastern China, Southwest or Central China and the Guangdong-Hong Kong-Macau Big Bay Area.

Leveraging our experience in Hong Kong and Shenzhen, we intend to further increase our penetration in Hong Kong and the PRC. We believe we can draw on our experience in having successfully established and achieving profitable operation at Shenzhen C-MER Eye Hospital to expand further into selected PRC cities where the demand and growth potential for ophthalmic services is substantial. Currently, we intend to expand into other selected PRC cities that have similar demographic features and medical resources as Beijing and Shenzhen, by either setting up new hospitals or acquiring operating hospitals, centres or clinics when desirable opportunities arise. When considering acquisition for hospitals, we would take into account factors including the operating capacity of the target hospital and its financial performance. For acquisition of centres or clinics, we would consider factors including size of the target and its operating history. We would also consider the location of the hospital, the centre or the clinic, operational scale, reputation, quality of the professionals, compatibility of corporate culture with ours, proximity to the community, consumer spending power in the locality and the competitive environment in the area. For any acquired hospitals, centres or clinics, we would bring them in line with our own standards in respect of our standardised management system as well as best practices for medical services and operations to ensure that

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they can fully integrate into our medical network operating with the same standards under our “C-MER” brand and sharing the same value and culture.

As of the Latest Practicable Date, we had not identified any specific targets for acquisitions or have any specific acquisition plans or entered into any definitive agreements with any potential targets.

Improve our operational capacity and service capability.

We will continue to dedicate our efforts to maintaining our high service standards and strive to give our clients quality ophthalmic services. We will continue to invest in advanced medical equipment and information technology infrastructure to enhance the quality and efficiency of our practice and to ensure our clients are provided with the most appropriate treatment. We will purchase additional LASIK equipment and enhance the information technology system for upgrading the document management systems for our patient records and the related information technology systems. In this connection, we plan to use part of the net proceeds from the Global Offering for upgrading our medical equipment and information technology infrastructure, further information on which is set forth in the section headed “Reasons for the Listing, Proposed Use of Net Proceeds from the Global Offering and Expansion Plans” in this prospectus. By keeping abreast of the latest development in diagnosis technology and procedures, our Directors believe that we will continue to be at the forefront of the industry in which we operate.

We strive to continue to improve the quality of our ophthalmic services. We will continue to attract and retain experienced ophthalmic professionals to better serve our patients as well as to expand the breadth and depth of subspecialty services we provide. We focus on improving our diagnosis, treatment and research capabilities and plan to increase collaboration, knowledge sharing and information exchanges with leading institutions and experts in different medical areas.

We plan to continue to adopt the day surgery setting in most of our services across our Hong Kong and PRC practice where in-patient stay is not required and our patients are able to return home on the same day. This approach allows us to increase our operational efficiency and focus our resources on the surgical procedures.

Identify suitable strategic partners for collaboration.

We may explore opportunities for strategic partnerships, alliances and investment opportunities in order to extend our network into the regions and markets where we do not have a presence.

We would review from time to time or when desirable opportunities arise, which we believe have the potential to increase our market share and revenue base. We would take into

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account location of the target, potential collaboration opportunities, reputation of the professionals and whether the management culture and philosophy are complementary with ours.

We target for hospitals, clinics or institutions that are sharing and practicing the same values as ours and being equally committed to providing quality ophthalmic services to our patients.

As of the Latest Practicable Date, we had not entered into any definitive agreements with any strategic partners for collaboration.

OUR EXPANSION PLANS

We plan to expand our service network in Hong Kong and the PRC using the net proceeds from the Pre-IPO Tranche B Investment and the Global Offering. Further information on our expansion plans is set forth in the section headed “Reasons for the Listing, Proposed Use of Net Proceeds from the Global Offering and Expansion Plans” in this prospectus.

OUR BUSINESS

Our business was founded in Hong Kong in January 2012 by Dr. Dennis LAM to offer full range ophthalmic services. Since then, our business has rapidly expanded and as of the Latest Practicable Date, our ophthalmic service network in Hong Kong includes the Central Eye Centre, the Mongkok Surgery Centre and four Satellite Clinics, Our fifth Satellite Clinic in Kwun Tong is planned to open during the first quarter of 2018. In March 2013, we expanded our service network into the PRC by establishing our first eye hospital in Shenzhen. Our second eye hospital in Beijing is planned to commence business operations in January 2018.

During the Track Record Period, we generated 61.3%, 61.5%, 64.8% and 62.8% of our revenue from the provision of ophthalmic services in Hong Kong and 38.7%, 38.5%, 35.2% and 37.2% from ophthalmic services in the PRC. We have experienced rapid growth during the Track Record Period, generating total revenue of HK\$156.5 million, HK\$198.9 million, HK\$248.7 million and HK\$140.4 million, respectively. The following table sets forth the geographical breakdown of our revenue during the Track Record Period (with comparative figures for the six months ended 30 June 2016):

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Hong Kong ⁽¹⁾⁽²⁾	95,982	61.3	122,266	61.5	161,168	64.8	73,962	64.1	88,237	62.8
PRC ⁽¹⁾	60,490	38.7	76,585	38.5	87,491	35.2	41,348	35.9	52,212	37.2
Total	<u>156,472</u>	<u>100.0</u>	<u>198,851</u>	<u>100.0</u>	<u>248,659</u>	<u>100.0</u>	<u>115,310</u>	<u>100.0</u>	<u>140,449</u>	<u>100.0</u>

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Notes:

- (1) During the Track Record Period, 3.1%, 4.4%, 5.7% and 5.9% of the total revenue was generated from the sales of vision aid products. Further information is set forth in the section headed “Financial Information — Components of our audited consolidated statements of profit or loss and other comprehensive income — Revenue” in this prospectus. The revenue shown in the above table only included that generated from the provision of ophthalmic services.
- (2) Our Central Eye Centre and Satellite Clinics function as a whole form our service network in Hong Kong, where Satellite Clinics allow us to extend our reach to our potential clients and clients will be referred to the Central Eye Centre for more advanced treatments or surgical interventions.
- (3) The amount of revenue includes the sales of vision aid products of HK\$4.9 million, HK\$8.8 million and HK\$14.3 million during the three years ended 31 December 2016, respectively. During the six months ended 30 June 2016 and 2017, the sales of vision aid products amounted to HK\$6.2 million and HK\$8.2 million, respectively.

The following table sets forth the revenue contribution from each category of the services provided to our clients during the Track Record Period (with comparative figures for the six months ended 30 June 2016). Detailed analysis of the changes in revenue during the Track Record Period is set forth in the section headed “Financial Information — Components of our audited consolidated statements of profit or loss and other comprehensive income — Revenue” in this prospectus.

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Consultation and other medical service fees ⁽¹⁾										
– Hong Kong	31,845	21.0	37,071	19.5	52,263	22.3	23,789	21.8	29,934	22.6
– PRC	25,866	17.1	31,989	16.8	36,703	15.7	17,183	15.7	21,250	16.1
	<u>57,711</u>	<u>38.1</u>	<u>69,060</u>	<u>36.3</u>	<u>88,966</u>	<u>38.0</u>	<u>40,972</u>	<u>37.5</u>	<u>51,184</u>	<u>38.7</u>
Surgery fees										
– Hong Kong	62,850	41.5	83,777	44.1	107,602	45.9	49,550	45.4	57,671	43.6
– PRC	31,021	20.4	37,229	19.6	37,823	16.1	18,635	17.1	23,368	17.7
	<u>93,871</u>	<u>61.9</u>	<u>121,006</u>	<u>63.7</u>	<u>145,425</u>	<u>62.0</u>	<u>68,185</u>	<u>62.5</u>	<u>81,039</u>	<u>61.3</u>
Total	<u>151,582</u>	<u>100.0</u>	<u>190,066</u>	<u>100.0</u>	<u>234,391</u>	<u>100.0</u>	<u>109,157</u>	<u>100.0</u>	<u>132,223</u>	<u>100.0</u>

Note:

- (1) Other medical service fees include fees in relation to the provision of basic investigations, special investigations, treatments and procedures and pharmaceuticals prescriptions but exclude the revenue generated from the sales of vision aid products.

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Hong Kong

Our ophthalmic service network

Our ophthalmic service network in Hong Kong consists of the Central Eye Centre, Mongkok Surgery Centre and four Satellite Clinics located in Mongkok, Yuen Long, Shatin and Causeway Bay. The Central Eye Centre is our headquarters which offers full range ophthalmology services including consultation, basic and special investigations, day-surgery services and optical prescription. The Mongkok Surgery Centre includes two operating theatres for performing eye surgery and operations. Our Satellite Clinics offer easy to access locations for our clients to receive initial consultations and investigations, as well as post-surgery follow-up care. They also provide a platform for us to extend our reach to our potential clients. Clients visiting any of our Satellite Clinics who require special investigations, more advanced treatments or surgical interventions, they will be referred to the Central Eye Centre or the Mongkok Surgery Centre for further follow-up and treatments.

Operational information

The number of our client visits and average spending per visit increased during the Track Record Period due to the increasing number of our ophthalmologists and the number of complicated surgeries performed by us. The table below sets forth the key operational information of our ophthalmic service network in Hong Kong (with comparative figures for the six months ended 30 June 2016):

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
Number of client visits					
Consultation and other					
medical services ⁽¹⁾	20,129	23,848	32,873	16,420	19,284
Surgeries	2,408	2,553	3,062	1,601	1,646
	22,537	26,401	35,935	18,021	20,930
Average spending					
per visit ⁽²⁾	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Consultation and other					
medical service fees ⁽³⁾	1,582	1,554	1,590	1,449	1,552
Surgery fees	26,100	32,815	35,141	30,949	35,037

Notes:

- (1) Other medical services include basic investigations, special investigations, treatments and procedures and pharmaceuticals prescription but exclude the sales of vision aid products.
- (2) Average spending per visit is calculated by dividing the revenue generated from the particular category of service by the total number client visits under the same category.
- (3) Other medical services fees include fees in relation to the provision of basic investigations, special investigations, treatments and procedures and pharmaceutical prescriptions but exclude the revenue generated from the sales of vision aid products.

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As the Mongkok Surgery Centre has commenced business operations since December 2017, it has no operational information during the Track Record Period.

Our professional team

We are committed to providing quality care to our clients. Our Central Eye Centre and the Satellite Clinics are equipped with advanced diagnostic and treatment equipment to facilitate accurate diagnoses and provision of ophthalmic services. Depending on the clientele of our ophthalmologists and the investigations and treatments required by their clients, they retain the flexibility to allocate their time at the eye centres in Hong Kong and the Satellite Clinics. For clients who require emergency surgeries or general anaesthesia, our ophthalmologists will provide treatments at private hospitals as requested by our clients or upon the recommendation of our ophthalmologists. Hence, the provision of surgery services is not limited by the capacity of our operating theatres or opening hours of our clinics. When our clients in Hong Kong require in-patient services, we will submit admission letters ahead of the admission date to the relevant private hospitals, which specify the relevant information including the clients' general conditions, preliminary diagnosis and the relevant facilities and services required. When our clients are discharged from the hospital, they will settle the total fees, including the consultation and surgery fees charged by our Hong Kong ophthalmologists, directly with the hospital. The relevant hospital will then remit our fees to us through bank transfers, which usually takes around one month.

We have a stable team of ophthalmologists in Hong Kong. During the Track Record Period, there was one ophthalmologist who left us for his personal reasons. As of the Latest Practicable Date, our professional team in Hong Kong comprised of nine practising ophthalmologists and nurses and other allied health professionals, such as optometrists. During the Track Record Period and as of the Latest Practicable Date, all of our ophthalmologists in Hong Kong are registered medical practitioners in Hong Kong and are Fellows of the Hong Kong Academy of Medicine in Ophthalmology and the College of Ophthalmologists of Hong Kong. Our nurses and other allied health professionals all hold valid registrations and practicing certificates issued by the relevant authorities in Hong Kong or overseas.

The following table sets forth the members of our professional medical team in Hong Kong as of the Latest Practicable Date:

	Number of professional medical team member(s)
Ophthalmologists	9
Nurses	7
Optometrists	6
Orthoptist	1
Chinese medicine practitioner (part-time) ⁽¹⁾	1
Total	<u>24</u>

Note:

- (1) During the Track Record Period, acupuncture treatments were provided at our Mongkok Satellite Clinic as a form of ancillary treatment for our clients.

Terms of the Cooperative Agreements

We have entered into a Cooperative Agreement with each ophthalmologists, practising with us in Hong Kong, pursuant to which the revenue generated from their practice (including consultation fees and surgery fees) is shared with us according to agreed bases and percentages, regardless of whether the services are provided at the Central Eye Centre, Satellite Clinics or at a private hospital. As confirmed by our Directors, the revenue-sharing arrangement is an industry norm in Hong Kong medical industry. Under this revenue-sharing arrangement, medical practitioners are not employees of any business. Likewise, the ophthalmologists practising with us in Hong Kong are not our employees, and each of them has taken out his or her own medical liability insurance in respect of his or her own practice. As Dr. Vincent LEE, being one of our Hong Kong Ophthalmologists, is an executive Director, the revenue-sharing arrangement previously included under the Cooperative Agreement is included in his director's service agreement with our Group. There will not be any change to the terms of such revenue-sharing arrangement with Dr. Vincent LEE. In addition, Dr. Vincent LEE is entitled to a director's fee of HK\$240,000 per annum under his director's service agreement with us.

Our Directors confirm that the average term of the Cooperative Agreements is generally consistent with the industry norm of the Hong Kong medical industry. Such term will also provide flexibility to us and the ophthalmologists practising with us in Hong Kong for any revision or update to be made to the terms of the Cooperative Agreements in light of the prevailing market conditions. We have no intention to terminate any of the existing Cooperative Agreements following the expiration of the current term and will ensure that the terms offered by us to the ophthalmologists practising with us in Hong Kong remain competitive.

The following sets forth the principal terms of the Cooperative Agreements:

- Dates: – The Cooperative Agreements, together with their supplements, were entered into on various dates ranging from 1 January 2012 to 1 September 2017, effective from 1 April 2017 and 18 December 2017.
- Term: – The Cooperative Agreements are effective for a period of two to three years or on a continuous basis unless the Cooperative Agreements are terminated. The renewal of the Cooperative Agreements is subject to mutual consent.

BUSINESS

- Duties of our Hong Kong Ophthalmologists
- The ophthalmologists practising with us in Hong Kong shall render ophthalmology services for and on behalf of our Group.
 - The ophthalmologists practising with us in Hong Kong are required to work full time at our Group and to attend diligently to the practice of our Group.
- Outside practice
- Outside practice refers to any medical practice of the ophthalmologists practising with us in Hong Kong that is carried out without our approval. Provision of services to our clients who require in-patient services at private hospitals is not regarded as outside practice.
- The ophthalmologists practising with us in Hong Kong shall not engage in any kind of outside practice unless with our prior approval.
- All income from outside practice of the ophthalmologists practising with us in Hong Kong shall be counted as part of the revenue generates to us by the ophthalmologists.
- Revenue sharing
- Depending on the seniority of the ophthalmologists practising with us in Hong Kong and the location of our Central Eye Centre or Satellite Clinics, we may pay the ophthalmologists practising with us in Hong Kong a guaranteed monthly salary or share with them the revenue generated by them based on agreed percentages in the range between 35.0% and 70.0%. The amount of revenue is after deducting the charges of using our equipment, operating theatres and medical consumables.
- Termination
- The Cooperative Agreements may be terminated upon mutual written agreement between the ophthalmologists practising with us in Hong Kong and us at any time.
 - Either party may give a three-month written notice to the other party to terminate the Cooperative Agreements.
 - Either party may give 30 days' written notice to the other party to terminate the Cooperative Agreements in the event of the other party's fraud, gross negligence, repeated acts of negligence, material misrepresentation or material breach of any term or condition of the Cooperative Agreements.

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- Non-competition – The ophthalmologists practising with us in Hong Kong shall not work for any clinic/centre/hospital within a distance of 0.3km to our centre for the first six months after the termination of the Cooperative Agreements.

To further incentivise our Hong Kong Ophthalmologists, we have granted certain Pre-IPO Share Options to them. Further information is set forth in the section headed “History, Development and Reorganisation — Pre-IPO Share Option Scheme” in this prospectus.

Remuneration received and to be received by Dr. Dennis LAM

We have not entered into any revenue-sharing arrangement with Dr. Dennis LAM in relation to his ophthalmic services rendered for us. During the three years ended 31 December 2016, the revenue generated by the ophthalmic services provided by Dr. Dennis LAM amounted to HK\$66.7 million, HK\$88.7 million and HK\$81.5 million, respectively. During the six months ended 30 June 2016 and 2017, the revenue generated by the ophthalmic services provided by Dr. Dennis LAM amounted to HK\$39.1 million and HK\$41.4 million, respectively.

During the three years ended 31 December 2016, Dr. Dennis LAM received compensation in the amount of HK\$4.4 million, HK\$8.8 million, HK\$6.6 million, respectively. During the six months ended 30 June 2016 and 2017, Dr. Dennis LAM received compensation in the amount of HK\$3.1 million and HK\$1.5 million, respectively. Such amounts received by Dr. Dennis LAM during the Track Record Period represented the total amount of compensation for all services rendered by Dr. Dennis LAM for us. The compensation of Dr. Dennis LAM was based on HK\$4.0 million per annum plus any additional amount determined by Dr. Dennis LAM and Ms. LI from time to time taking into consideration the following factors:

- (a) the historical performance of our Group and the likely amount of expenditures that may be incurred by us for our business expansion, including, the amount required for the recruitment of additional ophthalmologists and staff and the opening of our eye hospital operated by Shenzhen C-MER Hospital and additional Satellite Clinics;
- (b) cash flows generated from our operating activities; and
- (c) the personal needs of Dr. Dennis LAM and his spouse, Ms. LI.

Our Directors consider that the difference in the compensation structure of Dr. Dennis LAM and our Hong Kong Ophthalmologists is primarily due to the fact that Dr. Dennis LAM is our founder and one of our Controlling Shareholders, whereas our Hong Kong Ophthalmologists are practicing ophthalmologists with the platform provided by us. Since the inception of our business, Dr. Dennis LAM has had no intention to adopt any revenue-sharing arrangement for his ophthalmic services rendered for us. The primary purpose of the revenue-sharing arrangement entered into with our Hong Kong Ophthalmologists, which is

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consistent with the industry norm in Hong Kong medical industry, is to provide incentives to our Hong Kong Ophthalmologists for the ophthalmic services rendered for us. As our founder and one of our Controlling Shareholders, Dr. Dennis LAM's economic interest is dependent on the overall profitability of our Group and the potential dividend to be paid by members of our Group. The revenue-sharing arrangement is therefore not appropriate for compensating all services (including the ophthalmic services) rendered by Dr. Dennis LAM for us.

Following the Listing, the current compensation arrangement with Dr. Dennis LAM will remain unchanged so long as he remains to be an executive Director and a Controlling Shareholder. Dr. Dennis LAM has entered into a three-year director's service contract with us which will be effective on the Listing Date, pursuant to which a fixed amount of compensation of HK\$6.0 million per annum (including an annual director's fee of HK\$240,000) will be paid to Dr. Dennis LAM after the Listing for all services (including the ophthalmic services) to be rendered for us in the capacity as our Chairman of the Board, Chief Executive Officer and our executive Director. The scope of services (including the ophthalmic services) to be provided by Dr. Dennis LAM following the Listing will be identical to the services provided by him during the Track Record Period.

Following the Listing, the amount of compensation to be received by Dr. Dennis LAM will be subject to annual review by the Remuneration Committee. The amount of compensation to be received by Dr. Dennis LAM under the director's service contract, which is slightly lower than the amount of annual compensation received by Dr. Dennis LAM for each of the two years ended 31 December 2016 and higher than the amount of annual compensation received by him for the year ended 31 December 2014, reflects the increased responsibilities of Dr. Dennis LAM in the business of our Group. The decrease in the amount of compensation received by Dr. Dennis LAM during the six months ended 30 June 2017 was mainly due to the special interim dividend of HK\$100.0 million declared by our Company in September 2017, which has been paid to Dr. Dennis LAM, net of amount due from our Controlling Shareholders, out of our internal financial resources.

Following the initial term of three years under the director's service contract, it is proposed that any renewal of such director's service contract, including the basis and the amount of annual compensation payable thereunder, will be subject to the approval of our independent Shareholders. It will also be one of the terms of the director's service contract that the annual compensation payable to Dr. Dennis LAM will be in fixed amount and any adjustment thereto in the next term of three years cannot be more than 15% of the annual compensation in the previous term on the basis that the annual amount of revenue generated by Dr. Dennis LAM will continue to grow during the term. If there is any decrease in the amount of revenue generated by the services rendered by Dr. Dennis LAM for us in any year, the amount of his annual compensation in the following year during the term will not be adjusted upward. This adjustment mechanism is required to be observed by the Remuneration Committee unless otherwise approved by our independent Shareholders at general meetings of our Company following the Listing.

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Further information on the impact of our profitability during the Track Record Period if the amount of compensation received by Dr. Dennis LAM were based on a compensation arrangement with reference to his expertise, experience and reputation in Hong Kong and the PRC is set forth in the section headed “Financial Information — Analysis of the impact of the compensation arrangement with Dr. Dennis LAM during the Track Record Period — Pro forma impact on our profitability” in this prospectus.

Our facilities

The following table sets forth the basic information and facilities of our ophthalmic service network in Hong Kong:

Location	Central	Mongkok	Satellite Clinics			
	Eye Centre	Surgery Centre	Mongkok	Yuen Long	Shatin	Causeway Bay
Commencement of business	January 2012	December 2017	January 2014	January 2016	June 2016	February 2017
Approximate GFA (sq. ft.)	6,400	1,380	1,500	1,400	800	1,300
Facilities						
Consultation room(s)	4	0	2	1	1	1
Optometry room(s)	4	0	1	1	1	1
Investigation room(s)/ treatment room(s)	2	0	1	2	1	1
Operating theatre(s)	3	2	–	1	–	–
Others	1 optical shop	N/A	N/A	1 optical shop	–	1 optical shop and 1 treatment room for Chinese medicine practitioner

BUSINESS

PRC

Eye hospital in Shenzhen operated by Shenzhen C-MER Hospital

In March 2013, we expanded our reach to the PRC by opening an eye hospital operated by Shenzhen C-MER Hospital, which is the first Hong Kong privately-owned hospital established under CEPA, according to the Frost & Sullivan Report. Our eye hospital operated by Shenzhen C-MER Hospital offers ophthalmic services to adults and paediatric clients. Leveraging our experience in Hong Kong in offering ophthalmic services of international standard in treating a wide range of common to rare and complex eye problems and our first mover advantage in the PRC, our eye hospital operated by Shenzhen C-MER Hospital ranked third among 113 public and private hospitals in Shenzhen in 2016 (overall) and ranked second in the first quarter of 2017 in the quarterly surveys of “Patient Satisfaction” (病人滿意度) conducted by the Shenzhen Health Commission.

Eye hospital in Beijing operated by Beijing C-MER Hospital

Our eye hospital in Beijing, which is the second Hong Kong privately-owned hospital established under CEPA according to the Frost & Sullivan Report, is planned to commence business operations in January 2018. This eye hospital is designed to provide full range of ophthalmic services covering both diagnostic services and medical and surgical treatments.

Operational information

During the Track Record Period, our out-patient services continue to expand due to our business growth. Our average spending per visit decreased during the Track Record Period as we have established and maintained a standard of procedures where we were able to deliver our quality services through our ophthalmologists recruited from overseas and locally-trained physicians. As such, the fees charged by them were not as high as those charged by Dr. Dennis LAM and other senior Hong Kong Ophthalmologists. The below table sets forth the key operational information of our eye hospital operated by Shenzhen C-MER Hospital during the Track Record Period (with comparative figures for the six months ended 30 June 2016):

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
Out-patient services					
Number of outpatient visits					
Consultation and other					
medical services ⁽¹⁾	26,739	33,576	43,930	20,517	26,659
Surgeries	1,553	2,074	2,730	1,309	1,697
	28,292	35,650	46,660	21,826	28,356
Average spending					
per visit ⁽²⁾	HK\$	HK\$	HK\$	HK\$	HK\$
Consultation and other					
medical service fees ⁽³⁾	967	953	835	838	797
Surgery fees	19,975	17,950	13,855	14,236	13,770
In-patients services⁽⁴⁾					
Number of registered beds					
at the end of each					
period ⁽⁵⁾	30	30	30	30	30
Number of in-patient visits	615	892	1,103	466	626

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Notes:

- (1) Other medical services include basic investigations, special investigations, treatments and procedures and pharmaceuticals prescription but exclude the sales of vision aid products.
- (2) Average spending per visit is calculated by dividing the revenue generated from the particular category of service by the total number of client visits under the same category.
- (3) Other medical service fees include fees in relation to the provision of basic investigations, special investigations, treatments and procedures and pharmaceuticals prescriptions but exclude the revenue generated from the sales of vision and products.
- (4) Day surgery is a common practice according to the Frost & Sullivan Report. Our eye surgeries are generally performed in day surgery setting. As the eye surgeries are usually operated under local anaesthesia, the recovery time from anaesthesia is generally short. Post-operative care can be carried out by the patient at home, and in-patient care is generally not required. We are therefore not constrained by bed capacity and do not focus on providing large in-patient facilities at our eye hospital operated by Shenzhen C-MER Hospital, and parameters such as bed occupancy rate and average length of in-patient stay are not indicative of our Group's business operations. As the surgeries are generally provided in day-surgery setting, during the Track Record Period, regardless of whether our clients opted for in-patient stay at our hospital, the revenue generated was counted towards income from surgeries.
- (5) During the Track Record Period, our eye hospital operated by Shenzhen C-MER Hospital had 30 beds in its facilities to provide the option to our clients for in-patient stay.

As our eye hospital in Beijing operated by Beijing C-MER Hospital is planned to commence business operations in January 2018, it has no operational information during the Track Record Period.

Our professional team

Our professional medical team in the PRC comprises overseas ophthalmologists, local physicians, anaesthetists, nurses and other allied health professionals, who are registered in accordance with the relevant healthcare administrative authorities in the PRC.

Physicians practicing at the eye hospitals operated by Shenzhen C-MER Hospital and Beijing C-MER Hospital are full-time employees, other than those who are registered to engage in multi-site practice under the applicable PRC laws and regulations. These physicians practice at our eye hospital on a part-time basis and thus are not our employees. We enter into service contracts with these multi-site practice physicians, pursuant to which they provide medical services at our hospital at fixed rates, including consultation, investigations and surgeries. We believe the experience and expertise of these physicians can enhance the breadth of our services and reputation of our practice. We maintain medical liability insurance for our hospital operation in the PRC including our full-time and part-time physicians.

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The following table sets forth the members of our professional medical team in the PRC as of the Latest Practicable Date:

	Number of professional medical team member(s)
Overseas ophthalmologists (resident in the PRC)	3
Local physicians	
<i>Chief physicians</i> (主任醫生)	6
<i>Associate chief physicians</i> (副主任醫生)	3
<i>Attending physicians</i> (主治醫生)	8
<i>Resident physicians</i> (住院醫生)	7
<i>Multi-site practice physicians</i> ⁽¹⁾ (多點執業醫生)	2
Anaesthetists	4
Nurses	62
Optometrists and trainees	41
Pharmacists	5
Total	141

Note:

(1) Multi-site practice physicians are working for us on a part-time basis are not our employees.

Our facilities

Our eye hospital in Shenzhen

Our eye hospital operated by Shenzhen C-MER Hospital has gross floor area of approximately 3,481 sq.m. which is divided into five functional units, namely out-patient division, optometric division, surgical division, in-patient division and administration division. The following table sets forth the basic information and facilities of our eye hospital currently operated by Shenzhen C-MER Hospital:

Commencement of business	March 2013
Approximate GFA (sq. m.)	3,481
Facilities	
Consultation rooms	12
Optometry rooms	9
Investigation rooms	8
Operating theatres	5
Day ward	1
Wards (number of beds)	13 (30)
Optical shop	1

BUSINESS

Our eye hospital in Beijing

Our eye hospital operated by Beijing C-MER Hospital has gross floor area of approximately 4,617 sq.m. which is divided into five functional units, namely out-patient division, optometric division, surgical division, in-patient division and administration division. The following table sets forth the basic information and facilities of our eye hospital operated by Beijing C-MER Hospital:

Commencement of business	January 2018
Approximate GFA (sq. m.)	4,617
Facilities	
Consultation rooms	19
Optometry rooms	8
Investigation rooms	6
Operating theatres	4
Day ward	1
Wards (number of beds)	14 (30)
Optical shop	1

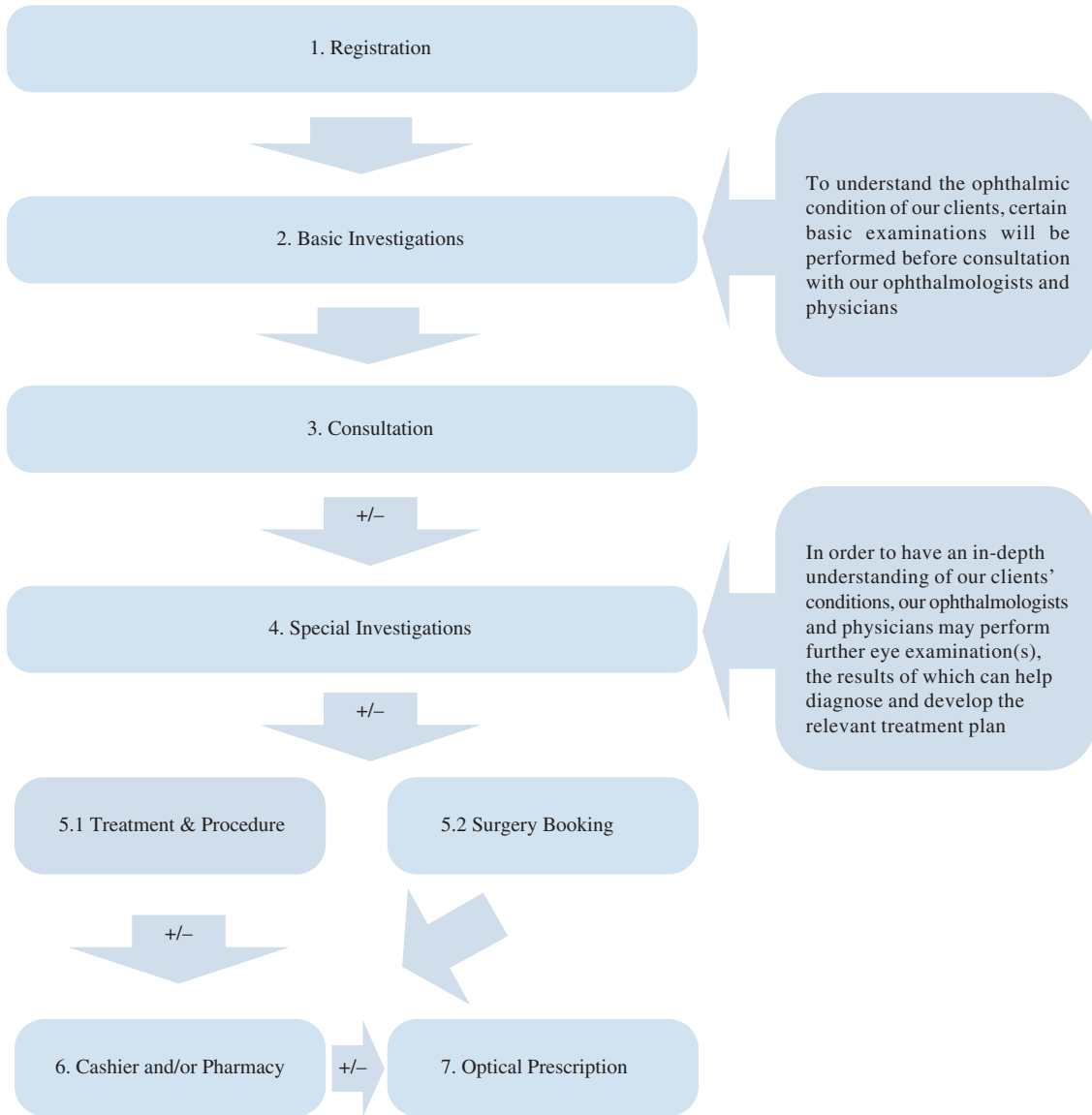
On 3 February 2017, the Beijing Health Commission issued a letter to Beijing C-MER Hospital confirming that Beijing C-MER Hospital may operate an eye hospital at the designated location with the above facilities. The official inspection visit of the facilities was conducted by the Beijing Health Commission in early December 2017, and our Directors expect that the Medical Institution Practising Certificate (醫療機構執業許可證) would be issued to Beijing C-MER Hospital by the end of 2017, following which the eye hospital may commence business operations. Our PRC legal advisers confirm that there is no legal impediment for Beijing C-MER Hospital to obtain the Medical Institution Practising Certificate by the end of January 2018.

OUR SERVICES

We offer a comprehensive range of ophthalmic care, diagnostic, medical and surgical treatment services at our ophthalmic service network in Hong Kong and our eye hospitals operated by Shenzhen C-MER Hospital and Beijing C-MER Hospital. Pursuant to the Frost & Sullivan Report, Shenzhen C-MER Hospital ranked second in the ophthalmic diseases therapy market in terms of revenue in 2016 amongst the privately-owned eye hospitals in Guangdong Province, the PRC with a market share of 8.7%. The extensive range of skills and knowledge of our ophthalmologists and physicians allow us to offer a variety of treatments and surgeries for clients with a wide range of eye problems, from common issues to rare and complex conditions. In particular, our ophthalmologists in Hong Kong and physicians in the PRC are specialised in performing surgeries in relation to (a) cataract and intraocular lens implant; (b) refractive correction; (c) corneal and external eye diseases; (d) glaucoma; (e) vitreoretinal diseases; (f) oculoplastics and orbital diseases; and (g) squint and paediatric ophthalmology.

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The following diagram sets forth an overview of the treatment process of our out-patient services:



Our eye centre/Satellite Clinics and eye hospitals are designed to provide easy access, streamlined registration and check-out procedures. In most cases, our eye surgeries are performed in day-surgery settings. As the eye surgeries are usually operated under local anaesthesia, the recovery time from the anaesthesia is short. Post-operative care is usually simple and can be carried out by the patient at home. Therefore, in-patient stay at our eye hospitals is generally not required. As our services are not constrained by bed capacity, we do not provide large number of beds at the eye hospitals operated by Shenzhen C-MER Hospital and Beijing C-MER Hospital. If in-patient stay is required in Hong Kong, such service can be arranged at other private hospitals in Hong Kong. Further information is set forth in the paragraphs under “Our professional team and facilities” above. For clients visiting the eye hospitals operated by Shenzhen C-MER Hospital and Beijing C-MER Hospital, they may choose to stay at our in-patient facilities.

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Our services provided in Hong Kong and the PRC may be categorised into (i) basic investigations; (ii) consultation; (iii) special investigations; (iv) treatments and procedures; (v) pharmaceuticals and optical prescriptions; and (vi) surgical interventions.

(i) Basic investigations

Before meeting with our ophthalmologists and physicians, basic investigations are usually performed to our clients in order to gather certain parameters in relation to their eyes' conditions. These basic investigations include, among others, tests for assessing eye pressure, visual acuity and refractive errors.

(ii) Consultation

At the consultation session, our ophthalmologists and physicians will obtain their clients' basic medical history, chief complaints and related signs and symptoms, while taking into consideration the results from the basic investigations. Our ophthalmologists and physicians also carry out examinations for our clients, such as by way of slit lamp to diagnose diseases from the cornea to retina. Examinations of the retinal fundi are also performed after dilating pupils for retinal and macular pathologies.

(iii) Special investigations

Depending on a clients' particular medical condition, special investigations maybe required to assist our ophthalmologists and physicians in reaching a diagnosis and devising a treatment plan. Special investigations generally involve advanced technology, including ultrasound. Investigations may include, for instance, taking photographic images of the retina and examining the fine details such as blood vessels, nerves and thickness of the retina.

(iv) Treatments and procedures

Our ophthalmologists and physicians can provide treatments by way of simple laser therapy and surgical procedures to treat a wide array of conditions including glaucoma, retinal diseases, chalazion and dry eyes. In conjunction with our medical and surgical treatments, our Mongkok Satellite Clinic and the eye hospital operated by Shenzhen C-MER Hospital offer traditional Chinese medicine therapy by our part-time Chinese medicine practitioner in Hong Kong and our physician in the PRC, such as acupuncture as a form of ancillary treatment for some diseases to enhance the overall treatment outcome.

(v) Pharmaceuticals and optical prescriptions

We provide oral and topical medications to our clients for different eye diseases according to the prescriptions made by our ophthalmologists or physicians. In addition, each of our Central Eye Centre, Yuen Long Satellite Clinic, Causeway Bay Satellite Clinic and the eye hospital operated by Shenzhen C-MER Hospital has an optical shop for providing optometry assessments and spectacles and contact lens prescriptions. During the track Record Period, the sales of optical and vision aid products amounted to 3.1%, 4.4%, 5.7% and 5.9% of our total revenue.

(vi) Surgical interventions

During the Track Record Period, surgery fees contributed to 60.0%, 60.9%, 58.4% and 57.7% of our total revenue, respectively. We have operating theatres located at the Central Eye Centre, Mongkok Surgery Centre, Yuen Long Satellite Clinic and the eye hospitals in Shenzhen and Beijing (which is planned to commence business operations in January 2018). These facilities enable our ophthalmologists and physicians to carry out a wide range of ophthalmic surgeries for our patients. In particular, our ophthalmologists and physicians are specialised in performing the following surgeries:

Condition	Description
Cataract and intraocular lens implants	Surgical treatment to remove the lens followed by the insertion of an artificial intraocular lens
Refractive correction surgeries	LASIK surgeries to correct refractive error associated with short-sightedness, long-sightedness and astigmatism
Corneal and external eye diseases	Surgeries to treat different corneal diseases including corneal graft surgeries for severe corneal scarring
Glaucoma	Treatment by way of laser or surgical interventions to lower the intraocular pressure to protect the optic nerve from damage
Vitreo-retinal diseases	Using different treatment modalities including laser, intraocular injections and surgeries to treat retinal and macular diseases
Oculoplastics and orbital diseases	Repair and reconstruction surgeries of orbits and eyelids from damage resulted from trauma, degeneration or other causes
Squint and paediatric ophthalmology	Muscle realignment surgeries to correct squint or double vision

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AWARDS AND SOCIAL RESPONSIBILITY

We are committed to contributing to the community through charity and community services. Three of our ophthalmologists (including Dr. Dennis LAM) have been awarded “*The Ten Outstanding Young Persons of Hong Kong*”, and two of them have been granted “*Hong Kong Humanity Award*” for their devotion in helping those in need. During the Track Record Period, we have received the following awards:

<u>Year</u>	<u>Awardee</u>	<u>Award</u>	<u>Issuing organisation</u>
2016	Shenzhen C-MER Hospital	Ranked third in the public satisfaction rate among all private and public hospitals in Shenzhen in 2016 (2016年深圳市醫療行業服務公眾滿意度調查監測結果第三名)	Shenzhen Health Commission
2017	Shenzhen C-MER Hospital	A Medical Insurance Designated Medical and Pharmaceutical Institution of Credit Rating AAA in Shenzhen in 2016 (深圳市2016年社會醫療保險定點醫藥機構信用等级AAA)	Shenzhen Social Insurance Funds Management Bureau (深圳市社會保險基金管理局)
2017	Shenzhen C-MER Hospital	Ranked second in the public satisfaction rate among all private and public hospitals in Shenzhen for the first quarter of 2017 (2017年第一季度深圳市醫療行業服務公眾滿意度調查監測結果第二名)	Shenzhen Health Commission

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OUR CLIENTS

During the Track Record Period, our clients in Hong Kong and the PRC primarily consisted of (i) individual clients and (ii) corporate clients, which include insurance companies and medical schemes providers, with which we entered into contractual arrangements for the provision our services.

Individual clients represented a significant portion of our client base and the amount of revenue generated from individual clients represented 97.3%, 96.9%, 97.8% and 97.7% of our total revenue, respectively for the Track Record Period. During the same period, our top five clients, consisting of both corporate and individual clients, accounted for 3.0%, 3.4%, 2.4% and 2.8% of our total revenue, respectively, of which 1.7%, 1.9%, 1.2% and 1.5% of our total revenue, respectively, was generated from our largest client, which was an insurance company.

During the Track Record Period and as of the Latest Practicable Date, we have a total of six corporate clients. Pursuant to the contractual arrangements entered into with our corporate clients and subject to their internal approval procedures, they settle medical fees for their policy members who are patients of our Group. The contract terms vary among our corporate clients, but the contracts are typically renewable every one to three years.

To the best knowledge and belief of our Directors, our five largest clients during the Track Record Period are Independent Third Parties and none of our Directors or their close associates or any Shareholders (which to the best knowledge of our Directors beneficially own more than 5.0% of our Shares) had any interests in any of our five largest clients during the Track Record Period. During the Track Record Period, none of our major clients were also our major suppliers.

OUR SUPPLIERS

Our suppliers primarily include distributors of pharmaceuticals, medical consumables and intraocular lenses. When selecting our suppliers, we perform assessment based on various criteria, including quality and source of products, reputation in the industry, price and delivery time. Further information on the quality control measures we imposed on the products we procured is set forth in the paragraphs under “Quality control” below.

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The tables below set forth the particulars relating to our five largest suppliers during the Track Record Period.

For the year ended 31 December 2014

Rank	Name of Supplier	Background of supplier	Principal place of business	Purchase amount <i>(HK\$'000)</i>	% of total purchase	Products purchased	Length of relationship with us <i>(years)</i>
1	Supplier A	Supplier A provides sourcing, marketing, sales, distribution and after-sales-services in consumables, healthcare performance materials and technology. The parent company of Supplier A is listed on SIX Swiss Exchange.	Hong Kong	4,659	24.2%	Eye drops, medical consumables, other pharmaceuticals and intraocular lens	5
2	Supplier B	Supplier B provides pharmaceutical distribution services. The parent company of Supplier B offers pharmaceutical logistics services across Asia Pacific region.	Hong Kong	2,529	13.1%	Eye drops and other pharmaceuticals	5
3	Supplier C	Supplier C provides sourcing, marketing, sales, distribution and after-sales-services in consumables, healthcare performance materials and technology. The parent company of Supplier C is listed on SIX Swiss Exchange.	PRC	2,038	10.6%	Intraocular lens and viscoelastic agent for cataract surgery	4

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Rank	Name of Supplier	Background of supplier	Principal place of business	Purchase amount	% of total purchase	Products purchased	Length of relationship with us
				<i>(HK\$'000)</i>			<i>(years)</i>
4	Supplier D	Supplier D, which has service network in the PRC and provides various medical supplies ranging from surgical equipment and materials to vaccination and medicine. The parent company of Supplier D is listed on the New York Stock Exchange.	PRC	1,567	8.1%	Medical supplies	4
5	Supplier E	Supplier E specialises in production of ophthalmic material and equipment.	PRC	1,159	6.0%	Femtosecond package	4
	Total			<u>11,952</u>	<u>62.1%</u>		

For the year ended 31 December 2015

Rank	Name of Supplier	Background of supplier	Principal place of business	Purchase amount	% of total purchase	Products purchased	Length of relationship with us
				<i>(HK\$'000)</i>			<i>(years)</i>
1	Supplier A	Supplier A provides sourcing, marketing, sales, distribution and after-sales-services in consumables, healthcare performance materials and technology. The parent company of Supplier A is listed on SIX Swiss Exchange.	Hong Kong	5,582	23.2%	Eye drops, medical consumables, other pharmaceuticals and intraocular lens	5

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Rank	Name of Supplier	Background of supplier	Principal place of business	Purchase amount <i>(HK\$'000)</i>	% of total purchase	Products purchased	Length of relationship with us <i>(years)</i>
2	Supplier C	Supplier C provides sourcing, marketing, sales, distribution and after-sales-services in consumables, healthcare performance materials and technology. The parent company of Supplier C is listed on SIX Swiss Exchange.	PRC	2,702	11.3%	Intraocular lens and viscoelastic agent for cataract surgery	4
3	Supplier F	Supplier F specialises in ophthalmic and optometric supplies. Supplier F co-operates with a number of medical research laboratories and medical facilities to provide quality products.	PRC	2,094	8.7%	Ortho-k lens	4
4	Supplier B	Supplier B provides pharmaceutical distribution services. The parent company of Supplier B offers pharmaceutical logistics services across Asia Pacific region.	Hong Kong	1,883	7.8%	Eye drops and other pharmaceuticals	5
5	Supplier E	Supplier E specialises in production of ophthalmic material and equipment.	PRC	1,296	5.4%	Femtosecond package	4
Total				<u>13,557</u>	<u>56.5%</u>		

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For the year ended 31 December 2016

Rank	Name of Supplier	Background of supplier	Principal place of business	Purchase amount <i>(HK\$'000)</i>	% of total purchase	Products purchased	Length of relationship with us <i>(years)</i>
1	Supplier A	Supplier A provides sourcing, marketing, sales, distribution and after-sales-services in consumables, healthcare performance materials and technology. The parent company of Supplier A is listed on SIX Swiss Exchange.	Hong Kong	7,246	22.5%	Eye drops, medical consumables, other pharmaceuticals and intraocular lens	5
2	Supplier C	Supplier C provides sourcing, marketing, sales, distribution and after-sales-services in consumables, healthcare performance materials and technology. The parent company of Supplier C is listed on SIX Swiss Exchange.	PRC	3,521	10.9%	Intraocular lens and viscoelastic agent for cataract surgery	4
3	Supplier B	Supplier B provides pharmaceutical distribution services. The parent company of Supplier B offers pharmaceutical logistics services across Asia Pacific region.	Hong Kong	2,783	8.6%	Eye drops and other pharmaceuticals	5
4	Supplier F	Supplier F specialises in ophthalmic and optometric supplies. Supplier F co-operates with a number of medical research laboratories and medical facilities to provide quality products.	PRC	2,358	7.3%	Ortho-k lens	4

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Rank	Name of Supplier	Background of supplier	Principal place of business	Purchase amount <i>(HK\$'000)</i>	% of total purchase	Products purchased	Length of relationship with us <i>(years)</i>
5	Supplier D	Supplier D, which has service network in the PRC and provides various medical supplies ranging from surgical equipment and materials to vaccination and medicine. The parent company of Supplier D is listed on the New York Stock Exchange.	PRC	2,098	6.5%	Medical supplies	4
Total				18,006	55.8%		

For the six months ended 30 June 2017

Rank	Name of Supplier	Background of supplier	Principal place of business	Purchase amount <i>(HK\$'000)</i>	% of total purchase	Products purchased	Length of relationship with us <i>(years)</i>
1	Supplier A	Supplier A provides sourcing, marketing, sales, distribution and after-sales-services in consumables, healthcare performance materials and technology. The parent company of Supplier A is listed on SIX Swiss Exchange.	Hong Kong	3,970	23.5%	Eye drops, medical consumables, other pharmaceuticals and intraocular lens	5
2	Supplier B	Supplier B provides pharmaceutical distribution services. The parent company of Supplier B offers pharmaceutical logistics services across Asia Pacific region.	Hong Kong	1,210	7.2%	Eye drops and other pharmaceuticals	5

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Rank	Name of Supplier	Background of supplier	Principal place of business	Purchase amount <i>(HK\$'000)</i>	% of total purchase	Products purchased	Length of relationship with us <i>(years)</i>
3	Supplier C	Supplier C provides sourcing, marketing, sales, distribution and after-sales-services in consumables, healthcare performance materials and technology. The parent company of Supplier C is listed on SIX Swiss Exchange.	PRC	1,666	9.9%	Intraocular lens and viscoelastic agent for cataract surgery	4
4	Supplier F	Supplier F specialises in ophthalmic and optometric supplies. Supplier F co-operates with a number of medical research laboratories and medical facilities to provide quality products.	PRC	1,521	9.0%	Ortho-k lens	4
5	Supplier D	Supplier D, which has service network in the PRC and provides various medical supplies ranging from surgical equipment and materials to vaccination and medicine. The parent company of Supplier D is listed on the New York Stock Exchange.	PRC	1,162	6.9%	Medical supplies	4
Total				<u>9,529</u>	<u>56.5%</u>		

During the Track Record Period, our five largest suppliers accounted for 62.1%, 56.5%, 55.8% and 56.5% of our total purchases, respectively. These five largest suppliers include distributors of pharmaceuticals, medical consumables and intraocular lenses located in Hong Kong or the PRC, with whom we have established business relationships for a period of four to five years. For the same period, our largest supplier, a distributor of pharmaceuticals and intraocular lenses, accounted for 24.2%, 23.2%, 22.5% and 23.5% of our total purchase, respectively.

BUSINESS

All of our five largest suppliers during the Track Record Period are distributors or manufacturers of renowned brands of pharmaceuticals, medical consumables and intraocular lenses. The pharmaceuticals, medical consumables and intraocular lenses used by us are produced by different manufacturers under different brands. On this basis, our Directors do not consider that we are relying on any of our five largest suppliers.

We generally do not enter into long-term supply agreements with our suppliers in Hong Kong and the orders are placed on an as-needed basis. During the Track Record Period, we entered into a long-term purchase agreement for a period of five years with one of our five largest suppliers. Our Directors confirm that there is no long-term supply agreement entered into with the other suppliers. We have been provided with one month's credit for the purchase from the other five largest suppliers, and there is no minimum purchase required by any of our suppliers.

We have put in place inventory control measures to control our supplies procurement processes, post-delivery management and maintain a stable level of inventory for our daily operations. Further information is set forth in the paragraphs under "Inventory control" below. During the Track Record Period, we did not encounter any difficulty, shortage or quality issues with our suppliers or the products we procured from them that could materially and adversely affect our business operations.

To the best knowledge and belief of our Directors, our five largest suppliers during the Track Record Period are Independent Third Parties and none of our Directors or their close associates or any Shareholders (which to the best knowledge of our Directors beneficially own more than 5.0% of our Shares) had any interests in any of our top five suppliers during the Track Record Period. During the Track Record Period, none of our Group's major suppliers were also our Group's major clients.

PRICING

Hong Kong

In Hong Kong, we price our consultation and other medical services fees and surgery fees with reference to a number of factors, including the kind of diagnostic investigations and pharmaceuticals involved, the complexity of the therapy involved in treating the eye diseases and disorders, the seniority of the ophthalmologists, the operating costs and the generally accepted fee levels. Accordingly, the prices charged by us for our surgeries are in the range from a few thousand Hong Kong dollars to hundreds of thousand Hong Kong dollars.

BUSINESS

We enter into contractual arrangements for provision of ophthalmic services with our corporate clients, which are mainly insurance companies or medical schemes providers. Further information is set forth in the paragraphs under “Our clients” above. In determining the rates chargeable to our corporate clients, we take into consideration the prevailing market rates, our costs and the estimated utilisation of the ophthalmic services to be provided by us. For our pharmaceuticals and other medical consumables, we generally charge on a cost-plus basis and thus we are able to pass on any increase in cost to our clients.

PRC

As the eye hospitals operated by Shenzhen C-MER Hospital and Beijing C-MER Hospital are private hospitals, established for-profit pursuant to the applicable PRC laws and regulations, we are generally permitted to set our own pricing standards for the ophthalmic services provided to our clients. We generally determine the prices based on a number of factors including our operating costs and the prevailing market rates. Similar to our practice in Hong Kong, fees charged by us for our surgeries performed at our eye hospitals operated by Shenzhen C-MER Hospital and Beijing C-MER Hospital are subject to a number of factors including the kind of diagnostic investigations and pharmaceuticals involved, the complexity of the therapy involved in treating the eye diseases and disorders, the seniority of the ophthalmologists, the operating costs and the generally accepted fee levels.

Shenzhen C-MER Hospital is a “Medical Insurance Designated Medical Institution” (醫保定點醫療機構). Our clients covered by the public medical insurance programmes may choose to pay the prescribed fee guidelines for some of our services according to the terms and conditions of the insurance programmes. Some of our service fees are subject to the pricing guidelines set by the relevant local healthcare administrative authorities. The revenue generated from the settlement by public medical insurance programmes accounted for 0.7%, 1.7%, 2.5% and 2.9% of our total revenue during the three years ended 31 December 2016 and the six months ended 30 June 2017. We therefore believe the price control measures did not have a material impact on our operating results.

Pursuant to the Opinions on Promoting Drug Pricing Reform (推進藥品價格改革的意見), which was promulgated on 4 May 2015 and effective from 1 June 2015, except for narcotic drugs and certain psychotropic drugs, the restrictions on the prices of the drugs that were subject to government pricing have been cancelled. Further information is set forth in the section headed “Applicable Laws and Regulations - Laws and Regulations on Pharmaceutical Distribution - The Opinions on Promoting Drug Pricing Reform” in this prospectus. We believe that the pharmaceuticals market in the PRC is highly competitive. Therefore, we are of the view that the release of the government price controls has not resulted in any significant fluctuations in the market prices of pharmaceuticals used in our daily operations. Moreover, for the three years ended 31 December 2016 and the six months ended 30 June 2017, there was 6.1%, 5.2%, 6.2% and 6.9% of our total revenue contributed by sales of pharmaceuticals, respectively. We therefore believe that the release of the price control has no material adverse impact on our operations.

BUSINESS

CREDIT MANAGEMENT

In Hong Kong, our individual clients generally settle their fees by way of credit cards or cash, which is generally deposited into our corporate bank account on a next-day basis. The following table sets forth the amounts of our revenue settled in cash and bank transfers or by way of credit cards during the Track Record Period (with comparative figures for the six months ended 30 June 2016):

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank transfers	27,813	40,030	67,452	32,167	37,015
Credit cards	68,169	82,236	93,716	41,795	51,222
Total	<u>95,982</u>	<u>122,266</u>	<u>161,168</u>	<u>73,962</u>	<u>88,237</u>

For patients who receive medical services from us under the policies provided by our corporate clients, we will seek payments directly from the relevant insurance companies. In such instance, fees receivable from insurance companies are generally settled within 60 days of our date of invoice.

In the PRC, our clients generally pay for their treatment by cash or credit cards, except for those services covered by public medical insurance programmes. The following table sets forth the amounts of our revenue settled in cash and bank transfers or by way of credit cards during the Track Record Period (with comparative figures for the six months ended 30 June 2016):

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and bank transfers	12,455	18,607	23,495	10,802	14,709
Credit cards	48,035	57,978	63,996	30,546	37,503
Total	<u>60,490</u>	<u>76,585</u>	<u>87,491</u>	<u>41,348</u>	<u>52,212</u>

In such case, our clients may make partial payment, if any, with the remaining fees payable to be settled between us and the relevant authorities governing the public medical insurance programmes. During the three years ended 31 December 2016 and the six months ended 30 June 2017, settlement by public medical insurance programmes accounted for 0.7%, 1.7%, 2.5% and 2.9% of our total revenue, respectively.

Our pharmaceuticals and medical consumables suppliers generally grant us a credit period of around 30 days from the date of delivery of products.

During the Track Record Period, there was no material impairment or write-off on our trade receivables and we did not have any hedging policy in respect of our trade receivables.

OUR TRAINING SYSTEMS

The Hong Kong Academy of Medicine imposes mandatory training requirements on medical practitioners practising in Hong Kong, while continuous education for nurses and other allied health staff are encouraged by the respective relevant professional bodies but they can participate on a voluntary basis. All of our ophthalmologists fulfil such requirements by attending external conferences or training programmes. Upon joining our Group, we provide induction training for nurses and other allied health staff to help them familiarise themselves with our service standards, policies and procedures. We also conduct regular performance reviews for our staff.

In the PRC, we maintain the records of our physician's licence and their compliance with the continued medical education requirements. In addition, we provide ongoing training for our employees. Our physicians and other medical staff regularly receive technical training on the operation of medical devices, treatment procedures and latest technologies or developments in their relevant fields. We also provide mentoring to our less experienced physicians and nurses so that they can learn techniques from and perform procedures under the supervision of our experienced physicians and nurses. Our administrative and management staff also receives regular training on management skills and business operations.

EMPLOYEES

Hong Kong

We offer our employees remuneration package based on their experience and position. Generally, remuneration to all our employees comprises basic salary and discretionary year-end bonus.

As of the Latest Practicable Date, excluding our nine practising ophthalmologists, we had a total of 65 employees in Hong Kong. The table below sets forth a breakdown of our employees in Hong Kong by function as of the Latest Practicable Date:

Function	Number of employees
Nursing	7
Optometry	7
Allied healthcare	31
Finance and accounting	5
Human resources and administration	14
Traditional Chinese medicine ⁽¹⁾	1
Total	<u>65</u>

Note:

(1) The traditional Chinese medicine practitioner is a part-time employee.

BUSINESS

During the Track Record Period, mandatory provident fund and health benefits have been provided for all our employees in Hong Kong and we did not have any material disputes with our employees.

PRC

As of the Latest Practicable Date, in addition to five multi-site practice physicians whom we engage on part-time basis, we had a total of 255 employees in the PRC. The table below sets out a breakdown of our employees in the PRC by function as of the Latest Practicable Date:

Function	Number of employees
Overseas ophthalmologists	3
Physicians	26
Anaesthetists	4
Nursing	62
Optometry	41
Pharmacy	5
Front-desk and online customer services	28
Finance and accounting	12
Human resources and administration	26
Information technology	36
Corporate business development	10
Laboratory	2
Total	<u>255</u>

Remuneration packages for our employees in the PRC primarily comprise one or more of the following elements: basic salary, performance-based incentive bonus and discretionary year-end bonus. We periodically review our employees' performance. We contribute to various government-sponsored employee benefit plans in accordance with the applicable laws and regulations, which include housing fund, pension, medical, maternity and unemployment benefits.

Our employees are not represented by a labour union. Save for the incidents as disclosed in the paragraphs under "Non-compliance Incidents" below, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material labour dispute or strike and we have complied with applicable laws and regulations related to labour and employee benefit plans in all material aspects.

QUALITY CONTROL AND COMPLAINT HANDLING

Quality assurance

We are subject to various rules and regulations in Hong Kong and the PRC that regulate the qualifications and conduct of medical professionals and standards for healthcare services. Further information is set forth in the section headed "Applicable Laws and Regulations" in this prospectus.

BUSINESS

All of our ophthalmologists practising in Hong Kong (including Dr. Dennis LAM) are required to be registered with the Medical Council of Hong Kong and have a valid practising certificate. Traditional Chinese medicine practitioners are required to be registered with the Chinese Medicine Council of Hong Kong, which is responsible for implementing regulatory measures for Chinese medicine practitioners. Further, all of our nurses and other allied health professionals have to comply with the code of professional conduct or discipline as applicable to them. Our professional medical team in the PRC comprises overseas ophthalmologists, physicians, anaesthetists, nurses and other allied health professionals, who are registered in accordance with the relevant healthcare administrative authorities in the PRC. We believe these requirements help promote and safeguard the quality of services provided to our clients.

We are committed to complying with the relevant rules and regulations in the prevention and reduction of various risks and hazards associated with our operations. To ensure that we can provide consistent and high quality services, we have put in place a quality control system which primarily includes the following measures:

- *Training programmes.* We have implemented regular training for our medical professionals. Further information is set forth in the paragraphs under “Our training systems” below.
- *Inspection and assessment system.* We evaluate our healthcare services regularly, including regular inspection and monthly review meetings with our ophthalmologists and physicians and management team to identify areas to be improved. We also conduct annual appraisal on the performance of our staff.
- *Customer feedback system.* We welcome our clients’ feedback on our services. We conduct periodic client satisfaction surveys and keep a record of all of our clients’ complaints and take follow-up actions to address their concerns when necessary.
- *Patient identification and protection of personal data.* We have put in place standard procedures to cross-check the patient’s identity before providing services or carrying out procedures. For instance, we check our patient’s name, identity card number, drugs allergy history, before dispensing of pre-operation or carrying out medical procedures. We have also established a protocol to govern the handling, storage, retrieval and access of our patients’ personal data and medical records.
- *Dispensing of pharmaceuticals.* We have established a step-by-step procedure to govern the prescription and dispensing of pharmaceuticals to our patients. We ensure that proper prescriptions will be recorded in the clinical notes and administered into the computer dispensary system. The packaging of the pharmaceuticals, the prescriptions and the patient’s identity will be cross-checked before the medications are dispensed to our patients.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, all of our ophthalmologists, physicians, nurses and other allied health professionals have complied with the relevant registration and practicing requirements in Hong Kong and/or the PRC. Save for the incidents as disclosed in the paragraphs under “Non-compliance Incidents” below, we did not receive any material complaints from our clients during the Track Record Period and up to the Latest Practicable Date.

Complaint handling

We have adopted standard procedures for handling of complaints from our clients. In Hong Kong, our centre manager is responsible for handling complaints from our clients, and that all complaints received will be recorded in writing and submitted to Dr. Dennis LAM and Dr. Vincent LEE for review and follow-up recommendations. If there is any matter required to be reported to the insurers, the centre manager will inform the relevant ophthalmologists in Hong Kong for the required reporting. All documents and reports will be kept by us, and we aim to resolve all complaints, other than those involving malpractice or alleged negligence, within one month from the date of the relevant complaint. A follow-up response will also be communicated to the relevant client when the complaint is duly handled and resolved.

We have adopted similar complaint handling procedures in the PRC in accordance with the applicable laws and regulations. All complaints will be handled by a designated committee comprising chief physicians and associate chief physicians. If the complaint can be resolved by way of mediation, the designated committee will coordinate and handle the complaint resolution process. Any legal proceedings will be referred to the external legal advisers engaged by us.

BRAND BUILDING

Hong Kong

We believe that a significant number of patients come to us on account of referrals from our former or existing clients. We are subject to certain professional and ethical guidelines prescribed by the Medical Council in respect of advertising and promotion of medical practice and services by medical professionals. Medical practitioners are generally prohibited from promotion of the medical practice through advertisements. We provide educational pamphlets at our Central Eye Centre and Satellite Clinics and eye care information on our website, with channels for the public to contact us regarding their queries.

During the Track Record Period, Dr. Dennis LAM and our Hong Kong Ophthalmologists received an complaint in relation to the adjacent background of certain signboard. This complaint has been considered by the Medical Council. Further information on this complaint is set forth in the paragraphs under “Non-compliance incidents” below. Save for this incident, we were in compliance with laws and regulations in relation to medical advertising in Hong Kong in all material respects during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

PRC

We believe our brand recognition in the PRC is established through word-of-mouth among the patients community and our high ranking in the patient satisfaction ratings. Further information on the awards that we have received during the Track Record Period, is set forth in the paragraphs under “Awards and social responsibility” above. In addition, we organised educational talks which are open to the public and participated in charity work by providing ophthalmic assessments to the public, which we believe enhance our brand’s image and recognition.

From time to time, we enhance our brand awareness in the public via online platforms and other forms of media. Medical advertising is strictly regulated in China. Medical advertisements shall be reviewed by relevant healthcare authorities and a “medical advertisement review certificate” is required before they may be released by a medical institution. The certificate has an effective term of one year and may be renewed. Further information on the regulations of medical advertising in the PRC is set forth in the section headed “Applicable Laws and Regulations — Regulations on medical advertising in the PRC” in this prospectus.

Except as disclosed in the paragraphs under “Non-compliance incidents” below, as confirmed by our PRC legal adviser, we were in compliance with laws and regulations in relation to medical advertising in all material respects during the Track Record Period and up to the Latest Practicable Date.

COMPETITION

We primarily compete with public hospitals and other private specialty hospitals/eye centres in Hong Kong and the PRC. According to the Frost & Sullivan Report, Shenzhen C-MER Hospital ranked third in private ophthalmic service market in Guangdong Province, the PRC, in 2016 in terms of revenue, with a market share of 5.4%, and is also the second largest eye hospital in private ophthalmic service market in Shenzhen, in 2016 in terms of revenue. Pursuant to the same report, “C-MER Dennis Lam & Partners” (希瑪林順潮眼科中心) is the second largest eye centre in Hong Kong private ophthalmic service market in 2016 in terms of revenue, with a market share of 4.7%. Further information on our market position and the competitive landscape of the markets is set forth in the section headed “Industry Overview” in this prospectus.

To succeed in the markets we operate in, we believe we need to compete effectively with existing players in the market and new market entrants. We will continue to leverage our market position to compete effectively, capture growth opportunities and gain market share as our business grows.

INVENTORY CONTROL

Our inventory typically consists of pharmaceuticals, medical consumables and optical products. We carry out monthly stock-taking and replenish our inventory on an as-needed basis. We generally endeavour to maintain our inventory for two to four weeks' use.

In order to comply with the relevant laws, we ensure our pharmaceuticals are registered, if applicable, and our suppliers of pharmaceuticals hold all relevant licences and permits by way of periodic verification. When the pharmaceuticals or medical supplies are delivered by our suppliers to our clinics or hospital, upon inspection, they are then put into storage areas in accordance with the storage requirements of the pharmaceuticals and medical supplies and any applicable laws and regulations. Further information on the relevant laws and regulations in Hong Kong and the PRC is set forth in the section headed "Applicable Laws and Regulations" in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we had been in full compliance with the applicable laws and regulations in relation to the storage of pharmaceuticals and medical supplies in all material aspects. During the Track Record Period and as of the Latest Practicable Date, we did not experience any significant write-off of our inventory.

INFORMATION TECHNOLOGY

We have a central information technology system for the management of our daily operations. In addition, our patients' medical records and investigation results are saved and stored in the system. Information relating to pharmaceuticals that were dispensed to our patients is also maintained in our system. We believe that utilising an information system will facilitate our administrative procedures and improve efficiency.

We have put in place an information and data protection policy to ensure that our staff can properly handle information relating to our patients according to the relevant laws and regulations. Further information on the relevant laws and regulations in Hong Kong and the PRC, is set forth in the section headed "Applicable Laws and Regulations" in this prospectus. To protect our clients' medical records and personal information and to ensure data integrity of our system, the medical records are protected by regular back-ups. We also implement appropriate levels of access control rights for our professional team and employees as security shields for our computer systems to safeguard our patients' medical records and personal information. We also have periodic upgrades to our information technology equipment to ensure operational efficiency. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material disruption to our information technology system or leakage of our clients' medical records or personal data.

ENVIRONMENTAL MATTERS

We are subject to various laws and regulations in Hong Kong and the PRC in relation to environmental matters and disposal of clinical waste. Further information on the relevant laws and regulations is set forth in the section headed “Applicable Laws and Regulations” in this prospectus. We have established policy to ensure that we meet the statutory requirements in relation to environmental matters and the disposal of clinical waste. We believe that we are in compliance in all material respects with applicable environmental regulations in Hong Kong and the PRC. During the Track Record Period and as of the Latest Practicable Date, we had engaged qualified service providers in Hong Kong and the PRC for the disposal of clinical waste.

During the three years ended 31 December 2016 and the six months ended 30 June 2017, our Group’s total costs of compliance with applicable environmental laws and regulations in Hong Kong and the PRC were HK\$0.1 million, HK\$0.1 million, HK\$0.1 million and HK\$0.1 million, respectively. We expect such compliance cost to increase in the future in line with the growth and expansion of our business.

OCCUPATIONAL HEALTH AND SAFETY AND COMPLAINTS HANDLING

For our operations in both Hong Kong and the PRC, we have instituted internal policies and systems in place designed with a view to implement and ensure strict compliance with such requirements, which primarily include the following measures:

- *Written guidelines.* We have written procedures and guidelines in place for health and safety-related requirements, including handling medical equipment and clinical wastes. We have also put in place a system for handling clients’ enquires, complaints and preserve their confidentiality; and
- *Training programmes.* We provide trainings to our staff to ensure they are familiar with the relevant medical procedures and technology in the eye centres/hospitals.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material accidents in the course of our business operations. Save for the incidents disclosed in the paragraphs under “Non-compliance Incidents” below, we did not receive any material complaints during the Track Record Period.

BUSINESS

LICENCES, PERMITS AND CERTIFICATES

Hong Kong

During the Track Record Period and up to the Latest Practicable Date, we had obtained all material licences and permits necessary for the operation of our business in Hong Kong and such licences and permits are still valid and in force. We have not experienced any refusal of the renewal application of any material licences and permits necessary for the operation of our business.

PRC

During the Track Record Period and up to the Latest Practicable Date, we had obtained all material licences and permits necessary for the operation of our business in the PRC and such licences and permits are still valid and in force. We are required under the PRC laws and regulations to obtain various licenses, permits, approvals and certificates for our operations. Further information is set forth in the section headed “Applicable Laws and Regulations — Laws and regulations related to the healthcare service sector in the PRC” in this prospectus.

The following table sets forth key information on the major licences held by us as of the Latest Practicable Date:

<u>Certificate/ Permit</u>	<u>Registrant</u>	<u>Validity period</u>
Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) — Certificate of Hong Kong service provider (Medical and dental services) (“ HKSS Certificate ”)	HK C-MER China	8 November 2015 – 7 November 2017 ⁽¹⁾
Medical Institution Practicing Certificate (醫療機構執業許可證)	Shenzhen C-MER Hospital	20 February 2014 – 20 February 2019

Note:

- (1) The current HKSS Certificate was expired on 8 November 2017. HK C-MER China has submitted the required documents and information to the Trade and Industry Department, Hong Kong government, for a new HKSS Certificate, and it has been confirmed by the Trade and Industry Department that HK C-MER China has fulfilled the eligibility criteria for the issuance of a new HKSS Certificate. An approval in principle was granted by the Trade and Industry Department to HK C-MER China on 9 November 2017 in relation to the new HKSS Certificate. Our Directors expect that the new HKSS Certificate will be issued to HK C-MER China by the end of January 2018.

BUSINESS

INSURANCE

In Hong Kong, we have purchased and maintained corporate membership of medical protection to cover clinical negligence caused by any of our employees and property all-risk insurance policies for our Central Eye Centre and Satellite Clinics. We also ensure our ophthalmologists purchase their own professional indemnity insurance. In the PRC, we have purchased and maintained medical indemnity insurance to cover all of our physicians and other staff. Further information is set forth in the sections headed “Risk Factors — Insurance coverage may not sufficiently cover risks arising from our business operation”, “Risk Factors — Insurance coverage may be insufficient to protect us against all future risks” and “Risk Factors — Regulatory pricing controls and reimbursement limits under social insurance programmes may affect our pricing of certain healthcare services and products” in this prospectus.

Our Directors are of the opinion that the insurance policies maintained are adequate for our existing business and operations and in-line with the industry norm. We will review and procure the necessary additional insurance coverage as and when the need arises. During the Track Record Period and up to the Latest Practicable Date, we did not make any material claim under our insurance policies. For the three years ended 31 December 2016 and the six months ended 30 June 2017, our cost of insurance premium was HK\$0.2 million, HK\$0.2 million, HK\$0.2 million and HK\$0.1 million, respectively.

PROPERTIES

As of the Latest Practicable Date, we did not own any property and leased six properties in Hong Kong and two properties in the PRC from which we operate or will operate our business. Further information on our leased properties in Hong Kong and PRC as of the Latest Practicable Date is set forth below:

Hong Kong⁽¹⁾

	<u>Address</u>	<u>Approximate GFA (sq.ft.)</u>	<u>Lease period</u>
1.	Suite 1515, Central Building, 1-3 Pedder Street, Central	6,400	16 April 2016 – 15 April 2019
2.	Room 1202-03, 12th Floor, Office Tower One, Grand Plaza, 625 & 639 Nathan Road, Mongkok	1,500	15 October 2016 – 14 October 2019
3.	Room 1236, 12th Floor, Office Tower One, Grand Plaza, 625 & 639 Nathan Road, Mongkok	1,380	4 September 2017 – 3 September 2020

BUSINESS

Address	Approximate GFA (sq.ft.)	Lease period
4. G/F, Shing Shun Building, No. 47 Castle Peak Road, Yuen Long	1,400	18 November 2015 – 17 November 2019
5. Shop 5A, 2/F, Wai Wah Centre, 11-17 Sha Tin Centre Street, Shatin	800	1 May 2016 – 30 April 2019
6. Suite 1614-15, Hang Lung Centre, 2-20 Paterson Street, Causeway Bay	1,300	1 December 2016 – 30 November 2019

PRC

Address	Approximate GFA (sq.m.)	Lease period
1. No. 101, Sheng Tang Business Building, Tai Ran 9th Road, Futian District, Shenzhen (深圳市福田區泰然九路盛唐商務大廈101號) ⁽²⁾	3,481	1 June 2017 – 31 May 2020
2. Rooms 105, 205 and 3/F, No. 2 Zitan Building, 27 Jian Guo Road, Chaoyang District, Beijing (北京市朝陽區建國路27號紫壇大廈2號樓105號房、205號房及3層)	4,617	20 February 2017 – 19 February 2027

Notes:



- (1) We have entered into a preliminary lease agreement for the premise of our Kwun Tong Satellite Clinic, and we will enter into a formal lease agreement with the landlord before the commencement of its operation, which is expected to be in the first quarter of 2018.
- (2) The premise is leased from Shenzhen Maida, a connected person of our Company, and constitutes continuing connected transactions. Further information is set forth in the section headed “Continuing Connected Transactions” in this prospectus. Save for this premise, all the other agreements for our leased properties in Hong Kong and the PRC were entered into with Independent Third Parties.

For the three years ended 31 December 2016 and the six months ended 30 June 2017, our aggregate rental expenses for the above properties were HK\$15.4 million, HK\$14.0 million, HK\$16.5 million and HK\$9.1 million, respectively.


BUSINESS

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we have registered the following trademarks under the following class(es) in Hong Kong and the PRC:

No.	Trademarks	Classes	Place of Registration
1	林順潮	44	PRC
2	林順潮	44	Hong Kong
3		44	Hong Kong
4	C-MER	35, 41	Hong Kong
5		9, 35, 41, 44	Hong Kong
6	希瑪	35, 41	Hong Kong

As of the Latest Practicable Date, we were applying for registration of the following corporate name and logos as trademarks under the following class(es) in Hong Kong and the PRC:

No.	Corporate name and logos	Classes	Place of Application
1	Dennis Lam	9, 35, 41, 44	Hong Kong
2	林順潮	9, 35, 41	Hong Kong
3	C-MER	41	PRC
4	Dennis Lam	9, 35, 41	PRC
5		9, 35, 41, 44	PRC
6	林順潮	9, 35, 41	PRC

Further information on the trademarks and trademark applications is set forth in the paragraphs under “B. Further information about our business — 2. Intellectual property rights” in Appendix IV to this prospectus.

Our Directors believe that the registrations of our corporate name and logos of “C-MER”, and “Dennis Lam” as trademarks in Hong Kong and the PRC separately provide us with additional protection from infringement by others, given that our corporate name and logos of “C-MER”, and “Dennis Lam” cannot be used together or separately by others without infringing our trademarks. Had we registered our corporate name and logo as one trademark of “C-MER Dennis Lam”, our Directors believe that others may use “C-MER” or “Dennis Lam” separately or together with other descriptions as part of their business names. Hence, the separate trademark registrations in Hong Kong and the PRC in different classes will give us additional protection from infringement by others of all or any part of our corporate name and logos. As of the Latest Practicable Date, we are not aware of any passing-off of our corporate name and logos or infringement of our trademarks.

BUSINESS

In April 2016, we were involved in a dispute in Shenzhen in relation to the infringement of copyrighted materials in our medical advertisements. Further information on this dispute is set forth in the paragraphs under “Non-compliance incidents” below. Save for this incident, during the Track Record Period and up to the Latest Practicable Date, we have not been involved in any material legal proceedings or dispute relating to the violation of intellectual property rights.

During the Track Record Period, we did not engage in any research and development activities.

NON-COMPLIANCE INCIDENTS

Our business is operated in medical industry which is heavily regulated in Hong Kong and the PRC. Further information on the regulatory regime in Hong Kong and the PRC is set forth in the section headed “Applicable Laws and Regulations” in this prospectus. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that no member of our Group in Hong Kong and the PRC committed any non-compliance incident which is material to our business. Most of the non-compliance incidents, as set forth below, are relating to brand building activities conducted by us, which have not resulted in any material legal ramification or business interruption. In Hong Kong, ophthalmologists are not allowed to be engaged in any advertisement or promotional activities which are prohibited under the Code of Professional Conduct. In the PRC, advertisements by medical institutions, including C-MER Shenzhen Hospital and C-MER Beijing Hospital, is subject to the applicable laws and regulations in the PRC including “The Administrative Measures on Medical Advertisements”. The following table sets forth alleged and confirmed non-compliance incidents on our part during the Track Record Period:

Non-compliance incidents	Reasons for the non-compliance	Remedial actions taken	Legal/Regulatory consequence/ramification and fine
Hong Kong			
<i>Possible breach of the Code of Professional Conduct</i>			
1. By a notice of meeting of the Preliminary Investigation Committee (PIC) of the Medical Council dated 4 May 2017, the Medical Council informed Dr. Dennis LAM and our Hong Kong Ophthalmologists that a complaint had been received which might raise a question of whether they had been guilty of misconduct in a professional respect.	Dr. Dennis LAM and our Hong Kong Ophthalmologists considered that the signboard in question was not part of the signboard for the purpose of the Code of Professional Conduct as the board with graphic designs was placed above the name of the Satellite Clinic for the purpose of covering certain exterior areas of the shop premises.	The board with graphic designs has been removed and since July 2017 and the signboard with the name of the Satellite Clinic has been changed to an inornate, non-graphical and unilluminated one. Our Directors are of the view the current signboard is not in breach of the Code of Professional Conduct.	Dr. Dennis LAM and our Hong Kong Ophthalmologists submitted a written explanation to the PIC on 24 July 2017. On 29 September 2017, the PIC has confirmed that no disciplinary inquiry on the matter would be held and the matter has been concluded.
The particulars of the complaint are that in or about January 2016, they, being registered medical practitioners, sanctioned, acquiesced in or failed to take adequate steps to prevent the display of a signboard or a signboard on a background, which was ornate, graphical and illuminated, outside our Satellite Clinic in Yuen Long. Our Satellite Clinic in Yuen Long commenced business operations in January 2014.		Dr. Dennis LAM and our Hong Kong Ophthalmologists have retained legal advisers to represent them before enquiry of the PIC.	
		The matter has been reported to the Medical Protection Society Limited (“MPS”) and Dr. Dennis LAM and our Hong Kong Ophthalmologists do not need to bear any legal costs in handling the matter.	

Non-compliance incidents	Reasons for the non-compliance	Remedial actions taken	Legal/Regulatory consequence/ramification and fine	
<p>PRC</p>	<p>2. During the period from July 2014 to June 2015, there were three incidents in which Shenzhen C-MER Hospital received administrative warnings due to the breach of Clause 16 of the Administrative Measures on Medical Advertisement (醫療廣告管理辦法) (the “Administrative Measures”). The breach was relating to inappropriate contents in the medical advertisement published by Shenzhen C-MER Hospital.</p> <p>Clause 16 of the Administrative Measures provides that publishing advertisements directly or covertly in the form of news or special interviews and reports of medical information service is prohibited. The contents of special interviews and special reports on medical institutions shall not contain the address and contact information of the medical institution. Any related advertisement of the medical institution shall not be published at the same time or in the same media.</p> <p>3. In March 2017, in relation to the three non-compliance incidents set forth in paragraph (2) above, we received administrative warning and were fined in the total amount of RMB202,380.</p>	<p>These incidents were primarily caused by our sales teams failing to undertake a detail review from the legal perspective the contents of our advertising materials and that the sales teams did not have the required knowledge on the statutory requirements on medical advertisements published in the form of special interviews or special reports. The staff was not provided with clear guidance on the regulatory regime of medical advertisements.</p>	<p>We have ceased using the non-compliant advertising materials.</p> <p>We have engaged PRC legal advisers on an annual retainer basis for their legal advice on compliance issues under the PRC law and providing training to our staff in the PRC.</p> <p>With the advice from the PRC legal advisers, Guanghe Law Firm, we have formulated and implemented “standard of procedures” on the contents of all medical advertisements published by us. All advertisements will have to be approved by our senior vetting staff as well as the relevant PRC legal advisers.</p> <p>Since December 2016, we have implemented “standard of procedures” to require our staff to follow and require our staff to attend training courses on the advertising law in the PRC.</p>	<p>As a result of these incidents, Shenzhen C-MER Hospital received administrative warnings and Shenzhen C-MER Hospital was deducted two points, two points, six points, respectively by Shenzhen Health Commission. Each medical institution will have 24 points in each year for deduction, and no impact on the licensing issue will arise unless all the 24 points have been deducted.</p> <p>Our Directors believe that the administrative penalties and the points deduction we received for such non-compliant incidents did not cause any material adverse effects on our business operations.</p> <p>As a result of these incidents, we received the administrative warning and were fined a total amount of RMB202,380. Our Directors believe that the administrative penalty we received for such non-compliance incidents did not cause any material adverse effects on our business operations.</p>

Non-compliance incidents	Reasons for the non-compliance	Remedial actions taken	Legal/Regulatory consequence/ramification and fine
<p>4. In January 2015, there was one incident in which Shenzhen C-MER Hospital received administrative warning and was fined in the total amount of RMB30,000 due to the breach of Clauses 14 and 17 of the Administrative Measures.</p> <p>Clause 14 of the Administrative Measures provides that for publishing of medical advertisements, the name of the medical institution and the number of Medical Advertisement Examination Certificate should be included.</p> <p>Clause 17 of the Administrative Measures provides that a medical institution can only publish medical advertisements in accordance with the content requirements approved by the Medical Advertisement Examination Certificate. If the contents of the medical advertisement have changed, the medical institution will need to re-apply the Medical Advertisement Examination Certificate.</p>	<p>These incidents were primarily caused by our sales teams failing to undertake a detail review from the legal perspective the contents of our advertising materials and that the sales teams did not have the required knowledge on the statutory requirements on medical advertisements published in the form of special interviews or special reports. The staff was not provided with clear guidance on the regulatory regime of medical advertisements.</p>	<p>We have engaged PRC legal advisers on an annual retainer basis for their legal advice on compliance issues under the PRC law and providing training to our staff in the PRC.</p> <p>With the advice from the PRC legal advisers, Guanghe Law Firm, we have formulated and implemented “standard of procedures” on the contents of all medical advertisements published by us. All advertisements will have to be approved by our senior vetting staff as well as the relevant PRC legal advisers.</p> <p>We have implemented “standard of procedures” to require our staff to follow and require our staff to attend training courses on the advertising law in the PRC.</p>	<p>As a result of this incident, we received the administrative warning and paid a penalty of RMB30,000. Our Directors believe that the administrative penalty paid by us for such non-compliant medical advertisements did not cause any material adverse effects on our business operations.</p>
<p>5. In August 2016, there were two incidents in which a staff used and operated a medical equipment (electrocardiogram machine) without proper qualifications.</p> <p>Clause 28 of the Administrative Measures on Medical Institutions provides that medical institutions shall not use non-health technical persons to engage in medical and health technical work.</p>	<p>These incidents were due to inadvertent oversight on our administrative staff in operating the required machine.</p>	<p>We have strengthened the “standard of procedures” in equipment operation and staff supervision.</p>	<p>As a result of the two incidents, we received an administrative warning and Shenzhen C-MER Hospital was deducted four points by Shenzhen Health Commission. We were also fined RMB2,500 due to breach of Clause 28 of the Administrative Measures on Medical Institutions (醫療機構管理條例). Our Directors believe that the administrative penalty and points deduction we received did not cause any material adverse effects on our business operations.</p>

Non-compliance incidents	Reasons for the non-compliance	Remedial actions taken	Legal/Regulatory consequence/ramification and fine
<p>6. The lease agreement in respect of the premises of our eye hospital in Beijing has not been registered with the relevant PRC Government.</p>	<p>The registration should be completed by the landlord.</p>	<p>We have requested the landlord to complete the registration as soon as possible.</p>	<p>We may be subject to a fine of not less than RMB1,000 but not more than RMB10,000 for the unregistered lease agreement if the PRC Government requires us to rectify the non-compliance and we fail to complete within the specific period of time.</p> <p>Our Directors do not consider that the non-registration of the lease agreement would have any impact on our eye hospital in Beijing as the pre-approval certificate has been issued by Beijing Health Commission to Beijing C-MER Hospital. Our Directors confirm that the lease agreement will be registered by the end of January 2018.</p>

Our Directors' and the Sole Sponsor's views on the non-compliance incidents

Our Directors are of the view that the above non-compliance incidents during the Track Record Period, individually or in the aggregate, did not and will not have any material financial or operational impact on us. We have strengthened the internal control measures and the “standard of procedures” on selected areas. We have also retained PRC legal advisers on an annual retainer basis for the purpose of providing training and advice to us. Our teams on advertising and hospital management have been strengthened, both in terms of number of staff and the qualifications of new recruits, in order to mitigate the risks of future non-compliance. Same measures and arrangements are in place for the business operations of the eye hospital operated by of the Beijing C-MER Hospital. None of these incidents were conducted intentionally, or involved any issue in the integrity, character or competence of our Directors or senior management. Our Directors and the Sole Sponsor are of the view that these non-compliance incidents do not affect the suitability of our Directors to act as directors of a Hong Kong listed company and the enhanced internal control measures are adequate and effective.

LEGAL PROCEEDINGS AND CLAIMS

Our business operations in Hong Kong and the PRC are subject to legal proceedings and claims that raise in the ordinary course of business, which primarily include medical disputes or claims brought against us or any of our ophthalmologists/physicians. Some of these disputes may be covered by insurance coverage maintained by us. As part of our risk management and internal control procedures, we have fully informed our patients of the inherent medical risks and obtained their consents before conducting the relevant treatments or surgical procedures. During the Track Record Period, we did not experience any medical dispute that could cause a material adverse effect on our business operations. The following table sets forth a summary of the material legal proceedings involved by us in Hong Kong and the PRC.

Hong Kong

Possible medical negligence

1. Dr. Dennis LAM and HK Eye Care (collectively, the “**Defendants**”), a wholly-owned subsidiary of our Company, are involved in a civil litigation before the High Court of Hong Kong in which the plaintiff, who is one of our patients in Hong Kong and an Independent Third Party, claims against the Defendants for medical negligence in pre-surgical treatment and post-surgical treatment conducted at the Central Eye Centre. The legal proceedings were commenced in March 2016. The alleged negligence includes allegations against Dr. Dennis LAM for his failure to give proper advice and treat and control the dry eye condition before and after undertaking a refractive surgery to cure myopia at our eye hospital in Shenzhen.

The refractive surgery was then performed for the plaintiff at our eye hospital in Shenzhen due to the availability of suitable equipment for the performance of the relevant surgery. Our Directors confirm that the plaintiff has consented to have the surgery undertaken at our eye hospital in Shenzhen and Dr. Dennis LAM has obtained the relevant qualification to practise in the PRC.

The plaintiff claims total damages of HK\$24.6 million for damages which include the past and future inconvenience and loss arising from the alleged negligence on the part of the Defendants. The writ of summons was issued on 23 March 2016, and the proceedings are still in the preliminary stage without any date set for exchange of evidence, pre-trial review and trial.

Dr. Dennis LAM and we have sought legal advice from Hoosenally & Neo and are advised by the legal adviser to Dr. Dennis LAM and HK Eye Care on the alleged medical negligence that, with the support of reports from leading experts in clinical ophthalmology, there can be no negligence or any failure on the part of Dr. Dennis LAM in undertaking the surgery and pre-surgical and post-surgical treatments. The legal advice received by Dr. Dennis LAM and us also suggests that the claim for damages by the plaintiff of HK\$24.6 million is manifestly excessive and totally unrealistic. Based on the advice from Hoosenally & Neo, our Directors are of the view that there is no evidence to justify a claim by the plaintiff of any significant amount.

Based on the current timetable, our Directors anticipate that if the matter has not been struck-out by the court, the trial would take place during the first quarter of 2019. In light of the foregoing and based on the advice received by our Board on the latest development of the claim, our Directors do not consider that such claim is material to our business in terms of amount of claim as well as the nature of the allegations. On this basis, our Directors do not consider it necessary to make any provision for the possible damages that may be borne by us if the plaintiff successfully claims against the Defendants.

Based on the advice from the legal advisers representing Dr. Dennis LAM and us, our Directors consider that it would be improbable for the plaintiff to successfully pursue the claim for medical negligence in the amount of HK\$24.6 million. Hence, without any successful claim for medical negligence, our Directors consider that it would be unlikely that Dr. Dennis LAM would be involved in any disciplinary proceedings because of the unfounded negligence claim. Dr. Dennis LAM and HK Eye Care will be jointly and severally liable for the liability under the successful claim and such liability is not covered by any insurance taken out by Dr. Dennis LAM and us at the time of the incident.

Legal proceedings

Legal consequence/ramification

PRC

Possible medical negligence

2. In January 2016, a plaintiff, who is one of the patients of the eye hospital operated by Shenzhen C-MER Hospital and an Independent Third Party, filed a claim against Shenzhen C-MER Hospital in the People's Court in Futian District, Shenzhen for RMB389,372 for medical negligence on the part of Shenzhen C-MER Hospital.

This matter has been heard by the People's Court in Futian District, Shenzhen in December 2017. The court ordered Shenzhen C-MER Hospital to pay an amount of RMB2,308 to the plaintiff, representing 10% of the amount of medical fees and the travelling and accommodation expenses incurred by the plaintiff on the matter. Shenzhen C-MER Hospital will settle the amount in full by the end of 2017. Our PRC legal advisers have confirmed that the appeal period is 15 days after the receipt of the court's judgement. If the plaintiff has not lodged any appeal within the period, the court's judgement will be final.

Our Directors believe that the above matter has no impact on our business and financial conditions and operating results.

Our Directors also confirm that we have not received any notice on regulatory action and are not aware of any fact that there will be regulatory action to be taken by the PRC Government as a result of the the above matter.

Legal proceedings	Legal consequence/ramification
<p><i>Other legal proceedings</i></p>	
<p>3. During the period between January 2014 and March 2016, Shenzhen C-MER Hospital was involved in two disputes with its former employees primarily on salaries and allowance payable to them in the total amount of RMB154,000. One of the employees was a former director of HK C-MER China because of his employment by Shenzhen C-MER Hospital, being a subsidiary of HK C-MER China during the period from 2 December 2013 to 4 February 2016. In the two disputes, we were held liable to pay the accrued salaries and wages to the relevant employees.</p>	<p>These two legal proceedings have been heard by the relevant arbitral courts in the PRC. Our Directors believe that these legal proceedings have no material impact on our business operations. We have strengthened a set of “standard of procedures” recruitment and dismissal of employees in both Hong Kong and the PRC with the advice from the legal advisers.</p>
<p>In April 2015, a plaintiff, who is one of our patients of the Shenzhen C-MER Hospital and an Independent Third Party, sued against Shenzhen C-MER Hospital for medical injury in the People’s Court in Futian, Shenzhen. Since he failed to provide sufficient evidence and refused the appraisal of medical injury, the court adjudicated the suit that rejected his requests.</p>	
<p>4. In April 2016, we were sued before the People’s Court in Futian District, Shenzhen for infringement of copyrighted materials in our medical advertisements. The materials were mistakenly used by us without obtaining the consent or permission from the copyright holder.</p>	<p>The matter has been resolved through mediation with payment made by us of RMB24,000.</p>

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Our Directors' views on the legal proceedings

Our Directors consider the above legal proceedings are not material to our business operations. We have strengthened the relevant internal control policies. Our Directors do not consider these legal proceedings are an indication of any weakness in our internal control systems or otherwise relating to the quality of our ophthalmologists/physicians in Hong Kong and the PRC. Nevertheless, we may continue to face potential legal proceedings and claims in our operations, and the relevant risk is set forth in the section headed “Risk Factors — Risks relating to our business and industry — Malpractice, medical negligence or misconduct claims could adversely affect our business and financial conditions, operating results and business prospects” in this prospectus.

As of the Latest Practicable Date, other than those disclosed above, we were not a party to any ongoing material litigation, arbitration or administrative proceedings, and we are not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect our business and financial conditions or operating results. As of the Latest Practicable Date, other than those disclosed above, our Directors are not involved in any actual or threatened material claims or litigation. Our Directors are of the view that the legal proceedings set forth above do not affect the suitability of our Directors to act as directors of a Hong Kong listed company.

RISK MANAGEMENT AND INTERNAL CONTROL

Our risk management and internal control system and procedures are designed to meet our specific business needs and to minimise our risk exposure. We have adopted different internal guidelines, along with written policies and procedures to monitor and reduce the impact of risks which are relevant to our business, control our daily business operations, improve our Group's corporate governance and ensure compliance with the applicable laws and regulations. Our Board and senior management are responsible for identifying and analysing the risks associated with our operations, preparing risk mitigation plans, assessing and reporting their effectiveness. In order to ensure sound implementation of our risk management and internal control policies, we have also adopted various on-going measures as set forth below:

- we have improved the existing internal control framework by adopting a set of internal control manual and policies, which cover corporate governance, risk management, operations and legal matters;
- our Directors have received trainings conducted by our legal adviser as to Hong Kong law on the continuing obligations, duties and responsibilities of directors of publicly listed companies under the applicable laws of Hong Kong;
- we have appointed WAG Worldsec Corporate Finance Limited as our compliance adviser with effect from the date of the Listing, further information on which is set forth in the section headed “Directors, International Advisory Council, Senior Management and Employees — Compliance Adviser” in this prospectus;

BUSINESS

- we will assess and monitor the implementation of our internal control manual and policies by the relevant departments and companies in our Group through regular audits and inspections;
- we will provide internal training to staff as appropriate in order to enable them to follow the internal control and corporate governance procedures;
- we have established treasury and investment management policies and procedures and investments will be made solely in the interest of our Group. The assets will be invested with care, skill, prudence and diligence. All investment decisions have to be made under board meeting and our Directors are responsible for monitoring our investment portfolio;
- our management and designated staff members in the PRC will review the draft of each medical advertisement in details to ensure that the contents are in full compliance with the permitted advertisement scope for each subsidiary and obtain the requisite Medical Advertisement Examination Certificate (醫療廣告審查證明) in advance, and we will continuously inspect the published medical advertisement; and
- we have established anti-bribery policy and whistle-blower system, including dedicated postbox, hotline and email address, to receive reports of suspected corruption-related complaints. We have also established stringent investigation protocols. Any employee found in breach of our anti-corruption policy may face civil and/or criminal charges.

In preparation for the Listing, we have engaged an independent third party consultant (the “**Internal Control Consultant**”) to perform a review over selected areas of our internal controls over financial reporting from 1 March 2016 to 28 February 2017 (the “**Internal Control Review**”). The scope of Internal Control Review performed by the Internal Control Consultant was agreed between us, the Sole Sponsor and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including revenue and receivables, purchases, procurements and payables, treasury, financial reporting, property, plant and equipment, taxation, payroll, insurance and general controls of information technology. There is no material internal control deficiency identified in the Internal Control Review.

The Internal Control Review were conducted based on information provided by our Company and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

CORPORATE GOVERNANCE

We are committed to achieve the required corporate governance standards following the Listing. In order to comply with the requirements under the Listing Rules, in particular, the code provisions in the Corporate Governance Code, we have adopted the following measures as of the Latest Practicable Date:

- we have established the audit committee, remuneration committee and nomination committee with respective written terms of reference in accordance with the code provisions contained in the Corporate Governance Code;
- our Board has adopted the terms of reference with regard to corporate governance and a communication protocol with our Shareholders in accordance with the code provisions of the Corporate Governance Code;
- we will arrange appropriate insurance cover on our Directors' liabilities in respect of legal proceedings against our Directors arising out of corporate activities before the Listing;
- our Directors will operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested except in certain circumstances as set out in the Articles;
- pursuant to the Corporate Governance Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost; and
- our Directors will attend professional development seminar including but not limited to the corporate governance to ensure on-going compliance after the Listing.

In light of the above, our Directors believe that we are able to fully comply with the Corporate Governance Code. We will also review our internal policies on corporate governance from time to time and will comply with the relevant disclosure requirements under the Listing Rules.

BOARD OF DIRECTORS

Our Board consists of nine Directors, comprising four executive Directors and five independent non-executive Directors. The powers and duties of our Board include determining our business strategies, preparing our annual financial budgets and financial reports, formulating proposals for profit distributions and investment and capital requirements as well as exercising such other powers, functions and duties as conferred by the Memorandum and the Articles. Our Board would also be responsible for convening Shareholders' meetings and reporting the work at our Shareholders' meetings. We have entered into a service contract with each of our executive Directors and a letter of appointment with each of our independent non-executive Directors.

The table below sets forth certain information on our Directors:

Members of our Board

Name	Age	Date of joining us	Date of appointment or re-designation	Position	Roles and responsibilities	Relationship with other Directors and senior management
Executive Directors						
Dr. LAM Shun Chiu Dennis <i>JP</i> (林順潮醫生)	57	Founder of our Group (January 2012)	1 February 2016 (as a Director) and 28 June 2017 (as an executive Director)	Chairman, Chief Executive Officer and Executive Director	Leading our overall business development; formulating our overall business strategies; and acting as the principal ophthalmologist of our Group	Dr. Dennis LAM is the spouse of Ms. LI and the son-in-law of Mr. LI Chunshan
Ms. LI Xiaoting (李肖婷女士)	39	January 2012	1 February 2016 (as a Director) and 28 June 2017 (as an executive Director)	Executive Director	Overseeing our overall business operations and administration	Ms. LI is the spouse of Dr. Dennis LAM and the daughter of Mr. LI Chunshan
Dr. LEE Yau Wing Vincent (李佑榮醫生)	48	January 2012	28 June 2017	Executive Director	Overseeing our business operations in Hong Kong	None

DIRECTORS, INTERNATIONAL ADVISORY COUNCIL, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Date of joining us	Date of appointment or re-designation	Position	Roles and responsibilities	Relationship with other Directors and senior management
Mr. LI Chunshan (李春山先生)	66	October 2012	28 June 2017	Executive Director	Overseeing the business operations of Shenzhen C-MER Hospital	Mr. LI Chunshan is the father of Ms. LI and the father-in-law of Dr. Dennis LAM

Independent Non-executive Directors

Dr. LAU Johnson Yiu-Nam (劉耀南醫生)	57	N/A	13 December 2017	Independent non-executive Director	Supervising and providing independent advice to our Board	None
Dr. LI Kwok Tung, Donald <i>SBS JP</i> (李國棟醫生)	63	N/A	13 December 2017	Independent non-executive Director	Supervising and providing independent advice to our Board	None
Mr. MA Chiu Cheung Andrew (馬照祥先生)	75	N/A	13 December 2017	Independent non-executive Director	Supervising and providing independent advice to our Board	None
Mr. CHAN Chi Leong (陳智亮先生)	70	N/A	13 December 2017	Independent non-executive Director	Supervising and providing independent advice to our Board	None
Ms. BENTLEY Annie Liang (梁安妮女士)	69	N/A	13 December 2017	Independent non-executive Director	Supervising and providing independent advice to our Board	None

Executive Directors

Dr. LAM Shun Chiu Dennis JP (林順潮醫生), aged 57, is the Chairman of our Board and our Chief Executive Officer and our executive Director. Dr. Dennis LAM is our founder and has been leading our business growth over five years. Dr. Dennis LAM obtained a Bachelor of Medicine and Bachelor of Surgery from the University of Hong Kong in November 1984. Dr. Dennis LAM has become a Fellow of The Royal College of Surgeons of Edinburgh since 1988, Fellow of The Royal College of Ophthalmologists since 1990 and a Fellow of The College of Ophthalmologists of Hong Kong since 1994. Dr. Dennis LAM obtained the Doctor of Medicine degree from The Chinese University of Hong Kong in 2003. Dr. Dennis LAM has been a registered medical practitioner in Hong Kong since 1984, and a Fellow of the Hong Kong Academy of Medicine in the speciality of ophthalmology since 1998.

Dr. Dennis LAM is the Immediate Past President of the Asia-Pacific Academy of Ophthalmology (APAO) and the Editor-in-Chief of the Asia-Pacific Journal of Ophthalmology (APJO). Dr. Dennis LAM serves the Asia-Pacific Academy of Ophthalmology (APAO) and is the President of the Asia-Pacific Vitreo-Retina Society (APVRS). Moreover, Dr. Dennis LAM is also a Chair of the Academia Ophthalmologica Internationalis (AOI), a member of the board of trustee of the International Council of Ophthalmology (ICO), an International Council representative of the International Society of Refractive Surgery (ISRS) in 2015 and 2016, and a member of the Board of Governors of World Glaucoma Association (WGA).

Dr. Dennis LAM was the Associate Dean (External Affairs) of the Faculty of Medicine, The Chinese University of Hong Kong from 2004 to 2009. Dr. Dennis LAM was also the Chairman of the Department of Ophthalmology & Visual Sciences, The Chinese University of Hong Kong for 13 years (from 1998 to 2011).

Over the years, a number of awards have been bestowed to Dr. Dennis LAM, including: “*Ten Outstanding Young Persons*” awarded by the Hong Kong Junior Chamber of Commerce in 1994; “*Ten Outstanding Young Persons of the World*” awarded by the Junior Chamber International in 1995, “*Young Leader of Hong Kong*” in 1998, “*World Economic Forum’s Hundred Global Leader for Tomorrow*” in 2000, “*Hong Kong Humanity Award*” in 2007, the “*Educator Award*” of Asia-Pacific Association of Cataract & Refractive Surgeons in 2005, the prestigious “*Golden Apple Award*” for the Best Clinical Teacher in the Asia-Pacific region issued by the International Council of Ophthalmology in 2011, “*Jose Rizal Medal*” (the highest achievement and contribution award by APAO), “*De Ocampo Lecture Award*” for excellence in ophthalmology awarded by APAO in 2003, on the “*Top 100 Power List*” of *The Ophthalmologist* in 2014 and 2016. Dr. Dennis LAM has been appointed as a “Justice of Peace” in Hong Kong since 2004. Dr. Dennis LAM has been serving as Deputy of the National People’s Congress of China since 2008.

In addition to his directorship in members of our Group, Dr. Dennis LAM is a director of APAO Limited, D&S Limited, D&S Pharmaceutical Company Limited and Project Vision, and all of these companies are not members of our Group. Further information on D&S Pharmaceutical Company Limited and the reasons for not being a member of our Group is set forth in the section headed “Relationship with our Controlling Shareholders” in this prospectus.

Dr. Dennis LAM is the spouse of Ms. LI, an executive Director and the son-in-law of Mr. LI Chunshan, an executive Director.

Dr. Dennis LAM was involved in a preliminary investigation by the Medical Council of a complaint made against himself and our Hong Kong Ophthalmologists on the display of a signboard outside one of our Satellite Clinics which is regarded as “‘ornate’ and eye-catching” in contravention of the Code of Professional Conduct. We have received legal advice from Hoosenally & Neo that there are good grounds for Dr. Dennis LAM and our Hong Kong Ophthalmologists to defend the case. On 29 September 2017, the PIC has confirmed that no disciplinary inquiry on the matter would be held and the matter has been concluded. The relevant signboard has been removed. Further information on this complaint is set forth in the section headed “Business — Non-compliance incidents” in this prospectus.

Dr. Dennis LAM is involved in a civil litigation before the High Court of Hong Kong in which the plaintiff, who is one of our patients in Hong Kong and an Independent Third Party, claims against Dr. Dennis LAM (and HK Eye Care, as one of the co-defendants) for medical negligence in pre-surgical treatment and post-surgical treatment conducted at the Central Eye Centre. Further information on this litigation is set forth in the section headed “Business – Legal proceedings and claims” in this prospectus.

Dr. LAM is not and has not been a director of any other listed company in Hong Kong and overseas in the past three years.

Under code provision A.2.1 of the Corporate Governance Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Dennis LAM is our Chairman, and he also acts as our Chief Executive Officer, as he has considerable experience in the business of providing ophthalmic services in Hong Kong and the PRC. Dr. Dennis LAM is our founder and has been managing our business and overall strategic planning since the establishment of our Group. Our Directors consider that vesting the roles of both the chairman and the chief executive officer in Dr. Dennis LAM is beneficial to the business prospects and management of our Group by ensuring consistent leadership with our Group and enabling more effective and efficient overall strategic planning for our Group following the Listing.

Having considered the corporate governance measures that we are going to implement upon Listing, our Directors consider that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Accordingly, we have not segregated the roles of its chairman and chief executive officer. Our Board will continue to review and consider the split of the roles of chairman of our Board and the chief executive officer at an appropriate time, taking into consideration the business development of our Group as a whole.

Ms. LI Xiaoting (李肖婷女士), aged 39, is our Executive Director. Ms. LI obtained a Bachelor of Tourism Management from Shenyang University in China in July 2001 and a Postgraduate Diploma in Business and Administration in Management from Massey University in New Zealand in 2004. Ms. LI was the project coordinator and Executive Officer II at The Chinese University of Hong Kong from 2005 to 2007 and from 2007 to 2009, respectively. Ms. LI has been the general manager of our eye centre in Hong Kong since January 2012 and the general manager of the Shenzhen C-MER Hospital since March 2013.

In addition to her directorship in members of our Group, Ms. LI is a director of D&S Limited, D&S Pharmaceutical Company Limited and Project Vision, and all of these companies are not members of our Group. Further information on D&S Pharmaceutical Company Limited and the reasons for not being a member of our Group is set forth in the section headed “Relationship with our Controlling Shareholders” in this prospectus.

Ms. LI is the spouse of Dr. Dennis LAM, an executive Director, and the daughter of Mr. LI Chunshan, an executive Director, and Ms. CAO Yuerong, one of the Connected Grantees.

Ms. LI is not and has not been a director of any other listed company in Hong Kong and overseas in the past three years.

Dr. LEE Yau Wing Vincent (李佑榮醫生), aged 48, is our executive Director. Dr. LEE has been practicing for us since January 2012 and is our Head of Hong Kong Operation. Dr. LEE obtained a Bachelor of Medicine and Bachelor of Surgery from the Chinese University of Hong Kong in December 1993. Dr. LEE completed the Postgraduate Diploma in Epidemiology and Biostatistics in 2008 and was awarded a Master of Science degree in Epidemiology and Biostatistics in 2009 all from the Chinese University of Hong Kong. Dr. LEE has been a registered medical practitioner in Hong Kong since 1994.

Dr. LEE has been a Fellow of Royal College of Surgeons of Edinburgh since 1998, Fellow of College of Ophthalmologists of Hong Kong since 1998, a Fellow of College of Surgeons of Hong Kong since 1998 and a Fellow of the Hong Kong Academy of Medicine in the specialty of ophthalmology since 2002.

Dr. LEE was the President of the Hong Kong Ophthalmological Society (“HKOS”). Dr. LEE was the Chief Editor of the Newsletter of the HKOS called Eye Opener. Dr. LEE was elected as the regional secretary of Hong Kong and has represented Hong Kong in the Asia-Pacific Academy of Ophthalmology. Dr. LEE holds two ophthalmic patents as an inventor. He was awarded “*Ten Outstanding Young Person of Hong Kong*” in 2009.

Prior to joining us, Dr. LEE was the Honorary Clinical Assistant Professor (from 2003 to 2007) and later the Honorary Clinical Associate Professor since March 2011 in the Department of Ophthalmology and Visual Sciences, Faculty of Medicine, The Chinese University of Hong Kong. Dr. LEE was the Assistant Professor, the Department of Ophthalmology and Visual Sciences, Faculty of Medicine, The Chinese University of Hong Kong, the Visiting Professor, Shantou University Medical College and the Consultant, the Department of Ophthalmology and Visual Sciences, New Territories East Cluster, Hospital Authority.

Dr. LEE was involved in a preliminary investigation by the Medical Council of a complaint made against himself, Dr. Dennis LAM and other Hong Kong Ophthalmologists on the display of a signboard outside one of our Satellite Clinics which is regarded as “*ornate and eye-catching*” in contravention of the Code of Professional Conduct. We have received legal advice from Hoosenally & Neo that there are good grounds for Dr. LEE, Dr. Dennis LAM and other Hong Kong Ophthalmologists to defend the case. On 29 September 2017, the PIC has confirmed that no disciplinary inquiry on the matter would be held and the matter has been concluded. The relevant signboard has been removed. Further information on this complaint is set forth in the section headed “Business — Non-compliance incidents” in this prospectus.

Dr. LEE is not and has not been a director of any other listed company in Hong Kong and overseas in the past three years.

Mr. LI Chunshan (李春山先生), aged 66, is our executive Director. Mr. LI graduated from the fundamental course specialty of Liaoning University for party and governmental cadre in April 1986. In 1998, he obtained the qualification certificate of land appraiser and first prize for Progress in Science and Technology in the Information System of Urban Cadastral Management from Land Administration of Liaoning Province. In 2008, he was conferred the title of Labour Model by People’s Government of Shenyang.

Mr. LI served in the Chinese army between 1969 and 1996. Mr. LI was awarded Lieutenant Colonel in 1988. Since retirement from the military service in 1993, Mr. LI had worked at different departments and agencies of the Chinese government, including Assistant to the Head and Deputy Head of the People’s Armed Forces of Huanggu District, Shenyang (1993–1996), Deputy Director of the Construction Committee of Huanggu District, Shenyang City (1996–2002), Deputy Secretary to the Party Committee of Lingbei Street, Huanggu District, Shenyang City (2002–2003), Deputy Director General of Property Bureau of Huanggu District, Shenyang City (2003–2006) and Secretary of the Party Committee of Culture, Sports Broadcast, Television and News Publishing Bureau of Huanggu District, Shenyang City (2006–2011). He retired from the public services since May 2011 and joined Shenzhen C-MER Hospital in October 2012.

In addition to his directorship in members of our Group, Mr. LI is a director of Project Vision.

Mr. LI is not and has not been a director of any other listed company in Hong Kong and overseas in the past three years.

Mr. LI is the father of Ms. LI, an executive Director, and the father-in-law of Dr. Dennis LAM, an executive Director, and the spouse of Ms. CAO Yuerong, one of the Connected Grantees.

Independent Non-executive Directors

Dr. LAU Johnson Yiu-Nam (劉耀南醫生), aged 57, is our independent non-executive Director. Dr. LAU obtained a Bachelor of Medicine and Bachelor of Surgery from the University of Hong Kong in November 1984. Dr. LAU received his Membership of Royal College of Physicians of the United Kingdom in 1987. Dr. LAU obtained the Doctor of Medicine degree from the University of Hong Kong in 1992. Dr. LAU has been a Fellow of Hong Kong College of Physicians since 1992, specialist of the Hong Kong Academy of Medicine.

Dr. LAU was Chairman and CEO of Ribapharm. Prior to Ribapharm, Dr. LAU served as the senior vice president of Research and Development for ICN Pharmaceuticals Inc. Prior, Dr. LAU served as the Senior Director of Antiviral Therapy at Schering-Plough Research Institute. Dr. LAU has contributed more than 250 scientific publications in peer reviewed scientific journals and has edited two books. Dr. LAU was a former Managing Director at Roth Capital Partners LLC.

Dr. LAU is currently serving on the board of directors of Porton Fine Chemicals (listed on Stock Shenzhen Exchange: 300363) and a number of private companies including Avalon Biomedical (Management) Limited (and its affiliated companies) and Aiviva Corporation. Dr. LAU is also an honorary professor/adjunct professor of the University of Hong Kong and Hong Kong Polytechnic University and a member of the Advisory Board of the School of Biomedical Sciences of the Chinese University of Hong Kong.

Dr. LAU has served as the Chairman of the board of directors and CEO of Athenex. Athenex has been listed on The NASDAQ National Market since June 2017 (ATNX).

Save as disclosed above, Dr. LAU is not and has not been a director of any other listed company in Hong Kong and overseas in the past three years.

Dr. LAU was bestowed a number of awards including, as one of the “Asian Visionaries” by Asia Society Southern California.

Dr. LAU is one of the Pre-IPO Tranche A Investors holding 1.0% of our Shares in issue immediately before completion of the Global Offering and the Capitalisation Issue and 0.8% of our Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue (without taking into consideration our Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options and any option that may be granted under the Post-IPO Share Option Scheme). Hence, the independence of Dr. LAU as one of our independent non-executive Director would not be affected by Rule 3.13 (1) of the Listing Rules.

Dr LI Kwok Tung Donald (李國棟) *SBS OStJ JP*, aged 63, is our independent non-executive Director. Dr LI is a specialist in Family Medicine in private practice in Hong Kong. Dr. LI is the President Elect of the World Organisation of Family Physicians (WONCA), the Immediate Past President of the Hong Kong Academy of Medicine and the Chairman of the Governing Board of Hong Kong Jockey Club Disaster Preparedness and Response Institute. Dr. LI is also the Censor of the Hong Kong College of Family Physicians.

Dr LI graduated with his first Bachelor of Arts degree from Cornell University, USA, in 1975 followed by his study of medicine and obtained the Bachelor of Medicine and Bachelor of Surgery from The University of Hong Kong in 1980. Dr. LI is a Fellow of The Hong Kong College of General Practitioners, Fellow of the Hong Kong Academy of Medicine, Honorary Fellow of the College of Dental Surgeons of Hong Kong, Honorary Fellow of the Royal Australian College of General Practitioners, Honorary Fellow of the Hong Kong College of Family Physicians, Fellow of the Faculty of Public Health of the Royal College of Physicians of the United Kingdom, Honorary Fellow of the Academy of Family Physicians of Malaysia, Registered Mainland China Medical Practitioner, Fellow of the American College of Physicians, Honorary Fellow of the Royal College of Physicians of Thailand, Fellow of the Academy of Medicine, Singapore, Honorary Fellow of the Royal College of Physicians of Ireland, Honorary Fellow of the Royal College of General Practitioners.

Dr. LI served as Member of Council of Cornell University. Dr. LI is Clinical Professor (Honorary) in Family Medicine in the Jockey Club School of Public Health and Primary Care of the Chinese University of Hong Kong; Honorary Professor in the Li Ka Shing Faculty of Medicine of the University of Hong Kong; Advisor Professor of Shanghai Medical College, Fudan University, China; Vice Chairman of Cross-Straits Medicine Exchange Association; Special Advisor of the Physicians' Education and Training in General Practice Committee of the Chinese Medical Physician Association.

Dr LI is the Director of the Hong Kong St. John Ambulance Association. Dr. LI is the Chairman of Bauhinia Foundation Research Centre and also the Chairman of the board of directors of the Hong Kong Sheng Kung Hui Welfare Council Limited. Dr. LI has been an Honorary Steward of the Hong Kong Jockey Club as at 1 June 2017. Dr. LI has been the Adjunct Associate Professor of the Faculty of Health Science of Macau University of Science and Technology from March 2014 to February 2016. Dr. LI is the Honorary Adviser of the Award Scheme of The Hong Kong Award for Young People. Dr. LI is also a member of the committee on Promotion of Organ Donation of Food and Health Bureau of the Hong Kong Government.

Dr. LI has been appointed as an independent non-executive director of UMP Healthcare Holdings Limited, a company listed on Stock Exchange with the stock code: 00722, since 6 November 2015. Save as disclosed above, Dr. LI is not and has not been a director of any other listed company in Hong Kong and overseas in the past three years.

Mr. MA Andrew Chiu Cheung (馬照祥), aged 75, is our independent non-executive Director.

Mr. MA is a graduate of Economics of The London School of Economics and Political Science (The University of London). Mr. MA is the Fellow Member of each of the Institute of Chartered Accountants in England & Wales, the Hong Kong Institute of Certified Public Accountants, The Taxation Institute of Hong Kong, The Hong Kong Institute of Directors and a full member of The Hong Kong Management Association.

Mr. MA has over 40 years of experience in accounting and finance. Mr. MA is a director of Mayee Management Limited and director of The People's Insurance Company of China (Hong Kong), Limited. He is the founder and former director of AMA CPA Limited (formerly known as Andrew Ma DFK (CPA) Ltd).

Mr. MA is also an independent non-executive director of Asia Financial Holdings Ltd. (Stock code: 00662), C.P. Pokphand Co. Ltd. (Stock code: 00043), China Resources Power Holdings Company Limited (Stock code: 00836), Chong Hing Bank Limited (Stock code: 01111) and Asiaray Media Group Limited (Stock code: 01993), of which are all listed on the main board of the Hong Kong Stock Exchange. Mr. MA resigned as an independent non-executive director of Southwest Securities International Securities Limited (formerly known as Tanrich Financial Holdings Limited) (Stock code: 00812) on 27 January 2015 and Beijing Properties (Holdings) Limited (Stock code: 00925) on 3 December 2014, both of which are listed on the main board of the Hong Kong Stock Exchange. On 12 November 2013, Mr. MA retired from an independent non-executive director of Asian Citrus Holdings Limited which is listed on the main board of the Hong Kong Stock Exchange (Stock code: 00073) and on the AIM Board of the London Stock Exchange (Stock code: ACHL).

Mr. CHAN Chi Leong (陳智亮先生), aged 70, is our independent non-executive Director. Mr. CHAN obtained a Bachelor in Economics from the University of Warwick, United Kingdom in 1971 and a MBA degree from the City University of London in 1973. Mr. CHAN is the Founder and Chairman of the group of companies of Primasia (the “**Primasia Group**”), which is in the business of investment, research and consultancy, securities brokerage and so on. Mr. CHAN has been the Chairman of Asian Securities Analysts Federation in 1986–1988. Mr. CHAN is also the Founder of Taiwan Sotheby's International Realty Company Limited. Mr. CHAN Chi Leong is a licensed person under the SFO permitted to engaged in type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities (as defined in the SFO).

Prior to founding the Primasia Group, Mr. CHAN worked in Bankers Trust from 1988–1990, and he served as General Manager of Kwang Hua Securities Investment Trust in Taipei from 1986–1987, Executive Director in charge of sales and trading of Hoare Govett Asia Limited from 1980–1987 and Manager of Investment Banking Department of Deutsche Bank, Hong Kong Branch in 1978–1980.

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Ms. BENTLEY Annie Liang (梁安妮女士), aged 69, is our independent non-executive Director. Ms Annie Liang BENTLEY is the founder of Bentley Communications and a pioneer of the branding, corporate and marketing communications profession in Hong Kong.

Ms. BENTLEY holds a bachelor of arts degree in English Literature and Chinese Translation (1971) from the University of Hong Kong, an advanced certificate in Education from the University of Oxford (1976) and a master's degree in Buddhist Studies from the University of Hong Kong (2010). Ms. BENTLEY was made an Honorary Fellow of the University of Hong Kong in 2013.

Ms. BENTLEY began her career in educational publishing for Oxford University Press working on their ESL books and the Oxford English Chinese dictionary.

In 1981, she joined the public relations industry working for a financial services banking and securities group in Hong Kong. In 1987, she established her consultancy in partnership with Omnicom, one of the world's largest public relations and advertising conglomerate, and grew Bentley Communications to be one of Hong Kong's reputable communications agencies with coverage in Singapore, Beijing, Shanghai and Guangzhou by 2007.

Ms. BENTLEY is Chairman of Robert Black College HKU. She is a trustee of the China Oxford Scholarship Fund, board member of Action for Epilepsy, Heifer International (Hong Kong) and committee member of the Boys and Girls Clubs Association of Hong Kong.

Ms. BENTLEY has been a member of the Hospital Governing Committee of the Prince of Wales Hospital, and has served on the Executive Committee of Project Vision since the inception of the charity in 2006.

SENIOR MANAGEMENT

In addition to our executive Directors, the following sets forth certain information on the members of our senior management team:

<u>Name</u>	<u>Age</u>	<u>Date of joining us</u>	<u>Position</u>	<u>Roles and responsibilities</u>	<u>Relationship with our Directors and other senior management</u>
Mr. CHAN Wa Ping (陳華平先生)	33	27 April 2017	Chief Financial Officer and Company Secretary	Responsible for the financial reporting function and certain corporate transactional and compliance matters of our Group	None
Ms. SIU Man Yi (蕭敏兒)	35	2 January 2012	Centre Manger	Overseeing the operations of our eye centre and Satellite Clinics in Hong Kong	None

Mr. CHAN Wa Ping (陳華平先生), aged 33, is our Chief Financial Officer and Company Secretary. Mr. CHAN joined us in April 2017 and is responsible for overseeing the finance, compliance, merger and acquisition, and investor relations of our Group. Mr. CHAN graduated from the Chinese University of Hong Kong with a Bachelor in Business Administration in 2006 and has over 10 years of financial and accounting related experience. Mr. CHAN is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining us, Mr. CHAN worked for PricewaterhouseCoopers and was involved in a number of audit and assurance, capital market transactions and advisory projects advising corporate clients including listed companies and conglomerates worldwide.

Ms. SIU Man Yi (蕭敏兒), aged 35, is our Centre Manager in Hong Kong. Ms. SIU is responsible for the overall management of clinic services and daily operations of our eye centre and Satellite Clinics in Hong Kong. Ms. SIU also designs and implements standard operating procedures to maintain a consistent and efficient work flow in the eye centres and all Satellite Clinics. Ms. SIU graduated from the University of Hong Kong with a Bachelor of Nursing in 2006 and a Master of Social Sciences in Behavioural Health in 2010.

Ms. SIU is a registered nurse since 2006. Before joining us, Ms. SIU worked for Pamela Youde Nethersole Eastern Hospital during the period between July 2006 and September 2007, the Chinese University of Hong Kong during the period between September 2007 and January 2008, St Paul's Eye Centre during the period between January 2008 to September 2010, and Asia Medical Specialists Limited in the period between November 2010 and May 2011.

Each of the senior management members is not or has not been a director of any other listed company in Hong Kong and overseas in the past three years.

COMPANY SECRETARY

Mr. CHAN Wa Ping (陳華平先生), his biographical information and working experience are set forth in the paragraphs under “Senior management” above.

OTHER DISCLOSURE PURSUANT TO RULE 13.51(2) OF THE LISTING RULES

Save as disclosed above, each of our Directors confirms with respect to himself or herself that there are no other matters concerning our Directors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

INTERNATIONAL ADVISORY COUNCIL

We have established an international advisory council (the “**International Advisory Council**”) in June 2017. The purpose of establishing the International Advisory Council is to provide (a) our management with insights and high-level industry-related advices on the development of the business of provision of ophthalmic services and (b) our ophthalmologists/physicians with updates on the latest development of new medical and

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surgical techniques in ophthalmology. The International Advisory Council comprises 20 members from 10 countries or territories, and all of them are leading ophthalmologists or physicians in their respective areas of specialty. The International Advisory Council is an advisory body and will not be involved in the business or management of our Group. Members of the International Advisory Council are not management team of our Group and are not vested with any authority or responsibility in managing the business affairs of our Group. The terms of reference of the International Advisory Council include the following:

- Assist us to keep abreast of the latest advancement in science, technology, new drugs and surgical techniques in ophthalmology.
- Advise us on the future development of our Group in terms of clinical services, training and education, research and publication.
- Advise on complex and challenging cases.
- Assist us in organising the proposed “Annual C-MER International Forum”, an international event for the purpose of sharing the latest development of ophthalmic technologies and development.
- Advise us on strategy, policy, corporate responsibility and activity of our Group.

Members of the International Advisory Council would meet no more than twice a year, would not be involved or informed on any business development of our Group and would not be remunerated. The following sets forth a brief introduction of the members of the International Advisory Council:

<u>Name (in order of surname)</u>	<u>Country/Territory</u>	<u>Primarily affiliation and leadership positions</u>
1. Prof. Rajvardhan AZAD	India	<ul style="list-style-type: none">– Past President, Asia-Pacific Academy of Ophthalmology (APAO)– Past President, All India Ophthalmologists Society (AIOS)
2. Prof. Amar AGARWAL	India	<ul style="list-style-type: none">– Past President, International Society of Refractive Surgery (ISRS)– Top 100 Most Influential Ophthalmologists in the World (2014 & 2016), The Ophthalmologist
3. Prof. Makoto ARAIE	Japan	<ul style="list-style-type: none">– Past President, World Glaucoma Association (WGA)– Immediate Past President, Asia-Pacific Glaucoma Society

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<u>Name (in order of surname)</u>	<u>Country/Territory</u>	<u>Primarily affiliation and leadership positions</u>
4. Prof. Jorge ALIO	Spain	<ul style="list-style-type: none"> – Past President, International Society of Refractive Surgery (ISRS) – Top 100 Most Influential Ophthalmologists in the World (2014 & 2016), The Ophthalmologist
5. Prof. David F. CHANG	USA	<ul style="list-style-type: none"> – Past President, American Society of Cataract and Refractive Surgery (ASCRS) – Past Chairman, Cataract Preferred Practice Pattern Committee, American Academy of Ophthalmology (AAO) – Top 100 Most Influential Ophthalmologists in the World (2014 & 2016), The Ophthalmologist
6. Dr. Andrew CHANG	Australia	<ul style="list-style-type: none"> – Scientific Secretary, Asia-Pacific Vitreo-retina Society (APVRS) – Congress Convener, Asia-Pacific Vitreo-retina Society Congress 2015
7. Dr. Taraprasad DAS	India	<ul style="list-style-type: none"> – President, Asia-Pacific Vitreo-retina Society (APVRS) – Regional Chair, International Agency for Prevention of Blindness (IAPB) Southeast Asia
8. Prof. Neeru GUPTA	Canada	<ul style="list-style-type: none"> – Chair LXXXII, Academia Ophthalmologica Internationalis (AOI) – Vice-President, Board of Trustee, International Council of Ophthalmology (ICO)
9. Dr. Ashok GROVER	India	<ul style="list-style-type: none"> – Past President, All India Ophthalmological Society (AIOS) – Past President, Asia Pacific Society of Ophthalmic Plastic and Reconstructive Surgery (APSOPRS), Oculoplastics Association of India
10. Dr. Michael GIBLIN	Australia	<ul style="list-style-type: none"> – Past President, Asia-Pacific Society of Ocular Oncology and Pathology (APSOOP)

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<u>Name (in order of surname)</u>	<u>Country/Territory</u>	<u>Primarily affiliation and leadership positions</u>
11. Dr. Santosh HONAVAR	India	– Editor-in-Chief, Indian Journal of Ophthalmology
12. Prof. Jost JONAS	Germany	– Editor-in-Chief, British Journal of Ophthalmology – Chair LXXXVI, Academia Ophthalmologica Internationalis (AOI)
13. Prof. Charles McGHEE	New Zealand	– Chair XXIV, Academia Ophthalmologica Internationalis (AOI) – President, Asia-Pacific Academy of Ophthalmology (APAO) and Asia-Pacific Professors of Ophthalmology (AAPPO) – Top 100 Most Influential Ophthalmologists in the World (2014), The Ophthalmologist
14. Prof. Tetsuro OSHIKA	Japan	– Congress President, World Ophthalmology Congress 2014 – Vice-President, Asia-Pacific Academy of Ophthalmology (APAO)
15. Prof. Robert RITCH ⁽¹⁾	USA	– Chair LI, Academia Ophthalmologica Internationalis (AOI) – Member, Board of Trustee, International Council of Ophthalmology (ICO) – Top 100 Most Influential Ophthalmologists in the World (2014), The Ophthalmologist
16. Dr. Srinivas RAO	India	– Immediate Past President, Cornea Society of India – Ex-Professor, The Chinese University of Hong Kong (CUHK)

DIRECTORS, INTERNATIONAL ADVISORY COUNCIL, SENIOR MANAGEMENT AND EMPLOYEES

<u>Name (in order of surname)</u>	<u>Country/Territory</u>	<u>Primarily affiliation and leadership positions</u>
17. Prof. Paisan RUAMVIBOONSUK	Thailand	<ul style="list-style-type: none">– Past President, Royal College of Ophthalmologists of Thailand and delegate of Thai Retina Society– Past Regional Secretary (Thailand), Asia-Pacific Academy of Ophthalmology (APAO)– Secretary-General, Association of Southeast Asian Nations (ASEAN) Ophthalmology Society
18. Prof. Abhay VASAVADA	India	<ul style="list-style-type: none">– Chair LXIV, Academia Ophthalmologica Internationalis (AOI)– Susruta Lecture Award (2014), Asia-Pacific Academy of Ophthalmology (APAO)– Top 100 Most Influential Ophthalmologists in the World (2014 & 2016), The Ophthalmologist
19. Prof. Robert WEINREB	USA	<ul style="list-style-type: none">– Past President, World Glaucoma Association (WGA), The Association for Research in Vision and Ophthalmology (ARVO)– Top 100 Most Influential Ophthalmologists in the World (2014 & 2016), The Ophthalmologist
20. Prof. Lin-Chung WOUNG	Taipei	<ul style="list-style-type: none">– Congress President, Asia-Pacific Academy of Ophthalmology Congress 2016– President, Ophthalmological Society of Taiwan

Note:

- (1) Professor Robert RITCH is our Pre-IPO Tranche A Investor, further information on which is set forth in the section headed “Pre-IPO Investment” in this prospectus.

BOARD COMMITTEES

Audit Committee

We have established the Audit Committee on 13 December 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and Corporate Governance Code. The Audit Committee consists of three independent non-executive Directors, namely Mr. MA Andrew Chiu Cheung (being the chairperson of the Audit Committee who has a professional qualification in accountancy), Dr. LI Kwok Tung Donald and Ms. BENTLEY Annie Liang. The primary duties of the Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established the Remuneration Committee on 13 December 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee consists of three members, including one executive Director, namely Ms. LI, and two independent non-executive Directors, namely Mr. CHAN Chi Leong and Dr. LAU Johnson Yiu-Nam. The Remuneration Committee is chaired by Mr. CHAN Chi Leong. The primary duties of the Remuneration Committee include, but without limitation, (i) making recommendations to our Board regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; (iv) reviewing the amount of compensation to be received by Dr. Dennis LAM on an annual basis; and (v) considering and approving the grant of share options to eligible participants pursuant to the Post-IPO Share Option Scheme.

During the Track Record Period, the remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Further information on the remuneration received by Dr. Dennis LAM during the Track Record Period is set forth in the section headed "Business — Our business — Hong Kong — Remuneration received or to be received by Dr. Dennis LAM" in this prospectus. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our Remuneration Committee.

Nomination Committee

We have established the Nomination Committee on 13 December 2017 with written terms of reference in compliance with the Corporate Governance Code. The Nomination Committee also oversees the corporate governance matters of our Group. The Nomination Committee consists of three members, namely Dr. LAU Johnson Yiu-Nam, Mr. CHAN Chi Leong and Mr. MA Andrew Chiu Cheung. All members of the Nomination Committee are our independent non-executive Directors. The chairperson of the Nomination Committee is Dr. LAU Johnson Yiu-Nam. The primary function of the Nomination Committee is to make recommendations to our Board on the appointment of members of our Board.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees or ophthalmologists practising with us (as the case may be), receive in their capacity as our employees and ophthalmologists practising with us (as the case may be), compensation in the form of salary and cash bonus and revenue-sharing for any Director who is also an ophthalmologist practising with us other than Dr. Dennis LAM.

The aggregate amount of remuneration including fees, salaries, doctors' consultation fees, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to our Directors during the Track Record Period amounted to HK\$17.6 million, HK\$25.4 million, HK\$26.8 million and HK\$10.8 million, respectively.

The aggregate amount of remuneration including fees, salaries, doctors' consultation fees, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses which were paid by us to the five highest paid Directors and employees for the Track Record Period was HK\$19.1 million, HK\$26.6 million, HK\$27.8 million and HK\$12.1 million, respectively. In addition, we did not recognise any share option expense during the three years ended 31 December 2016. We recognised HK\$2.0 million share option expense for the six months ended 30 June 2017.

No remuneration was paid by our Group to our Directors or past Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the Track Record Period.

Under the arrangements set forth in the service contracts (incorporating the terms of the Cooperative Agreement in the service contract with Dr. Vincent LEE) and the appointment letters with our independent non-executive Directors, the aggregate amount of remuneration (including Directors' fees and salaries, doctors' consultation fees payable to Dr. Vincent LEE, contributions to pension schemes, housing allowance and other allowances and benefits in kind) of our Directors for the year ending 31 December 2017 is estimated to be not more than HK\$22.0 million.

PRE-IPO SHARE OPTION SCHEME

We have adopted the Pre-IPO Share Option Scheme on 28 June 2017. Further information on the Pre-IPO Share Option Scheme, is set forth in the paragraphs under “D. Share Option Schemes — 1. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.

POST-IPO SHARE OPTION SCHEME

We have conditionally adopted the Post-IPO Share Option Scheme on 13 December 2017. Further information on the Post-IPO Share Option Scheme, is set forth in the paragraphs under “D. Share Option Schemes — 2. Post-IPO Share Option Scheme” in Appendix IV to this prospectus.

COMPLIANCE ADVISER

We have appointed WAG Worldsec Corporate Finance Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SHARE CAPITAL

SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

Authorised share capital:

	<i>HK\$</i>
<u>8,000,000,000</u>	Shares of par value HK\$0.1 each
	<u>800,000,000</u>

Assuming the Over-allotment Option is not exercised and without taking into consideration any Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme, the issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and Capitalisation Issue:

	<i>HK\$</i>
371,265	Shares in issue as of the date of this prospectus
802,628,735	Shares to be issued under the Capitalisation Issue
<u>197,000,000</u>	<u>Shares to be issued under the Global Offering</u>
	<u>37,126.5</u>
	<u>80,262,873.5</u>
	<u>19,700,000</u>
<u>1,000,000,000</u>	<u>Shares in total</u>
	<u>100,000,000</u>

Assuming the Over-allotment Option is exercised in full and without taking into consideration any Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme, the issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and Capitalisation Issue:

	<i>HK\$</i>
371,265	Shares in issue as of the date of this prospectus
802,628,735	Shares to be issued under the Capitalisation Issue
<u>226,550,000</u>	<u>Shares to be issued under the Global Offering</u>
	<u>37,126.5</u>
	<u>80,262,873.5</u>
	<u>22,655,000</u>
	<u>102,955,000</u>
<u>1,029,550,000</u>	<u>Shares to be issued upon exercise of Over-allotment Option in full</u>
	<u>102,955,000</u>

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public (as defined in the Listing Rules).

RANKING

Our Offer Shares and our Shares which may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme will rank equally in all respects with all other existing Shares in issue or to be issued as set forth in the above table, and will qualify for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus except for the entitlement under the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions passed by our Shareholders at the extraordinary general meeting of our Company held on 13 December 2017, subject to the conditions set forth therein, our Directors are authorised to allot and issue a total of 802,628,735 Shares credited as fully paid at par to the Shareholders whose name appears on the register of members of our Company at the close of business on 13 December 2017 (or such other date as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued by fraction of a Share) by way of capitalisation of the sum of HK\$80,262,873.50 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank equally in all respects with the existing issued Shares.

GENERAL MANDATE

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with our Shares with an aggregate nominal value of not more than the sum of:

- (i) 20% of the total number of our Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Share which may fall to be issued pursuant to the exercise of the Over-allotment Option); and
- (ii) the total number of our Shares bought back by our Company (if any) under the Buy-back Mandate.

SHARE CAPITAL

The allotment and issue of our Shares under a rights issue or pursuant to the exercise of any subscription rights, warrants which may be issued by our Company from time to time, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on our Shares in accordance with the Articles, or on the exercise of options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme do not generally require the approval of Shareholders any option that may be granted in general meeting and the aggregate nominal amount of our Shares which our Directors were authorised to allot and issue pursuant to this mandate will not be compromised by the allotment and issue of such Shares.

This mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting; or
- (ii) upon the expiration of the period within which our Company is required by any applicable law or the Articles to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting,

whichever occurs first.

Further information of the General Mandate are set forth in the paragraphs under "A. Further information about our Group — 4. Resolutions passed by our Shareholders" in Appendix IV to this prospectus.

BUY-BACK MANDATE

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to buy-back Shares with a total number not exceeding 10% of the total number of our Shares in issue or to be issued immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option).

This mandate only relates to buy-back transactions made on the Stock Exchange, or any other approved stock exchange(s) on which the securities of our Company may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and requirements of the Listing Rules. A summary of the relevant Listing Rules is set forth in the section headed "A. Further information about our Group — 6. Buy-back of our own securities" in Appendix IV to this prospectus.

SHARE CAPITAL

This mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting; or
- (ii) upon the expiration of the period within which our Company is required by any applicable law or Articles to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting,

whichever occurs first.

Further information on the Buy-back Mandate, is set forth in the paragraphs under "A. Further Information about Our Company — 4. Resolutions passed by our Shareholders" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

Pursuant to the Cayman Company Law and the Memorandum and the Articles, our Company may from time to time by ordinary shareholders' resolution (i) increase our capital; (ii) consolidate and divide our capital into shares of larger amount; (iii) divide our Shares into classes; (iv) subdivide our Shares into shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce our capital by Shareholders' special resolution. Further information is set forth in the paragraphs under "Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (iii) Alteration of capital" in Appendix III to this prospectus.

Further, all or any of the special rights attached to our Share or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our shares of that class. Further information is set forth in the paragraphs under "Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (ii) Variation of rights of existing Shares or classes of Shares" in Appendix III to this prospectus.

CONTINUING CONNECTED TRANSACTIONS

BACKGROUND OF THE CONNECTED PERSON

Shenzhen Maida is a wholly-owned subsidiary of D&S Limited which is a connected person of our Company. Shenzhen Maida is therefore a connected person of our Company pursuant to Rule 14A.07 of the Listing Rules.

LEASE AGREEMENT

Since March 2013, Shenzhen C-MER Hospital has leased the Shenzhen Property from Shenzhen Maida. The Shenzhen Property was leased to Shenzhen C-MER Hospital under previous lease agreements which have been replaced by the Lease Agreement for a term from 1 June 2017 to 31 May 2020. The Shenzhen Property is currently used by Shenzhen C-MER Hospital as the premises for our eye hospital in Shenzhen.

HISTORICAL AMOUNTS AND PROPOSED ANNUAL CAPS

Historical amounts

During the three years ended 31 December 2016, Shenzhen C-MER Hospital paid rental expense to Shenzhen Maida of RMB7.9 million (equivalent to HK\$8.8 million), RMB7.9 million (equivalent to HK\$8.9 million) and RMB7.9 million (equivalent to HK\$8.9 million), respectively. During the six months ended 30 June 2017, we paid rental expense of RMB3.9 million (equivalent to HK\$4.4 million) to Shenzhen Maida for the Shenzhen Property.

Pursuant to the Lease Agreement, Shenzhen C-MER Hospital will continue to lease the Shenzhen Property following completion of the Global Offering. Any relocation may cause unnecessary disruption to the business operations and incur unnecessary costs.

Pursuant to the Lease Agreement, the amount of rental expense remains unchanged, as compared with the previous lease agreements, and the rental expense would be payable by Shenzhen C-MER Hospital on a monthly basis instead of annual basis under the Lease Agreement. The monthly rental is RMB654,326.61. The rental expense payable under the Lease Agreement is determined with reference to (1) the historical amounts of rental during the three years ended 31 December 2016 and (2) the market rates of the premises of similar condition and size. Shenzhen C-MER Hospital has the option to renew the Lease Agreement upon its expiry with reference to the then prevailing market rates subject to compliance with the Listing Rules for a term not exceeding three years from the expiry date of any preceding lease term until Shenzhen C-MER Hospital decides not to exercise the renewal option.

The amount of annual rental under the Lease Agreement is determined on an arm's length basis and upon normal commercial terms. Savills Valuation and Professional Services Limited, an independent valuer of our property interests, has confirmed that the amount of rental payable by us for the Shenzhen Property under the Lease Agreement is fair and reasonable and comparable to the prevailing market rates.

CONTINUING CONNECTED TRANSACTIONS

The following table sets forth the annual caps for the rental expense payable by us in respect of the Shenzhen Property for the three years ending 31 December 2019:

Proposed annual caps

	Year ending 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Annual rental	9,885	9,885	9,885

As the applicable percentage ratio (other than the profits ratio) will be, on an annual basis, less than 25% and the total consideration will be less than HK\$10,000,000, the Lease Agreement will be exempt from the independent Shareholders' approval requirement under Rule 14A.76(2)(b) of the Listing Rules but will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVER

Pursuant to the Listing Rules, the transactions under the Lease Agreement require reporting and announcement requirements under Chapter 14A of the Listing Rules.

We have applied for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules to exempt the Lease Agreement from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules, subject to (a) our Directors' undertaking that they will comply with the applicable requirements under Chapter 14A of the Listing Rules for the three years ending 31 December 2019 for the Lease Agreement; (b) annual rental of the above continuing connected transactions for each year not exceeding the relevant annual cap set forth above; and (c) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) confirm that the Lease Agreement has been entered into in the ordinary and usual course of our business and is based on normal commercial terms or better that are fair and reasonable and in the interest of our Company and Shareholders as a whole, and that the proposed annual caps are fair and reasonable and in the interest of our Company and Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

CONFIRMATION FROM INDEPENDENT PROPERTY VALUER

Savills Valuation and Professional Services Limited, as an independent property valuer, is of the opinion that the terms and conditions of the Lease Agreement, including but not limited to, the rental rate, are normal, fair and reasonable and entered into upon commercial terms and consistent with normal business practice for lease agreements of the relevant type for similar type of commercial properties and at the prevailing market level when the parties entered into the Lease Agreement.

CONFIRMATION FROM THE SPONSOR

Having taken into account the information set forth above including the views of Savills Valuation and Professional Services Limited, the Sole Sponsor is of the view that the transactions under the Lease Agreement for which a waiver is sought, has been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, are fair and reasonable and in the interests of our Shareholders as a whole. The Sole Sponsor is also of the view that the proposed annual caps for the transactions under the Lease Agreement are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering and the Capitalisation Issue (without taking into consideration any Shares which may be allotted and issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme), C-MER Group, Dr. Dennis LAM and Ms. LI are a group of our Controlling Shareholders. The following table sets forth the number of Shares held by C-MER Group immediately after completion of the Global Offering and the Capitalisation Issue:

	Immediately after completion of the Global Offering and the Capitalisation Issue (without taking into consideration any Shares which may be issued upon the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme)	
	<i>Number of Shares</i>	<i>%</i>
C-MER Group	<u>722,696,756</u>	<u>72.3</u>

C-MER Group is owned as to 70% by Dr. Dennis LAM and 30% by Ms. LI. Ms. LI is the spouse of Dr. Dennis LAM, and both of them have been managing and operating our business collectively and reaching consensus before making major decisions in respect of our business. Both Dr. Dennis LAM and Ms. LI will continue to act jointly following the Listing so far as the exercise of the voting rights attached with our Shares (through C-MER Group) is concerned.

Save as disclosed in this section, our Company will not have any other substantial Shareholder (as such term is defined under the Listing Rules) without taking into consideration any Shares which may be taken up under the Global Offering and may be issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme.

Neither of our Controlling Shareholders, our Directors nor their respective close associates has any interest in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly and indirectly, with our business and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

For the purpose of the Listing Rules, Dr. Dennis LAM, Ms. LI and C-MER Group are a group of our Controlling Shareholders. Our Directors consider that we will be able to operate independently from our Controlling Shareholders because of the following reasons:

MANAGEMENT INDEPENDENCE

Although our Controlling Shareholders will retain controlling interest in our Company upon completion of the Global Offering and the Capitalisation Issue, our Board has nine Directors comprising four executive Directors and five independent non-executive Directors. With five independent non-executive Directors out of a total of nine Directors in our Board, there will be sufficient independent voice within our Board to protect the interests of our independent Shareholders. All major decisions of our Board approved at any meeting of our Board will need the presence and the affirmative vote of at least one independent non-executive Directors.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he/she (i) acts for the benefit of and in the best interests of our Shareholders and our Company as a whole and (ii) does not allow any conflict between his or her duties as a Director and his or her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into with our Directors or their respective close associates, the interested Director(s) will abstain from voting at the relevant meetings of our Board and will not attend such meeting of our Board.

Having considered the above factors and the fact that there is no competing business operated by our Controlling Shareholders, our Directors are satisfied that our Board, as a whole and together with our senior management, is capable of managing our business independently from our Controlling Shareholders.

FINANCIAL INDEPENDENCE

We have an independent financial reporting system and make financial decisions according to our own business needs. Our source of funding is and will continue to be independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective associates financed our operations during the Track Record Period. Our accounting and finance functions are independent of our Controlling Shareholders. Our Directors confirm that we do not intend to obtain any further borrowings, guarantees, pledges or mortgages from any of our Controlling Shareholders or entities controlled by our Controlling Shareholders following the Listing. Therefore, we have no financial dependence on our Controlling Shareholders.

OPERATIONAL INDEPENDENCE

We have established our own organisational structure made up of individual departments, each with specific areas of responsibilities. We have sufficient operational resources, including general administrative resources to operate our business independently. Our Group has also established a set of internal control measures to facilitate the effective operation of our business. We are the holders of all relevant licences and qualifications material to our business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

We have entered into a service contact with Dr. Dennis LAM pursuant to which Dr. Dennis LAM will continue to provide ophthalmic services for us for such terms and conditions similar to those prior to the Listing. Further information is set forth in the section headed “Business — Our business — Hong Kong — Remuneration received and to be received by Dr. Dennis LAM” in this prospectus.

Save as disclosed in the section headed “Continuing Connected Transactions” in this prospectus, we do not currently have any intention to enter into any other transactions with our Controlling Shareholders and/or their close associates and, if such event happens in the future, the connected transactions/continuing connected transactions will be conducted in compliance with the Listing Rules. Though there may be continuing connected transactions between the close associates of our Controlling Shareholders and us after the Listing, these transactions will be in the ordinary and usual course of our business on terms and conditions which are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and our Directors are of the view that alternative services and premises are available, if necessary. Accordingly, our Directors do not consider that there is any material reliance by our Group on our Controlling Shareholders or their close associates.

NO EXCLUDED BUSINESSES

D&S Pharmaceutical Company Limited and D&S (Shenzhen) Biotechnology Limited (currently known as C-MER (Shenzhen) Biotechnology Limited) were established for the purpose of engaging in pharmaceutical development business. None of these companies is or will be engaged in the business of provision of ophthalmic services.

Hence, the proposed business of D&S Pharmaceutical Company Limited is unrelated to our business as a provider of ophthalmic services. As of 30 June 2017, the net deficit of D&S Pharmaceutical Company Limited was HK\$0.2 million. During the year ended 31 December 2016, D&S Pharmaceutical Company Limited did not have any revenue and it had a net loss of HK\$0.2 million.

D&S (Shenzhen) Biotechnology Limited is a wholly-owned subsidiary of D&S Pharmaceutical Company Limited. As of 30 June 2017, the net deficit of D&S (Shenzhen) Biotechnology Limited was HK\$0.7 million. During the year ended 31 December 2016, D&S (Shenzhen) Biotechnology Limited did not have any revenue and it had a net loss of less than HK\$0.1 million.

The business of these companies are still in the preliminary planning stage, and our Directors expect that there will be no significant continuing connected transactions with us following the Listing. Dr. Dennis LAM has undertaken that the word “C-MER” in the name of C-MER (Shenzhen) Biotechnology Limited will be changed in due course.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

DEED OF NON-COMPETITION

Each of our Controlling Shareholders and executive Directors (collectively, the “**Covenantors**”) have entered into the Deed of Non-Competition on 13 December 2017 in favour of our Company, pursuant to which each of the Covenantors has jointly and severally and irrevocably undertaken with our Company (for itself and for the benefit of its subsidiaries) that the Covenantors would not, and would procure that their associates (except any members of our Group) would not, during the restricted period set forth below, directly or indirectly, either on such Covenantor’s own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the “**Restricted Business**”).

The non-competition undertaking above does not apply to:

- (a) any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business which has first been offered or made available to our Company, and at the request of our Company, the offer should include: (i) terms of offer between our Company and such third party, or (ii) terms for our Company to engage in the Restricted Business with them and/or their associates, and our Company, after review and approval by our independent non-executive Directors, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with them and/or their associates, provided that the principal terms by which the Covenantor (or his/her/its relevant associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company; or
- (b) the holding by any of the Covenantors of any interests in the shares of any member of our Group; or
- (c) the holding by any of the Covenantors of interests in the share of a company other than our Group which shares are listed on a recognised stock exchange provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or
 - (ii) the total number of the shares held by the Covenantors and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of that company and such Covenantors and/or their respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by the Covenantors and their respective associates in aggregate; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) the Covenantors and/or their respective associates do not have the control over the board of such company.

The “restricted period” stated in the Deed of Non-competition refers to the period during which (i) our Shares remain listed on the Stock Exchange; (ii) in relation to each of the Controlling Shareholders, the relevant Controlling Shareholder or any of their associate still holds directly or indirectly any equity interest in our Company; (iii) our Controlling Shareholders and/or its/his/her respective associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company; and (iv) in relation to each of our executive Directors, the relevant executive Director still remains to be the executive Director of our Company.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to avoid any conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

- (a) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the Deed of Non-competition;
- (b) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (c) our Company will disclose with basis decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition in the annual reports of our Company; and
- (d) our Controlling Shareholders will make an annual confirmations on compliance with their undertaking under the Deed of Non-Competition in the annual report of our Company.

REASONS FOR THE LISTING, PROPOSED USE OF NET PROCEEDS FROM THE GLOBAL OFFERING AND EXPANSION PLANS

REASONS FOR THE LISTING

Our business objective is to continue to secure our position as the leading ophthalmic service provider in Hong Kong and the PRC. Our Directors believe that the Listing will facilitate the implementation of our business strategies as stated in “Business — Our strategies” in this prospectus and will strengthen our market position and expand our market share in the industry. Our Directors believe that the Listing is beneficial to our Company and our Shareholders as a whole because of the following reasons:

- A listing status on the Stock Exchange can enhance our corporate profile which would facilitate our efforts to attract and retain talented medical professionals.
- Our Directors have also considered other means of financing, including debt financing, but consider that such source of financing would not be able to support our long-term business growth.
- Our Company could establish an efficient and sustainable fund-raising platform through the Listing, thereby enabling us to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansion, which could be instrumental to our expansion and improving our operating and financial performance for maximising Shareholders’ return.
- Throughout the preparation for the Listing, we have strengthened our corporate governance as well as our internal control systems. These will facilitate the healthy development our Group particularly in the complicated regulatory industry environment.

PROPOSED USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The following table sets forth the estimated net proceeds of the Global Offering that we will receive after deduction of the estimated Listing expenses (including underwriting commission) of HK\$50.0 million in connection with the Global Offering:

	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
	<i>HK\$' million</i>	<i>HK\$' million</i>
Assuming an Offer Price of HK\$2.35 (being the low-end of the indicative range of the Offer Price)	414.3	482.0
Assuming an Offer Price of HK\$2.63 (being the mid-point of the indicative range of the Offer Price)	468.1	543.9
Assuming an Offer Price of HK\$2.90 (being the high-end of the indicative range of the Offer Price)	519.9	603.5

REASONS FOR THE LISTING, PROPOSED USE OF NET PROCEEDS FROM THE GLOBAL OFFERING AND EXPANSION PLANS

We currently intend to apply the net proceeds of HK\$468.1 million for the following purposes assuming that the Offer Price will be HK\$2.63, being the mid-point of the indicative range of the Offer Price:

- (a) HK\$198.8 million, or 42.5% of the total net proceeds from the Global Offering, for possible acquisition of three operating eye hospitals in selected PRC cities. As of the date of this prospectus, we have yet to identify any business or hospital for our acquisition purpose.
- (b) HK\$188.9 million, or 40.4% of the total net proceeds from the Global Offering, for establishing three eye hospitals in selected PRC cities. As of the date of this prospectus, we plan to establish eye hospitals in selected cities in each of (a) Eastern China (Ningbo or Hangzhou); (b) Southwest or Central China (Zhengzhou); and (c) the Guangdong — Hong Kong — Macau Big Bay Area (粵港澳大灣區), but we have yet to determine at which cities our new eye hospitals will be established.
- (c) HK\$20.0 million, or 4.2% of the total net proceeds from the Global Offering, for establishing two Satellite Clinics in Shenzhen, the PRC.
- (d) HK\$39.7 million, or 8.5% of the total net proceeds from the Global Offering, for upgrading our medical equipment and enhancing our information technology system in Hong Kong and the PRC.
- (e) HK\$20.7 million, or 4.4% of the total net proceeds from the Global Offering, for our working capital and general corporate purpose.

REASONS FOR THE LISTING, PROPOSED USE OF NET PROCEEDS FROM THE GLOBAL OFFERING AND EXPANSION PLANS

The following table sets forth a summary of the actual and proposed use of net proceeds from the Pre-IPO Tranche B Investment and the Global Offering:

Business expansion plans	Out of the net proceeds from the Pre-IPO Tranche B Investment of HK\$102.0 million	Out of the amount of net proceeds from the Global Offering of HK\$468.1 million (based on the mid-point of the indicative range of the Offer Price of HK\$2.63 and assuming the Over-allotment Option is not exercised)	Total
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
(1) Establishment of the Mongkok Surgery Centre	15.8	–	15.8
(2) Establishment of an eye hospital in Beijing	80.0	–	80.0
Amount used as of the Latest Practicable Date	95.8	–	95.8
Estimated amount to be used in 2018			
(1) Establishment of a Satellite Clinic in Kwun Tong	4.0	–	4.0
(2) Establishment of two Satellite Clinics in Shenzhen, the PRC	–	20.0	20.0
(3) Establishment of an eye hospital in selected PRC city	–	69.4	69.4
(4) Possible acquisition of an operating eye hospital in selected PRC city	–	69.4	69.4
Estimated amount to be used in 2019			
(1) Establishment of two eye hospitals in selected PRC cities	–	119.5	119.5
(2) Possible acquisition of two operating eye hospitals in selected PRC cities	–	129.4	129.4
Total	99.8	407.7⁽¹⁾	507.5

REASONS FOR THE LISTING, PROPOSED USE OF NET PROCEEDS FROM THE GLOBAL OFFERING AND EXPANSION PLANS

Note:

- (1) The amount is equal to the aggregate of the proposed use of net proceeds as stated in the items (a), (b) and (c) in the paragraphs under “Proposed use of net proceeds from the Global Offering” above.

If the Offer Price is determined at HK\$2.90, being the highest point of the indicative range of the Offer Price, assuming the Over-allotment Option is not exercised, the net proceeds to us would be increased by HK\$51.8 million. In such event, the percentage of our allocation of the total net proceeds for the above purposes will be adjusted on a pro rata basis.

If the Offer Price is determined at HK\$2.35, being the lowest point of the indicative range of the Offer Price, assuming the Over-allotment Option is not exercised, the net proceeds to us would be decreased by HK\$53.8 million. In such event, the percentage of our allocation of the total net proceeds for the above purposes will be adjusted on a pro rata basis.

If the Over-allotment Option is exercised in full, and assuming that the Offer Price is HK\$2.63, (being the mid-point of the indicative range of the Offer Price), the net proceeds to us would be increased by HK\$75.8 million. In such event, the percentage of our allocation the total net proceeds for the above purposes will be adjusted on a pro rata basis.

OUR STRATEGIES

Further information on our strategies is set forth in the section headed “Business — Our strategies” in this prospectus.

OUR EXPANSION PLANS

Leveraging our experience in Hong Kong and Shenzhen, we intend to further expand our service network in Hong Kong and the PRC. We believe we can draw on our experience in having successfully established and achieving profitable operation of our eye hospital in Shenzhen to expand further into selected PRC cities, including the first-tier or second-tier PRC cities and other cities in the Guangdong-Hong Kong-Macau Big Bay Area (粵港澳大灣區), where the demand for mid-to-high end ophthalmic services will increase with the continuing emergence of middle class and affluent population.

We also plan to further expand our service network in Hong Kong. Our Satellite Clinic in Kwun Tong is expected to open during the first quarter of 2018.

REASONS FOR THE LISTING, PROPOSED USE OF NET PROCEEDS FROM THE GLOBAL OFFERING AND EXPANSION PLANS

Feasibility studies conducted by us on our expansion plans

Our Directors confirm that since the inception of our business, we have adopted a disciplined approach in considering any business expansion. We have conducted feasibility studies prior to the establishment of each Satellite Clinic in Hong Kong and the eye hospital currently operated by Shenzhen C-MER Hospital. Such feasibility studies include (a) projection of revenue and operating costs, (b) analyses on the demographical information of the proposed locations of the clinics/eye hospital to be established, (c) the source of patients and (d) the estimated amount of capital expenditure that may be incurred. Our Directors further confirm that such feasibility studies and business and financial projections have also been prepared for the new Satellite Clinic in Kwun Tong and the eye hospital operated by Beijing C-MER Hospital.

Our Directors consider that our expansion plans by way of acquiring operating eye centres/hospitals and opening of eye centres/hospitals in selected PRC cities and Hong Kong are feasible, because of the following reasons:

- (a) There is an emerging active market for the existing hospitals/medical institutions in the PRC and there has been increasing investment by and cooperation with foreign investors (including Hong Kong listed companies) as part of the reform and development of the healthcare industry in the PRC. Our Directors are of the view that such trend will continue with the increasing demand for high-quality medical services (including ophthalmic services) in the PRC.
- (b) According to Frost & Sullivan Report, there has been an increasing demand for private ophthalmic services in the PRC and Hong Kong due to the factors set forth in the sections headed “Industry Overview — The ophthalmic service market and the ophthalmic disease therapy market in China — Drivers of private ophthalmic service market in China”, “Industry Overview — The ophthalmic service market and the ophthalmic disease therapy market in China — Future trends of private ophthalmic service market in China” and “Industry Overview — Private ophthalmic service market in Hong Kong — Drivers of private ophthalmic service market in Hong Kong” in this prospectus. According to the Frost & Sullivan Report, the demand for private ophthalmic services in the PRC and Hong Kong is expected to increase with a CAGR of 18.4% and 7.0%, respectively, during the period from 2016 to 2021. Such increasing demand is expected to provide additional business opportunities for private healthcare service providers to expand their business operations and market share in the respective markets.

**REASONS FOR THE LISTING, PROPOSED USE OF NET PROCEEDS
FROM THE GLOBAL OFFERING AND EXPANSION PLANS**

Establishment of Satellite Clinics and eye hospitals

The following table sets forth brief information on our expansion plans on establishing a Satellite Clinic in Hong Kong and two Satellite Clinics and three eye hospitals in the PRC:

<u>Locations/Facilities</u>	<u>Expected timeframe</u>	<u>Estimated investment</u>
		<i>HK\$' million</i>
Satellite Clinic in Kwun Tong		
Satellite Clinic in Kwun Tong	Expected to commence business operation in the first quarter of 2018	4.0
		<hr style="width: 100%;"/>
		4.0
Satellite Clinics in the PRC		
Satellite Clinic in Luohu District, Shenzhen, the PRC	Expected to commence business operation in the fourth quarter of 2018	10.0
Satellite Clinic in Nanshan/Longgang District, Shenzhen, the PRC	Expected to commence business operation in the fourth quarter of 2018	10.0
		<hr style="width: 100%;"/>
		20.0

**REASONS FOR THE LISTING, PROPOSED USE OF NET PROCEEDS
FROM THE GLOBAL OFFERING AND EXPANSION PLANS**

<u>Locations/Facilities</u>	<u>Expected timeframe</u>	<u>Estimated investment</u>
		<i>HK\$' million</i>
Eye hospitals in the PRC		
Eye hospital in selected city in Eastern China (including Ningbo or Hangzhou)	Location selection expected to commence in 2018; expected to commence business operation in the fourth quarter of 2018	69.4
Eye hospital in selected city in Southwest or Central China (Zhengzhou)	Location selection expected to commence in 2018; expected to commence business operation in the second quarter of 2019	69.5
Eye hospital in one of the cities in Guangdong — Hong Kong — Macau Big Bay Area (粵港澳大灣區)	Location selection expected to commence in 2018; expected to commence business operation in the fourth quarter of 2019	50.0
		<hr style="width: 100%; border: 0.5px solid black;"/> 188.9 <hr style="width: 100%; border: 0.5px solid black;"/>

Based on our experience in establishing eye hospitals in Shenzhen and Beijing, it would take approximately 12 months from the planning stage to the commencement of business operation of the relevant eye hospital in the PRC. With this experience and our experienced team, which has accumulated the relevant experience in the selection of suitable premises, renovation, licence applications and recruitment for newly set-up eye hospitals in the PRC, our Directors expect that the time required for the opening of new eye hospitals in the PRC would not be more than 12 months.

Except for the investment that we have made out of the net proceeds from the Pre-IPO Tranche B Investment for the establishment of the Mongkok Surgery Centre and the eye hospital in Beijing and our Satellite Clinic in Kwun Tong, the above expansion plans are expected to be financed out of the net proceeds from the Global Offering (being item (b) in the paragraphs under “Proposed use of net proceeds from the Global Offering” below). We currently estimate that the investment set forth above includes the amount incurred by us for premises renovation, purchase of medical equipment, furniture and fixtures, information technology system and general working capital required for the operation of each of these surgery centre, Satellite Clinics and eye hospitals.

REASONS FOR THE LISTING, PROPOSED USE OF NET PROCEEDS FROM THE GLOBAL OFFERING AND EXPANSION PLANS

Further information on the Satellite Clinics and eye hospitals to be established by us

Satellite Clinic in Kwun Tong

We will establish a new Satellite Clinic in Kwun Tong, which is planned to commence business operation in the first quarter of 2018. We have entered into a preliminary lease agreement in June 2017 with an Independent Third Party for the lease of the premises with a gross floor area of approximately 500 sq. ft. for a term of two years. We intend to have a team of two to three allied health professionals at this new Satellite Clinic. Further information on this Satellite Clinic is set forth below:

Facilities:	One consultation room, one optometry room and one treatment room
Estimated total investment:	HK\$4.0 million
Source of funding:	Net proceeds from the Pre-IPO Tranche B Investment

Satellite Clinics in Shenzhen

We plan to establish two Satellite Clinics in Shenzhen, one in Luohu District and one in Nanshan/Longgang District. Each Satellite Clinic is expected to have a gross floor area of 250 sq. m. to 400 sq. m., depending on the availability of premises. Further information on each of these Satellite Clinics is set forth below:

Facilities:	Six consultation rooms, three investigation rooms and four optometry rooms
Estimated total investment:	HK\$10.0 million
Source of funding:	Net proceeds from the Global Offering

Eye hospitals in selected cities in the PRC

We have yet to select the locations of the three eye hospitals to be established in the PRC. Our preliminary plan is that the operational scale of each of these hospitals to be established will be similar to that of our eye hospital in Beijing.

REASONS FOR THE LISTING, PROPOSED USE OF NET PROCEEDS FROM THE GLOBAL OFFERING AND EXPANSION PLANS

Selection criteria of the locations of our new Satellite Clinics and eye hospitals in the PRC

In selecting the locations for new Satellite Clinics and eye hospitals to be established or acquired in the PRC, we take into consideration the following criteria:

- Locations selected must either be located in a first-tier or second-tier city in the PRC with a gross domestic product of not less than RMB800 billion or with a population of not less than seven million or it may be located in other cities in the Guangdong — Hong Kong — Macau Big Bay Area (粵港澳大灣區).
- The projected investment payback period is expected to be not more than three years from the date of commencement of business operation.
- In relation to identification of suitable targets for acquisition in the PRC, we plan to select eye hospitals with a gross floor area of not less than 3,000 square metres with not less than 30 beds. We would consider the performance of each target on a case-by-case basis.
- We would however maintain flexibility in deciding whether to establish a new eye hospital or acquire an eye hospital in the PRC and we may swap such plan when there are desired opportunities.

Possible acquisition of operating eye hospitals in the PRC

In addition to establishing new Satellite Clinics and eye hospitals in Hong Kong and the PRC, we also plan to expand our service network in the PRC by acquiring operating eye hospitals which are suitable for our business profile and calibre. We plan to acquire three operating eye hospitals in the PRC if there are opportunities arised which are suitable for us. The following table sets forth our current intention on the acquisition of three operating eye hospitals in the PRC:

<u>Locations/Facilities</u>	<u>Intended timeframe</u>	<u>Estimated amount</u>
		<i>HK\$' million</i>
PRC		
An eye hospital in one of the selected cities in Eastern China (including Shanghai, Suzhou and Nanjing)	First half of 2018	69.4
An eye hospital in one of the selected cities in Southwest China (including Chongqing, Chengdu and Wuhan)	First half of 2019	60.0

**REASONS FOR THE LISTING, PROPOSED USE OF NET PROCEEDS
FROM THE GLOBAL OFFERING AND EXPANSION PLANS**

Locations/Facilities	Intended timeframe	Estimated amount
		<i>HK\$' million</i>
An eye hospital in one of the selected cities in Northern China (including Tianjin, Dalian and Shenyang)	Second half of 2019	69.4
		<u>198.8</u>

These eye hospitals are intended to provide full range of ophthalmic services similar to the services to be offered by our eye hospital in Beijing. In considering acquisition for eye hospitals, we would take into consideration the operating capacity of the target eye hospitals and their financial performance. For acquisition of eye centres or clinics, we would consider the size of the targets and their operating history. We would also consider the location, operational scale, reputation, quality of the professionals staff, corporate culture, proximity to the community, consumer spending power and the competitive environment in the locality. Following the acquisition, we would take certain integration measures to implement our own standards on the management system as well as the best practice for medical services and operations to ensure that the eye hospitals and eye centres and clinics acquired will be operated under the same standards of our “C-MER” brand and will share the same value and culture.

We plan to finance the above acquisitions, if implemented, primarily by the net proceeds from the Global Offering (being item (a) in the paragraphs under “Proposed use of net proceeds from the Global Offering” below). As of the Latest Practicable Date, we had not identified any target hospital for such acquisition in the PRC or had any specific acquisition plans or entered into any legally binding agreements for the purpose.

Projected average spending per patient per visit for the surgery centre, Satellite Clinics and eye hospitals to be open or acquired by us

Our Directors estimate that the projected average spending per patient per visit of the Mongkok Surgery Centre, Satellite Clinics and eye hospitals in Hong Kong and the PRC to be open or acquired by us would be as follows:

	Projected average consultation and other medical service fee per patient per visit	Projected average surgery fee per patient per visit
	<i>HK\$</i>	<i>HK\$</i>
Mongkok Surgery Centre	N/A	35,000
Satellite Clinic in Kwun Tong	1,500	N/A
Satellite Clinics in Shenzhen	800	N/A
Eye hospitals in the PRC ⁽¹⁾	600–1,000 ⁽²⁾	12,000–16,000 ⁽²⁾

REASONS FOR THE LISTING, PROPOSED USE OF NET PROCEEDS FROM THE GLOBAL OFFERING AND EXPANSION PLANS

Notes:

- (1) We plan to establish three eye hospitals in the PRC with the following facilities:

Gross floor area (square metres)	3,000 to 5,000
Consultations rooms	8
Optometry rooms	6–10
Investigation rooms	8–10
Operating theatres	4–8
Day ward	1
Number of beds	30-50

- (2) Varies with the cost and the general price level of the PRC cities at which the eye hospitals are situated.

Historical and expected investment payback and breakeven periods of our eye centre, surgery centre, Satellite Clinics and eye hospitals

The following table sets forth a summary of the historical and expected investment payback and breakeven periods for our eye centre, surgery centre, Satellite Clinics and eye hospitals:

Type	Central Eye Centre	Shenzhen eye hospital	Planned to be established for business operations								
			Mong Kok Satellite Clinic	Yuen Long Satellite Clinic	Shatin Satellite Clinic	Causeway Bay Satellite Clinic	Mongkok Surgery Centre	Beijing eye hospital	Kwun Tong Satellite Clinic	Shenzhen Satellite Clinics	PRC eye hospitals
			2014	2016	2016	2017	2017	2018	2018	2018	2018-2019
Investment payback											
Already paidback	Y	Y	Y	N	N	N	N/A	N/A	N/A	N/A	N/A
Historical (number of years)	within 3 years	within 3 years	within 3 years	-	-	-	-	-	-	-	-
Expected (number of years)	-	-	-	within 3 years	within 3 years	within 3 years	within 3 years	within 3 years	within 3 years	within 3 years	within 3 years
Breakeven											
Already breakeven	Y	Y	Y	Y	Y	N	N/A	N/A	N/A	N/A	N/A
Historical (number of years)	1	1	3	2	1	-	-	-	-	-	-
Expected (number of years)	-	-	-	-	-	2	1	1	2	1	1

Our Directors are of the view that it would be difficult to estimate the investment payback period for the possible acquisition of operating eye hospitals in the PRC, as this is based on and will be affected by the amount of purchase price to be negotiated on a case-by-case basis. Our Directors will nevertheless use their best endeavours to restrict the investment payback period to less than three years.

REASONS FOR THE LISTING, PROPOSED USE OF NET PROCEEDS FROM THE GLOBAL OFFERING AND EXPANSION PLANS

Bases of estimation

The above estimates are based primarily on our experience gained from operating our existing eye centre, hospital and clinics and the pricing strategies and anticipated market positioning of the eye hospitals and clinics to be established or acquired. The above estimated breakeven periods and the investment payback periods may be affected by the size, initial investment costs, scope of services offered and competitive landscape of specific hospitals and clinics.

The successful implementation of the above expansion plans, however, require effective management system to manage the large scale of our business operations and achieve profitability from such expansion. We may not be able to achieve the historical investment payback period and our investment decisions and projections are subject to a number of inherent risks. Examples of these risks are set forth in the paragraphs under “We may not be able to successfully implement our expansion strategy”, “We may not be able to identify expansion and acquisition opportunities and may not be able to successfully integrate the business acquired by us”, “We may not obtain adequate or timely financing to fund our expansion plans” and “Opening new eye centres/hospitals could result in fluctuations in our short-term financial performance” in the section headed “Risk Factors — Risks relating to our business and industry” in this prospectus. In any of these events, our business and financial conditions, our operating results and business prospects could be adversely affected.

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The following discussion and analysis should be read in conjunction with the consolidated financial information together with the accompanying notes in the Accountant's Report included in Appendix I to this prospectus. Our financial information and the consolidated financial statements of our Group have been prepared in accordance with the HKFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions. You should read the whole Accountant's Report and not rely merely on the information contained in this section. Unless the context otherwise requires, financial information in this section is described on a consolidated basis. The discussion and analysis set forth in this section contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. Our actual results may differ significantly from those projected. Factors that could cause or contribute to such differences include, without limitation, those discussed in "Risk Factors" and "Business" in this prospectus. Discrepancies between totals and sums of amounts listed in this section in any table or elsewhere in this prospectus may be due to rounding.

OVERVIEW

We are one of the leading ophthalmic service providers in Hong Kong and our Shenzhen C-MER Hospital has gained wide recognition in Guangdong Province established under the brand of "C-MER Dennis Lam (希瑪林順潮)". Our business was founded in Hong Kong in January 2012 by Dr. Dennis LAM. Our Group has grown rapidly to include the Central Eye Centre, Mongkok Surgery Centre and four Satellite Clinics located at different locations in Hong Kong. Our fifth Satellite Clinic is expected to open in the first quarter of 2018. According to the Frost & Sullivan Report, our Hong Kong practice, "C-MER Dennis Lam & Partners" (希瑪林順潮眼科中心), is the second largest eye centre in Hong Kong private ophthalmic service market in 2016 in terms of revenue with a market share of 4.7%, and enjoyed the highest growth rate in revenue during the period from 2014 to 2016 among the five largest ophthalmic service providers in Hong Kong, achieving a CAGR of 29.6%. Our eye hospital operated by Shenzhen C-MER Hospital has also been a success. According to the Frost & Sullivan Report, our Shenzhen C-MER Dennis Lam Eye Hospital (深圳希瑪林順潮眼科醫院), established in March 2013, is the first, and as of the latest Practicable Date, one of the only two Hong Kong privately-owned hospitals under CEPA, and ranked third in the private ophthalmic service market in Guangdong Province in 2016 in terms of revenue with a market share of 5.4%.

For the three years ended 31 December 2016 and the six months ended 30 June 2017, we generated 61.3%, 61.5%, 64.8% and 62.8% of our revenue from our ophthalmic services in Hong Kong and 38.7%, 38.5%, 35.2% and 37.2% from our ophthalmic services in the PRC. We have experienced rapid growth during the Track Record Period, generating total revenue of HK\$156.5 million, HK\$198.9 million, HK\$248.7 million and HK\$140.4 million for the three years ended 31 December 2016 and the six months ended 30 June 2017, respectively.

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RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Following the Track Record Period, our business continued to grow. Based on the unaudited financial information for the three months ended 30 September 2017, our revenue has been increased as compared with the three months ended 30 June 2017. Our Mongkok Surgery Centre has commenced business operations since December 2017 and our eye hospital in Beijing is planned to commence business operations in January 2018. We also plan to open our fifth Satellite Clinic in Kwun Tong during the first quarter of 2018.

Nevertheless, our operating results during the year ending 31 December 2017 would be affected by the amount of Listing expenses charged to our consolidated statements of comprehensive income. We incurred Listing expenses in an amount of HK\$8.0 million, which was charged to our consolidated statements of comprehensive income for the six months ended 30 June 2017. We expect that an amount of HK\$26.8 million will be charged to the consolidated statements of comprehensive income for the year ending 31 December 2017 and HK\$23.2 million will be accounted for as a deduction from equity upon Listing. The aggregated amount of the Listing expenses will affect our operating results for the year ending 31 December 2017.

In addition, we expect that a share based payment of HK\$6.6 million would be charged to our consolidated statements of comprehensive income for the year ending 31 December 2017, representing the fair value of the Pre-IPO Share Options granted to the Grantees.

Our Directors confirm that, up to the date of this prospectus, save as the impact of the expenses incurred by us for the Listing, there has been no material adverse change in our financial or trading position since 30 June 2017, being the date up to which our consolidated financial statements set forth in Appendix I to this prospectus are prepared, which would materially affect the information shown in the Accountant's Report set forth in Appendix I to this prospectus.

PRINCIPAL FACTORS AND TRENDS AFFECTING OUR OPERATING RESULTS

Our operating results have been and will continue to be affected, directly and indirectly, by a number of factors set forth below. The following factors are not exhaustive and our operating results and financial condition may also be affected by the risk factors set forth in the sections headed "Risk Factors" in this prospectus.

Implementation of our expansion strategy.

One of our business strategies is to expand our network of eye centres/hospitals to other PRC cities, including Beijing, Shanghai and cities in the Guangdong-Hong Kong-Macau Big Bay Area. With our track record of expansion in Shenzhen in March 2013 and the opening of the second eye hospital in Beijing in January 2018, we continue to explore opportunities for strategic collaborations, partnerships or acquisitions. The success of our expansion strategy would generally positively impact our business and profitability.

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In the process of increasing our business presence across the PRC, we will incur costs in establishing new eye centres/hospitals, which include equipment, rental, construction and renovation costs. Historically, these costs were in the range between HK\$20.0 million and HK\$90.0 million depending on the specifications/equipment required for the new eye centres/hospitals. Significant amount of working capital will be required to meet the initial expenditure of the new eye centres/hospitals until reaching break-even and, if such period is extended, the requirement for working capital would increase. For our eye hospital in Shenzhen opened in March 2013, we only required one full year from the commencement of business operations to achieve break even. The time taken to open new eye centres/hospitals and the break-even period can vary depending upon a number of factors, including the demographic factors in the area and client awareness of our brand in that area, and most of these factors are outside our control. We expect that we may experience a longer period of time to achieve break even when we open our new centres/hospitals in other cities in the PRC because of different demographical factors and other local considerations.

We plan to continue a disciplined expansion strategy by expanding our service network in the first-tier PRC cities as well as cities in the Guangdong-Hong Kong-Macau Big Bay Area. In any event, our expansion would require us to increase our capital expenditure including for equipment costs and renovations to increase services. Acquisitions may also result in costs associated with unforeseen legal, regulatory, contractual, labour or other integration issues. The businesses that we acquire may have unknown contingent liabilities, including for non-compliance with the applicable laws and regulations, and we may become liable for these activities and incidents. In any of these events, our operating results could be affected.

Our ability to maintain our brand known to eye care professionals and patients.

We believe that our brands are known to eye care professionals and patients in Hong Kong and Guangdong Province. We also believe that our strong reputation has helped us to attract, and in developing long-term relationships with, ophthalmologists/physicians, and medical and training institutions, which, in turn, increases referrals and serves to draw more patients to our eye centres/hospitals.

We devote significant attention to building the brand awareness of the ophthalmic services provided by us and to draw patients to our facilities. Our expenditure on brand building in the PRC accounted for 1.7%, 2.2% and 3.0% of our total revenue during the three years ended 31 December 2016, respectively. During the six months ended 30 June 2017, such expenditure represented 2.9% of our total revenue. In the PRC, our efforts on brand building are conducted through different media, including print media, television, outdoor and digital media through our own website and online search engine to attract viewers browsing our website. We also conducted medical education programmes and events and conferences subject to relevant professional and ethical guidelines in Hong Kong and the relevant laws and regulations in the PRC.

However, the impact of our brand building activities may be affected by various factors, including litigation, negative publicity involving us or our ophthalmologists or our physicians, or changes in laws or regulations applicable to our Company which may further restrict our

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brand building activities or require us to incur additional costs. In addition, if we fail to maintain a high level of patient satisfaction at our eye centres/hospitals, our reputation and brand awareness could be adversely affected and as a result, our business and financial conditions and operating results could also be adversely affected. We are currently involved in a number of litigations in Hong Kong and the PRC, further information on which is set forth in the section headed “Business — Legal proceedings and claims” in this prospectus.

Recruit and retain ophthalmologists/physicians as part of medical teams.

We incur significant amount of fees paid to our ophthalmologists/physicians in Hong Kong and the PRC. During the three years ended 31 December 2016, the amount of fees paid to our ophthalmologists/physicians in Hong Kong and the PRC amounted to HK\$42.9 million, HK\$57.0 million and HK\$76.7 million, respectively. During the six months ended 30 June 2017, the amount of fees paid to our ophthalmologists/physicians in Hong Kong and the PRC amounted to HK\$36.2 million. Our expenditure on the amount of fees paid to our ophthalmologists/physicians in Hong Kong and the PRC accounted for 27.4%, 28.7% and 30.8% of our revenue during the three years ended 31 December 2016. Such percentage was slightly decreased to 25.7% during the six months ended 30 June 2017. The increase in the percentage of the amount of fees paid to our Hong Kong ophthalmologists/physicians in Hong Kong and the PRC to our revenue during the Track Record Period was primarily driven by the increase in the number of ophthalmologists/physicians engaged by us from nine as of 1 January 2014 to 24 as of 30 June 2017. As of the Latest Practicable Date, our medical team consisted of 38 ophthalmologists/physicians in Hong Kong and the PRC.

The success of our expansion strategy depends on our ability to attract and retain sufficient numbers of adequately trained and skilled ophthalmologists/physicians in Hong Kong and the PRC. Our inability to manage attrition and maintain a low attrition rate are important to our business operations.

Within the healthcare industry, fees paid to ophthalmologists/physicians and other medical staff are on an upward trend, this could affect our business and financial conditions and operating results.

Average fee for surgery in Hong Kong and the PRC.

Our revenue is mainly derived from consultation and other medical service fees and surgery fees. In Hong Kong, both the average surgery fee and the surgery volume increased during the Track Record Period as a result of increasing number of ophthalmologists and the increasing complexity of the surgical operations performed by us.

During the Track Record Period, the average surgery fee in Hong Kong increased with the complexity of the surgeries performed by us and the seniority of Dr. Dennis LAM and our Hong Kong Ophthalmologists.

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In the PRC, however, with the increase in the number of our teams of locally trained physicians, the surgery volume increased significantly during the Track Record Period even though there were decreases in the average surgery fees because of the increased types of surgery performed by our teams of physicians in the PRC.

We believe that the decreasing trend of the average surgery fees would be stabilised in the future with the increasing number of senior physicians joining our eye hospitals in the PRC.

Continuous economic growth of the PRC.

The PRC will be our principal market. During the three years ended 31 December 2016, our revenue generated from the ophthalmic services rendered in the PRC amounted to HK\$56.9 million, HK\$69.2 million and HK\$74.5 million, representing 36.4%, 34.8% and 30.0% of our total revenue, respectively. During the six months ended 30 June 2017, our revenue generated from the PRC market amounted to HK\$44.6 million, representing a growth of 24.6% as compared with our total revenue of HK\$35.8 million for the six months ended 30 June 2016. Whilst the growth of the Hong Kong eye care market is steady, we anticipate that our market share will increase with the engagement of additional number of ophthalmologists in Hong Kong. The demand for ophthalmic services will continue to increase with the economic growth in the PRC. The rapid growth of the PRC's economy has resulted in increase in consumers' spending and health consciousness. According to Frost & Sullivan, the demand for ophthalmic services in the PRC will continue to increase. Further information on the industry development is set forth in the section headed "Industry Overview" in this prospectus. Because of the rapid development in the PRC, our future plans will be focusing on the PRC market. Further information on our business strategies is set forth in the section headed "Business — Our strategies" in this prospectus. A significant part of our net proceeds from the Global Offering will be used for the development of eye hospitals in the PRC. Our future operating results and financial conditions will therefore be affected by the economic performance of the PRC.

In addition, the PRC Government has from time to time adjusted its monetary, financial, fiscal or industrial policies, among others, or implemented other macroeconomic measures. Any adjustment in or implementation of economic policies and measures would also directly or indirectly affect our business and financial condition and operating results. Both the macroeconomic trends and industrial policies in the PRC could affect our business, leading to fluctuations in our operating results.

Laws and regulations affecting the ophthalmic service industry.

The ophthalmic service industry in Hong Kong and the PRC is highly regulated. Our business operations and our ophthalmologists are subject to extensive laws, regulations and licencing requirements in Hong Kong and the PRC. Further information on these requirements is set forth in the section headed "Applicable Laws and Regulations" in this prospectus. Any changes in the compliance standards or any new laws or regulations may

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restrict our ability to conduct our eye care business, increase our operating costs or otherwise resulting in reduced competitiveness. In addition, compliance with new or additional laws, regulations and licencing requirements may increase our operating costs and in turn, reduce our profitability.

We may not be able to adapt to such changes promptly and any failure to comply with such changes in a timely manner may result in penalty, reduced competitiveness and suspension of business operations. Further information on the related risks is set forth in the section headed “Risk Factors — Risks relating to our business and industry” in this prospectus.

BASIS OF PRESENTATION OF OUR FINANCIAL INFORMATION

Immediately prior to and after the Reorganisation, our business were transferred to and held by our Company. Our Company has not been involved in any other business prior to the Reorganisation. The Reorganisation is merely a reorganisation of our business with no change in management of such business and the ultimate owners of our business remain the same. Accordingly, our Group resulting from the Reorganisation is regarded as a continuance of our business under the subsidiaries and the financial information has been prepared and presented as a continuance of the consolidated financial statements of our business with the assets and liabilities of our Group recognised and measured at the carrying amount of our business under the consolidated financial statements of our business for the Track Record Period.

CRITICAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are significant to the preparation of our Group’s financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgements and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumption. Our significant accounting policies and estimates which are important for an understanding of our financial condition and operating results, are set forth in detail in note 2 of the Accountants’ Report contained in Appendix I to this prospectus.

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SELECTED FINANCIAL DATA

Consolidated statements of comprehensive income

The following sets forth our audited consolidated statements of comprehensive income for the years and periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Revenue	156,472	198,851	248,659	115,310	140,449
Cost of revenue	(97,429)	(119,150)	(153,683)	(72,018)	(77,755)
Gross profit	59,043	79,701	94,976	43,292	62,694
Selling expenses	(2,918)	(4,694)	(7,874)	(3,621)	(4,235)
Administrative expenses					
– Listing expenses	–	–	–	–	(7,974)
– Other administrative expenses	(27,676)	(26,454)	(30,534)	(14,076)	(16,832)
Other income, net	201	547	1,497	817	678
Other gains, net	279	520	1,463	342	286
Operating profit	28,929	49,620	59,528	26,754	34,617
Finance expenses	(966)	(1,189)	(932)	(511)	(334)
Profit before income tax	27,963	48,431	58,596	26,243	34,283
Income tax expense	(5,602)	(10,074)	(11,709)	(5,667)	(8,927)
Profit for the year/period	22,361	38,357	46,887	20,576	25,356
Currency translation differences ⁽¹⁾	(724)	(2,222)	(3,869)	(457)	2,077
Total other comprehensive (loss)/income for the year/period	(724)	(2,222)	(3,869)	(457)	2,077
Total comprehensive income attributable to owners of the Company	21,637	36,135	43,018	20,119	27,433
Earnings per Share for profit attributable to owners of our Company during the year/period (expressed in HK\$ per Share)					
– basic	66.92	114.80	140.32	61.58	74.61
– diluted	66.92	114.80	140.32	61.58	74.39

Note:

- (1) The amount of the currency translation differences represents the differences in the exchange rates between our presentation currency and the functional currencies of certain subsidiaries now comprising our Group at the beginning and the end of the reporting year/period. These exchange differences are charged to our consolidated statement of comprehensive income because they are relating to the translation of foreign operations as of the respective reporting dates and arising in the preparation of our audited consolidated financial statements. Due to the significant depreciation of RMB against HK\$ in 2016 of 5.3%, the translation of Renminbi assets into HK\$ resulted in a significant exchange loss on translation of foreign operations. Due to the appreciation of RMB for the six months ended 30 June 2017 of 3.1%, there was an exchange gain on translation of our operations in the PRC.

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Consolidated balance sheets

The following sets forth our audited consolidated balance sheets as of the dates indicated:

	As of 31 December			As of
	2014	2015	2016	30 June 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS				
Non-current assets				
Property, plant and equipment	40,373	30,298	29,550	28,907
Intangible assets	1,390	1,602	1,407	1,554
Deferred income tax assets	–	42	723	992
Deposits and prepayments	2,930	4,677	5,867	30,497
Financial assets at fair value through profit or loss	5,205	5,205	5,205	5,556
	<u>49,898</u>	<u>41,824</u>	<u>42,752</u>	<u>67,506</u>
Current assets				
Inventories	2,021	1,507	2,328	2,366
Amount due from a Director and Shareholder	18,643	33,795	16	22,805
Amounts due from related parties . .	192	1,337	1,393	1,206
Trade receivables	1,745	3,464	4,456	6,095
Deposits, prepayments and other receivables	1,121	2,255	6,044	8,351
Financial assets at fair value through profit or loss	17,951	23,520	12,232	20,628
Current income tax recoverable	–	1,325	661	542
Cash and cash equivalents	11,246	23,348	58,760	182,229
	<u>52,919</u>	<u>90,551</u>	<u>85,890</u>	<u>244,222</u>
Total assets	<u>102,817</u>	<u>132,375</u>	<u>128,642</u>	<u>311,728</u>
EQUITY				
Equity attributable to owners of our Company				
Share capital	–	–	16	37
Reserves	30,813	66,948	63,416	234,871
Total equity	<u>30,813</u>	<u>66,948</u>	<u>63,432</u>	<u>234,908</u>
LIABILITIES				
Non-current liabilities				
Borrowings	6,680	6,417	1,012	807
Deferred income tax liabilities	591	546	174	125
	<u>7,271</u>	<u>6,963</u>	<u>1,186</u>	<u>932</u>

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	As of 31 December			As of
	2014	2015	2016	30 June 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities				
Amounts due to Directors and Shareholders	5,458	4,915	10,510	7,458
Amounts due to related parties	5,656	3,735	10,375	15,580
Trade payables	2,483	2,342	3,090	2,758
Accruals and other payables	8,103	12,801	17,374	21,606
Current income tax liabilities	5,829	7,778	5,164	9,791
Borrowings	37,204	26,893	17,511	18,695
	<u>64,733</u>	<u>58,464</u>	<u>64,024</u>	<u>75,888</u>
Total liabilities	<u>72,004</u>	<u>65,427</u>	<u>65,210</u>	<u>76,820</u>
Total equity and liabilities	<u>102,817</u>	<u>132,375</u>	<u>128,642</u>	<u>311,728</u>

COMPONENTS OF OUR AUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We are an ophthalmic service provider in Hong Kong and the PRC. Our ophthalmologists/physicians are specialised in the fields of cataract, glaucoma, strabismus and refractive surgeries and external eye diseases. Our revenue is derived from our fees charged to our clients on consultation and other medical services, and surgeries as well as the sales of vision aid products, including glasses and lens. The following table sets forth our revenue for the years and periods indicated, both in terms of Hong Kong dollars and as a percentage of total revenue:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
						(Unaudited)				
Provision of ophthalmic services	151,582	96.9	190,066	95.6	234,391	94.3	109,157	94.7	132,223	94.1
Sales of vision aid products	4,890	3.1	8,785	4.4	14,268	5.7	6,153	5.3	8,226	5.9
Total	<u>156,472</u>	<u>100.0</u>	<u>198,851</u>	<u>100.0</u>	<u>248,659</u>	<u>100.0</u>	<u>115,310</u>	<u>100.0</u>	<u>140,449</u>	<u>100.0</u>

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Further information on our pricing policy is set forth in the section headed “Business — Pricing” in this prospectus. Our revenue generated from the provision of ophthalmic services may be broadly divided into two categories, namely (1) consultation and other medical service fees and (2) surgery fees. Pursuant to the terms and conditions under the Cooperation Agreements, we share the revenue generated from consultations and other medical services, and surgeries with our Hong Kong Ophthalmologists. Further information on the terms and conditions of the Cooperation Agreements is set forth in the section headed “Business — Our Business — Hong Kong — Terms of the Cooperative Agreements” in this prospectus. Dr. Dennis LAM is our Chairman, Chief Executive Officer and an executive Director and has entered into a director’s service contract with us. Under the current arrangement and pursuant to the relevant director’s service contract, we have not and will not share with Dr. Dennis LAM the revenue generated by him for his services rendered for us. Dr. Dennis LAM is one of our Controlling Shareholders and the services provided by him for our business are in full compliance with the applicable laws and regulations.

The following table sets forth our revenue by categories for the years and periods indicated, both in terms of Hong Kong dollars and as a percentage of total revenue generated from the provision of ophthalmic services:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%
							(Unaudited)			
Consultation and other medical service fees										
– Hong Kong	31,845	21.0	37,071	19.5	52,263	22.3	23,789	21.8	29,934	22.6
– PRC	25,866	17.1	31,989	16.8	36,703	15.7	17,183	15.7	21,250	16.1
	<u>57,711</u>	<u>38.1</u>	<u>69,060</u>	<u>36.3</u>	<u>88,966</u>	<u>38.0</u>	<u>40,972</u>	<u>37.5</u>	<u>51,184</u>	<u>38.7</u>
Surgery fees										
– Hong Kong	62,850	41.5	83,777	44.1	107,602	45.9	49,550	45.4	57,671	43.6
– PRC	31,021	20.4	37,229	19.6	37,823	16.1	18,635	17.1	23,368	17.7
	<u>93,871</u>	<u>61.9</u>	<u>121,006</u>	<u>63.7</u>	<u>145,425</u>	<u>62.0</u>	<u>68,185</u>	<u>62.5</u>	<u>81,039</u>	<u>61.3</u>
Total	<u>151,582</u>	<u>100.0</u>	<u>190,066</u>	<u>100.0</u>	<u>234,391</u>	<u>100.0</u>	<u>109,157</u>	<u>100.0</u>	<u>132,223</u>	<u>100.0</u>

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The following table sets forth our revenue generated by Dr. Dennis LAM and our Hong Kong Ophthalmologists for the years and periods indicated, both in terms of Hong Kong dollars and as a percentage of total revenue generated from the provision of ophthalmic services:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	<i>HK\$'000</i>	<i>% to the total amount of the ophthalmic fees received</i>	<i>HK\$'000</i>	<i>% to the total amount of the ophthalmic fees received</i>	<i>HK\$'000</i>	<i>% to the total amount of the ophthalmic fees received</i>	<i>HK\$'000</i>	<i>% to the total amount of the ophthalmic fees received</i>	<i>HK\$'000</i>	<i>% to the total amount of the ophthalmic fees received</i>
	(Unaudited)									
Consultancy and medical service fees and surgery fees generated by										
– Dr. Dennis LAM	66,699	44.0	88,711	46.7	81,517	34.8	39,147	35.9	41,370	31.3
– Hong Kong Ophthalmologists	51,587	34.0	72,993	38.4	113,516	48.4	51,935	47.6	66,133	50.0
	118,286	78.0	161,704	85.1	195,033	83.2	91,082	83.4	107,503	81.3
– Ophthalmologist previously worked for us ⁽¹⁾	9,004	6.0	834	0.4	–	–	–	–	–	–
	127,290	84.0	162,538	85.5	195,033	83.2	91,082	83.4	107,503	81.3
– Physicians in the PRC and Hong Kong Ophthalmologists working in the PRC	24,292	16.0	27,528	14.5	39,358	16.8	18,075	16.6	24,720	18.7
Total	<u>151,582</u>	<u>100.0</u>	<u>190,066</u>	<u>100.0</u>	<u>234,391</u>	<u>100.0</u>	<u>109,157</u>	<u>100.0</u>	<u>132,223</u>	<u>100.0</u>

Note:

(1) During the two years ended 31 December 2015, revenue in the amount of HK\$9.0 million and HK\$0.8 million, respectively, was generated by an ophthalmologist who has left us since the early of 2015.

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Our revenue was generated from Hong Kong and the PRC during the Track Record Period. In Hong Kong, throughout the Track Record Period, our service network included our eye centre in Central and four satellite eye clinics. In the PRC, our eye hospital in Shenzhen commenced its business from March 2013. The following table sets forth our revenue according to geographical markets for the years and periods indicated, both in terms of Hong Kong dollars and as a percentage of total revenue:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Hong Kong	95,982	61.3	122,266	61.5	161,168	64.8	73,962	64.1	88,237	62.8
PRC	60,490	38.7	76,585	38.5	87,491	35.2	41,348	35.9	52,212	37.2
Total	<u>156,472</u>	<u>100.0</u>	<u>198,851</u>	<u>100.0</u>	<u>248,659</u>	<u>100.0</u>	<u>115,310</u>	<u>100.0</u>	<u>140,449</u>	<u>100.0</u>

We provide outpatient ophthalmic services in Hong Kong and the PRC, and inpatient services in the PRC at our hospital in Shenzhen. Upon their request, our patients may choose to stay in private hospitals in Hong Kong, which are Independent Third Parties, for receiving the medical treatment and surgery. The hospitalisation costs associated will be borne by our patients and would not be charged as part of our revenue. Our revenue would only include the surgery fee which would be payable to us by the relevant hospital operator.

Provision of ophthalmic services

The ophthalmic services provided by us are focused on surgeries for the treatment of not only cataract, glaucoma and strabismus, but also eye diseases, including corneal and vitreoretinal diseases. Generally speaking, ophthalmic services are outpatient or day-care procedures, performed under local anaesthesia. Hence, unlike other hospitals, clinics or nursing homes, we are not constrained by bed capacity and do not focus on providing large inpatient facilities at our eye centres/hospitals or clinics.

We therefore do not evaluate our performance based on parameters such as number of beds, occupancy rates or income per bed. Our eye centres in Hong Kong and our eye hospital in Shenzhen are day surgery centres and are designed to provide easy access, streamlined registration, consultation, investigation, treatment, prescription and recovery procedures, manage waiting time, supported by our ophthalmologists and the advanced ophthalmic treatment technology available to us, so as to facilitate an increase in the surgical volume.

During the Track Record Period, our revenue from the provision of ophthalmic services was mainly dependent on the following factors.

- nature, complexity and duration of consultation and other medical services;
- types of surgery required by our patients;

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- individual preference of patients and their requirements and affordability;
- our ability to attract and retain experienced and qualified ophthalmologists/physicians;
- outbreak of diseases that may affect the demand for our ophthalmic services;
- changes in government policies and regulations; and
- our ability to maintain a good reputation in the ophthalmic service sector.

The following table sets forth the total surgery fees, the total number of surgeries performed by us and the average fee per surgery:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
For Hong Kong					
Total surgery fee (<i>in HK\$'000</i>) . . .	62,850	83,777	107,602	49,550	57,671
Number of surgeries performed					
by us	2,408	2,553	3,062	1,601	1,646
Average surgery fee (<i>HK\$</i>)	26,100	32,815	35,141	30,949	35,037
For PRC					
Total surgery fee (<i>in HK\$'000</i>) . . .	31,021	37,229	37,823	18,635	23,368
Number of surgeries performed					
by us	1,553	2,074	2,730	1,309	1,697
Average surgery fee (<i>HK\$</i>)	19,975	17,950	13,855	14,236	13,770

In Hong Kong, both the average surgery fee and the surgery volume increased during the Track Record Period as a result of the increasing number of complicated surgeries performed by us and the increasing number of our Hong Kong Ophthalmologists during the same period. During the Track Record Period, the average surgery fee in Hong Kong was significantly higher than the same for our PRC operations. This reflected the complexity of the surgeries performed by us in Hong Kong in a mature private healthcare market with high operating costs. During the three years ended 31 December 2016, the average surgery fee in Hong Kong was 30.7%, 82.8% and 153.6% higher than the average surgery fee in the PRC. During the six months ended 30 June 2017, the average surgery fee in Hong Kong was 154.4% higher than the same in the PRC during the same period.

In the PRC, the average surgery fee continued to decrease during the Track Record Period. The decrease was primarily due to the increase in the types of surgery performed by our teams of physicians in the PRC, as fees charged by such physicians were not as high as those charged by other senior Hong Kong Ophthalmologists.

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During the Track Record Period, we have not adjusted downward our fee scales for the ophthalmic services rendered. At the initial set up of our eye hospital in Shenzhen, mainly Dr. Dennis LAM and some of our Hong Kong Ophthalmologists, including Dr. Vincent LEE and Dr. Alex FAN, performed surgeries for our patients in our Shenzhen C-MER Hospital. With the team of physicians established in our eye hospital in Shenzhen (from seven as of 1 January 2014 to 16 as of 30 June 2017), we use mainly ophthalmologists recruited from overseas and locally-trained physicians to perform the daily consultations and surgeries. As such, the fees charged by them were not as high as those charged by Dr. Dennis LAM and other senior Hong Kong Ophthalmologists. The increase in the surgery volume in the PRC during the Track Record Period was primarily driven by the increasing number of physicians employed by us in the PRC and the brand recognition in our target market in the PRC.

Sales of vision aid products

We also generate revenue from the sales of vision aid products including glasses and lens. The sales were conducted by us through the assessment of the optometrists employed by us in Hong Kong and the PRC. During the three years ended 31 December 2016, our revenue generated from the sales of vision aid products accounted for 3.1%, 4.4% and 5.7% of our total revenue, respectively. During the six months ended 30 June 2016 and 2017, our revenue generated from this business represented 5.3% and 5.9% of our total revenue, respectively.

Cost of revenue

During the three years ended 31 December 2016, our cost of revenue amounted to HK\$97.4 million, HK\$119.2 million and HK\$153.7 million, respectively. During the six months ended 30 June 2016 and 2017, our cost of revenue amounted to HK\$72.0 million and HK\$77.8 million, respectively. The following table sets forth an analysis of our cost of revenue for the years and periods indicated, both in terms of Hong Kong dollars and as a percentage of total revenue:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	HK\$'000	% to revenue	HK\$'000	% to revenue	HK\$'000	% to revenue	HK\$'000	% to revenue	HK\$'000	% to revenue
	(Unaudited)									
Cost of inventories consumed	18,572	11.9	22,984	11.6	29,640	11.9	13,389	11.6	15,688	11.2
Cost of inventories sold	945	0.6	1,542	0.8	1,797	0.7	815	0.7	1,185	0.8
Fees paid to our Hong Kong										
Ophthalmologists	34,318	21.9	42,048	21.1	63,108	25.4	28,970	25.1	30,495	21.7
Staff salaries and allowance	19,441	12.4	26,530	13.3	28,864	11.6	14,014	12.2	14,861	10.6
Depreciation of medical equipment and leasehold improvements	6,629	4.2	8,655	4.4	9,614	3.9	4,856	4.2	3,076	2.2
Rent and rates	15,434	9.9	14,046	7.1	16,522	6.6	7,988	6.9	9,102	6.5
Consultancy fee	1,130	0.7	1,362	0.7	1,472	0.6	673	0.6	843	0.6
Share option expenses to our Hong Kong Ophthalmologists (other than Dr. Vincent LEE)	-	-	-	-	-	-	-	-	947	0.7
Others	960	0.6	1,983	1.0	2,666	1.1	1,313	1.1	1,558	1.1
Total	97,429	62.2	119,150	60.0	153,683	61.8	72,018	62.4	77,755	55.4

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Cost of inventories consumed

The cost of inventories consumed relates to the purchase of pharmaceuticals, intra ocular lens, medical supplies and consumables used in the course of providing ophthalmic services and performing surgeries. The cost of inventories consumed increased by 23.8% in 2015 and 29.0% in 2016 which were generally consistent with the increases in our revenue generated from the provision of ophthalmic services during the three years ended 31 December 2016. The cost of inventories consumed during the six months ended 30 June 2017 increased by 17.2% as compared with the same amount for the six months ended 30 June 2016, and the increase was primarily due to the increase in volume of services provided.

Cost of inventories sold

The cost of inventories sold relates to the purchase of eye drops and vision aid products for sales to our patients following consultation and surgery. We do not have fixed pricing policy for these products. The selling prices are determined with reference to market rates.

Fees paid to our Hong Kong Ophthalmologists

This amount represents the fees paid to our Hong Kong Ophthalmologists pursuant to the Cooperation Agreements for their provision of ophthalmic services, at our eye centres/hospitals in Hong Kong and the PRC. The amount payable to our Hong Kong Ophthalmologists is based on the amount of surgeon fee generated by them, net of the charges of medical consumables and the market rates for using the operation theatres, during the Track Record Period. During the three years ended 31 December 2016, the fees paid to our Hong Kong Ophthalmologists accounted for 21.9%, 21.1% and 25.4% of our total revenue, respectively. During the six months ended 30 June 2016 and 2017, the fees paid to our Hong Kong Ophthalmologists accounted for 25.1% and 21.7% of our total revenue, respectively. These fees are settled on a monthly basis with reference to the actual surgeon fee income generated by our Hong Kong Ophthalmologists. The increase in the fees paid to our Hong Kong Ophthalmologists during the Track Record Period was generally consistent with the number of surgeries performed by our Hong Kong Ophthalmologists.

Physicians working for us in the PRC are our employees and as such, the salaries and allowance paid to them were recorded as part of our staff salaries and allowance during the Track Record Period.

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Staff salaries and allowance

During the three years ended 31 December 2016, staff salaries and allowance incurred by us accounted for 12.4%, 13.3% and 11.6% of our total revenue, respectively. During the six months ended 30 June 2016 and 2017, the staff salaries and allowance incurred by us accounted for 12.2% and 10.6% of our total revenue, respectively. The following table sets forth an analysis of our staff salaries and allowance by geographical locations for the years and periods indicated, both in terms of Hong Kong dollars and as a percentage of total revenue:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	<i>HK\$'000</i>	<i>% to revenue</i>	<i>HK\$'000</i>	<i>% to revenue</i>	<i>HK\$'000</i>	<i>% to revenue</i>	<i>HK\$'000</i>	<i>% to revenue</i>	<i>HK\$'000</i>	<i>% to revenue</i>
	(Unaudited)									
Hong Kong										
– Nurses and allied health staff	10,522	6.7	16,482	8.3	16,782	6.7	8,291	7.2	8,042	5.7
PRC										
– Physicians	3,027	1.9	4,796	2.4	5,478	2.2	2,618	2.3	3,320	2.4
– Nurses and allied health staff	5,892	3.8	5,252	2.6	6,604	2.7	3,105	2.7	3,499	2.5
	8,919	5.7	10,048	5.0	12,082	4.9	5,723	5.0	6,819	4.9
Total	19,441		26,530		28,864		14,014		14,861	

The continuous increases in the staff salaries and allowance during the Track Record Period were primarily due to the increasing number of physicians in our eye hospital in Shenzhen and the nurses and allied health staff employed by us in Hong Kong and the PRC because of the increases in the number of surgeries performed by us.

Rent and rates

The amount of rent and rates represented the rental payments and government fees paid and payable by us for our eye centre/clinics in Hong Kong and our eye hospital in Shenzhen during the Track Record Period. Except for Shenzhen Maida, being the landlord of the Shenzhen Property, which is a connected person of our Company, all landlords of our leased premises in Hong Kong and the PRC are Independent Third Parties. The lease term of our leased properties in Hong Kong and the PRC is in the range between one year and ten years, and the rental may be adjusted upon renewal. Further information on the Lease Agreement is set forth in the section headed “Continuing Connected Transactions” in this prospectus.

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The following table sets forth an analysis of our rental payments by geographical locations for the years and periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i>
Hong Kong					
– Rent and rates	8,533	7,105	9,614	4,534	5,652
PRC					
– Rent	6,901	6,941	6,908	3,454	3,450
Total	15,434	14,046	16,522	7,988	9,102

Depreciation of medical equipment and leasehold improvements

The depreciation mainly refers to the deprecation of medical equipment and leasehold improvements in our eye centre/clinics in Hong Kong and our eye hospital in Shenzhen over their estimated useful economic lives of between three years and ten years. The continuous increases in depreciation during the three years ended 31 December 2016 were primarily due to the expansion of our service network in Hong Kong and the PRC with the purchase of new medical equipment and additional leasehold improvements. The decrease for the six months ended 30 June 2017 was due to full depreciation of leasehold improvements in our eye hospital operated by Shenzhen C-MER Hospital.

Consultancy fee

Consultancy fee represented the service fee paid to an Independent Third Party for ocular prosthesis (artificial eye or glass eye) and this is charged on a project basis.

Share option expenses to our Hong Kong Ophthalmologists (other than Dr. Vincent LEE)

The share option expenses for the share options granted to the Hong Kong Ophthalmologists (other than Dr. Vincent LEE) under the Pre-IPO Share Option Scheme amounted to HK\$0.95 million.

Others

Others include the laboratory fees, fees charged by other service providers, repairs and maintenance and other expenses. Some of these expenses are reimbursed by our patients.

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Gross profit and gross profit margin

The gross profit represents the difference between our total revenue and the cost of revenue during a particular year or period. The following table sets forth an analysis of our gross profit and gross profit margins by geographical locations for the years and periods indicated:

	Year ended 31 December						Six months ended 30 June				
	2014		2015		2016		2016		2017		
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	
	(Unaudited)										
Hong Kong											
– Provision of ophthalmic services	26,037	27.5	38,105	31.5	49,302	30.8	21,527	29.4	31,968	36.5	
– Sales of vision aid products	779	60.5	905	63.8	791	60.7	355	57.1	340	53.7	
	<u>26,816</u>	<u>27.9</u>	<u>39,010</u>	<u>31.9</u>	<u>50,093</u>	<u>31.1</u>	<u>21,882</u>	<u>29.6</u>	<u>32,308</u>	<u>36.6</u>	
PRC											
– Provision of ophthalmic services	29,574	52.0	37,013	53.5	37,527	50.4	18,141	50.6	26,126	58.6	
– Sales of vision aid products	2,653	73.6	3,678	49.9	7,356	56.7	3,269	59.1	4,260	56.1	
	<u>32,227</u>	<u>53.3</u>	<u>40,691</u>	<u>53.1</u>	<u>44,883</u>	<u>51.3</u>	<u>21,410</u>	<u>51.8</u>	<u>30,386</u>	<u>58.2</u>	
Total	<u><u>59,043</u></u>	<u><u>37.7</u></u>	<u><u>79,701</u></u>	<u><u>40.1</u></u>	<u><u>94,976</u></u>	<u><u>38.2</u></u>	<u><u>43,292</u></u>	<u><u>37.5</u></u>	<u><u>62,694</u></u>	<u><u>44.6</u></u>	

Gross profit margin for the ophthalmic services

The gross profit represented our revenue net of the cost of revenue. In Hong Kong, the gross profit margin for our ophthalmic services was 27.5%, 31.5% and 30.8% during the three years ended 31 December 2016, respectively. During the six months ended 30 June 2017, the gross profit margin for our Hong Kong operations was 36.5%, as compared with 29.4% during the six months ended 30 June 2016. In the PRC, the gross profit margin for our ophthalmic services was 52.0%, 53.5% and 50.4% during the three years ended 31 December 2016, respectively. During the six months ended 30 June 2017, the gross profit margin for our PRC operations was 58.6%, as compared with 50.6% during the six months ended 30 June 2016. The significant difference in the gross profit margins between our Hong Kong and PRC operations were primarily due to the following reasons:

- *high operating costs in Hong Kong medical market.* The costs of ophthalmologists, nurses and allied health staff and rental and rates are generally higher than the costs in the PRC market.

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- *Share of fees with our Hong Kong Ophthalmologists.* We share with our Hong Kong Ophthalmologists the consultation fee and the surgeon fee generated by them, net of the charges of medical consumables and the market rates for using the operation theatres, during the Track Record Period pursuant to the Cooperative Agreements. Our Directors confirm that this is the market practice for privately-owned ophthalmic practices in Hong Kong.
- *Low operating costs in the PRC market.* The average amount of salaries for physicians in the PRC is significantly lower than the amount of fees shared with our Hong Kong Ophthalmologists.

In light of the above, there was significant difference in the gross profit margin between our business operations in Hong Kong and the PRC during the Track Record Period. Our Directors anticipate that such difference would continue in the future.

Gross profit margin for the sales of vision aid products

In Hong Kong, the gross profit margin for sales of visual aid products was 60.5%, 63.8% and 60.7% during the three years ended 31 December 2016, respectively. During the six months ended 30 June 2017, the gross profit margin for our Hong Kong operations was 53.7%, as compared with 57.1% during the six months ended 30 June 2016. The decrease in the gross profit margin in Hong Kong was mainly due to the selling of less high-end visual aid products for the year ended 31 December 2016.

In the PRC, the gross profit margin for sales of vision aid products was 73.6%, 49.9% and 56.7% during the three years ended 31 December 2016, respectively. During the six months ended 30 June 2017, the gross profit margin for our PRC operations was 56.1%, as compared with 59.1% during the six months ended 30 June 2016. The fluctuations in gross profit margin in the PRC was mainly due to the changes in the visual aid products offered by us in the PRC.

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Selling expenses

The following table sets forth an analysis of our selling expenses for the years and periods indicated, both in terms of Hong Kong dollars and as a percentage of total revenue:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	<i>HKS'000</i>	% to revenue	<i>HKS'000</i>	% to revenue	<i>HKS'000</i>	% to revenue	<i>HKS'000</i>	% to revenue	<i>HKS'000</i>	% to revenue
Online services	2,725	1.7	4,460	2.2	7,448	3.0	3,273	2.8	4,060	2.8
Expenses incurred for opening of eye clinics	124	0.1	128	0.1	300	0.1	282	0.2	115	0.1
Others	69	0.1	106	0.1	126	0.1	66	0.1	60	0.1
Total	2,918	1.9	4,694	2.4	7,874	3.2	3,621	3.1	4,235	3.0

The increase in the amount of selling expenses was mainly driven by our business growth in terms of revenue during the Track Record Period. The principal component of selling expenses incurred by us during the Track Record Period was the fees paid to online platforms for the “Key-word” search related services rendered in the PRC. In Hong Kong, we are not allowed to engage in any promotional activities.

Administrative expenses

The following table sets forth an analysis of our administrative expenses for the years and periods indicated, in terms of Hong Kong dollars:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%	<i>HKS'000</i>	%
Staff salaries and allowance	10,247	37.0	11,382	43.0	14,865	48.7	6,678	47.4	7,625	30.7
Rent and rates	3,774	13.6	3,364	12.7	3,447	11.3	1,645	11.7	1,776	7.2
Depreciation and amortisation	4,342	15.7	2,862	10.8	2,746	9.0	1,458	10.4	785	3.2
Bank charges	1,618	5.8	1,906	7.2	2,001	6.6	894	6.4	1,198	4.8
Office supply and utensils	985	3.6	1,412	5.3	1,656	5.4	692	4.9	1,017	4.1
Water, electricity and communications	1,110	4.0	1,058	4.0	1,159	3.8	539	3.8	488	2.0
Auditor's remuneration	750	2.7	803	3.0	806	2.7	379	2.7	556	2.2
Legal and professional fees	176	0.6	418	1.6	657	2.2	445	3.2	404	1.6
Security and cleaning	1,400	5.1	950	3.6	664	2.2	293	2.1	275	1.1
Transportation	569	2.1	418	1.6	657	2.2	206	1.5	156	0.6
Listing expenses	–	–	–	–	–	–	–	–	7,974	32.1
Others ⁽¹⁾	2,705	9.8	1,881	7.2	1,876	5.9	847	5.9	2,552	10.4
Total	27,676	100.0	26,454	100.0	30,534	100.0	14,076	100.0	24,806	100.0

Note:

(1) Others include repairs and maintenance and other office expenses.

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The administrative expenses mainly comprise staff salaries and allowance, depreciation and amortisation, rent and rates, bank charges, listing expenses and other operating expenses. The major component of our administrative expense was staff salaries and allowance. The administrative expenses are affected by changes in the amount of staff remuneration and related costs and the increasing number of employees employed by us alongside our business growth and expansion to different geographical markets.

The administrative expenses increased throughout the Track Record Period mainly because of our business growth and the increase in the number of supporting staff for our business operations with the expansion in our service network. The increase in the amount of administrative expenses was less than the increase in our revenue in terms of percentage during the Track Record Period because of our enhanced operational efficiency.

The remuneration includes fixed salaries, allowance, discretionary bonus and share-based payments. Statutory contributions to social security and mandatory provident funds in the PRC and Hong Kong, respectively, are also included. The increases in the staff salaries and allowance throughout the Track Record Period were due to the increase in the number of staff as a result of our business expansion in Hong Kong and the PRC. An analysis of our employees as of 30 June 2017 and the Latest Practicable Date is set forth in the section headed “Business — Employees” in this prospectus.

Depreciation and amortisation mainly relates to the depreciation of computers, office equipment, furniture and fittings and motor vehicle over their estimated useful economic lives of between three years and ten years. The decrease in depreciation and amortisation throughout the Track Record Period was primarily due to the fact that some of the office equipment and furniture and fittings were fully depreciated during the Track Record Period.

Rent and rates are incurred in respect of the rental paid and payable to landlord for our office space in Hong Kong. The lease term of our leased properties in Hong Kong is in the range between two years and three years, and the rental may be adjusted upon renewal.

Bank charges are incurred for our banking facilities and the credit card transactions for payment of our fees by our patients.

Listing expenses are expenses incurred by us and charged to profit or loss and do not include the underwriting commission.

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Other income, net

The following table sets forth an analysis of our other income, net for the years and periods indicated, in terms of Hong Kong dollars:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Management fee income	150	360	688	309	376
Interest from bank deposit	33	211	747	505	299
Other income/(expenses), net	18	(24)	62	3	3
Total	<u>201</u>	<u>547</u>	<u>1,497</u>	<u>817</u>	<u>678</u>

The increases in the amount of other income, net, during the Track Record Period were primarily due to the management fees paid by Project Vision and APAO Limited for administrative and accounting services and website design and maintenance services rendered by us. These services were rendered by us as Dr. Dennis LAM was one of the founder of Project Vision and the Immediate Past President of Asia Pacific Academy of Ophthalmologists. These transactions are conducted on normal commercial terms and on a reimbursement basis plus an agreed margin. Project Vision and APAO Limited are Independent Third Parties, albeit that they are deemed to be related parties in the Accountant's Report, the text of which is set forth in Appendix I to this prospectus, because of common directorship.

The board of directors of Project Vision has 21 directors, and Dr. Dennis LAM, Ms. LI and Mr. LI Chunshan are its directors, Dr. LAU Johnson Yiu-Nam and Ms. BENTLEY Annie Liang, our independent non-executive Directors, are also the directors of Project Vision. The board of directors of APAO Limited has 41 directors, and Dr. Dennis LAM is a director of APAO Limited because he is the Immediate Past President of Asia Pacific Academy of Ophthalmology.

Project Vision and APAO Limited are companies limited by guarantee and do not have shareholders. Project Vision and APAO Limited are charitable organisations approved by the Hong Kong Island Revenue Department.

The increase in the bank interest income during the Track Record Period were primarily due to the increase in the balance of cash and cash equivalents.

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Other gains, net

The following table sets forth the details of the other gains, net for the years and periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Gains on disposal of property, plant and equipment, net	2	–	59	58	4
Gains on financial assets at fair value through profit or loss	265	531	595	301	685
Exchange gains/(losses), net	12	(11)	809	(17)	(403)
Total	<u>279</u>	<u>520</u>	<u>1,463</u>	<u>342</u>	<u>286</u>

The gains on financial assets at fair value through profit or loss represented the interest income earned on the principal-protected deposit products, issued by licenced banks in the PRC purchased by us. The exchange gains/(losses), net, for the Track Record Period were mainly arising from the balance of US dollar bank deposit maintained by us in the PRC.

Finance expenses

The finance expenses comprise interest expenses on bank overdraft and borrowings. The finance expenses accounted for 0.6%, 0.6% and 0.4% of our total revenue during the three years ended 31 December 2016, respectively. During the six months ended 30 June 2016 and 2017, the finance expenses represented 0.4% and 0.2% of our total revenue, respectively. Further information on our unutilised banking facilities is set forth in the paragraphs under “Indebtedness” below.

Profit before income tax

The profit before income tax represents the excess amount of the gross profit less all expense incurred for our business operation during a particular year or period. During the three years ended 31 December 2016, our profit before income tax amounted to HK\$28.0 million, HK\$48.4 million and HK\$58.6 million, respectively. During the six months ended 30 June 2016 and 2017, our profit before income tax amounted to HK\$26.2 million and HK\$34.3 million, respectively.

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Income tax expense

Income tax expense comprises current tax and deferred tax. Current tax comprises Hong Kong profits tax, which was provided for at the rate of 16.5% throughout the Track Record Period, and the PRC enterprise income tax, which was provided for at the rate of 25% throughout the Track Record Period. During the three years ended 31 December 2016, we provided income tax of HK\$5.6 million, HK\$10.1 million and HK\$11.7 million, respectively. During the six months ended 30 June 2016 and 2017, the amount of income tax provided by us amounted to HK\$5.7 million and HK\$8.9 million, respectively.

As of 30 June 2017, we are not aware of any outstanding or potential dispute with any of such tax authorities.

The following table sets forth our income tax payment for the years and periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Current income tax					
– Hong Kong profits tax	3,677	6,894	7,482	3,588	5,220
– EIT	2,130	3,267	5,280	2,589	4,025
Deferred income tax	(205)	(87)	(1,053)	(510)	(318)
Income tax expense	<u>5,602</u>	<u>10,074</u>	<u>11,709</u>	<u>5,667</u>	<u>8,927</u>

The amount of deferred tax charged to our consolidated statements of comprehensive income represented the aggregate of the amount transferred from deferred tax liabilities (arising from withholding tax on unremitted earnings in the PRC and tax depreciation in excess of depreciation) and deferred tax assets (arising from depreciation in excess of tax depreciation allowance). Movements of the deferred tax liabilities and deferred tax assets are set forth in the paragraphs under “Principal components of out current assets and current liabilities — Deferred income tax assets and deferred income tax liabilities” below.

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A reconciliation of the tax expense applicable to profit before income tax at the statutory rate for the jurisdictions in which our Company and the majority of our subsidiaries are domiciled to the tax expense at the effective tax rate and a reconciliation of the applicable rate, i.e. the statutory tax rate, to the effective tax rate, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Profit before income tax	27,963	48,431	58,596	26,243	34,283
Tax calculated at domestic tax rate applicable to profits in respective jurisdictions	5,250	8,972	11,188	5,053	6,971
Tax effects of:					
Income not subject to tax	(295)	(378)	(280)	(43)	(349)
Expenses not deductible for taxation purpose	643	984	801	657	2,305
Withholding tax on unremitted earnings of a PRC subsidiary	–	500	–	–	–
Others	4	(4)	–	–	–
Income tax expense	<u>5,602</u>	<u>10,074</u>	<u>11,709</u>	<u>5,667</u>	<u>8,927</u>
Effective tax rate ^(Note)	<u>20.0%</u>	<u>20.8%</u>	<u>20.0%</u>	<u>21.6%</u>	<u>26.0%</u>

Note: Effective tax rate equals to income tax expense divided by profit before income tax of the same year/period.

The weighted average applicable tax rate for the years ended 31 December 2016 and the six months ended 30 June 2016 and 2017 was 18.8%, 18.5%, 19.1% and 19.3%, and 20.3%, respectively.

There was no material fluctuation in the weighted average applicable tax rate for the three years ended 31 December 2016 and the six months ended 30 June 2016 and 2017.

ANALYSIS OF THE IMPACT OF THE COMPENSATION ARRANGEMENT WITH DR. DENNIS LAM DURING THE TRACK RECORD PERIOD

Current and proposed arrangements

As set forth in the section headed “Business – Our business – Hong Kong – Remuneration received and to be received by Dr. Dennis LAM” in this prospectus, during the three years ended 31 December 2016, Dr. Dennis LAM received compensation in the amount of HK\$4.4 million, HK\$8.8 million, HK\$6.6 million, respectively. During the six months ended 30 June 2016 and 2017, Dr. Dennis LAM received compensation in the amount of HK\$3.1 million and

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HK\$1.5 million, respectively. The compensation of Dr. Dennis LAM was HK\$4.0 million per annum plus any additional amount determined by Dr. Dennis LAM and Ms. LI from time to time taking into consideration the following factors:

- (a) the historical performance of our Group and the likely amount of expenditures that may be incurred by us for our business expansion, including, the amount required for the recruitment of additional ophthalmologists and staff and the opening of Shenzhen C-MER Hospital and additional Satellite Clinics;
- (b) our cash flows generated from operating activities; and
- (c) the personal needs of Dr. Dennis LAM and his spouse, Ms. LI.

Our Directors consider that the difference in the compensation structure of Dr. Dennis LAM and our Hong Kong Ophthalmologists is primarily due to the fact that Dr. Dennis LAM is our founder and one of our Controlling Shareholders, whereas our Hong Kong Ophthalmologists are practicing ophthalmologists with the platform provided by us. Since the inception of our business, Dr. Dennis LAM has had no intention to adopt any revenue-sharing arrangement for his ophthalmic services rendered for us. The primary purpose of the revenue-sharing arrangement entered into with our Hong Kong Ophthalmologists, which is consistent with the industry norm in Hong Kong medical industry, is to provide incentives to our Hong Kong Ophthalmologists for the ophthalmic services rendered for us. As our founder and one of our Controlling Shareholders, Dr. Dennis LAM's economic interest is dependent on the overall profitability of our Group and the potential dividend to be paid by members of our Group. The revenue-sharing arrangement is therefore not appropriate for compensating all services (including the ophthalmic services) rendered by Dr. Dennis LAM for us.

Following the Listing, the current compensation arrangement with Dr. Dennis LAM will remain unchanged so long as he remains to be an executive Director and a Controlling Shareholder. Dr. Dennis LAM has entered into a three-year director's service contract with us which will be effective from 13 December 2017, pursuant to which a fixed amount of compensation of HK\$6.0 million per annum (including an annual director's fee of HK\$240,000) will be paid to Dr. Dennis LAM after the Listing for all services (including the ophthalmic services) to be rendered for us in the capacity as our Chairman of the Board, Chief Executive Officer and our executive Director. The scope of services (including the ophthalmic services) to be provided by Dr. Dennis LAM following the Listing will be identical to the services provided by him during the Track Record Period.

Following the Listing, the amount of compensation to be received by Dr. Dennis LAM will be subject to the annual review by the Remuneration Committee. The amount of compensation to be received by Dr. Dennis LAM under the director's service contract, which is slightly lower than the amount of annual compensation received by Dr. Dennis LAM for each of the two years ended 31 December 2016 and higher than the amount of annual compensation received by him for the year ended 31 December 2014, reflects the increased responsibilities of Dr. Dennis LAM in the business of our Group. The decrease in the amount

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of compensation received by Dr. Dennis LAM during the six months ended 30 June 2017 was mainly due to the special interim dividend of HK\$100.0 million declared by our Company in September 2017 and has been paid to Dr. Dennis LAM, net of the amount due from our Controlling Shareholders, out of our internal financial resources.

Following the initial term of three years under the director's service contract, it is proposed that any renewal of such director's service contract, including the basis and the amount of annual compensation payable thereunder, will be subject to the approval of our independent Shareholders. It will also be one of the terms of the director's service contract that the annual compensation payable to Dr. Dennis LAM will be in fixed amount and any adjustment thereto in the next term of three years cannot be more than 15% of the annual compensation in the previous term on the basis that the annual amount of revenue generated by Dr. Dennis LAM will continue to grow during the term. If there is any decrease in the amount of revenue generated by the services rendered by Dr. Dennis LAM for us in any year, the amount of his annual compensation in the following year during the term will not be adjusted upward. This adjustment mechanism is required to be observed by the Remuneration Committee unless otherwise approved by our independent Shareholders at general meetings of our Company following the Listing.

Pro forma impact on our profitability

Based on the highest percentage sets forth in the Cooperative Agreements, being 70%, of the revenue (after deducting the charges of using our equipment, operating theatres and medical consumables) generated by the services rendered by Dr. Dennis LAM for us in Hong Kong and the higher of (a) the compensation amounts for physicians employed by us or other comparable companies and (b) the annual salary paid by us to our physicians in the PRC, and taking into consideration the expertise, experience and reputation of Dr. Dennis LAM in the industry, the additional amount received by Dr. Dennis LAM (after taxation) would have been HK\$12.5 million, HK\$16.1 million and HK\$17.4 million for the three years ended 31 December 2016, respectively, and HK\$9.4 million for the six months ended 30 June 2017. The following table sets forth an illustration of the pro forma impact on our operating results during the Track Record Period:

		Year ended 31 December			Six months ended
		2014	2015	2016	30 June 2017
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year/period (audited)	(a)	22,361	38,357	46,887	25,356
Additional pro forma amount of compensation would have been received by Dr. Dennis LAM ⁽¹⁾	(b)	(12,449)	(16,086)	(17,434)	(9,384)
Pro forma profit for the year/period (unaudited)	(a)-(b)	<u>9,912</u>	<u>22,271</u>	<u>29,453</u>	<u>15,972</u>

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Note:

- (1) The above adjustments to our profit for the year/period for the Track Record Period are presented for illustration of the pro forma impact on our profitability if the amount of total compensation received by Dr. Dennis LAM were based on a revenue-sharing compensation arrangement with reference to his expertise, experience and reputation in Hong Kong and a comparable remuneration arrangement for our physicians in the PRC. The amount of the adjustments and the consequential impact on our profitability set forth above do not represent our historical operating results during the Track Record Period or otherwise form part of the audited financial information of our Group during the same period set forth in this prospectus.

Reasons for not affecting our cost structure and profitability following the Listing

Our Directors do not consider that any replacement cost for senior ophthalmologists in Hong Kong would result in any significant concern on the fairness and the reliability of our historical performance in assessing the cost structure and the profitability following the Listing because of the following reasons:

First, we have no current plan to recruit any ophthalmologist in Hong Kong with the same experience, expertise and reputation as Dr. Dennis LAM. With the increasing practising experience of the Hong Kong Ophthalmologists (including Dr. Vincent LEE), our Directors believe that the Hong Kong Ophthalmologists will form our core team of ophthalmologists in Hong Kong.

Second, the percentage of the revenue contribution by Dr. Dennis LAM to our total revenue has decreased during the Track Record Period from 42.6% to 29.5%. Our Directors expect that such percentage will continue to decrease with our business expansion plan in Hong Kong and the PRC as set forth in this prospectus.

Third, based on the industry knowledge of our Directors, the relevant percentages in respect of the revenue-sharing arrangement currently adopted by us, which are in the range between 35% and 70% of the revenue (after deducting the charges of using our equipment, operating theatres and medical consumables) generated by our Hong Kong Ophthalmologists during the Track Record Period, are amongst the most favourable compensation packages available to ophthalmologists practising in Hong Kong. Our Directors do not believe that we will need to further increase such revenue-sharing percentages for the purpose of recruiting ophthalmologists working for us in Hong Kong. Our Directors confirm that two ophthalmologists will join us in December 2017 and June 2018, respectively, and their revenue-sharing arrangement is generally consistent with the arrangement with our Hong Kong Ophthalmologists.

Fourth, it is one of our strategies to expand our business presence in the PRC. Our Directors anticipate that the percentage of our revenue generated in Hong Kong, as compared with our total revenue, will continue to decrease in the future. In the PRC, the physicians are our employees and there is no revenue-sharing arrangement adopted or to be adopted by us. Our Directors also understand that revenue-sharing arrangement is not an industry norm in the PRC in recruiting and retaining physicians.

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Fifth, following the Listing, our Company may grant share options under the Post-IPO Share Option Scheme or adopt other share-based incentive arrangements for the purpose of providing incentives to our ophthalmologists/physicians in Hong Kong and the PRC. Our Directors believe that there are alternative choices and we may not need to rely on providing additional monetary incentives under any revenue-sharing arrangement for the purpose of recruiting and retaining ophthalmologists/physicians working for us.

OUR OPERATING RESULTS

Six months ended 30 June 2017 compared to six months ended 30 June 2016

Revenue

Our total revenue for the six months ended 30 June 2017 was HK\$140.4 million, which was primarily generated from the provision of ophthalmic services of HK\$132.2 million. The remaining balance of HK\$8.2 million represented the sales of visual aid products. Our total revenue during the six months ended 30 June 2017 represented an increase of 21.8% as compared with our total revenue during the six months ended 30 June 2016. In addition to the increase in the sales of visual aid products by 33.7%, the increase was primarily driven by the increase in the revenue generated from the provision of ophthalmic services to HK\$132.2 million during the six months ended 30 June 2017 from HK\$109.2 million during the six months ended 30 June 2016, representing an increase of 21.1% because of the increase in the number of surgeries performance by us and the number of our ophthalmologists/physicians in Hong Kong and the PRC. The percentage between consultation and other medical service fee income and the surgery fee income remained generally unchanged during the six months ended 30 June 2017 as compared with the six months ended 30 June 2016. The revenue generated from our business operations in Hong Kong accounted for 62.8% of our total revenue, represented a slight decrease from 64.1% as compared with the six months ended 30 June 2016, primarily because of the increase in revenue of the PRC was higher than Hong Kong.

During the six months ended 30 June 2017, the average fee per surgery in Hong Kong and the PRC amounted to HK\$35,037 and HK\$13,770, respectively, representing an increase of 13.2% and a decrease of 3.3% from the average fee per surgery in Hong Kong and the PRC during the six months ended 30 June 2016. The increase in the average fee per surgery in Hong Kong was primarily due to the increase in our fee level. In the PRC, the decrease was primarily due to the types of surgery performed by our physicians during the period.

Cost of revenue

Our cost of revenue increased by 8.0% from HK\$72.0 million for the six months ended 30 June 2016 to HK\$77.8 million for the six months ended 30 June 2017, primarily as a result of (i) an increase in the fees of HK\$1.5 million payable to our Hong Kong Ophthalmologists, and (ii) an increase in cost of inventories and consumables of HK\$2.7 million. These increases

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were primarily due to an increase in the demand for our ophthalmic services. Depreciation of property, plant and equipment, employee benefit expenses and rental expenses were relatively stable.

Gross profit and gross profit margin

The amount of gross profit during the six months ended 30 June 2017 amounted to HK\$62.7 million, representing an increase of 44.8% from HK\$43.3 million during the six months ended 30 June 2016. Our gross profit margin was 44.6% during the six months ended 30 June 2017, as compared with 37.5% during the six months ended 30 June 2016. The gross profit margin for our business operations in the PRC recorded a significant increase to 58.2% from 51.8% primarily due to the increase in our total revenue. The gross profit margin for our business operations in Hong Kong also recorded an improvement to 36.6% from 29.6% primarily due to the increase in our fee levels and enhanced operational efficiency.

Selling expenses

Our selling expenses increased by 17.0% from HK\$3.6 million for the six months ended 30 June 2016 to HK\$4.2 million for the six months ended 30 June 2017, primarily due to an increase in promotional expenses of HK\$0.8 million. The amount of selling expenses, as a percentage of our total revenue, slightly decreased from 3.1% for the six months ended 30 June 2016 to 3.0% for the six months ended 30 June 2017 following our efforts to control measures. The fees paid to online platforms represented the major component of our selling expenses.

Administrative expenses

Our total administrative expenses during the six months ended 30 June 2017 amounted to HK\$24.8 million, representing an increase of 76.2% as compared with HK\$14.1 million during the six months ended 30 June 2016. The increase in our administrative expenses during the period was primarily driven by the increase in our staff salaries and allowance as a result of business expansion and the increase in rent and rates.

During the six months ended 30 June 2017, we incurred HK\$8.0 million as the expenses for the Listing.

Other income, net

Our other income, net during the six months ended 30 June 2017 decreased to HK\$0.7 million from HK\$0.8 million during the six months ended 30 June 2016. The decrease was primarily due to the decrease in the interest income. The decrease in the interest income to HK\$0.3 million, as compared with HK\$0.5 million during the six months ended 30 June 2016, was primarily due to the decrease in the average short-term bank interest rates from 4.0% to 2.3%.

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Other gains, net

Our other gains, net during the six months ended 30 June 2017 remained stable at HK\$0.3 million from HK\$0.3 million during the six months ended 30 June 2016.

Finance expenses

Our finance expenses decreased from HK\$0.5 million for the six months ended 30 June 2016 to HK\$0.3 million for the six months ended 30 June 2017, primarily because of the repayment of bank loans.

Income tax expense

Our income tax expense during the six months ended 30 June 2017 amounted to HK\$8.9 million, representing an increase by 57.5% from HK\$5.7 million during the six months ended 30 June 2016. The significant increase was primarily due to the increase of profit before tax.

Profit for the period and net profit margin

As a result of the foregoing, our profit increased significantly to HK\$25.4 million for the six months ended 30 June 2017 from HK\$20.6 million for the six months ended 30 June 2016. Our net profit margin increased to 18.1% for the six months ended 30 June 2017, from 17.8% for the six months ended 30 June 2016, primarily due to the growth of our business which enabled us to achieve enhanced operational efficiency.

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue

Our total revenue for the year ended 31 December 2016 was HK\$248.7 million, which was primarily generated from the provision of ophthalmic services of HK\$234.4 million. The remaining balance of HK\$14.3 million represented the sales of visual aid products. Our total revenue during the year ended 31 December 2016 represented an increase of 25.0% as compared with the amount of our total revenue in 2015. In addition to the increase in the sales of visual aid products by 62.4%, the increase was primarily driven by the increase in the revenue generated from the provision of ophthalmic services to HK\$234.4 million during the year ended 31 December 2016 from HK\$190.1 million during the year ended 31 December 2015, representing an increase of 23.3% because of increase in the number of our Hong Kong Ophthalmologists and the expansion of our service network in Hong Kong. The percentage of consultation and other medical service fee income to our total revenue increased slightly to 35.8% in 2016 from 34.7% in 2015. The revenue generated from our business operations in Hong Kong accounted for 64.8% of our total revenue, represented a slight increase of 3.3% as compared with the year ended 31 December 2015, primarily due to the reasons mentioned above.

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During the year ended 31 December 2016, the average fee per surgery in Hong Kong and the PRC amounted to HK\$35,141 and HK\$13,855, respectively, representing an increase of 7.1% and a decrease of 22.8% from the average fee per surgery in Hong Kong and the PRC during the year ended 31 December 2015, respectively. The increase in the average fee per surgery in Hong Kong was primarily due to expansion in our service network in Hong Kong, upward price adjustment and the number of complicated surgeries performed by us. The significant decrease in the average fee per surgery in the PRC was due to the increasing number of surgeries performed by our ophthalmologists recruited from overseas and locally trained physicians at our eye hospital in Shenzhen, as fees charged by such physicians were not as high as those charged by other senior Hong Kong Ophthalmologists.

Cost of revenue

During the year ended 31 December 2016, our cost of revenue amounted to HK\$153.7 million, representing an increase of 29.0% as compared with our cost of revenue of HK\$119.2 million for the year ended 31 December 2015. The increase in cost of revenue was primarily due to the increase in the fees paid to our Hong Kong Ophthalmologists due to more surgeries performed by them. There was also significant increase in the cost of inventory consumed by 29.0% which was primarily due to increase in our business operations.

Gross profit and gross profit margin

The amount of gross profit during the year ended 31 December 2016 amounted to HK\$95.0 million, representing an increase of 19.2% from HK\$79.7 million during the year ended 31 December 2015. Our gross profit margin was 38.2% in 2016, as compared with 40.1% in 2015. The gross profit margin for our business operations in the PRC recorded a modest decrease to 51.3% from 53.1% primarily due to the increase in prices of the medical consumables in the PRC which most are imported from other countries. The gross profit margin for our business operations in Hong Kong also remained generally stable at the same level of 31.9% and 31.1% for the two years ended 31 December 2016, respectively.

Selling expenses

In 2016, our selling expenses amounted to HK\$7.9 million, representing an increase of 67.7% as compared with the amount of our selling expenses of HK\$4.7 million in 2015. The amount of selling expenses, as a percentage of our total revenue, significantly increased to 3.2% in 2016 from 2.4% in 2015. The increase was primarily due to the increased fees paid to online platforms.

Administrative expenses

Our total administrative expenses in 2016 amounted to HK\$30.5 million, representing an increase of 15.4% as compared with HK\$26.5 million in 2015. The increase in our administrative expenses in 2016 was primarily driven by our staff salaries and allowance.

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Other income, net

Our other income, net in 2016 increased to HK\$1.5 million from HK\$0.5 million in 2015. It was primarily due to the increase in the amount of management fee charged to Project Vision and APAO Limited as a result of the provision of additional services. The increase in the interest income to HK\$0.7 million, as compared with HK\$0.2 million in 2015, was primarily due to increased amount of short-term deposits.

Other gains, net

Our other gains, net in 2016 recorded a significant increase to HK\$1.5 million from HK\$0.5 million in 2015. It was primarily due to the increase on the gains received from structured bank deposits purchased by us in the total amount of HK\$12.2 million as of 31 December 2016. In addition, there was an exchange gain of HK\$0.8 million in 2016, whereas there was a minimum exchange loss of HK\$11,000 in 2015, due to appreciation of the USD against RMB for the cash denominated in US\$ held by a PRC subsidiary.

Finance expenses

Our finance expenses amounted to HK\$0.9 million in 2016 as compared with HK\$1.2 million in 2015. It was due to the decrease in the interest payable on outstanding bank borrowings.

Income tax expense

Our income tax expense in 2016 amounted to HK\$11.7 million, representing an increase by 16.2% from HK\$10.1 million in 2015. It was primarily due to the increase in the amount of profit before income tax of 21.0% in 2016.

Profit for the year and net profit margin

As a result of the foregoing, our profit after tax increased to HK\$46.9 million in 2016 from HK\$38.4 million in 2015. The net profit margin was 18.9% in 2016 as compared with 19.3% in 2015.

Year ended 31 December 2015 compared to year ended 31 December 2014

Revenue

Our total revenue for the year ended 31 December 2015 was HK\$198.9 million, which was primarily generated from the provision of ophthalmic services of HK\$190.1 million. The remaining balance of HK\$8.8 million represented the sales of visual aid products. Our total revenue during the year ended 31 December 2015 represented an increase of 27.1% of the amount of our total revenue as compared with our revenue in 2014. In addition to the increase in the sales of visual aid products by 79.7%, the increase was primarily driven by the increase

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in the revenue generated from the provision of ophthalmic services to HK\$190.1 million during the year ended 31 December 2015 from HK\$151.6 million during the year ended 31 December 2014, representing an increase of 25.4%. The percentage of consultation and other medical service fee income to our total revenue decreased slightly to 34.7% in 2015 from 36.9% in 2014, primarily due to more surgeries performed during the year ended 31 December 2015. The revenue generated from our business operations in Hong Kong accounted for 61.5% of our total revenue, representing the same level as compared with the percentage in 2014.

During the year ended 31 December 2015, the average fee per surgery in Hong Kong and the PRC amounted to HK\$32,815 and HK\$17,950, respectively, representing an increase of 25.7% and a decrease of 10.1% from the average fee per surgery in Hong Kong and the PRC during the year ended 31 December 2014, respectively. The increase in the average fee per surgery in Hong Kong was primarily due to more complicated surgeries performed by us which usually charged at higher fee levels. The significant decrease in the average fee per surgery in the PRC was due to increasing number of surgeries performed by our ophthalmologists recruits from overseas and locally trained physicians at our eye hospital in Shenzhen.

Cost of revenue

During the year ended 31 December 2015, our cost of revenue amounted to HK\$119.2 million, representing an increase of 22.3% as compared with our cost of revenue of HK\$97.4 million for the year ended 31 December 2014. The percentage of increase was less than the increase in our total revenue in terms of percentage and was primarily due to the enhanced operational efficiency. There was also significant increase in the cost of inventory consumed by 23.8% which was in line with the increase in revenue.

Gross profit and gross profit margin

The amount of gross profit during the year ended 31 December 2015 amounted to HK\$79.7 million, representing an increase of 35.0% from HK\$59.0 million during the year ended 31 December 2014. Our gross profit margin was 40.1% in 2015, as compared with 37.7% in 2014. The gross profit margin for our business operations in the PRC remained stable, and the gross profit margin for our business operations in Hong Kong increased modestly to 31.9% from 27.9% primarily due to the increasing number of complicated surgeries performed by us.

Selling expenses

In 2015, our selling expenses amounted to HK\$4.7 million, representing a significant increase of 60.9% as compared with the amount of our selling expenses of HK\$2.9 million in 2014. The amount of selling expenses, as a percentage of our total revenue, increased to 2.4% in 2015 from 1.9% in 2014. The increase was primarily due to the increased fees paid to the online platforms.

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Administrative expenses

Our total administrative expenses in 2015 amounted to HK\$26.5 million, representing a slight decrease of 4.4% as compared with HK\$27.7 million in 2014. The decrease in our administrative expenses in 2015 was primarily due to the decrease in the amount of depreciation as some of the fixed assets were fully depreciated in the prior years.

Other income, net

Our other income, net in 2015 increased to HK\$0.5 million from HK\$0.2 million in 2014. The increase was primarily due to the increase in the amount of management fee charged to Project Vision as a result of additional services were provided. The increase in the interest income to HK\$0.2 million, as compared with HK\$33,000 in 2014, was primarily due to the increase of short-term bank deposits.

Other gains, net

Our other gains, net in 2015 recorded an increase to HK\$0.5 million from HK\$0.3 million in 2014. The increase was primarily due to the increase in the gains received from the structured bank products issued by licenced banks in the PRC . The balance of such financial products as of 31 December 2015 amounted to HK\$23.5 million.

Finance expenses

Our finance expenses amounted to HK\$1.2 million in 2015 as compared with HK\$1.0 million in 2014. It was due to increase in borrowings for our business expansion.

Income tax expense

Our income tax expense in 2015 amounted to HK\$10.1 million, representing an increase by 79.8% from HK\$5.6 million in 2014. It was primarily due to the increase in the amount of profit before income tax by 73.2% in 2015.

Profit for the year and net profit margin

As a result of the foregoing, our profit after tax increased to HK\$38.4 million in 2015 from HK\$22.4 million in 2014. The net profit margin was 19.3% in 2015 as compared with 14.3% in 2014.

SEGMENTAL RESULTS

We consider that our business is mainly located in Hong Kong and the PRC, which the revenue and segment results are determined by the geographical locations in which our patients are coming to visit our eye centres/hospitals. We have therefore identified two reportable segments based on our geographic locations, i.e. Hong Kong and the PRC.

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The following tables set forth our segment results for the years and periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Hong Kong					
Segment revenue	95,982	122,266	161,168	73,962	88,237
Segment results	16,766	29,514	38,211	16,557	25,116
Segment margin (%)	17.5	24.1	23.7	22.4	28.5
PRC					
Segment revenue	60,490	76,585	87,491	41,348	52,212
Segment results	11,683	19,039	18,357	9,038	16,511
Segment margin (%)	19.3	24.9	21.0	21.9	31.6

Other income, net, other gains, net, listing expenses, finance expenses, and income tax expense are not included in segment results.

SENSITIVITY AND BREAKEVEN ANALYSES

Sensitivity analysis

We set forth below a sensitivity analysis on the fluctuations in the fees and the salaries payable to (a) our Hong Kong Ophthalmologists and our physicians and (b) nurses and allied health staff in Hong Kong and the PRC which illustrates the hypothetical impact on our net profit before tax with 5%, 10% and 15% increase or decrease in the respective items. Due to a number of assumptions applied, the sensitivity analysis is for illustration purpose only and the actual results may differ from the illustration below:

	Change in net profit for changes in the amount of fees and salaries payable to our Hong Kong Ophthalmologists and our physicians in the PRC		
	+/-5%	+/-10%	+/-15%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2014	1,714.4	3,428.8	5,143.2
Year ended 31 December 2015	2,281.6	4,563.2	6,844.8
Year ended 31 December 2016	3,067.2	6,134.4	9,201.6
Six months ended 30 June 2017	1,446.4	2,892.8	4,339.2

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**Change in net profit for changes in
staff salaries and allowances payable to
our nurses and allied health staff in
Hong Kong and the PRC**

	<u>+/-5%</u>	<u>+/-10%</u>	<u>+/-15%</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2014	17,818.4	35,636.8	53,455.2
Year ended 31 December 2015	19,431.2	38,862.4	58,293.6
Year ended 31 December 2016	25,301.6	50,603.2	75,904.8
Six months ended 30 June 2017	14,060.8	28,121.6	42,182.4

Our Directors confirm that the hypothetical fluctuations of the above variables are generally commensurate with the historical fluctuations during the Track Record Period.

Breakeven analysis

The following sets forth a breakeven analysis which illustrates the extent of increases/decreases in the (a) the amount of fees and salaries payable to our Hong Kong Ophthalmologists and our physicians in the PRC and (b) the amount of staff salaries and allowance payable to our nurses and allied health staff that would result in breakeven in the amount of gross profit in the relevant year/period (excluding the expenses for Listing):

	<u>Year ended 31 December</u>			<u>Six months ended 30 June 2017</u>
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
	%	%	%	%
Increase in the amount of fees and salaries payable to our Hong Kong Ophthalmologists and our physicians in the PRC	52.2	67.3	61.1	70.1
Increase in staff salaries and allowances payable to our nurses and allied health staff in Hong Kong and the PRC	100.4	157.9	148.2	144.3

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity requirements are primarily attributable to our working capital for our business operations. Our principal sources of liquidity are cash generated from our business operations and borrowings. As of 30 June 2017, we had cash and bank balances of HK\$182.2 million.

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As of 30 June 2017, our short-term interest bearing bank and other borrowings (being classified as our current liabilities) amounted to HK\$18.7 million. As of the same date, our current assets exceeded our current liabilities by HK\$168.3 million and our long-term interest-bearing borrowing was minimal.

As of 30 June 2017, we had no unused banking facilities. The bank borrowings were secured by the joint personal guarantee of Dr. Dennis LAM and Ms. LI, and such personal guarantee has been released in July 2017.

Further information on our net current assets as of 31 December 2014 and 2015 and 2016 and 30 June 2017 is set forth in the paragraphs under “Principal components of our current assets and current liabilities” below.

The following sets forth consolidated statements of cash flows for the years and periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Net cash generated from operating activities	42,606	50,545	53,497	27,482	34,425
Net cash used in investing activities	(28,372)	(25,739)	(13,821)	(27,887)	(47,856)
Net cash (used in)/generated from financing activities	(6,112)	(13,007)	(3,048)	4,338	135,698
Net increase in cash and cash equivalents	8,122	11,799	36,628	3,933	122,267
Cash and cash equivalents at beginning of year/period	2,900	11,246	23,348	23,348	58,760
Currency translation differences	224	303	(1,216)	(44)	1,202
Cash and cash equivalents at end of the year/period	<u>11,246</u>	<u>23,348</u>	<u>58,760</u>	<u>27,237</u>	<u>182,229</u>

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Cash flows generated from operating activities

The following sets forth further information on our cash flows generated from operating activities during the years and periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	27,963	48,431	58,596	26,243	34,283
Adjustments for:				(Unaudited)	
Amortisation of intangible assets . .	119	155	149	76	77
Depreciation of property, plant and equipment	10,852	11,423	12,269	6,269	3,811
Gains on disposal of property, plant and equipment, net	(2)	–	(59)	(58)	(4)
Gains on financial assets at fair value through profit or loss	(265)	(531)	(595)	(301)	(685)
Share-based payment expenses	–	–	–	–	2,026
Finance income	(33)	(211)	(747)	(505)	(299)
Finance expenses	966	1,189	932	511	334
	<u>39,600</u>	<u>60,456</u>	<u>70,545</u>	<u>32,235</u>	<u>39,543</u>
Changes in working capital:					
Inventories	267	477	(868)	(841)	(12)
Trade receivables	(829)	(1,770)	(1,056)	(928)	(1,602)
Deposits, prepayments and other receivables	442	(1,873)	(5,052)	(4,637)	(2,861)
Trade payables	107	(208)	662	1,396	(379)
Accruals and other payables	1,401	4,451	4,021	3,614	4,104
Balances with related parties	2,682	(1,533)	(94)	(549)	175
Cash generated from operations	<u><u>43,670</u></u>	<u><u>60,000</u></u>	<u><u>68,158</u></u>	<u><u>30,290</u></u>	<u><u>38,968</u></u>

We derive our cash inflow from operating activities primarily through provision of ophthalmic services and sales of vision aid products. Cash outflow from operating activities primarily comprises payments for the fees paid to our Hong Kong Ophthalmologists under the Cooperation Agreements, employee benefit expenses, cost of inventories and consumables, office expenses and other operating expenses. Our net cash flow generated from operating activities primarily reflects our profit before income tax, as adjusted for non-cash items, including depreciation of property, plant and equipment, amortisation, share-based payment expenses, the effects of changes in working capital items, finance income and expenses, and income tax paid.

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During the six months ended 30 June 2017, we had net cash generated from operating activities of HK\$34.4 million, primarily attributable to profit before income tax of HK\$34.3 million, adjusted to reflect mainly (i) depreciation of property, plant and equipment of HK\$3.8 million; (ii) an increase in accruals and other payables of HK\$4.1 million; and (iii) share-based payment expenses of HK\$2.0 million. These adjustments were partially offset by adjusting for (i) an increase in trade and other receivables of HK\$1.6 million mainly due to the growth of our business and (ii) income tax paid of HK\$4.5 million.

In 2016, we had net cash generated from operating activities of HK\$53.5 million, primarily attributable to profit before income tax of HK\$58.6 million, adjusted to reflect mainly (i) depreciation of property, plant and equipment of HK\$12.3 million and (ii) an increase in accruals and other payables of HK\$4.0 million. These adjustments were partially offset by adjusting for (i) an increase in trade and other receivables of HK\$6.1 million mainly due to the growth of our business and (ii) income tax paid of HK\$14.7 million.

In 2015, we had net cash generated from operating activities of HK\$50.5 million, primarily attributable to profit before income tax of HK\$48.4 million, adjusted to reflect mainly (i) depreciation of property, plant and equipment of HK\$11.4 million and (ii) an increase in accruals and other payables of HK\$4.5 million. These adjustments were partially offset by adjusting for (i) an increase in trade and other receivables of HK\$3.6 million mainly due to the growth of our business, (ii) changes in balances with related parties of HK\$1.5 million and (iii) income tax paid of HK\$9.5 million.

In 2014, we had net cash generated from operating activities of HK\$42.6 million, primarily attributable to profit before income tax of HK\$28.0 million, adjusted to reflect mainly (i) depreciation of property, plant and equipment of HK\$10.9 million, (ii) an increase in accruals and other payables of HK\$1.4 million and (iii) changes in balances with related parties of HK\$2.7 million. These adjustments were partially offset by adjusting for income tax paid of HK\$1.1 million.

Cash management policy adopted by us

Our business generates significant amount of cash and cash equivalent from time to time which represent the consultation fees and the surgery fees received from our patients. Our patients may settle the fees in cash or by way of credit cards or through their insurance companies if the ophthalmic services provided by us are covered by their insurance policies. The principal items of our costs and expenses, i.e. the fees paid to our Hong Kong Ophthalmologists, staff salaries and allowance, cost of inventories consumed and sold and rental expenses, will only be settled by us on a monthly basis or pursuant to the credit term provided to us by our suppliers. Because of this pattern of cash inflows and outflows as well as the nature of our business, we have purchased principal-protected deposit or investment products issued by licensed banks in Hong Kong and the PRC, and have formally adopted effective from July 2017 a cash management policy, for the purpose of using our cash surplus efficiently with manageable level of risks. Pursuant to the cash management policy, with the approval of two executive Directors and our chief financial officer, we would use not more

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than 70% of our cash surplus for the purchase of principal-protected deposit or investment products issued by banks in Hong Kong and the PRC. These represent the principal type of our financial assets acquired and disposed by us during the Track Record Period. We use the following criteria in selecting the principal-protected deposit or investment products:

- (1) The relevant deposit or investment products must be issued by licensed banks in Hong Kong or the PRC with the principal-protection features.
- (2) The relevant deposit or investment products must have a maturity period of not more than 12 months.
- (3) The free cash flow of our Group cannot be less than six times the total monthly expenses from time to time.
- (4) The expected rate of return of each deposit or investment product is expected to be not less than the average interest rate offered by the relevant banks for fixed deposits for the same term.
- (5) The chief financial officer will report the investment position under the cash management policy, including the principal amount of the deposit or investment products, the maturity dates and the expected amount of investment return, to our Board on a monthly basis.

Our Directors confirm that we adhered to the above cash management policy during the Track Record Period and as of the Latest Practicable Date.

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Cash flows used in investing activities

The following sets forth further information on our cash flows used in investing activities during the years and periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Cash flows from investing activities					
Purchase of property, plant and equipment	(7,342)	(2,699)	(11,247)	(11,020)	(1,869)
Prepayments for purchase of property, plant and equipment	(280)	(1,084)	(1,738)	–	(23,195)
Purchase of intangible assets	(627)	(441)	(13)	(13)	(193)
Proceeds from disposal of property, plant and equipment	439	–	96	94	4
Interest received	33	211	747	505	299
Purchase of financial assets at fair value through profit or loss	(71,923)	(92,255)	(78,681)	(24,235)	(27,103)
Proceeds from financial assets at fair value through profit or loss	56,010	85,916	89,736	23,945	19,532
Advances to directors and shareholders	(4,682)	(15,387)	(12,721)	(17,163)	(15,331)
Net cash used in investing activities	<u>(28,372)</u>	<u>(25,739)</u>	<u>(13,821)</u>	<u>(27,887)</u>	<u>(47,856)</u>

Our cash used in investing activities reflects our cash used in purchases of property, plant and equipment including office and medical equipment, intangible assets such as computer software, purchases of financial assets at fair value through profit or loss and changes in advances from/(to) directors and shareholders. We have implemented investment policy to acquire structure products from licenced banks in the PRC which are principal-protected with fixed rate of investment return. Cash inflow from investing activities mainly comprises proceeds from disposal of property, plant and equipment, and proceeds from financial assets at fair value through profit or loss.

During the six months ended 30 June 2017, we had net cash used in investing activities of HK\$47.9 million, primarily attributable to (i) prepayments for purchase of property, plant and equipment of HK\$23.2 million, and (ii) purchases of financial assets at fair value through profit or loss of HK\$27.1 million. These adjustments were partially offset by proceeds from financial assets at fair value through profit or loss of HK\$19.5 million.

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In 2016, we had net cash used in investing activities of HK\$13.8 million, primarily attributable to (i) purchases of property, plant and equipment of HK\$11.2 million, (ii) purchases of financial assets at fair value through profit or loss of HK\$78.7 million and (iii) changes in advances to directors and shareholders of HK\$12.7 million. These adjustments were partially offset by proceeds from financial assets at fair value through profit or loss of HK\$89.7 million.

In 2015, we had net cash used in investing activities of HK\$25.7 million, primarily attributable to (i) purchases of property, plant and equipment of HK\$2.7 million, (ii) purchases of financial assets at fair value through profit or loss of HK\$92.3 million and (iii) changes in advances from/(to) directors and shareholders of HK\$15.4 million. These adjustments were partially offset by proceeds from financial assets at fair value through profit or loss of HK\$85.9 million.

In 2014, we had net cash used in investing activities of HK\$28.4 million, primarily attributable to (i) purchases of property, plant and equipment of HK\$7.3 million and (ii) purchases of financial assets at fair value through profit or loss of HK\$71.9 million. These adjustments were partially offset by proceeds from financial assets at fair value through profit or loss of HK\$56.0 million.

Cash flows (used in)/generated from financing activities

The following sets forth further information on our cash flows generated from/(used in) financing activities during the years and periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Cash flows from financing activities					
Proceeds from borrowings	36,429	25,685	1,027	1,027	10,000
Repayments of borrowings	(41,747)	(36,259)	(15,814)	(5,504)	(9,021)
Advance from/(repayment to) a related party	172	(1,244)	6,810	9,326	4,923
Advance from/(repayment to) shareholders and directors	–	–	5,861	–	(10,751)
Interest paid	(966)	(1,189)	(932)	(511)	(334)
Listing costs paid and capitalised	–	–	–	–	(1,136)
Proceeds from issuance of Shares	–	–	–	–	142,017
Net cash (used in)/generated from financing activities	<u>(6,112)</u>	<u>(13,007)</u>	<u>(3,048)</u>	<u>4,338</u>	<u>135,698</u>

We used cash in financing activities primarily for repayment of borrowings and interest paid. Cash inflows from financing activities mainly comprise proceeds from borrowings.

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During the six months ended 30 June 2017, we had net cash generated from financing activities of HK\$135.7 million, primarily attributable to the proceeds from issuance of shares of HK\$142.0 million, the proceeds from borrowings of HK\$10.0 million and advance from a related party of HK\$4.9 million which were offset by repayments of borrowings of HK\$9.0 million, repayment to Shareholders and directors of HK\$10.8 million and interest paid of HK\$0.3 million.

In 2016, we had net cash used in financing activities of HK\$3.0 million, primarily attributable to repayments of borrowings of HK\$15.8 million and interest paid of HK\$0.9 million which were offset by proceeds from borrowings of HK\$1.0 million, advance from shareholders and directors of HK\$5.9 million and advance from a related party of HK\$6.8 million.

In 2015, we had net cash used in financing activities of HK\$13.0 million, primarily attributable to repayments of borrowings of HK\$36.3 million and interest paid of HK\$1.2 million which were offset by proceeds from borrowings of HK\$25.7 million.

In 2014, we had net cash used in financing activities of HK\$6.1 million, primarily attributable to repayments of borrowings of HK\$41.7 million and interest paid of HK\$1.0 million which were offset by proceeds from borrowings of HK\$36.4 million.

WORKING CAPITAL

We believe that we will be able to settle our commitments and repay our borrowings using funds from a combination of sources including internally generated cash flows, primarily being cash generated through payment from our patients.

As of 31 December 2014, 2015 and 2016, our aggregate cash and cash equivalents amounted to HK\$11.2 million, HK\$23.3 million and HK\$58.8 million, respectively. As of 30 June 2017, our aggregate cash and cash equivalents amounted to HK\$182.2 million. The increases in our cash and cash equivalents throughout the Track Record Period indicate our business growth and the financial resources available to us from our business operations.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any undue difficulty in obtaining banking facilities or withdrawal of banking facilities from banks or any default in payment of bank loans or other borrowings or breach of any covenants.

Taking into consideration the estimated amount of net proceeds from the Global Offering and the amount of the special interim dividend of HK\$100.0 million, the available banking facilities and the cash flows generated from our operating activities, our Directors are of the opinion that we have sufficient working capital for our present requirement for the next 12 months from the date in this prospectus. Based on the above financial resources available to us, the Sole Sponsor concurs with the view of our Directors.

FINANCIAL INFORMATION

PRINCIPAL COMPONENTS OF OUR CURRENT ASSETS AND CURRENT LIABILITIES

Our net current asset represents the differences between our current assets and our current liabilities. As of 31 December 2014, we had net current liabilities of HK\$11.8 million, which was due to the addition of property, plant and equipment (being non-current assets) in the prior years financed by increased amount of short-term borrowings (which was treated as our current liability) and the amount withdrawn by Dr. Dennis LAM for his personal use. As of 31 December 2015 and 2016 and 30 June 2017, we had net current assets of HK\$32.1 million, HK\$21.9 million and HK\$168.3 million, respectively. The unaudited net current assets as of 30 September 2017 amounted to HK\$179.6 million. The following table sets forth the components of our current assets and current liabilities as of the dates indicated:

	As of 31 December			As of 30 June	As of 30 September
	2014	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)
Current assets					
Inventories	2,021	1,507	2,328	2,366	2,795
Amount due from a director and shareholder	18,643	33,795	16	22,805	28,271
Amounts due from related parties . . .	192	1,337	1,393	1,206	1,083
Trade receivables	1,745	3,464	4,456	6,095	6,066
Deposits, prepayments and other receivables	1,121	2,255	6,044	8,351	15,116
Financial assets at fair value through profit or loss	17,951	23,520	12,232	20,628	21,060
Current income tax recoverable	–	1,325	661	542	542
Cash and cash equivalents	11,246	23,348	58,760	182,229	175,240
	52,919	90,551	85,890	244,222	250,173
Current liabilities					
Amounts due to directors and shareholders	5,458	4,915	10,510	7,458	7,601
Amounts due to related parties	5,656	3,735	10,375	15,580	16,491
Trade payables	2,483	2,342	3,090	2,758	3,928
Accruals and other payables	8,103	12,801	17,374	21,606	20,340
Current income tax liabilities	5,829	7,778	5,164	9,791	13,161
Borrowings	37,204	26,893	17,511	18,695	9,009
	64,733	58,464	64,024	75,888	70,530
Net current (liabilities)/assets	(11,814)	32,087	21,866	168,334	179,643

FINANCIAL INFORMATION

The following sets forth an analysis of the principal items in our current assets and liabilities as of the dates indicated.

Inventories

Our inventories consist of pharmaceuticals and medical consumables as well as visual aid products. The following sets forth an analysis of the balance of our inventories as of the dates indicated:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Pharmaceuticals and medical				
consumables ······	1,621	1,232	2,072	2,119
Vision aid products ······	400	275	256	247
Total ······	2,021	1,507	2,328	2,366

As of 31 December 2014, 2015 and 2016, we intended to reduce the amount of inventories in order to reduce the amount of working capital deployed. The decreases in the inventories as of 31 December 2015 was due to the consumptions of inventory during December 2015. The turnover days of our inventories were 40 days, 26 days and 22 days during the three years ended 31 December 2016, respectively. During the six months ended 30 June 2016 and 2017, the turnover days of our inventories were 25 days and 25 days, respectively. The inventory turnover days are based on the average of the beginning and ending balance of inventories of a given year/period divided by the cost of inventories and consumables for that corresponding year/period and multiplied by 365 days and 181 days for the three years ended 31 December 2016 and for the six months ended 30 June 2016 and 2017, respectively. There was no provision made for the balance of our inventories because of the short turnover days.

As of 30 September 2017, we consumed 63.9% of our inventories as of 30 June 2017.

FINANCIAL INFORMATION

Trade receivables

The following table sets forth our trade receivables as of the dates indicated:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	1,745	3,464	4,456	6,095

Our trade receivables represent the receivables from banks (for credit card transactions), receivables from private hospitals in Hong Kong (for the surgery fee performed by Dr. Dennis LAM and our Hong Kong Ophthalmologists at those hospitals upon the request of the patients), insurance companies, medical scheme operators and the PRC Government for payment of the medical insurance scheme in the PRC.

As of 31 December 2014, 2015 and 2016 and 30 June 2017, the balance of our trade receivables was past due because of no credit term provided to our debtors. There was no impairment provided by us, as our Directors are of the opinion that there has been no significant change in the credit quality and the balances are considered fully recoverable.

The following table sets forth the ageing analysis of our trade receivables that are not impaired as of the dates indicated:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–90 days	1,584	3,115	4,156	5,732
91–180 days	152	245	71	196
Over 180 days	9	104	229	167
Total	1,745	3,464	4,456	6,095

FINANCIAL INFORMATION

We generally do not extend any credit period to any of our debtors. The balance will be due from the invoice date. Payments are settled by cash, credit cards or bank transfers. Our trade receivable turnover days were 3 days, 5 days and 6 days during the three years ended 31 December 2016, respectively. Our trade receivable turnover days were 6 days and 7 days for the six months ended 30 June 2016 and 2017, respectively. The trade receivable turnover days are based on the average of the beginning and the ending balance of trade receivables of a given year divided in terms of revenue for that corresponding year/period multiplied by 365 days and 181 days for the three years/period ended 31 December 2016 and for the six months ended 30 June 2016 and 2017, respectively.

As of 30 September 2017, an aggregate amount of HK\$5.7 million, or 93.4%, of our total trade receivables as of 30 June 2017 had been collected.

Deposits, prepayments and other receivables

The following table sets forth details of our deposits, prepayments and other receivables as of the dates indicated:

	As of 31 December			As of
	2014	2015	2016	30 June 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current				
Prepayments for property, plant and equipment	280	1,349	1,738	24,146
Prepayments for rental expenses . . .	841	1,629	–	–
Rental deposits	1,809	1,699	4,129	6,351
	<u>2,930</u>	<u>4,677</u>	<u>5,867</u>	<u>30,497</u>
Current				
Prepayments for inventories	85	147	150	232
Prepayments for rental expenses . . .	211	185	2,819	2,608
Listing costs	–	–	–	2,620
Rental and other deposits	335	1,099	2,076	492
Others	490	824	999	2,399
	<u>1,121</u>	<u>2,255</u>	<u>6,044</u>	<u>8,351</u>
Total	<u><u>4,051</u></u>	<u><u>6,932</u></u>	<u><u>11,911</u></u>	<u><u>38,848</u></u>

FINANCIAL INFORMATION

Financial assets at fair value through profit or loss

The principal component of our financial assets is the principal-protected deposit or investment products acquired by us during the Track Record Period. Further information on our cash management policy is set forth in the paragraphs under “Liquidity and capital resources — Cash flows generated from operating activities” above.

	As of 31 December			As of
	2014	2015	2016	30 June 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments				
Key management insurance				
contract with the HK Eye Care				
as the policy holder	5,205	5,205	5,205	5,556
Structured deposit products	17,951	23,520	12,232	20,628
	23,156	28,725	17,437	26,184
Less: non-current portion:				
Key management insurance				
contract with the HK Eye Care				
as the policy holder	(5,205)	(5,205)	(5,205)	(5,556)
Current portion:	17,951	23,520	12,232	20,628

The key management insurance contract is relating to the continued services of Dr. Dennis LAM in the amount of US\$2.0 million (equivalent to HK\$15.6 million).

Investment in insurance contract represented key management life insurance policy purchased by us for the continued services rendered by Dr. Dennis LAM. The insurance policy is pledged to the bank as securities for certain bank borrowings and finance leases granted to our Group. As of 31 December 2014, 2015 and 2016 and 30 June 2017, the fair value of unlisted insurance policy investment that is not traded in an active market of HK\$5.2 million, HK\$5.2 million, HK\$5.2 million and HK\$5.6 million, respectively, are considered to be the cash surrender value, being the amount payable to us when the insurance policy is terminated, of the insurance policy. The amount is denominated in US dollars.

As of the date of this prospectus, the relevant insurance policy has been transferred to the designated beneficiary of Dr. Dennis LAM, who is not a member of our Group, for the cash surrender value, which has been set-off against the amount of special interim dividend declared in September 2017 and will be paid before the Listing Date.

FINANCIAL INFORMATION

During the Track Record Period, we invested in structured deposit products issued by licensed banks in the PRC, with fixed maturity and floating interest rates. The fair values of the structured deposit products is based on the redeemable amount as of the year/period end date.

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As of 1 January	1,916	23,156	28,725	17,437
Addition upon renewal of structured deposit products	77,128	92,255	78,681	27,103
Disposal upon expiry of structured deposit products	(56,010)	(85,916)	(89,736)	(19,532)
Change in fair value because of interest earned	265	531	595	685
Exchange difference	(143)	(1,301)	(828)	491
As of 31 December/30 June	<u>23,156</u>	<u>28,725</u>	<u>17,437</u>	<u>26,184</u>

The maximum exposure to credit risk at the reporting date is the carrying value of financial assets at fair value through profit or loss.

We have adopted cash management policy for our cash surplus. Further information on our cash management policy is set forth in the paragraphs under “Liquidity and capital resources — Cash flows generated from operating activities” above.

There are no commitment or contingent liabilities relating to our interests in the financial assets at fair value through profit or loss. These financial assets are denominated in RMB and US dollars and are not impaired as of 31 December 2014, 2015 and 2016 and 30 June 2017.

Current income tax assets and current income tax liabilities

The current income tax charge is calculated on the basis of the applicable tax laws and regulations in Hong Kong and the PRC where we operate and generate revenue which is subject to profits tax and EIT, respectively. We evaluate position taken in tax returns with respect to situations in which applicable tax laws and regulations are subject to interpretation and establish provisions where appropriate on the basis of amounts expected to be paid to the relevant tax authorities.

FINANCIAL INFORMATION

The following table sets forth the current income tax assets and current income tax liabilities as of the dates indicated:

	As of 31 December			As of
	2014	2015	2016	30 June 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax recoverable	–	1,325	661	542
Current income tax liabilities	(5,829)	(7,778)	(5,164)	(9,791)
Net current income tax liabilities	<u>(5,829)</u>	<u>(6,453)</u>	<u>(4,503)</u>	<u>(9,249)</u>

Deferred income tax assets and deferred income tax liabilities

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, the carry forward 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 and associates, 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.

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 and associates, 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.

FINANCIAL INFORMATION

The following table sets forth the deferred income tax assets and deferred income tax liabilities as of the dates indicated:

	As of 31 December			As of
	2014	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
Deferred income tax assets to be recovered within 12 months	–	–	58	207
Deferred income tax assets to be recovered after more than 12 months	–	42	665	785
Deferred income tax liabilities to be recovered within 12 months	(545)	(500)	(29)	(32)
Deferred income tax liabilities to be recovered after more than 12 months	(46)	(46)	(145)	(93)
Deferred income tax (liabilities)/assets, net	<u>(591)</u>	<u>(504)</u>	<u>549</u>	<u>867</u>

The following sets forth the movements in the deferred tax assets and the deferred tax liabilities and the gross amount of deferred tax charged to our consolidated statement of comprehensive income for the years and periods indicated:

<u>Deferred income tax (liabilities)/assets</u>	Withholding (Accelerated)/ tax on		Share-based payment reserve	Tax losses	Total
	unremitted earnings	decelerated tax depreciation			
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As of 1 January 2014	–	(796)	–	–	(796)
Credited to the consolidated statement of comprehensive income	–	205	–	–	205
As of 31 December 2014	<u>–</u>	<u>(591)</u>	<u>–</u>	<u>–</u>	<u>(591)</u>
As of 1 January 2015	–	(591)	–	–	(591)
(Charged)/credited to the consolidated statement of comprehensive income	(500)	587	–	–	87
As of 31 December 2015	<u>(500)</u>	<u>(4)</u>	<u>–</u>	<u>–</u>	<u>(504)</u>

FINANCIAL INFORMATION

<u>Deferred income tax (liabilities)/assets</u>	<u>Withholding (Accelerated)/ tax on unremitted earnings</u>	<u>decelerated tax depreciation</u>	<u>Share-based payment reserve</u>	<u>Tax losses</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As of 1 January 2016	(500)	(4)	–	–	(504)
Credited to the consolidated statement of comprehensive income	500	156	–	397	1,053
As of 31 December 2016	<u>–</u>	<u>152</u>	<u>–</u>	<u>397</u>	<u>549</u>
As of 1 January 2017	–	152	–	397	549
Credited/(charged) to the consolidated statement of comprehensive income	–	206	302	(190)	318
As of 30 June 2017	<u>–</u>	<u>358</u>	<u>302</u>	<u>207</u>	<u>867</u>

As of 31 December 2014, 2015 and 2016 and 30 June 2017, deferred income tax liabilities of HK\$0.3 million, HK\$0.2 million and HK\$0.8 million and HK\$1.4 million, respectively, have not been established for the withholding taxation that would be payable on the unremitted earnings of members of our Group in the PRC of HK\$6.1 million, HK\$4.5 million and HK\$16.3 million and HK\$27.1 million, respectively. There was no dividend declared by members of our Group in the PRC as our business operations in Hong Kong can generate sufficient amount of financial resources for our business operation. We believe that the timing of the reversal of the related temporary differences can be controlled and the related temporary difference will not be reversed and will therefore not be taxable in the foreseeable future.

Cash and cash equivalents and restricted cash

As of 31 December 2014, 2015 and 2016, the balance of our cash and cash equivalents amounted to HK\$11.2 million, HK\$23.3 million and HK\$58.8 million. As of 30 June 2017, the balance of our cash and cash equivalents amounted to HK\$182.2 million. We normally maintain cash and cash equivalents of not less than HK\$10.0 million for our general working capital purpose.

Our Directors confirm that balance of our cash and cash equivalents was maintained at a prudent level for the purpose of meeting the requirements for our daily business operations.

FINANCIAL INFORMATION

The following table sets forth detailed information on our cash and cash equivalents as of the dates indicated:

	As of 31 December			As of
	2014	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
Cash at banks	11,179	19,472	34,644	178,534
Cash on hand	67	348	319	257
Short-term bank deposits	–	3,528	23,797	3,438
Total	11,246	23,348	58,760	182,229

As of 31 December, 2015, 2016 and 30 June 2017, the effective interest rate per annum on short-term bank deposits was 3.8%, 4.0% and 3.6%, respectively; short-term bank deposits have maturities at inception of less than 3 months.

As of 31 December 2014, 2015 and 2016 and 30 June 2017, we had cash and cash equivalents of HK\$1.1 million, HK\$4.7 million, HK\$50.6 million and HK\$35.8 million held in the PRC which may not be remitted outside the PRC except for dividend distributions.

Trade payables

Our trade payables primarily consist of the amount due to our suppliers for our purchase of medical consumables, which is unsecured and non-interest bearing. As of 31 December 2014, 2015 and 2016 and 30 June 2017, our trade payables were HK\$2.5 million, HK\$2.3 million, HK\$3.1 million and HK\$2.8 million, respectively. The changes in the balance of our trade payable as of 31 December 2014, 2015 and 2016 and 30 June 2017 were generally consistent with the changes in our cost of purchase of medical consumables.

FINANCIAL INFORMATION

The payment arrangements with our suppliers are either cash payment upon delivery or we are granted a credit period up to 30 days from the end of the month during which the invoice was received. The following sets forth an ageing analysis of trade payables as of the dates indicated:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	2,429	2,163	3,019	2,514
31–60 days	6	70	46	242
61–90 days	29	1	8	1
Over 90 days	19	108	17	1
Total	<u>2,483</u>	<u>2,342</u>	<u>3,090</u>	<u>2,758</u>

The trade payable are unsecured, non-interest-bearing and are normally settled within two months. Our trade payable turnover days were 45 days, 36 days and 32 days during the three years ended 31 December 2016, respectively. Our trade payable turnover days were 39 days and 35 days during the six months ended 30 June 2016 and 2017, respectively.

The trade payable turnover days are based on the average of the beginning and the ending balance of trade payables of a given year/period divided by the cost of inventories and consumables for that corresponding year/period multiplied by 365 days for the three years ended 31 December 2016 and 181 days for the six months ended 30 June 2016 and 2017. Our trade payable turnover days remained relatively stable during the Track Record Period with no material amount of overdue payments to our suppliers.

As of 30 September 2017, an aggregate amount of HK\$2.8 million, or 99.9%, of our trade payables as of 30 June 2017 had been settled.

FINANCIAL INFORMATION

Accruals and other payables

Accruals and other payables primarily consist of expenses payable by us during the ordinary course of business. The following table sets forth our accruals and other payables as of the dates indicated:

	As of 31 December			As of
	2014	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accruals for employee benefits	3,161	3,346	2,909	1,945
Accruals for rent and rates, utilities and other operating expenses	1,974	2,904	3,346	3,525
Accrual for listing expenses	–	–	–	4,128
Payables for fees to our Hong Kong Ophthalmologists	2,469	5,327	8,422	8,789
Receipts in advance from patients ..	499	994	1,232	1,755
Others	–	230	1,465	1,464
Total	8,103	12,801	17,374	21,606

Our accruals and other payables increased by 24.4% from HK\$17.4 million as of 31 December 2016 to HK\$21.6 million as of 30 June 2017 because of the accrual of listing expenses of HK\$4.1 million.

Our accruals and other payables increased from HK\$12.8 million as of 31 December 2015 to HK\$17.4 million as of the same date in 2016, primarily due to the increase payables for the fees to our Hong Kong Ophthalmologists under the Cooperation Agreements and accruals for operating expenses as a result of the expansion of our service network.

Our accruals and other payables increased from HK\$8.1 million as of 31 December 2014 to HK\$12.8 million as of the same date in 2015, primarily due to the increase payables for medical consultation fee and accruals for operating expenses as a result of the expansion of operations.

FINANCIAL INFORMATION

Borrowings

The following table sets forth our borrowings as of the dates indicated:

	As of 31 December			As of
	2014	2015	2016	30 June 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current				
Finance lease liabilities due for repayment after one year	6,680	6,417	1,012	807
Current				
Portion of bank borrowings due for repayment within one year which contains a repayment on demand clauses	29,278	9,420	4,464	9,933
Portion of bank borrowings due for repayment after one year which contains a repayment on demand clauses	4,610	11,143	6,680	5,477
	33,888	20,563	11,144	15,410
Finance lease liabilities due for repayment within one year	3,316	6,330	6,367	3,285
	37,204	26,893	17,511	18,695
Total	43,884	33,310	18,523	19,502

The following table sets forth the denominated currencies in our borrowings as of the dates indicated:

	As of 31 December			As of
	2014	2015	2016	30 June 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
US dollars at floating rates	4,688	4,685	–	–
Hong Kong dollars at floating rates	38,054	27,826	17,085	18,274
Hong Kong dollars at fixed rates . . .	1,142	799	1,438	1,228
Total	43,884	33,310	18,523	19,502

FINANCIAL INFORMATION

Most of our borrowings are denominated in Hong Kong dollars and are subject to floating interest rates. The following table set forth the range of the interest rates per annum of our borrowings as of the dates indicated:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	%	%	%	%
US dollar	2.55	2.55	N/A	N/A
Hong Kong dollar	2.29	3.35	3.25	3.01

As of 31 December 2014, 2015 and 2016 and 30 June 2017, the finance lease liabilities, which were relating to the purchase of medical equipment by us, are secured by our interest in the key management insurance contract with cash surrender value of HK\$5.2 million of 31 December 2014, 2015 and 2016 and cash surrender value of HK\$5.6 million as of 30 June 2017 and personal guarantees provided by Dr. Dennis LAM and Ms. LI. As of the date of this prospectus, we have settled the financial lease liabilities in full.

Our bank borrowings were secured by the personal guarantees provided by Dr. Dennis LAM and Ms. LI.

The above personal guarantees have been released in July 2017.

Amounts due from/(to) directors and shareholders

As of 31 December 2014, 2015 and 2016 and 30 June 2017, the amounts due from/(to) directors and shareholders are unsecured, interest-free and repayable on demand. These amounts were non-trade in nature.

FINANCIAL INFORMATION

The following table sets forth the balance of the amounts due from/(to) directors and shareholders as of the dates indicated:

	As of 31 December			As of
	2014	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from a director and shareholder				
Dr. Dennis LAM	18,643	33,795	16	22,805
Amounts due to directors and shareholders				
Dr. Dennis LAM	(98)	(93)	(3,175)	(72)
Ms. LI	(5,360)	(4,822)	(7,335)	(7,386)
Net amounts due from/(to) directors and shareholders				
Dr. Dennis LAM	18,545	33,702	(3,159)	22,733
Ms. LI	(5,360)	(4,822)	(7,335)	(7,386)
Net amounts due from/(to) directors and shareholders	<u>13,185</u>	<u>28,880</u>	<u>(10,494)</u>	<u>15,347</u>

The accumulated balance due from/(to) directors was principally arising from the following:

- (1) amount withdrawn by Dr. Dennis LAM for his personal use and investment purposes;
- (2) the remuneration in the aggregate amount of HK\$27.4 million during the Track Record Period payable to Dr. Dennis LAM and Ms. LI since the inception of our business;
- (3) special dividend declared by HK Eye care and HK C-MER China in the total amount of HK\$36.5 million and HK\$10.0 million, respectively, on 30 August 2016 and 31 August 2016, to Dr. Dennis LAM and Ms. LI to set-off the balance of the amount due from/(to) Directors.

The balance due to Dr. Dennis LAM and Ms. LI has been duly settled by set-off against the amount of special interim dividend declared in September 2017. Such dividend will be fully settled before the Listing Date.

FINANCIAL INFORMATION

Amounts due from/(to) related parties

	As of 31 December			As of
	2014	2015	2016	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	2017
				<i>HK\$'000</i>
Amounts due from related parties:				
– D&S Pharmaceutical Company Limited	–	8	373	–
– Shenzhen Maida	162	153	145	–
– D&S (Shenzhen) Biotechnology Limited	–	–	667	987
– APAO Limited	–	–	208	91
– Project Vision	30	–	–	128
– Mr. LI Chunshan	–	1,176	–	–
Total	192	1,337	1,393	1,206

D&S Pharmaceutical Company Limited and D&S (Shenzhen) Biotechnology Limited (currently known as C-MER (Shenzhen) Biotechnology Limited) are pharmaceutical development companies and are not and will not be engaged in the business of provision of ophthalmic services.

D&S Pharmaceutical Company Limited is a company engaged in the business of development of pharmaceuticals which are unrelated to our business as a provider of ophthalmic services. As of 30 June 2017, the net deficit of D&S Pharmaceutical Company Limited was HK\$0.2 million. During the year ended 31 December 2016, D&S Pharmaceutical Company Limited did not have any revenue and it had net loss of HK\$0.2 million.

D&S (Shenzhen) Biotechnology Limited (currently known as C-MER (Shenzhen) Biotechnology Limited) is a wholly-owned subsidiary of D&S Pharmaceutical Company Limited. As of 30 June 2017, the net deficit of D&S (Shenzhen) Biotechnology Limited was HK\$0.7 million. During the year ended 31 December 2016, D&S (Shenzhen) Biotechnology Limited did not have any revenue and it had a net loss of less than HK\$0.1 million.

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The above amounts have been settled in full as of the date of this prospectus.

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due to related parties:				
– Shenzhen Maida	5,277	3,735	10,341	15,580
– Project Vision	–	–	34	–
– Mr. LI Chunshan	248	–	–	–
– Ms. CAO Yuerong, the spouse of Mr. LI Chunshan	131	–	–	–
Total	5,656	3,735	10,375	15,580

The above amounts have been settled in full as of the date of this prospectus.

OPERATING LEASE COMMITMENTS

As of 31 December 2014, 2015, 2016 and 30 June 2017, we had future aggregate minimum lease payments under non-cancellable operating leases for the premises for our eye centres/hospitals in Hong Kong and the PRC as follows:

	As of 31 December			As of 30 June
	2014	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	16,161	11,320	18,945	26,569
Later than one year and not later than five years	13,321	6,555	16,316	61,432
Later than five years	–	–	–	45,569
Total	29,482	17,875	35,261	133,570

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CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

Capital expenditure

Historical

Our capital expenditure primarily relates to the purchase of plant and machinery and intangible assets. We have funded our historical capital expenditure through cash flows generated from operating activities, advances from our Controlling Shareholders and borrowings. The following sets forth our capital expenditure for the years and periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and machinery . . .	7,342	2,699	12,596	11,020	2,656
Prepayments for purchase of property, plant and machinery . .	280	1,084	1,738	–	23,195
Intangible assets	627	441	13	13	193
Total	<u>8,249</u>	<u>4,224</u>	<u>14,347</u>	<u>11,033</u>	<u>26,044</u>

Planned

We expect that our capital expenditure for the year ending 31 December 2018 would amount to HK\$50 million, which is expected to be incurred on the opening of our fifth Satellite Clinic in Kwun Tong and the purchase of medical equipment and the leasehold improvements for our eye centre, eye hospitals and Satellite Clinics in Hong Kong and the PRC. We intend to fund our planned capital expenditure through the net proceeds from the Pre-IPO Tranche B Investment and the Global Offering as well as the cash flows generated from our business activities.

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RELATED PARTY TRANSACTIONS

We are controlled by C-MER Group which is in turn held by Dr. Dennis LAM and Ms. LI as to 70.0% and 30.0%, respectively. The following sets forth the related parties with whom we have transactions during the Track Record Period:

<u>Name of related parties</u>	<u>Relationship with our Company</u>
C-MER Group	One of our Controlling Shareholders.
D&S Limited	A company-owned by Dr. Dennis LAM as to 59.2%, further information on which is set forth in the sections headed “History, Development and Reorganisation” and “Relationship with our Controlling Shareholders” in this prospectus.
Shenzhen Maida	A company wholly-owned by D&S Limited and the registered owner of the Shenzhen Property and the lessor under the Lease Agreement.
D&S Pharmaceutical Company Limited	A company wholly-owned by Dr. Dennis LAM and Ms. LI, further information on which is set forth in the section headed “Relationship with our Controlling Shareholders” in this prospectus.
D&S (Shenzhen) Biotechnology Limited	A company wholly-owned by D&S Pharmaceutical Company Limited, further information on which is set forth in the section headed “Relationship with our Controlling Shareholders” in this prospectus.
Project Vision ⁽¹⁾	Dr. Dennis LAM, Ms. LI and Mr. LI Chunshan are amongst 21 directors of Project Vision. Dr. Johnson LAU Yiu-Nam and Ms. BENTLEY Annie Liang, our independent non-executive directors, are also the directors of Project Vision.
APAO Limited ⁽¹⁾	Dr. Dennis LAM is one of 41 directors of APAO Limited.

Note:

- (1) Pursuant to the Listing Rules, Project Vision and APAO Limited are not connected persons of our Company as none of our Directors and Controlling Shareholders can control the majority of their respective boards of directors and that none of these two companies is a 30%-controlled company (as such term is defined under the Listing Rules) of our connected persons.

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Recurring related party transactions

The following sets forth a summary of the recurring related party transactions for the years/periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Ophthalmic services					
– Project Vision	–	135	250	35	261
Management fee income from related companies					
– APAO Limited	–	–	208	69	136
– Project Vision	150	360	480	240	240
Rental expense paid to Shenzhen					
Maida	8,761	8,864	8,943	4,456	4,434
Total	<u>8,911</u>	<u>9,359</u>	<u>9,881</u>	<u>4,800</u>	<u>5,071</u>

Further information on the rental expense is set forth in the section headed “Continuing Connected Transactions” in this prospectus. Our Directors confirm that the transactions with related parties, namely Project Vision and APAO Limited, are based on the terms and conditions mutually agreed with the related parties and us. Our Directors further confirm that all material related party transactions of our Group were conducted on an arm’s length basis.

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INDEBTEDNESS

Following the Listing, we will use equity and debt financing for our business expansion. The following sets forth an analysis of our outstanding bank borrowings, finance lease liabilities, amounts due to directors and shareholders and amounts due to related parties as of the dates indicated:

	As of 31 December			As of	As of
	2014	2015	2016	30 June	30 November
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current					
Finance lease liabilities	6,680	6,417	1,012	807	736
Current					
Bank borrowings	33,888	20,563	11,144	15,410	8,000
Finance lease liabilities	3,316	6,330	6,367	3,285	280
Amounts due to directors and shareholders	5,458	4,915	10,510	7,458	–
Amounts due to related parties	5,277	3,735	10,341	15,580	6,153
	47,939	35,543	38,362	41,733	14,433
	54,619	41,960	39,374	42,540	15,169

As of 31 December 2014, 2015 and 2016 and 30 June 2017, the effective interest rate of our borrowings was 2.3%, 3.2%, 3.3% and 3.0% per annum, respectively. All of our outstanding borrowings are denominated in HK dollars and US dollars. As of 30 November 2017, our outstanding borrowing bears interest rate at 2.2% subject to the relevant agreement. Our outstanding borrowing is secured by our bank deposit amounted to HK\$8.0 million. The personal guarantees provided by Dr. Dennis LAM and Ms. LI have been released since July 2017. As of 30 November 2017, we had no unutilised borrowing facilities.

As of 30 November 2017, being the latest practicable date for the purpose of indebtedness statement in this prospectus, we had total outstanding indebtedness of approximately HK\$15.2 million, including bank borrowings of HK\$8.0 million, finance lease liabilities of HK\$1.0 million, and amounts due to related parties of HK\$6.2 million. The bank borrowing and finance lease liabilities were secured by pledge bank deposits of HK\$8.0 million and plant and equipment of HK\$1.2 million respectively. The amounts due to related parties were unsecured.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, (i) there are no material covenants restricting our ability to raise additional debt or equity financing and (ii) we had not breached any financial covenant or defaulted in repayment of bank borrowings or other loan facilities that were due. Since 1 April 2017 to the date of this prospectus, there has not been any material adverse change in our indebtedness liabilities or financial or trading position. Other than as disclosed above, we do not expect to raise material external debt financing in the near future based on our current business plans.

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KEY FINANCIAL RATIOS

	Notes	Year ended 31 December			Six months ended 30 June
		2014	2015	2016	2017
Revenue growth (%)	(1)	N/A	27.1	25.0	21.8
Gross profit margin (%) . . .	(2)	37.7	40.1	38.2	44.6
Net profit growth (%)	(3)	N/A	71.5	22.2	23.2
Net profit margin (%)	(4)	14.3	19.3	18.9	18.1
Return on equity (%)	(5)	72.6	57.3	73.9	21.6
Return on total assets (%) .	(6)	21.7	29.0	36.4	16.3

	Notes	As of 31 December			As of 30 June
		2014	2015	2016	2017
Gearing ratio (%)	(7)	142.4	49.8	29.2	8.3
Current ratio (<i>times</i>)	(8)	0.8	1.5	1.3	3.2
Quick ratio (<i>times</i>)	(9)	0.8	1.5	1.3	3.2

Notes:

- (1) Revenue growth is calculated based on the difference in our revenue of each reporting year/period from our revenue of the previous reporting year/period divided by our revenue of previous year/period and multiplied by 100%.
- (2) Gross profit margin is calculated based on the gross profit for each reporting year/period divided by total revenue for each reporting year/period and multiplied by 100%.
- (3) Net profit growth is calculated based on the difference in our net profit of each reporting year/period from the net profit of the previous reporting year/period divided by the net profit of previous year/period and multiplied by 100%.
- (4) Net profit margin is calculated based on the net profit for each reporting year/period divided by the total revenue for each reporting year/period and multiplied by 100%.
- (5) Return on equity is calculated based on our annualised net profit for each reporting year/period divided by equity attributable to our Shareholders as of the end of each reporting year/period and multiplied by 100%.
- (6) Return on total assets is calculated based on our annualised net profit for each reporting year/period divided by total assets as of the end of each reporting year/period and multiplied by 100%.
- (7) Gearing ratio is calculated based on our bank borrowings and other borrowings divided by total equity as of the end of each reporting year/period and multiplied by 100%.
- (8) Current ratio is calculated based on total current assets divided by the total current liabilities as of the end of each reporting year/period .
- (9) Quick ratio is calculated based on our total current assets excluding inventories divided by the total current liabilities as of the end of each reporting year/period .
- (10) Calculation of return on equity and return on total assets is on a full year basis.

Further information on our revenue growth, net profit growth, gross profit margin, net profit margin during the Track Record Period is set forth in the paragraphs under “Our operating results” above.

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Return on equity

Our return on equity decreased from 72.6% in 2014 to 57.3% in 2015, because the increase in our equity by 117.3% from HK\$30.8 million in 2014 to HK\$66.9 million in 2015 was outpaced by the increase in net profit by 71.5% from HK\$22.4 million as of 31 December 2014 to HK\$38.4 million as of the same date in 2015.

The increase in our return on equity to 73.9% in 2016 was mainly due to an increase in our net profit and the dividends paid to the shareholders of HK\$46.5 million in 2016 which reduced our total equity.

The decrease in return on equity to 21.6% as of 30 June 2017 was mainly due to the increase in equity of HK\$142.0 million for the issuance of new shares to the Pre-IPO Investors.

Return on total assets

The return on total assets during the three years ended 31 December 2016 was 21.7%, 29.0% and 36.4%, respectively, primarily due to increase in our net profit. The return on total assets decreased to 16.3% for the six months ended 30 June 2017 was due to the increase in cash and cash equivalents from the issuance of new Shares to the Pre-IPO Investors.

Gearing ratio

Our gearing ratio decreased from 142.4% as of 31 December 2014 to 49.8% as of 31 December 2015. Our gearing ratio decreased to 8.3% in the six months ended 30 June 2017, primarily due to the decrease of our total borrowings in the six months ended 30 June 2017.

Current ratio

As of 31 December 2014, 2015 and 2016 and 30 June 2017, the current ratio was 0.8, 1.5, 1.3 and 3.2, respectively. Our current ratio increased from 0.8 times as of 31 December 2014 to 1.5 times as of 31 December 2015 because the increase in our current assets by 71.1% from HK\$52.9 million as of 31 December 2014 to HK\$90.6 million as of 31 December 2015 outpaced the decrease in our current liabilities by 9.7% from HK\$64.7 million as of 31 December 2014 to HK\$58.5 million as of 31 December 2015.

Our current ratio decreased from 1.5 times as of 31 December 2015 to 1.3 times as of 31 December 2016 as a result of the decrease in our current assets, primarily due to the decreases in amount due from a director and a shareholder, and increase in current liabilities, primarily due to the increase in amount due to directors and shareholders, and amounts due to related parties.

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Our current ratio increased from 1.3 times as of 31 December 2016 to 3.2 as of 30 June 2017 as a result of the increase in our current assets, primarily due to the increase in cash and cash equivalents.

Quick ratio

Consistent with the changes in our current ratio, as of 31 December 2014, 2015 and 2016 and 30 June 2017, the quick ratio was 0.8, 1.5, 1.3 and 3.2, respectively.

MARKET RISKS

Our business activities expose us to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance.

Financial risk management is carried out by the finance department under the supervision of our Board of directors. The board provides principles for overall risk management.

Market risk

Foreign exchange risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the changes in foreign exchange rates.

Our subsidiaries mainly operate in Hong Kong and the PRC with most of the transactions settled in HK\$ and RMB, respectively. Foreign exchange rate risk arises when recognised financial assets and liabilities are denominated in a currency that is not the entity's functional currency.

As of 31 December 2014, 2015 and 2016 and 30 June 2017, the financial assets and liabilities of our subsidiaries in Hong Kong and PRC are primarily denominated in HK\$ and RMB, respectively.

We will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

Cash flow and fair value interest rate risk

Our income and operating cash flows are substantially independent of changes in market interest rates. We do not anticipate significant impact resulted from the reasonable possible change in interest rates.

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Our cash flow interest rate risk mainly arises from cash at banks, bank borrowings and finance lease liabilities at floating interest rates. As of 31 December 2014, 2015 and 2016 and 30 June 2017, if interest rates had been 50 basis points higher/lower and all other variables were held constant, our post-tax profit for the years/periods would have been approximately HK\$132,000 lower/higher, HK\$55,000 lower/higher, HK\$62,000 higher/lower and HK\$655,000 higher/lower, respectively, mainly attributable to our exposure to interest rates on its variable rate bank balances and borrowings.

Our fair value interest rate risk mainly arises from finance lease liabilities at fixed interest rates.

Credit risk

Our credit risk mainly arises from trade receivables, deposits and other receivables, amount due from a director and shareholder, amounts due from related parties, and cash and cash equivalents. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets.

The credit risk of cash and cash equivalents are limited because the counterparties are state-owned or reputable commercial banks which are high-credit-quality financial institutions located in Hong Kong and the PRC.

We have a highly diversified source of patients, without any single patient contributing material revenue. Moreover, some of our revenue is settled by reputable commercial companies and local government on behalf of patients. We have controls to closely monitor the patients' billing and payment status by communication with commercial companies and local government to minimise the credit risk. We review the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit quality of deposits and other receivables, amount due from a director and shareholder and amounts due from related parties have been assessed with reference to historical information about the counterparties default and financial position of the counterparty. We do not believe the credit risk in relation to the related parties are significant, considering the existing related parties do not have defaults in the past and management does not expect any losses from non-performance by these related parties.

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Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding from an adequate amount of committed credit facilities from leading banks and the ability to close out market position.

We maintain liquidity by a number of sources including orderly realisation of short-term financial assets, receivables and certain assets that we consider appropriate and long term financing including long-term borrowings are also considered by us in capital structuring. We aim to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable us to continue its business for the foreseeable future.

The table below analyses our financial liabilities into relevant maturity groupings based on the remaining period at the consolidated balance sheets date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date we can be required to pay. Balance within 12 months equal their carrying balances as impact at discounting is not significant.

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which we can be required to pay, that is if the lender were to invoke their unconditional rights to call the loans with immediate effort. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates.

	<u>On demand</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As of 31 December 2014				
Amounts due to directors and shareholders ······	5,458	–	–	5,458
Amounts due to related parties ····	5,656	–	–	5,656
Trade payables ······	–	2,483	–	2,483
Accruals and other payables (excluding non-financial liabilities) ······	–	4,443	–	4,443
Bank borrowings ······	33,888	–	–	33,888
Finance lease liabilities ······	–	3,583	6,893	10,476
	<u>45,002</u>	<u>10,509</u>	<u>6,893</u>	<u>62,404</u>

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	<u>On demand</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As of 31 December 2015				
Amounts due to directors and shareholders ······	4,915	–	–	4,915
Amounts due to related parties ····	3,735	–	–	3,735
Trade payables ······	–	2,342	–	2,342
Accruals and other payables (excluding non-financial liabilities) ······	–	8,461	–	8,461
Bank borrowings ······	20,563	–	–	20,563
Finance lease liabilities ······	–	6,645	6,524	13,169
	<u>29,213</u>	<u>17,448</u>	<u>6,524</u>	<u>53,185</u>
	<u>On demand</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As of 31 December 2016				
Amounts due to directors and shareholders ······	10,510	–	–	10,510
Amounts due to related parties ····	10,375	–	–	10,375
Trade payables ······	–	3,090	–	3,090
Accruals and other payables (excluding non-financial liabilities) ······	–	13,233	–	13,233
Bank borrowings ······	11,144	–	–	11,144
Finance lease liabilities ······	–	6,504	1,056	7,560
	<u>32,029</u>	<u>22,827</u>	<u>1,056</u>	<u>55,912</u>

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	<u>On demand</u>	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As of 30 June 2017				
Amounts due to directors and shareholders	7,458	–	–	7,458
Amounts due to related parties	15,580	–	–	15,580
Trade payables	–	2,758	–	2,758
Accruals and other payables (excluding non-financial liabilities)	–	17,906	–	17,906
Bank borrowings	15,410	–	–	15,410
Finance lease liabilities	–	3,337	839	4,176
	<u>38,448</u>	<u>24,001</u>	<u>839</u>	<u>63,288</u>

The table below analyses our bank borrowings into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date without taking into consideration the effect of the clause of repayment on demand.

	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As of 31 December 2014				
Bank borrowings	<u>29,959</u>	<u>2,587</u>	<u>2,156</u>	<u>34,702</u>
As of 31 December 2015				
Bank borrowings	<u>10,027</u>	<u>4,792</u>	<u>7,029</u>	<u>21,848</u>
As of 31 December 2016				
Bank borrowings	<u>4,792</u>	<u>2,636</u>	<u>4,393</u>	<u>11,821</u>
As of 30 June 2017				
Bank borrowings	<u>10,361</u>	<u>2,636</u>	<u>3,075</u>	<u>16,072</u>

Capital risk management

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. We use borrowings to finance our operations.

In order to maintain or adjust the capital structure, We may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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Consistent with others in the industry, we monitor capital on the basis of the gearing ratio. As of 31 December 2014, 2015 and 2016 and 30 June 2017, the gearing ratio were 142.4, 49.8, 29.2 and 8.3 respectively.

LISTING EXPENSES

Assuming that the Over-allotment Option is not exercised, the Listing expenses (including underwriting commission) are estimated to be HK\$50.0 million (based on the mid-point of the indicative range of the Offer Price of HK\$2.63), of which an amount of HK\$8.0 million has been charged to the consolidated statements of comprehensive income for the six months ended 30 June 2017. We expect that an amount of HK\$26.8 million will be charged to the consolidated statements of comprehensive income for the year ending 31 December 2017 and HK\$23.2 million will be accounted for as a deduction from equity upon Listing. This amount of Listing expenses could have an adverse impact on our profitability for the year ending 31 December 2017.

Our Directors consider that our operating results for the years ending 31 December 2017 will be affected by the Listing expenses.

DIVIDENDS

During the Track Record Period, we declared and paid dividend of nil, nil, HK\$46.5 million and nil, respectively. The dividend declared by us to C-MER Group was settled by way of offsetting part of the amount due from Dr. Dennis LAM and Ms. LI, our executive Directors, and C-MER Group. Dr. Dennis LAM and Ms. LI are the shareholders of C-MER Group, and there was no dividend declared and paid by us to Dr. Dennis LAM and Ms. LI during the Track Record Period.

On 30 September 2017, our Company declared a special interim dividend of HK\$100.0 million to our Shareholders. As part of the arrangements under the Pre-IPO Investment, Dr. Dennis LAM, being one of our Controlling Shareholders, is entitled to such dividends. Hence, the total amount of the special interim dividend of HK\$100.0 million has been paid to Dr. Dennis LAM, net of the amount due from our Controlling Shareholders, by way of cash from our internally generated financial resources. The arrangement on the dividend entitlement of Dr. Dennis LAM before the Listing has been negotiated between the Pre-IPO Investors and our Controlling Shareholders on an arm's length basis upon normal commercial terms taking into consideration our estimated future performance and business plans.

We will not have any dividend policy or fixed dividend pay-out ratio to be adopted following the Listing. Any amount of dividends to be declared and paid by our Company following the Listing will be at the discretion of our Directors taking into consideration our future operations and earnings, our business development, capital requirements and surplus, general financial conditions, contractual restrictions and such other factors as our Directors consider appropriate. Any declaration and payment as well as the amount of dividends will be

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subject to the Articles and Cayman Companies Law. No dividend shall be declared or paid except out of our distributable profit and funds that are lawfully available for distribution under the Cayman Companies Law.

DISTRIBUTABLE RESERVE

Our reserves available for distribution to Shareholders consist of share premium and retained earnings. Under the Cayman Companies Law and subject to compliance with the Articles, the share premium account may be applied by our Company for paying distributions of dividends to our Shareholders if immediately following the date on which the distribution or dividend is proposed to be paid, we will be able to pay off our debts as they fall due in the ordinary course of business. As of 30 June 2017, our Company had distributable reserves amounting HK\$193.6 million which is available for distribution to our Shareholders.

UNAUDITED PRO FORMA NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis set forth below is for illustrative purpose only, and is set forth herein to illustrate the effect of the Global Offering on the net tangible asset of our Group attributable to the owners of the Company as of 30 June 2017 as if it had taken place on 30 June 2017.

The unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of 30 June 2017 or as of any future dates.

	Audited consolidated net tangible assets attributable to owners of our Company as of 30 June 2017 <i>(Note 1)</i>	Estimated net proceeds from the Global Offering <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets attributable to owners of our Company	Unaudited pro forma adjusted net tangible assets attributable to owners of our Company per Share <i>(Note 3)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
Based on an Offer Price of HK\$2.35 per Share	233,354	422,303	655,657	0.66
Based on an Offer Price of HK\$2.90 per Share	233,354	527,944	761,298	0.76

FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of our Company as of 30 June 2017 is extracted from the Accountant's Report set forth in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as of 30 June 2017 of HK\$234.9 million with an adjustment to the intangible assets as of 30 June 2017 of HK\$1.6 million.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$2.35 and HK\$2.90 per Share, respectively, after deduction of estimated underwriting fees and other related expenses payable by our Group (excluding HK\$8.0 million Listing expenses which have been charged to our consolidated statements of comprehensive income up to 30 June 2017) and takes no account of any Shares which may be granted and issued by our Company pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options and any option that may be granted under the Post-IPO Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the General Mandate and the Buy-back Mandate.
- (3) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in the paragraph above and on the basis that 1,000,000,000 Shares are in issue (assuming that the Capitalisation Issue and the Global Offering has been completed on 30 June 2017), without taking into consideration of any Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options and any option that may be granted under the Post-IPO Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the General Mandate and the Buy-back Mandate.
- (4) Save as disclosed in Note (3) above, no adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to 30 June 2017.
- (5) The unaudited pro forma adjusted net tangible assets of our Group does not take into account the special interim dividend of HK\$100.0 million declared by our Company on 30 September 2017. The unaudited pro forma adjusted net tangible assets per Share would have been HK\$0.56 and HK\$0.66 per Share based on the Offer Price of HK\$2.35 and HK\$2.90, respectively, after taking into consideration the declaration and payment of dividend.

NO DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had our Shares been listed on the Stock Exchange on that date.

CONTINGENT LIABILITIES

As of 30 November 2017, we did not have any material contingent liabilities. Except as disclosed in the prospectus, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, debentures, mortgages, charges, finance leases, liabilities under acceptances or acceptance credits, hire purchase commitments, guarantees or other material contingent liabilities as of the Latest Practicable Date. As of the same date, we had not guaranteed the indebtedness of any independent third parties.

FINANCIAL INFORMATION

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contractual obligations set forth above, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our Shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. We do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

CORNERSTONE INVESTORS

INVESTMENT BY THE CORNERSTONE INVESTORS

On 20 December 2017, our Company, the Sole Global Coordinator and Sole Bookrunner and each of the three cornerstone investors (the “**Cornerstone Investors**” and each a “**Cornerstone Investor**”) entered into a cornerstone investment agreement (the “**Cornerstone Investment Agreement**” and together, the “**Cornerstone Investment Agreements**”) for the purpose of subscribing by each Cornerstone Investor for such number of International Offering Shares at the Offer Price in the amount of HK\$62.4 million. Hence, the total amount of investment agreed to be made by the Cornerstone Investors is HK\$187.2 million.

Based on the Offer Price of HK\$2.35, HK\$2.63 and HK\$2.90 (being the low-end, mid-point and high-end of the indicative range of the Offer Price, respectively), the aggregate number of our International Offer Shares agreed to be subscribed for by each of the Cornerstone Investors would be 26,552,000, 23,726,000 and 21,516,000 Offer Shares, respectively, representing (a) 13.5%, 12.0% and 10.9% of the initial number of our Offer Shares or (b) 2.7%, 2.4% and 2.2% of the enlarged number of Shares in issue following completion of the Global Offering and the Capitalisation (without taking into consideration our Shares that may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme).

The tables below sets forth a summary of further information on each of the Cornerstone Investors, the investment made by each of them and the number of International Offer Shares that would be subscribed by them:

Assuming an Offer Price of HK\$2.35 (being the low-end of the indicative range of the Offer Price)					
Name of the Cornerstone Investor	Amount of Investment	Maximum number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) agreed to be subscribed for	Percentage to the initial number of our International Offer Shares ⁽¹⁾	Percentage to the initial number of our Offer Shares ⁽¹⁾	Percentage to the enlarged number of Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue ⁽¹⁾
	<i>(HK\$ 'million)</i>		<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
Wah Li (Hong Kong) Limited	62.4	26,552,000	15.0	13.5	2.7
Gunther Group Limited	62.4	26,552,000	15.0	13.5	2.7
Advance Data Services Limited	62.4	26,552,000	15.0	13.5	2.7
Total	<u>187.2</u>	<u>79,656,000</u>	<u>45.0</u>	<u>40.5</u>	<u>8.1</u>

CORNERSTONE INVESTORS

Assuming an Offer Price of HK\$2.63 (being the mid-point of the indicative range of the Offer Price)

Name of the Cornerstone Investor	Amount of Investment	Maximum number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) agreed to be subscribed for	Percentage to the initial number of our International Offer Shares ⁽¹⁾	Percentage to the initial number of our Offer Shares ⁽¹⁾	Percentage to the enlarged number of Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue ⁽¹⁾
	<i>(HK\$ 'million)</i>		<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
Wah Li (Hong Kong) Limited	62.4	23,726,000	13.4	12.0	2.4
Gunther Group Limited	62.4	23,726,000	13.4	12.0	2.4
Advance Data Services Limited	62.4	23,726,000	13.4	12.0	2.4
Total	187.2	71,178,000	40.2	36.0	7.2

Assuming an Offer Price of HK\$2.90 (being the high-end of the indicative range of the Offer Price)

Name of the Cornerstone Investor	Amount of Investment	Maximum number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) agreed to be subscribed for	Percentage to the initial number of our International Offer Shares ⁽¹⁾	Percentage to the initial number of our Offer Shares ⁽¹⁾	Percentage to the enlarged number of Shares in issue immediately upon completion of the Global Offering and the Capitalisation Issue ⁽¹⁾
	<i>(HK\$ 'million)</i>		<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
Wah Li (Hong Kong) Limited	62.4	21,516,000	12.1	10.9	2.2
Gunther Group Limited	62.4	21,516,000	12.1	10.9	2.2
Advance Data Services Limited	62.4	21,516,000	12.1	10.9	2.2
Total	187.2	64,548,000	36.3	32.7	6.6

Note:

- The percentages are based on such number of Shares without taking into consideration our Shares that may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme.

The actual number of our International Offer Shares to be allocated to each of the Cornerstone Investors will be disclosed in our announcement of results of allocations of our Offer Shares under the Global Offering on or around Friday, 12 January 2018.

CORNERSTONE INVESTORS

To the best knowledge of our Directors, each of the Cornerstone Investors and its ultimate beneficial owners is an Independent Third Party. Our International Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* with the fully paid Shares then in issue and will be counted towards the public float of our Shares. The Cornerstone Investors will not subscribe for other Offer Shares under the Global Offering. Immediately following completion of the Global Offering and the Capitalisation Issue, none of the Cornerstone Investors will have any Board representation in our Company or become our substantial Shareholders.

The investment made by the Cornerstone Investors forms part of the International Offering. The International Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in the section headed “Structure and Conditions of the Global Offering — The Hong Kong Public Offering — Reallocation and clawback” in this prospectus.

INFORMATION ON THE CORNERSTONE INVESTORS

We set forth below a brief description of each Cornerstone Investor, which has been provided by the respective Cornerstone Investors in connection with the Cornerstone Placing:

Wah Li (Hong Kong) Limited

Wah Li (Hong Kong) Limited is a company incorporated under the laws of the Hong Kong with limited liability and is an investment holding company. Wah Li (Hong Kong) Limited is wholly-owned by Mr. CHIU Yung.

Gunther Group Limited

Gunther Group Limited is a company incorporated under the laws of the British Virgin Islands with limited liability and is an investment holding company. Gunther Group Limited is 100% controlled by the trustee of a discretionary trust set up by Mr. Michael YING Lee Yuen as settlor.

Advance Data Services Limited

Advance Data is an investment holding company incorporated in the British Virgin Islands. It is wholly-owned by Mr. MA Huateng, who is the chairman and founder of Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 00700). Tencent Holdings Limited, together with its subsidiaries, are principally engaged in the provision of Internet and mobile value-added services (VAS), online advertising services and e-commerce transactions services to users in the PRC.

CORNERSTONE INVESTORS

CONDITIONS PRECEDENT

Pursuant to the terms and conditions of each of the Cornerstone Investment Agreements, the subscription obligation of each Cornerstone Investor is conditional upon, among others:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement shall have been entered into and become effective and all of the conditions precedent to completion set forth therein shall have been satisfied in accordance with their respective original terms (or as subsequently waived, to the extent it may be waived, by the relevant parties thereto) by no later than the respective time and date specified therein;
- (b) the Offer Price having been agreed by the Sole Global Coordinator and us;
- (c) neither of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated in accordance with their respective original terms or as subsequently varied by agreement of the parties thereto;
- (d) the respective representations, warranties, undertakings, confirmation, agreements and acknowledgements of the Cornerstone Investor are and will be as of the respective dates set forth in the relevant Cornerstone Investment Agreement accurate and true in all material respects and not misleading and there is no material breach of the relevant Cornerstone Investment Agreement by us and the Cornerstone Investor;
- (e) the Listing Committee having granted or agreeing to grant the listing of, and permission to deal in, our Shares on the Main Board and that such approval or permission has not been revoked;
- (f) the Listing shall take place on or before 28 January 2018; and
- (g) no Laws (as defined therein) shall have been enacted or promulgated by any Governmental Authority (as defined therein) which prohibits completion of the investment by the Cornerstone Investor and there shall be no order or injunction of a court of competent jurisdiction in effect precluding or prohibiting completion of the investment by the Cornerstone Investor.

CORNERSTONE INVESTORS

RESTRICTIONS ON DISPOSAL AND UNDERTAKINGS

Pursuant to the Cornerstone Investment Agreement, each of the Cornerstone Investors has agreed and undertaken that, save with the prior written consent of our Company and the Sole Global Coordinator,

- (a) it shall not dispose of any of our Shares subscribed under the Cornerstone Investment Agreement for a period of six months from and inclusive of the Listing Date;
- (b) at any time after the expiry of period referred to in (a) above, in the event that the Cornerstone Investor enters into any transactions to dispose of any of our Shares subscribed under the Cornerstone Investment Agreement, or agrees or contracts to, or publicly announces an intention to enter into any such transactions, the Cornerstone Investor shall first give reasonable notice to our Company and the Sole Global Coordinator in writing prior to the disposal of such Shares and shall take all reasonable steps to ensure that it will not create a disorderly or false market in our Shares and will comply with all applicable laws and regulations and rules of securities exchanges of all competent jurisdictions including the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the SFO.

Notwithstanding the above, the Cornerstone Investor may transfer our Shares subscribed under the Cornerstone Investment Agreement to its wholly-owned subsidiaries, provided that the transferee will undertake that it will abide by the obligations of the relevant Cornerstone Investor under the relevant Cornerstone Investment Agreement.

Each Cornerstone Investor agrees not to, and agrees to procure that none of its subsidiaries and/or associates shall, apply or place an order for any Offer Shares other than our Shares subscribed under the Cornerstone Investment Agreement.

SHAREHOLDING AS PART OF THE PUBLIC FLOAT

Our Shares subscribed by the Cornerstone Investment Agreement will be treated as part of the public float following the Listing.

UNDERWRITING

HONG KONG UNDERWRITER

China Merchants Securities (HK) Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 28 December 2017. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 19,700,000 Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong on the terms and subject to the conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be offered pursuant to the Global Offering as mentioned herein (including any Over-allotment Shares or any Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme), and to certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriter has agreed, severally but not jointly, to subscribe or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

If any of the events set out below shall occur at any time prior to 8:00 a.m. on the Listing Date, the Sole Sponsor and the Sole Global Coordinator (acting in such capacity and as the Underwriter) may by giving oral or written notice to our Company terminate the Hong Kong Underwriting Agreement with immediate effect:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of

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hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the Cayman Islands or the BVI (collectively, the “**Relevant Jurisdictions**”); or

- (ii) any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investment markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or
- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange; or
- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC or any other Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or
- (v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (viii) any proceedings of any third party being threatened or instigated against any member of our Group; or

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- (ix) any change or development or event involving a prospective change, or materialisation of, any of the risks set out in the section “Risk Factors” in this prospectus; or
- (x) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

which, individually or in the aggregate, in the sole opinion of the Sole Sponsor and the Sole Global Coordinator:

- (1) has or will have or may have a material adverse effect, or any change or development involving a prospective material adverse effect, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise or performance of our Company or any member of our Group or our Group as a whole (“**Material Adverse Effect**”); or
- (2) has or will have or may have a Material Adverse Effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Shares in the secondary market; or
- (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering or dealings in the Shares in the secondary market; or
- (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

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- (b) there has come to the notice of the Sole Sponsor and the Sole Global Coordinator:
- (i) that any statement contained in any of this prospectus or the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (the “**Hong Kong Public Offering Documents**”) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents is not fair and honest and based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement or omission from any of the Hong Kong Public Offering Documents; or
 - (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreements (other than upon any of the Hong Kong Underwriter, the International Underwriter, the Sole Sponsor, the Sole Global Coordinator or the Sole Bookrunner); or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the clause 12 under the Hong Kong Underwriting Agreement; or
 - (v) any Material Adverse Effect; or
 - (vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties; or
 - (vii) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options Scheme and the Post-IPO Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (viii) that our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

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- (ix) an executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (x) the chairman or chief executive officer of our Company vacating his or her office; or
- (xi) an authority or a political body or organisation in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any executive Director; or
- (xii) a contravention by any member of Group of the Listing Rules or applicable laws; or
- (xiii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Option Shares) pursuant to the terms of the Global Offering; or
- (xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xv) the issue or requirement to issue by our Company of any supplement or amendment to the prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xvii) that any expert (other than the Sole Sponsor) named in the section “Appendix IV — Statutory and General Information — E. Other Information — 7. Consent of the Experts” in this prospectus has withdrawn its consent to being named in any of the Hong Kong Public Offering Documents or to the issue of any of the Hong Kong Public Offering Documents; or
- (xviii) a portion of the orders in the bookbuilding process have been withdrawn, terminated or cancelled, and the Sole Bookrunner, in their sole and absolute discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering.

UNDERWRITING

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company will not, any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities (whether or not of a class already listed) of our Company or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders, namely C-MER Group, Dr. Dennis LAM and Ms. LI, has undertaken to the Stock Exchange, the Sole Global Coordinator, the Sole Bookrunner and us that he/she/it will not, save as permitted under the Listing Rules or pursuant to any lending of Shares pursuant to the Stock Borrowing Agreement:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Stock Exchange (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares or securities directly or indirectly beneficially owned by it; and
- (b) during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares or securities or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of our Company.

In addition, in accordance to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange, the Sole Global Coordinator and us that, within the First Six-month Period and the Second Six-month Period, it will:

- (a) when it pledges or charges any Shares or other securities of our Company in respect of which it is the beneficial owner in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of any such pledge or charge and the number of Shares or other securities of our Company so pledged or charged; and

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- (b) when it receives any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform us of any such indication.

We will also, as soon as we have been informed of the above matters (if any) by C-MER Group, Dr. Dennis LAM or Ms. LI, inform the Stock Exchange and disclose such matters as soon as possible by way of an announcement to be published as required under the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken with each of the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor and the Hong Kong Underwriter that, we will not, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (acting in such capacity and as the Underwriter) and unless in compliance with the Listing Rules, at any time during the First Six-month Period:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depository in connection with the issue of depository receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities of our Company or interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

UNDERWRITING

- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i) to (iii) above,

in each case, whether any of the foregoing transactions described in sub-paragraphs (i) to (iii) above is to be settled by delivery of our Shares or such other securities, or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period) provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering or grant of options or issuance of Shares upon exercise of such options pursuant to the Pre-IPO Share Option Scheme or any issue of debt securities by our Company or any other member of our Group or any encumbrance created over the shares or other securities of any member of our Group as security for such debt securities, provided that such debt securities are not convertible into equity securities of our Company or any member of our Group.

During the Second Six-Month Period, we shall not enter into any of the transactions specified in sub-paragraphs (i) to (iii) above or offer to or agree to or announce any intention to effect any such transaction such that any Controlling Shareholder, directly or indirectly, would cease to be our Controlling Shareholder.

In the event that, during the Second Six-month Period, we enter into any of the transactions specified in sub-paragraphs (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect such transaction, we will take all reasonable steps to ensure that we will not create a disorderly or false market in the securities of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner and the Hong Kong Underwriter that, except pursuant to (a) the Global Offering, (b) the Over-allotment Option or (c) the Stock Borrowing Agreement, none of our Controlling Shareholders will, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) and unless in compliance with the Listing Rules, at any time during the First Six-month Period:

- (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or

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any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree or announce any intention to effect any transaction described in (i) to (iii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of our Shares or other securities of our Company, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period).

During the Second Six-month Period, each of our Controlling Shareholders will not enter into any of the transactions in sub-paragraphs (i), (ii) or (iii) above or offer to or agree or announce any intention to enter into any such transactions if, immediately following such sale, transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholder will collectively cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company.

Until the expiry of the Second Six-month Period, in the event that each of our Controlling Shareholders enters into any such transactions or offers to or agrees or announces any intention to enter into any such transactions, he or it will take all reasonable steps to ensure that he or it will not create a disorderly or false market in the securities of our Company.

At any time during the First Six-month Period and Second Six-month Period (i) our Controlling Shareholders will, if they pledge or charge or intends to pledge or charge any Shares or other securities of our Company in respect of which they are the beneficial owner, immediately inform our Company, the Sole Sponsor, the Sole Global Coordinator and the Stock Exchange of any such pledges or charges and the number of Shares or other securities of our Company so pledged or charged, and (ii) our Controlling Shareholders will, if they receive any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform our Company, the Sole Sponsor, the Sole Global Coordinator and the Stock Exchange of any such indication.

UNDERWRITING

The International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with the International Underwriter. Under the International Underwriting Agreement, the International Underwriter will, subject to certain conditions set forth therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriter the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriter at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 29,550,000 Offer Shares, representing 90% of the initial Offer Shares, at the same price for each Offer Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Total commission and expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriter will receive an underwriting commission of 2.5% on the Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Sole Global Coordinator and the relevant International Underwriter (but not the Hong Kong Underwriter). In addition, our Company may, in our sole discretion, pay the Underwriter an incentive fee of up to 1% of the Offer Price for each Offer Share.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$2.63 per Share (being the mid-point of the indicative Offer Price range of HK\$2.35 to HK\$2.90 per Share), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering are estimated to be approximately HK\$50.0 million in total (excluding any discretionary incentive fee).

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Indemnity

We have agreed to indemnify the Hong Kong Underwriter and International Underwriter for certain losses which they may suffer, including liabilities under the U.S. Securities Act, losses incurred arising from their performance of their obligations under the Underwriting Agreements and any breach by our Company of the Underwriting Agreements.

Activities by syndicate members

We describe below a variety of activities that the Hong Kong Underwriter and the International Underwriter of the Global Offering (together, the “**Syndicate Members**”), may each individually undertake, and which do not form part of the underwriting or the stabilising process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- the Syndicate Members (except for the Stabilising Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage fee, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have our Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

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In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

All of these activities may occur both during and after the end of the stabilising period described in the sections headed “Structure and Conditions of the Global Offering — The International Offering — Over-allotment Option” and “Structure and Conditions of the Global Offering — Stabilisation”. These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriter’s interests in our company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriter does not have any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriter and its affiliated companies may hold a certain portion of our Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Other services to our Company

The Sole Global Coordinator or Sole Bookrunner (acting in such capacity or otherwise) and its affiliates has, from time to time, provided and expect to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Sole Global Coordinator (acting in such capacity or otherwise) and its affiliates has received or will receive customary fees and commissions.

Share over-allotment and stabilisation

Further information on the arrangements relating to the Over-allotment Option and stabilisation is set forth in the section headed “Structure and Conditions of the Global Offering — Stabilisation” in this prospectus.

Sole Sponsor’s independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 19,700,000 Offer Shares in Hong Kong as described in the section headed “Structure and Conditions of the Global Offering — The Hong Kong Public Offering” in this prospectus; and
- (ii) the International Offering of an aggregate of initially 177,300,000 Offer Shares (subject to reallocation and the Over-allotment Option), to be offered outside the United States in reliance on Regulation S or another exemption from, or in transaction not subject to, the registration requirements of the U.S. Securities Act as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

Of the 19,700,000 Offer Shares initially being offered under the Hong Kong Public Offering, 1,970,000 Offer Shares (representing 1.0% of the total number of Offer Shares initially being offered under the Global Offering) are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set forth in this prospectus and the **PINK** Application Form.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent 19.7% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into consideration the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent 22.0% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set forth in the paragraphs under “Over-allotment Option” below.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the Offer Shares under the Internal Offering, but may not do both.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraphs under “The Hong Kong Public Offering — Reallocation and clawback” below.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 19,700,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent 10% of our Shares in issue immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised and that there is no adjustment in the number of Shares between the Hong Kong Public Offering and the International Offering. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offering is subject to the conditions as set forth in the paragraphs under “Conditions of the Hong Kong Public Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 8,865,000 Offer Shares for pool A and 8,865,000 Offer Shares for pool B.

- Pool A: the Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage fee, SFC transaction levy and Stock Exchange trading fee payable) or less.
- Pool B: the Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage fee, SFC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 8,865,000 Offer Shares are liable to be rejected.

Reallocation and clawback

Paragraph 4.2 of the Practise Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the following adjustments:

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 59,100,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 78,800,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 98,500,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator. If either the Hong Kong Public Offering or the International Offering is not fully subscribed for, the Sole Global Coordinator have the authority to reallocate any unsubscribed Offer Shares from such offering to the other, in such proportions as the Sole Global Coordinator deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$2.90 per Share in addition to any brokerage fee, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraphs under "Pricing of the Global Offering" below, is less than the maximum price of HK\$2.90 per Share, appropriate refund payments (including the brokerage fee, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set forth below in the section headed "How to Apply for our Hong Kong Offer Shares and Employee Reserved Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE EMPLOYEE PREFERENTIAL OFFERING

Of the 19,700,000 Offer Shares initially being offered under the Hong Kong Public Offering, 1,970,000 Offer Shares (representing 1.0% of the total number of Offer Shares initially being offered under the Global Offering) are available for subscription by the Eligible Employees on a preferential basis, subject to the terms and conditions set forth in this prospectus and the **PINK** Application Form.

The Employee Reserved Shares are being offered out of the Hong Kong Public Offering and are not subject to the clawback mechanism as set forth in the paragraph headed "The Hong Kong Public Offering — Reallocation and clawback" below.

As of the Latest Practicable Date, there were 61 Eligible Employees being eligible to apply for Employee Reserved Shares under the Employee Preferential Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Allocation of the Employee Reserved Shares under the Employee Preferential Offering will be based on the written guidelines distributed to the Eligible Employees which are consistent with the allocation guidelines contained in Practice Note 20 of the Listing Rules. The allocation of the Employee Reserved Shares under the Employee Preferential Offering will, in any event, be made on an equitable basis and will not be based on the identity, the seniority, the length of service or the work performance of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. Eligible Employees applying for Employee Reserved Shares will be subject to an allocation basis that is based on the level of valid applications received. The allocation basis will be determined by our Company's Hong Kong Share Registrar based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in the Hong Kong Public Offering in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 1,970,000 Employee Reserved Shares will be rejected.

Any Employee Reserved Shares not subscribed for by the Eligible Employees under the Employee Preferential Offering will be available for subscription by the public in Hong Kong under the Hong Kong Public Offering after the reallocation as described above in the paragraph headed "The Hong Kong Public Offering" in this section.

If you are an Eligible Employee, in addition to being able to apply for Employee Reserved Shares under the Employee Preferential Offering by a **PINK** Application Form, you may also:

- apply for Hong Kong Offer Shares as a member of the public in the Hong Kong Public Offering on a **WHITE** or **YELLOW** Application Form or by submitting application online through the designated website of the **White Form eIPO** Service Provider or giving electronic application instruction to HKSCC via CCASS; or
- apply for or indicate an interest for International Offer Shares under the International Offering,

but you may not do both. Eligible Employees will receive no preference as to entitlement or allocation in respect of such further application for Hong Kong Offer Shares or International Offer Shares.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 177,300,000 Offer Shares representing 90% of the Offer Shares under the Global Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section headed “— Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator and Sole Bookrunner (acting in such capacity and as the Underwriter) may require any investor who has been offered the International Offer Shares, and who has made an application under the Hong Kong Public Offering, to provide sufficient information so as to allow it to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Hong Kong Offer Shares.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the Sole Global Coordinator and Sole Bookrunner (acting in such capacity and as the Underwriter).

Pursuant to the Over-allotment Option, the Sole Global Coordinator and Sole Bookrunner (acting in such capacity and as the Underwriter) has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 29,550,000 Shares, representing 15.0% of the initial number of our Offer Shares, at the same price for each International Offer Share, to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the Shares to be allotted and issued thereunder will represent 2.9% of the enlarged number of Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue and the exercise of the Over-allotment Option as set forth in the paragraphs under “Over-allotment Option” below. In the event that the Over-allotment Option is exercised, an announcement will be made by our Company.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

STABILISATION

Stabilisation is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager or any person acting for it may over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilising Manager of a greater number of our Shares than the Underwriter is required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilising Manager may close out the covered short position by either exercising the Over-allotment Option to be allotted with additional Shares by our Company or purchasing our Shares in the open market. In determining the source of our Shares to close out the covered short position, the Stabilising Manager will consider, among others, the price of our Shares in the open market as compared to the price at which they may subscribe for additional Shares pursuant to the exercise of the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of our Shares while the Global Offering is in progress. Any market purchase of our Shares can only be effected on the Stock Exchange in compliance with all applicable laws and regulations. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of our Shares that may be over-allocated will not exceed the number of our Shares that may be issued under the Over-allotment Option, i.e. 29,550,000 Shares, which is 15.0% of the initial number of our Offer Shares, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilising activities must be carried out in accordance with the Securities and Futures (Price Stabilising) Rules. Stabilising actions permitted pursuant to the Securities and Futures (Price Stabilising) Rules include:

- (a) over-allocation for the purpose of preventing or minimising any reduction in the market price;
- (b) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any deduction in the market price;

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (c) purchasing or subscribing, or agreeing to purchase or subscribe, for our Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, our Shares for the sole purpose of preventing or minimising any reduction in the market price;
- (e) selling our Shares to liquidate a long position held as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilising actions by the Stabilising Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilising Manager, or any person acting for it, may maintain a long position in our Shares. The size of the long position, and the period for which the Stabilising Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilising Manager and is uncertain. In the event that the Stabilising Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilising action by the Stabilising Manager, or any person acting for it, is not permitted to support the price of our Shares for longer than the stabilising period, which begins on the day on which trading of our Shares commences on the Stock Exchange and ends on the 30th day of the last day for the lodging of applications under the Hong Kong Public Offering. The stabilising period is expected to end on 7 February 2018. As a result, demand for our Shares, and their market price, may fall after the end of the stabilising period. These activities by the Stabilising Manager may stabilise, maintain or otherwise affect the market price of our Shares. As a result, the price of our Shares may be higher than the price that otherwise may exist in the open market. Any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of our Shares by the Stabilising Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for our Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made by our Company within seven days of the expiration of the stabilising period.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow up to 29,550,000 Shares from C-MER Group pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set forth in Rule 10.07(3) of the Listing Rules.

PRICING OF THE GLOBAL OFFERING

The International Underwriter will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Monday, 8 January 2018, and in any event not later than Friday, 12 January 2018, by agreement between the Sole Global Coordinator and Sole Bookrunner (acting in such capacity and as the Underwriter) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$2.90 and is expected to be not less than HK\$2.35 unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Sole Global Coordinator and Sole Bookrunner (acting in such capacity and as the Underwriter) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.cmereye.com) notices of the reduction. Upon the issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

offer price range will be final and conclusive and the offer price, if agreed upon by the Sole Global Coordinator and Sole Bookrunner (acting in such capacity and as the Underwriter) and our Company, will be fixed within such revised offer price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set forth in the prospectus, use of proceeds, and any other financial information which may change materially as a result of such reduction. **If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application may or may not (depending on the information in the announcement) be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set forth in the announcement and all unconfirmed applications will not be valid.** In the absence of any such notice so published, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon by the Sole Global Coordinator (acting in such capacity and as the Underwriter) and our Company will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Sole Global Coordinator may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

The Offer Price for Shares under the Global Offering is expected to be determined on Monday, 8 January 2018. The Offer Price, indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Friday, 12 January 2018 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.cmereye.com).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting”.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee granting listing of, and permission to deal in, our Offer Shares being offered pursuant to the Global Offering (including the the Over-allotment Option), the Capitalisation Issue and our Shares that may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme (subject only to allotment);
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriter under each of the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator and Sole Bookrunner (acting in such capacity and as the Underwriter), the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set forth in the section headed “How to Apply for our Hong Kong Offer Shares and Employee Reserved Shares” in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licenced bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Share certificates for the Offer Shares are expected to be issued on 12 January 2018 but will only become valid certificates of title at 8:00 a.m. on 15 January 2018 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — The Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised.

SHARES WILL BE ELIGIBLE OF CCASS

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

DEALINGS IN OUR SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 15 January 2018, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 15 January 2018. Our Shares will be traded in board lots of 2,000 Shares each and the stock code of our Shares will be 3309.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

If you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form. In addition, Eligible Employees may also apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. Save as an Eligible Employee, none of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

Eligible Employees may apply for the Employee Reserved Shares on a **PINK** Application Form unless they:

- are an existing beneficial owner of Shares in our Company or an associate or a close associate (as defined in the Listing Rules) of an existing beneficial owner of Shares in our Company;
- are a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon the completion of the Share Offer;
- are a natural person of the PRC; or
- are a U.S. person or a person who is within the United States (both terms as defined under the Regulation S).

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

For the Employee Reserved Shares under the Employee Preferential Offering by an Eligible Employee, use a **PINK** Application Form.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 December 2017 to 12:00 noon on Monday, 8 January 2018 from:

(i) the following office of the Sole Global Coordinator, the Sole Bookrunner and Hong Kong Underwriter:

China Merchants Securities (HK) Co., Limited
48/F One Exchange Square
Central
Hong Kong

(ii) any of the branches of Bank of China (Hong Kong) Limited:

<u>District</u>	<u>Branch name</u>	<u>Address</u>
Hong Kong Island	Gilman Street Branch	136 Des Voeux Road Central Central
	409 Hennessy Road Branch	409–415 Hennessy Road Wan Chai
Kowloon	Mong Kok Branch	589 Nathan Road Mong Kok
	Ma Tau Kok Road Branch	39–45 Ma Tau Kok Road To Kwa Wan

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

<u>District</u>	<u>Branch name</u>	<u>Address</u>
New Territories	Citywalk Branch	Shop 65, G/F, Citywalk 1 Yeung Uk Road Tsuen Wan
	Tai Po Plaza Branch	Unit 4, Level 1, Tai Po Plaza 1 On Tai Road Tai Po

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 December 2017 until 12:00 noon on Monday, 8 January 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

A **PINK** Application Form together with this prospectus can be collected by Eligible Employees at Suite 1535, Central Building, 1–3 Pedder Street, Hong Kong during normal business hours from 9:00 a.m. on Friday, 29 December 2017 until 12:00 noon on Friday, 5 January 2018. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from the respective websites of our Company at www.cmereye.com and the Stock Exchange at www.hkexnews.hk.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Bank of China (Hong Kong) Nominees Limited — C-MER Eye Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 29 December 2017 — 9:00 a.m. to 5:00 p.m.
Saturday, 30 December 2017 — 9:00 a.m. to 1:00 p.m.
Tuesday, 2 January 2018 — 9:00 a.m. to 5:00 p.m.
Wednesday, 3 January 2018 — 9:00 a.m. to 5:00 p.m.
Thursday, 4 January 2018 — 9:00 a.m. to 5:00 p.m.
Friday, 5 January 2018 — 9:00 a.m. to 5:00 p.m.
Saturday, 6 January 2018 — 9:00 a.m. to 1:00 p.m.
Monday, 8 January 2018 — 9:00 a.m. to 12:00 noon

Your completed **PINK** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Bank of China (Hong Kong) Nominees Limited — C-MER Eye Public Offer**" for the payment, must be returned to Suite 1535, Central Building, 1–3 Pedder Street, Hong Kong by 12:00 noon on Friday, 5 January 2018.

The application for the Hong Kong Offer Shares and Employee Reserved Shares will commence on Friday, 29 December 2017 through Monday, 8 January 2018, being longer than normal market practice of four days.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

The Application Lists will be open from 11:45 a.m. to 12:00 noon on Monday, 8 January 2018, the last application day or such later time as described in the paragraphs under “Effect of Bad Weather on the Opening of the Application Lists” below.

The application for the Hong Kong Offer Shares and Employee Reserved Shares will commence on Friday, 29 December 2017 through Monday, 8 January 2018 and Friday, 5 January 2018, respectively. Such time period is longer than the normal market practice of four days. The application monies (including the brokerage fees, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Friday, 12 January 2018. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Monday, 15 January 2018.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set forth in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Global Coordinator, the Underwriter, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriter and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Underwriter nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "Collection in Person" section in the prospectus to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** service by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Terms and Conditions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

Terms, conditions and instructions for the PINK Application Form

You may refer to the **PINK** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “— Who can apply” may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application to the **White Form eIPO** service at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 29 December 2017 until 11:30 a.m. on Monday, 8 January 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 8 January 2018 or such later time under the “— 10. Effect of Bad Weather on the Opening of the Application Lists”.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of our Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of our Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of our Companies (Winding up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 per each “C-MER Eye Care Holdings Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the general rules of CCASS and the CCASS operational procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- (ii) HKSCC Nominees will do the following things on your behalf:
- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set forth in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set forth in any supplement to this prospectus;
 - agree that none of our Company, the Sole Global Coordinator, the Underwriter, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
 - agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriter and/or its respective advisers and agents;

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees’ application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus;
- agree that once HKSCC Nominees’ application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company’s announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the general rules of CCASS and the CCASS operational procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, 29 December 2017	— 9:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 30 December 2017	— 8:00 a.m. to 1:00 p.m.⁽¹⁾
Tuesday, 2 January 2018	— 8:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 3 January 2018	— 8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 4 January 2018	— 8:00 a.m. to 8:30 p.m.⁽¹⁾
Friday, 5 January 2018	— 8:00 a.m. to 8:30 p.m.⁽¹⁾
Monday, 8 January 2018	— 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 29 December 2017 until 12:00 noon on Monday, 8 January 2018 (24 hours daily, except on 30 December 2017, 6 January 2018 and on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 8 January 2018, the last application day or such later time as described in “— 10. Effect of Bad Weather on the Opening of the Application Lists”.

The application for the Hong Kong Offer Shares and Employee Reserved Shares will commence on Friday, 29 December 2017 through Monday, 8 January 2018 and Friday, 5 January 2018, respectively. Such time period is longer than the normal market practice of four days. The application monies (including the brokerage fees, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Friday, 12 January 2018. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Monday, 15 January 2018.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriter and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Bookrunner, the Sole Sponsor, the Sole Global Coordinator and the Underwriter take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 8 January 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee are liable to be rejected. In addition, Eligible Employees may also apply for Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both.

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE**, **YELLOW** and **PINK** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set forth in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares and if you are an Eligible Employee at the same time, you may also submit an application using a **PINK** Application Form. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage fee will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

For further details on the Offer Price, see the section headed “Structure and Conditions of the Global Offering — Pricing of the Global Offering” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 8 January 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 8 January 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, 12 January 2018 in South China Morning Post (in English), Hong Kong Economic Times (in Chinese) and on our Company’s website at www.cmereye.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.cmereye.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Friday, 12 January 2018;
- from the designated results of allocations website at www.iporeresults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Friday, 12 January 2018 to 12:00 midnight on Thursday, 18 January 2018;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, 12 January 2018 to Monday, 15 January 2018;

- in the special allocation results booklets which will be available for inspection during opening hours on Friday, 12 January 2018, Saturday, 13 January 2018 and Monday, 15 January 2018 at the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe(s) that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations;
or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price for each Offer Share (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure and Conditions of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, 12 January 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below). No temporary document of title will be issued in respect of our Shares.

No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to collection in person as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price for each Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your bank may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s).

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Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Friday, 12 January 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

If you apply by **PINK** Application Forms, your refund cheque(s) and Share certificate(s) will be sent to our Company on Friday, 12 January 2018 and our Company will arrange for onward transmission to you.

Share certificates will only become valid at 8:00 a.m. on Monday, 15 January 2018 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Collection in Person

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 12 January 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for collection in person, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for collection in person, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) in person within the time specified for collection, they will be despatched to the address specified in your Application Form on or before Friday, 12 January 2018, by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, 12 January 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Friday, 12 January 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 12 January 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "— Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 12 January 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 12 January 2018, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) in person within the time specified for collection, they will be sent to the address specified in your application instructions on or before Friday, 12 January 2018 by ordinary post at your own risk.

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If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, 12 January 2018 by ordinary post at your own risk. If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions.

If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 12 January 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in “— Publication of Results” above on Friday, 12 January 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 12 January 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES AND EMPLOYEE RESERVED SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Friday, 12 January 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly or partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price for each Offer Share initially paid on application (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 12 January 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF C-MER EYE CARE HOLDINGS LIMITED AND CHINA MERCHANTS SECURITIES (HK) CO., LIMITED

Introduction

We report on the historical financial information of C-MER Eye Care Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-73, which comprises the consolidated balance sheets as at 31 December 2014, 2015 and 2016 and 30 June 2017, the Company balance sheets as at 31 December 2016 and 30 June 2017 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-73 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 December 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2016 and 30 June 2017 and the consolidated financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub

Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor* of the Entity issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 25 to the Historical Financial Information which contains information about the dividends paid by C-MER Eye Care Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

29 December 2017

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong Dollar and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(Unaudited)
Revenue	5	156,472	198,851	248,659	115,310	140,449
Cost of revenue	8	(97,429)	(119,150)	(153,683)	(72,018)	(77,755)
Gross profit		59,043	79,701	94,976	43,292	62,694
Other income, net	6	201	547	1,497	817	678
Selling expenses	8	(2,918)	(4,694)	(7,874)	(3,621)	(4,235)
Administrative expenses	8					
– Listing expenses		–	–	–	–	(7,974)
– Other administrative expenses		(27,676)	(26,454)	(30,534)	(14,076)	(16,832)
Other gains, net	7	279	520	1,463	342	286
Operating profit		28,929	49,620	59,528	26,754	34,617
Finance expenses	10	(966)	(1,189)	(932)	(511)	(334)
Profit before income tax		27,963	48,431	58,596	26,243	34,283
Income tax expense	11	(5,602)	(10,074)	(11,709)	(5,667)	(8,927)
Profit for the year/period		22,361	38,357	46,887	20,576	25,356
<i>Item that may be subsequently reclassified to profit or loss</i>						
Currency translation differences		(724)	(2,222)	(3,869)	(457)	2,077
Total other comprehensive (loss)/income for the year/period		(724)	(2,222)	(3,869)	(457)	2,077
Total comprehensive income attributable to owners of the Company		21,637	36,135	43,018	20,119	27,433
Earnings per share for profit attributable to owners of the Company during the year/period (expressed in HK\$ per share) (Note)						
– basic	12	66.92	114.80	140.32	61.58	74.61
– diluted	12	66.92	114.80	140.32	61.58	74.39

Note: The earnings per share presented above has not been taken into account the proposed capitalisation issue pursuant to the resolutions by the shareholders passed on 13 December 2017 (Note 35(i)) as the proposed capitalisation issue has not become effective as at the date of this report.

CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December			As at
		2014	2015	2016	30 June
		HK\$'000	HK\$'000	HK\$'000	2017
					HK\$'000
ASSETS					
Non-current assets					
Property, plant and					
equipment	13	40,373	30,298	29,550	28,907
Intangible assets	14	1,390	1,602	1,407	1,554
Deferred income tax					
assets	27	–	42	723	992
Deposits and					
prepayments	18	2,930	4,677	5,867	30,497
Financial assets at fair					
value through profit or					
loss	21	5,205	5,205	5,205	5,556
		<u>49,898</u>	<u>41,824</u>	<u>42,752</u>	<u>67,506</u>
Current assets					
Inventories	15	2,021	1,507	2,328	2,366
Amount due from a					
director and					
shareholder	19	18,643	33,795	16	22,805
Amounts due from related					
parties	32	192	1,337	1,393	1,206
Trade receivables	17	1,745	3,464	4,456	6,095
Deposits, prepayments					
and other receivables . .	18	1,121	2,255	6,044	8,351
Financial assets at fair					
value through profit or					
loss	21	17,951	23,520	12,232	20,628
Current income tax					
recoverable		–	1,325	661	542
Cash and cash equivalents	20	11,246	23,348	58,760	182,229
		<u>52,919</u>	<u>90,551</u>	<u>85,890</u>	<u>244,222</u>
Total assets		<u>102,817</u>	<u>132,375</u>	<u>128,642</u>	<u>311,728</u>

	Note	As at 31 December			As at
		2014	2015	2016	30 June
		HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000	
EQUITY					
Equity attributable to owners of the Company					
Share capital	22	–	–	16	37
Reserves	23	30,813	66,948	63,416	234,871
Total equity		<u>30,813</u>	<u>66,948</u>	<u>63,432</u>	<u>234,908</u>
LIABILITIES					
Non-current liabilities					
Borrowings	26	6,680	6,417	1,012	807
Deferred income tax liabilities	27	591	546	174	125
		<u>7,271</u>	<u>6,963</u>	<u>1,186</u>	<u>932</u>
Current liabilities					
Amounts due to directors and shareholders	19	5,458	4,915	10,510	7,458
Amounts due to related parties	32	5,656	3,735	10,375	15,580
Trade payables	28	2,483	2,342	3,090	2,758
Accruals and other payables	29	8,103	12,801	17,374	21,606
Current income tax liabilities		5,829	7,778	5,164	9,791
Borrowings	26	37,204	26,893	17,511	18,695
		<u>64,733</u>	<u>58,464</u>	<u>64,024</u>	<u>75,888</u>
Total liabilities		<u>72,004</u>	<u>65,427</u>	<u>65,210</u>	<u>76,820</u>
Total equity and liabilities		<u>102,817</u>	<u>132,375</u>	<u>128,642</u>	<u>311,728</u>

BALANCE SHEETS OF THE COMPANY

		As at 31 December	As at 30 June
	Note	2016	2017
		HK\$'000	HK\$'000
ASSETS			
Non-current asset			
Investments in subsidiaries	33(a)	57,648	57,648
Current assets			
Amount due from a director and shareholder . .	33(b)	16	12,049
Amount due from subsidiaries	33(c)	–	65
Prepayments	18	–	2,620
Cash and cash equivalents	20	–	128,765
		16	143,499
Total assets		<u>57,664</u>	<u>201,147</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	22	16	37
Reserves	33(d)	57,576	193,569
Total equity		<u>57,592</u>	<u>193,606</u>
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	33(c)	72	3,413
Accruals	29	–	4,128
Total liabilities		<u>72</u>	<u>7,541</u>
Total equity and liabilities		<u>57,664</u>	<u>201,147</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Total
	Share capital	Other reserve	Statutory surplus reserve	Exchange reserve	Retained earnings	
	HK\$'000 (Note 22)	HK\$'000 (Note 23 (a))	HK\$'000 (Note 23 (b))	HK\$'000	HK\$'000	
As at 1 January 2014	–	50	9	919	8,198	9,176
Comprehensive income						
Profit for the year	–	–	–	–	22,361	22,361
Other comprehensive loss						
<i>Items that may be subsequently reclassified to profit or loss</i>						
Currency translation differences	–	–	–	(724)	–	(724)
Transaction with owners						
Transfer to statutory reserve	–	–	669	–	(669)	–
As at 31 December 2014	–	50	678	195	29,890	30,813
As at 1 January 2015	–	50	678	195	29,890	30,813
Comprehensive income						
Profit for the year	–	–	–	–	38,357	38,357
Other comprehensive loss						
<i>Items that may be subsequently reclassified to profit or loss</i>						
Currency translation differences	–	–	–	(2,222)	–	(2,222)
Transaction with owners						
Transfer to statutory reserve	–	–	841	–	(841)	–
As at 31 December 2015	–	50	1,519	(2,027)	67,406	66,948
As at 1 January 2016	–	50	1,519	(2,027)	67,406	66,948
Comprehensive income						
Profit for the year	–	–	–	–	46,887	46,887
Other comprehensive loss						
<i>Items that may be subsequently reclassified to profit or loss</i>						
Currency translation differences	–	–	–	(3,869)	–	(3,869)
Transaction with owners						
Transfer to statutory reserve	–	–	1,300	–	(1,300)	–
Dividends paid (Note 25)	–	–	–	–	(46,500)	(46,500)
Incorporation of the Company	16	–	–	–	–	16
Completion of Reorganisation	–	(50)	–	–	–	(50)
As at 31 December 2016	16	–	2,819	(5,896)	66,493	63,432

	Attributable to owners of the Company							
	Share capital	Share premium	Other reserve	Statutory surplus reserve	Share-based payment reserve	Exchange reserve	Retained earnings	Total
	HK\$'000 (Note 22)	HK\$'000 (Note 22)	HK\$'000 (Note 23 (a))	HK\$'000 (Note 23 (b))	HK\$'000 (Note 24)	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2017	16	–	–	2,819	–	(5,896)	66,493	63,432
Comprehensive income								
Profit for the period	–	–	–	–	–	–	25,356	25,356
Other comprehensive income								
<i>Items that may be subsequently reclassified to profit or loss</i>								
Currency translation differences	–	–	–	–	–	2,077	–	2,077
Transaction with owners								
Proceeds from shares issued	21	141,996	–	–	–	–	–	142,017
Share-based payment	–	–	–	–	2,026	–	–	2,026
As at 30 June 2017	<u>37</u>	<u>141,996</u>	<u>–</u>	<u>2,819</u>	<u>2,026</u>	<u>(3,819)</u>	<u>91,849</u>	<u>234,908</u>
(Unaudited)								
As at 1 January 2016	–	–	50	1,519	–	(2,027)	67,406	66,948
Comprehensive income								
Profit for the period	–	–	–	–	–	–	20,576	20,576
Other comprehensive loss								
<i>Items that may be subsequently reclassified to profit or loss</i>								
Currency translation differences	–	–	–	–	–	(457)	–	(457)
Transaction with owners								
Incorporation of the Company	16	–	–	–	–	–	–	16
As at 30 June 2016	<u>16</u>	<u>–</u>	<u>50</u>	<u>1,519</u>	<u>–</u>	<u>(2,484)</u>	<u>87,982</u>	<u>87,083</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)						
Cash flows from operating activities						
Cash generated from operations	30(a)	43,670	60,000	68,158	30,290	38,968
Income tax paid		(1,064)	(9,455)	(14,661)	(2,808)	(4,543)
Net cash generated from operating activities		42,606	50,545	53,497	27,482	34,425
Cash flows from investing activities						
Purchase of property, plant and equipment		(7,342)	(2,699)	(11,247)	(11,020)	(1,869)
Prepayments for purchase of property, plant and equipment		(280)	(1,084)	(1,738)	–	(23,195)
Purchase of intangible assets		(627)	(441)	(13)	(13)	(193)
Proceeds from disposal of property, plant and equipment	30(b)	439	–	96	94	4
Interest received		33	211	747	505	299
Purchase of financial assets at fair value through profit or loss		(71,923)	(92,255)	(78,681)	(24,235)	(27,103)
Proceeds from financial assets at fair value through profit or loss		56,010	85,916	89,736	23,945	19,532
Advances to directors and shareholders		(4,682)	(15,387)	(12,721)	(17,163)	(15,331)
Net cash used in investing activities		(28,372)	(25,739)	(13,821)	(27,887)	(47,856)

	Note	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(Unaudited)
Cash flows from financing activities						
Proceeds from borrowings	30(d)	36,429	25,685	1,027	1,027	10,000
Repayments of borrowings	30(d)	(41,747)	(36,259)	(15,814)	(5,504)	(9,021)
Advance from/(repayment to) a related party	30(d)	172	(1,244)	6,810	9,326	4,923
Advance from/(repayment to) shareholders and directors	30(d)	–	–	5,861	–	(10,751)
Interest paid		(966)	(1,189)	(932)	(511)	(334)
Listing costs paid and capitalised		–	–	–	–	(1,136)
Proceeds from issuance of shares		–	–	–	–	142,017
Net cash (used in)/generated from financing activities		<u>(6,112)</u>	<u>(13,007)</u>	<u>(3,048)</u>	<u>4,338</u>	<u>135,698</u>
Net increase in cash and cash equivalents		8,122	11,799	36,628	3,933	122,267
Cash and cash equivalents at beginning of the year/period		2,900	11,246	23,348	23,348	58,760
Currency translation differences		<u>224</u>	<u>303</u>	<u>(1,216)</u>	<u>(44)</u>	<u>1,202</u>
Cash and cash equivalents at end of the year/period	20	<u>11,246</u>	<u>23,348</u>	<u>58,760</u>	<u>27,237</u>	<u>182,229</u>

II NOTE TO THE HISTORICAL FINANCIAL INFORMATION**1 General information, reorganisation and basis of presentation****1.1 General information**

The Company was incorporated in the Cayman Islands on 1 February 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of ophthalmic services, sale of vision aid and pharmaceutical products in Hong Kong ("HK") and the People's Republic of China (the "PRC") (the "Listing Business"). The ultimate holding company of the Company is C-MER Group Limited incorporated in the British Virgin Islands. The ultimate controlling shareholders of the Group are Dr. LAM Shun Chiu Dennis ("Dr. Dennis LAM") and Ms. LI Xiaoting ("Ms. LI").

1.2 Reorganisation and changes in group structure

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation") on 5 December 2016, the Listing Business was carried out by subsidiaries now comprising the Group, including Hong Kong (International) Eye Care Group Limited, C-MER Vision Limited and its subsidiary and Hong Kong C-MER International Eye Care Group (China) Limited and its subsidiaries (collectively the "Operating Companies"). Dr. Dennis LAM and Ms. LI is the controlling party of the Operating Companies.

In preparation for the Listing, the Reorganisation, which principally involved the following steps, were undergone:

- (i) As of the date of incorporation of the Company on 1 February 2016, the authorised share capital of the Company was United States Dollar ("US\$") 50,000 divided into 50,000 shares of US\$1.0 each. On the same date, one share was subscribed by Harneys Services (Cayman) Limited which was subsequently transferred to C-MER Group Limited at the consideration of US\$1.0.
- (ii) On 1 February 2016, 1,999 fully-paid shares of the Company at total consideration of US\$1,999 were issued and allotted to C-MER Group Limited. The shareholders of C-MER Group Limited are Dr. Dennis LAM and Ms. LI who hold 1,400 and 600 issued shares respectively.
- (iii) On 12 February 2016, C-MER Eye Care Group Limited and C-MER Eye Care Medical Group Limited were incorporated in the British Virgin Islands (the "BVI") with limited liabilities and became wholly owned subsidiaries of the Company.
- (iv) On 18 November 2016, Hong Kong (International) Eye Care Group Limited issued 9,900 new shares to C-MER Eye Care Medical Group Limited, representing 99% of its shareholding thereafter. The remaining 70 shares and 30 shares were held by Dr. Dennis LAM and Ms. LI respectively.
- (v) On 18 November 2016, C-MER Vision Limited issued 9,900 new shares to C-MER Eye Care Group Limited, representing 99% of its shareholding thereafter. The remaining 70 shares and 30 shares were held by Dr. Dennis LAM and Ms. LI respectively.
- (vi) On 18 November 2016, Hong Kong C-MER International Eye Care Group (China) Limited issued 450,000 new shares to C-MER Eye Care Group Limited, representing 90% of its shareholding thereafter. The remaining 49,999 shares and 1 share were held by Dr. Dennis LAM and Ms. LI respectively.

- (vii) On 5 December 2016, 70 shares and 30 shares of Hong Kong (International) Eye Care Group Limited were transferred to C-MER Eye Care Medical Group Limited by Dr. Dennis LAM and Ms. LI for a cash consideration of HK\$70 and HK\$30 respectively. As a result, Hong Kong (International) Eye Care Group Limited became a wholly owned subsidiary of C-MER Eye Care Medical Group Limited.
- (viii) On 5 December 2016, 70 shares and 30 shares of C-MER Vision Limited were transferred to C-MER Eye Care Group Limited by Dr. Dennis LAM and Ms. LI for a cash consideration of HK\$70 and HK\$30 respectively. As a result, C-MER Vision Limited became a wholly owned subsidiary of C-MER Eye Care Group Limited.
- (ix) On 5 December 2016, 49,999 shares and 1 share of Hong Kong C-MER International Eye Care Group (China) Limited were transferred to C-MER Eye Care Group Limited by Dr. Dennis LAM and Ms. LI for a cash consideration of HK\$49,999 and HK\$1 respectively. As a result, Hong Kong C-MER International Eye Care Group (China) Limited became a wholly owned subsidiary of C-MER Eye Care Group Limited.

During the Track Record Period, the Company had direct or indirect interests in the following subsidiaries:

Company name	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Effective interest held as at				Principal activities/place of operation
			31 December 2014	31 December 2015	31 December 2016	30 June 2017	
Directly held by the Company							
C-MER Eye Care Medical Group Limited	Incorporated on 12 February 2016 in the BVI	US\$2,000	-	-	100%	100%	Investment holding, HK
C-MER Eye Care Group Limited	Incorporated on 12 February 2016 in the BVI	US\$2,000	-	-	100%	100%	Investment holding, HK
Indirectly held by the Company							
Hong Kong (International) Eye Care Group Limited	Incorporated on 12 October 2010 in HK	HK\$100 as at 31 December 2014 and 2015 and HK\$10,000 as at 31 December 2016 and 30 June 2017	100%	100%	100%	100%	Provision of ophthalmic service, HK

Company name	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Effective interest held as at				Principal activities/place of operation
			31 December 2014	31 December 2015	31 December 2016	30 June 2017	
Directly held by the Company							
C-MER Vision Limited	Incorporated on 4 December 2012 in HK	HK\$100 as at 31 December 2014 and 2015 and HK\$10,000 as at 31 December 2016 and 30 June 2017	100%	100%	100%	100%	Investment holding, HK
Shenzhen C-MER Optical Trading Co., Ltd.* 深圳希瑪視光貿易有限公司	Incorporated on 1 March 2013 in the PRC	Renminbi 1,000,000	100%	100%	100%	100%	Sales of eyewear and eye care products, the PRC
Hong Kong C-MER International Eye Care Group (China) Limited	Incorporated on 4 October 2005 in HK	HK\$50,000 as at 31 December 2014 and 2015 and HK\$500,000 as at 31 December 2016 and 30 June 2017	100%	100%	100%	100%	Provision of ophthalmic service, HK
Shenzhen C-MER Dennis Lam Eye Hospital Co., Ltd.* 深圳希瑪林順潮眼科醫院有限公司	Incorporated on 11 January 2013 in the PRC	Renminbi 20,000,000	100%	100%	100%	100%	Provision of ophthalmic service, the PRC
Shenzhen C-MER Hospital Management Research Institute* 深圳市希瑪醫院管理研究所	Incorporated on 1 April 2015 in the PRC	Renminbi 100,000	100%	100%	100%	100%	Inactive
Beijing C-MER Dennis Lam Eye Hospital Co., Ltd.* 北京希瑪林順潮眼科醫院有限公司	Incorporated on 24 June 2016 in the PRC	Renminbi 20,000,000	–	–	100%	100%	Provision of ophthalmic service, the PRC
C-MER Hospital Management (Shenzhen) Co., Ltd.* 希瑪醫院管理(深圳)有限公司	Incorporated on 5 May 2017 in the PRC	Renminbi 100,000	–	–	–	100%	Inactive

The statutory auditors of the Company and its subsidiaries throughout the Track Record Period are set out below:

Company name	Statutory auditors		
	2014	2015	2016
C-MER Eye Care Holdings Limited	N/A; Note (b)	N/A; Note (b)	N/A; Note (a)
C-MER Eye Care Medical Group Limited	N/A; Note (b)	N/A; Note (b)	N/A; Note (a)
C-MER Eye Care Group Limited	N/A; Note (b)	N/A; Note (b)	N/A; Note (a)
Hong Kong (International) Eye Care Group Limited	Philip Leung & Co., Limited	PricewaterhouseCoopers Hong Kong	PricewaterhouseCoopers Hong Kong
C-MER Vision Limited	Philip Leung & Co., Limited	PricewaterhouseCoopers Hong Kong	PricewaterhouseCoopers Hong Kong
Shenzhen C-MER Optical Co., Ltd.* (深圳希瑪視光貿易有限公司)	Shenzhen Hengping Certified Public Accountants (深圳恒平會計師事務所)	Shenzhen Hengping Certified Public Accountants (深圳恒平會計師事務所)	Shenzhen Hengping Certified Public Accountants (深圳恒平會計師事務所)
Hong Kong C-MER International Eye Care Group (China) Limited	Philip Leung & Co., Limited	PricewaterhouseCoopers Hong Kong	PricewaterhouseCoopers Hong Kong
Shenzhen C-MER Dennis Lam Eye Hospital Co., Ltd.* (深圳希瑪林順潮眼科醫院有限公司)	Shenzhen Hengping Certified Public Accountants (深圳恒平會計師事務所)	Shenzhen Hengping Certified Public Accountants (深圳恒平會計師事務所)	Shenzhen Hengping Certified Public Accountants (深圳恒平會計師事務所)
Shenzhen C-MER Hospital Management Institute* (深圳市希瑪醫院管理研究所)	N/A; Note (a)	N/A; Note (a)	N/A; Note (a)
Beijing C-MER Dennis Lam Eye Hospital Co., Ltd.* (北京希瑪林順潮眼科醫院有限公司)	N/A; Note (b)	N/A; Note (b)	N/A; Note (b)
C-MER Hospital Management (Shenzhen) Co., Ltd.* (希瑪醫院管理(深圳)有限公司)	N/A; Note (c)	N/A; Note (c)	N/A; Note (c)

Note:

- (a) No audited financial statements were issued for these subsidiaries now comprising the Group as there is no statutory requirement in its place of incorporation.
 - (b) No audited financial statements for these subsidiaries now comprising the Group were available for the years ended 31 December 2014, 2015 and 2016 as they were newly incorporated in 2016.
 - (c) No audited financial statements for this subsidiary now comprising the Group were available for the years ended 31 December 2014, 2015 and 2016 as it was newly incorporated in 2017.
- * English translation is for identification purpose only. The English names of the group companies incorporated in the PRC represent the best efforts by management of the Group in translating their Chinese names as they do not have official English names.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business is held by the Operating Companies. Pursuant to the Reorganisation, the Listing Business and Operating Companies were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owner of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuance of the Listing Business under the Operating Companies and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuance of the consolidated financial statements of the Operating Companies, with the assets and liabilities of the Group recognised and measured at the carrying amount of the Listing Business under the consolidated financial statements of the Operating Companies for all periods presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information are in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity or areas when assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.

All relevant standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the Track Record Period.

The following new standards, amendments and interpretation to standards which have been issued, but are effective for the financial year beginning on or after 1 January 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures	1 January 2018
HKFRS 1 (Amendment)	First Time Adoption of HKFRS	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019

HKFRS 9, “Financial Instruments” replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss. HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more “rule-based” approach of HKAS39. The Group is currently assessing the impact of adopting HKFRS 9 and, based on its preliminary assessment, the impact on the Group’s financial statements are not expected to be significant.

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Group has performed preliminary assessment on the adoption of HKFRS 15 and the initial result indicated that the impact on the Group's financial statements are not expected to be significant other than changes on the disclosure.

HKFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 "Leases", and related interpretations.

The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.24 under which operating lease payment is accounted for in the consolidated statements of comprehensive income when incurred and the Group's future operating lease commitments are not reflected in the consolidated balance sheets but are disclosed in Note 31. As of 30 June 2017, the Group's total operating lease commitments amounted to HK\$133,570,000. HKFRS 16 provides new provisions for the accounting treatment of leases and all non-current leases, including future operating lease commitments, must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheets. Operating expenses under otherwise identical circumstances will decrease, and depreciation, amortisation and interest expense will increase. It is expected that certain portion of these lease commitments will be required to be recognised in the balance sheets as right of use assets and lease liabilities.

For the other amendments to standards presented, management is in the process of making an assessment of the likely impact of these changes but is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and/or the presentation of its financial statements will result.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combination

Except for Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of

any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of comprehensive income.

Intra-group transactions, balances, and unrealised gains or losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Historical Financial Information of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in HK\$, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income.

All foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within 'other gains, net'.

(iii) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy), that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (c) all resulting exchange differences are recognised in other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment, are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Medical equipment	5–10 years
Leasehold improvements	Shorter of remaining lease term or estimated useful life
Office furniture and fixtures	5 years
Computer equipment	3–5 years
Motor vehicles	4–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within "other gains, net" in the consolidated statements of comprehensive income.

2.6 Intangible assets

Intangible assets mainly comprise acquired computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives of 10 years. Cost associated with maintaining computer software programmes are recognised as an expense as incurred.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

(i) Classification

The Group classifies its financial assets as loans and receivables and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade

receivables”, “deposits and other receivables”, “amount due from a director and shareholder”, “amounts due from related parties” and “cash and cash equivalents” in the consolidated balance sheets (notes 2.13 and 2.14).

(b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets designated in this category. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current. The Group's financial assets at fair value through profit or loss comprise “key management insurance contract” which includes both investment and insurance elements and “structured bank deposits”.

(ii) *Recognition, derecognition and measurement*

Regular way purchases and sales of investments are recognised on the trade-date being the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statements of comprehensive income. The key management insurance contract is initially recognised at the consideration paid and subsequently carried at fair values at the end of each reporting period (Note 21). Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the consolidated statements of comprehensive income within “other gains, net” in the period in which they arise.

2.9 Financial liabilities

Financial liabilities are classified into other financial liabilities at amortised cost. Other financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the profit or loss over the period of the other financial liabilities using the effective interest method.

The Group's other financial liabilities mainly comprise “amounts due to directors and shareholders”, “amounts due to related parties”, “trade payables”, “accruals and other payables” and “borrowings” in the consolidated balance sheets.

Other financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Bank borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statements of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statements of comprehensive income.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Trade and other receivables

Trade receivables are amounts due from patients, commercial companies and local government for services rendered and goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.14 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturity of 3 months or less.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transactions costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

As the Group does not have any qualifying assets, all borrowing costs are charged to the consolidated statements of comprehensive income in the period in which they are incurred.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(iii) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 *Employee benefits*

(i) *Employee leave entitlements*

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group participates in defined contribution retirement benefit plans organised by relevant government authorities for its employees in the PRC and a mandatory provident fund scheme (“MPF Scheme”) for its employees in Hong Kong.

The Group contributes for its employees in the PRC based on certain percentage of their salaries on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

MPF Scheme is a defined contribution scheme in accordance with the Mandatory Provident Fund Scheme Ordinance. Under the rules of MPF Scheme, the employer and its employees are required to contribute 5% of the employees’ salaries, up to a maximum of HK\$1,250 and HK\$1,500 per month during the period from 1 June 2012 to 31 May 2014 and from 1 June 2014 to 30 June 2017, respectively, and thereafter contributions are voluntary. The assets of MPF Scheme are held separately from those of the Group in an independently administered fund.

(iii) *Bonus entitlements*

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.20 *Share-based payments*

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.21 *Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Provision for reinstatement cost

Provision for reinstatement cost is included in other payables and represents the present value of the estimated cost for the restoration work of the Group's leased premises agreed to be carried out upon the expiry of the relevant leases using a risk-free pre-tax interest rate. The provision has been determined by the directors based on their best estimates. The related reinstatement costs, upon initial recognition, have been included as leasehold improvements in the consolidated balance sheets (note 2.5).

2.23 Revenue recognition

The Group's revenue is primarily derived from providing ophthalmic services, sales of pharmaceuticals and sales of vision aid products.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered, stated net of discounts, returns and sales related taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. For sales of goods, the Group bases its estimates of return on historical results, taking into consideration the type of clients, the type of transactions and the specifics of each arrangement.

(a) Provision of ophthalmic services

Revenue from ophthalmic services is recognised when the related services are rendered and when it is probable that the economic benefits from the services rendered will flow to the Group and such benefit could be reliably measured.

(b) Sales of vision aid products

Revenue from sales of vision aid products is recognised at the point that the risks and rewards of the inventory have passed to the clients, which is the point of despatch.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(d) Management fee income

Revenue from management fee services is recognised when the related services are rendered and when it is probable that the economic benefits from the services rendered will flow to the Group and such benefit could be reliably measured.

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated statements of comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Historical Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management is carried out by the finance department under the supervision of the board of directors. The board provides principles for overall risk management.

(a) Market risk

(i) Foreign exchange risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the changes in foreign exchange rates.

The subsidiaries at the Group mainly operate in HK and the PRC with most of the transactions settled in HK\$ and Renminbi ("RMB"), respectively. Foreign exchange rate risk arises when recognised financial assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at 31 December 2014, 2015, 2016 and 30 June 2017, the financial assets and liabilities of the subsidiaries of the Group in HK and PRC are primarily denominated in HK\$ and RMB, respectively.

The Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact resulted from the reasonable possible change in interest rates.

The Group's cash flow interest rate risk mainly arises from cash at banks, bank borrowings and finance lease liabilities at floating interest rates. As at 31 December 2014, 2015 and 2016 and 30 June 2017, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years/periods would have been approximately HK\$132,000 lower/higher, HK\$55,000 lower/higher, HK\$62,000 higher/lower and HK\$655,000 higher/lower, respectively, mainly attributable to the Group's exposure to interest rates on its variable rate bank balances and borrowings.

The Group's fair value interest rate risk mainly arises from finance lease liabilities at fixed interest rates. The interest rate profile of the Group's finance lease liabilities is disclosed in Note 26.

(b) Credit risk

The credit risk of the Group mainly arises from trade receivables, deposits and other receivables, amount due from a director and shareholder, amounts due from related parties, and cash and cash equivalents. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets.

The credit risk of cash and cash equivalents are limited because the counterparties are state-owned or reputable commercial banks which are high-credit-quality financial institutions located in HK and the PRC.

The Group, being a provider of ophthalmic services to patients, has a highly diversified client base, without any single client contributing material revenue. Moreover, some of the Group's revenue is settled by reputable commercial companies and local government on behalf of patients. The Group has controls to closely monitor the patients' billing and payment status by communication with commercial companies and local government to minimise the credit risk. The Group reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit quality of deposits and other receivables, amount due from a director and shareholder and amounts due from related parties have been assessed with reference to historical information about the counterparties default and financial position of the counterparty. Management does not believe the credit risk in relation to the related parties are significant, considering the existing related parties do not have defaults in the past and management does not expect any losses from non-performance by these related parties.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding from an adequate amount of committed credit facilities from leading banks and the ability to close out market position.

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate and long term financing including long-term borrowings are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

The table below analyses the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the consolidated balance sheets date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balance within 12 months equal their carrying balances as impact at discounting is not significant.

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lender were to invoke their unconditional rights to call the loans with immediate effort. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates.

	On demand	Within 1	Between 1	Total
	HK\$'000	year	and	HK\$'000
	HK\$'000	HK\$'000	2 years	HK\$'000
As at 31 December 2014				
Amounts due to directors and shareholders	5,458	–	–	5,458
Amounts due to related parties	5,656	–	–	5,656
Trade payables	–	2,483	–	2,483
Accruals and other payables (excluding non-financial liabilities)	–	4,443	–	4,443
Bank borrowings	33,888	–	–	33,888
Finance lease liabilities	–	3,583	6,893	10,476
	<u>45,002</u>	<u>10,509</u>	<u>6,893</u>	<u>62,404</u>
As at 31 December 2015				
Amounts due to directors and shareholders	4,915	–	–	4,915
Amounts due to related parties	3,735	–	–	3,735
Trade payables	–	2,342	–	2,342
Accruals and other payables (excluding non-financial liabilities)	–	8,461	–	8,461
Bank borrowings	20,563	–	–	20,563
Finance lease liabilities	–	6,645	6,524	13,169
	<u>29,213</u>	<u>17,448</u>	<u>6,524</u>	<u>53,185</u>
As at 31 December 2016				
Amounts due to directors and shareholders	10,510	–	–	10,510
Amounts due to related parties	10,375	–	–	10,375
Trade payables	–	3,090	–	3,090
Accruals and other payables (excluding non-financial liabilities)	–	13,233	–	13,233
Bank borrowings	11,144	–	–	11,144
Finance lease liabilities	–	6,504	1,056	7,560
	<u>32,029</u>	<u>22,827</u>	<u>1,056</u>	<u>55,912</u>
As at 30 June 2017				
Amounts due to directors and shareholders	7,458	–	–	7,458
Amounts due to related parties	15,580	–	–	15,580
Trade payables	–	2,758	–	2,758
Accruals and other payables (excluding non-financial liabilities)	–	17,906	–	17,906
Bank borrowings	15,410	–	–	15,410
Finance lease liabilities	–	3,337	839	4,176
	<u>38,448</u>	<u>24,001</u>	<u>839</u>	<u>63,288</u>

The table below analyses the bank borrowings of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date without taking into consideration the effect of the clause of repayment on demand.

	<u>Within 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2014				
Bank borrowings	29,959	2,587	2,156	34,702
As at 31 December 2015				
Bank borrowings	10,027	4,792	7,029	21,848
As at 31 December 2016				
Bank borrowings	4,792	2,636	4,393	11,821
As at 30 June 2017				
Bank borrowings	10,361	2,636	3,075	16,072

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group uses borrowings to finance its operations.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheets) less cash and bank balances. Total capital is calculated as 'equity' as shown in the consolidated balance sheets, plus net debt, where applicable.

As at 31 December 2016 and 30 June 2017, the gearing ratio is not applicable due to net cash position. The gearing ratios as at 31 December 2014 and 2015 were as follows:

	<u>As at 31 December</u>	
	<u>2014</u>	<u>2015</u>
	HK\$'000	HK\$'000
Total borrowings (<i>Note 26</i>)	43,884	33,310
Less:		
Cash and cash equivalents (<i>Note 20</i>)	(11,246)	(23,348)
Net debt	32,638	9,962
Total equity	30,813	66,948
Total capital	63,451	76,910
Gearing ratio	51%	13%

The decrease in the Group's gearing ratio is mainly due to the increase in cash generated from operating activities.

3.3 Fair value estimation

The carrying values of the Group's current financial assets, including trade receivables, deposits and other receivables, amount due from a director and shareholder, amounts due from related parties, and cash and cash equivalents, and the Group's current financial liabilities, including trade payables, accruals and other payables, amounts due to directors and shareholders, amounts due to related parties and borrowings approximate their fair values due to their short maturities.

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2014, 2015 and 2016 and 30 June 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2014				
Financial assets at fair value through profit or loss				
– Unlisted insurance policy investments . . .	–	–	5,205	5,205
– Structured bank deposits	–	17,951	–	17,951
	–	17,951	5,205	23,156
As at 31 December 2015				
Financial assets at fair value through profit or loss				
– Unlisted insurance policy investments . . .	–	–	5,205	5,205
– Structured bank deposits	–	23,520	–	23,520
	–	23,520	5,205	28,725
As at 31 December 2016				
Financial assets at fair value through profit or loss				
– Unlisted insurance policy investments . . .	–	–	5,205	5,205
– Structured bank deposits	–	12,232	–	12,232
	–	12,232	5,205	17,437
As at 30 June 2017				
Financial assets at fair value through profit or loss				
– Unlisted insurance policy investments . . .	–	–	5,556	5,556
– Structured bank deposits	–	20,628	–	20,628
	–	20,628	5,556	26,184

There were no transfers between levels during the Track Record Period.

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for the instrument.

(c) *Financial instruments in level 3*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Cash surrender value for the insurance policy.

The unlisted insurance policy investment in level 3 represents key management insurance contract (Note 21). The fair value of the key management insurance contract is determined by reference to the cash surrender value of the insurance policy.

Based on historical change in the cash surrender value of the insurance policy, there is an average increase in cash surrender value of approximately 2% per annum during the Track Record Period. Applying this percentage of increase/decrease in the cash surrender value, the Group's profit for the year/period and retained earnings would be increased/decreased by approximately HK\$104,000, HK\$104,000, HK\$104,000 and HK\$56,000 for the years ended 31 December 2014, 2015 and 2016 and six months period ended 30 June 2017, respectively.

4 Critical accounting estimates and judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Income tax and deferred income tax*

The Group is subject to income taxes in HK and the PRC. Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the

ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated taxes based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current tax and deferred tax provisions in the period in which such determination is made.

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Share-based payment

The Group has awarded equity instruments to eligible directors, senior management, ophthalmologists, physicians and employees. The Group has used binomial option pricing model to determine the total fair value of the equity instruments awarded. Significant estimates on key assumptions are required to be made by the Company in determining the fair value of the equity instruments.

5 Revenue and segment information

(a) Revenue

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Provision of ophthalmic services	151,582	190,066	234,391	109,157	132,223
Sales of vision aid products	4,890	8,785	14,268	6,153	8,226
	<u>156,472</u>	<u>198,851</u>	<u>248,659</u>	<u>115,310</u>	<u>140,449</u>

(b) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to making strategic decisions. The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from a client perspective and assesses the performance of the operating segments based on segment revenue and segment results for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as these consolidated financial statements.

Management considers the business is mainly located in HK and the PRC, which the revenue and segment results are determined by the geographical location in which the client is operated. Management has therefore identified the reportable segment based on the Group's geographic perspective, namely HK and the PRC.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

Other income, net, other gains, net, listing expenses, finance expenses, and income tax expense are not included in segment results.

The segment results for the year ended 31 December 2014 are as follows:

	Year ended 31 December 2014		
	HK	PRC	Total
	HK\$'000	HK\$'000	HK\$'000
Segment revenue	95,982	60,490	156,472
Gross profit	26,816	32,227	59,043
Selling expenses	(299)	(2,619)	(2,918)
Administrative expenses	(9,751)	(17,925)	(27,676)
Segment results	16,766	11,683	28,449
Other income, net			201
Other gains, net			279
Finance expenses			(966)
Profit before income tax			27,963
Income tax expense			(5,602)
Profit for the year			22,361
Other segment information			
Additions to non-current assets	3,164	4,805	7,969
Depreciation and amortisation	(4,601)	(6,370)	(10,971)
Gain on disposal of property, plant and equipment, net	2	–	2

The segment results for the year ended 31 December 2015 are as follows:

	Year ended 31 December 2015		
	HK	PRC	Total
	HK\$'000	HK\$'000	HK\$'000
Segment revenue	122,266	76,585	198,851
Gross profit	39,010	40,691	79,701
Selling expenses	(344)	(4,350)	(4,694)
Administrative expenses	(9,152)	(17,302)	(26,454)
Segment results	29,514	19,039	48,553
Other income, net			547
Other gains, net			520
Finance expenses			(1,189)
Profit before income tax			48,431
Income tax expense			(10,074)
Profit for the year			38,357
Other segment information			
Additions to non-current assets	963	2,177	3,140
Depreciation and amortisation	(4,887)	(6,691)	(11,578)

The segment results for the year ended 31 December 2016 are as follows:

	Year ended 31 December 2016		
	HK	PRC	Total
	HK\$'000	HK\$'000	HK\$'000
Segment revenue	161,168	87,491	248,659
Gross profit	50,093	44,883	94,976
Selling expenses	(664)	(7,210)	(7,874)
Administrative expenses	(11,218)	(19,316)	(30,534)
Segment results	38,211	18,357	56,568
Other income, net			1,497
Other gains, net			1,463
Finance expenses			(932)
Profit before income tax			58,596
Income tax expense			(11,709)
Profit for the year			46,887
Other segment information			
Additions to non-current assets	9,347	3,262	12,609
Depreciation and amortisation	(6,167)	(6,251)	(12,418)
Gains on disposal of property, plant and equipment, net	59	–	59

The segment results for the six months ended 30 June 2017 are as follows:

	Six months ended 30 June 2017		
	HK	PRC	Total
	HK\$'000	HK\$'000	HK\$'000
Segment revenue	88,237	52,212	140,449
Gross profit	32,308	30,386	62,694
Selling expenses	(453)	(3,782)	(4,235)
Administrative expenses	(6,739)	(10,093)	(16,832)
Segment results	25,116	16,511	41,627
Other income, net			678
Listing expenses			(7,974)
Other gains, net			286
Finance expenses			(334)
Profit before income tax			34,283
Income tax expense			(8,927)
Profit for the period			25,356
Other segment information			
Additions to non-current assets	2,266	583	2,849
Depreciation and amortisation	(1,867)	(2,021)	(3,888)
Gains on disposal of property, plant and equipment, net	–	4	4

The segment results for the six months ended 30 June 2016 are as follows:

	Six months ended 30 June 2016		
	HK	PRC	Total
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Segment revenue	73,962	41,348	115,310
Gross profit	21,882	21,410	43,292
Selling expenses	(368)	(3,253)	(3,621)
Administrative expenses	(4,957)	(9,119)	(14,076)
Segment results	16,557	9,038	25,595
Other income, net			817
Other gains, net			342
Finance expenses			(511)
Profit before income tax			26,243
Income tax expense			(5,667)
Profit for the period			20,576
Other segment information			
Additions to non-current assets	8,276	2,757	11,033
Depreciation and amortisation	(2,939)	(3,406)	(6,345)
Gains on disposal of property, plant and equipment, net	58	–	58

No analysis of segment assets and liabilities is presented as they are not regularly provided to the executive directors.

There is no single external client contributed more than 10% to the Group's revenue for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 respectively.

6 Other income, net

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Management fee income	150	360	688	309	376
Interest from bank deposits	33	211	747	505	299
Other income/(expenses), net	18	(24)	62	3	3
	201	547	1,497	817	678

7 Other gains, net

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Gains on disposal of property, plant and equipment, net	2	–	59	58	4
Gains on financial assets at fair value through profit or loss	265	531	595	301	685
Exchange gains/(losses), net	12	(11)	809	(17)	(403)
	<u>279</u>	<u>520</u>	<u>1,463</u>	<u>342</u>	<u>286</u>

8 Expenses by nature

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Amortisation of intangible assets (Note 14)	119	155	149	76	77
Auditor's remuneration					
– Audit services	750	750	750	375	375
– Non-audit services	–	53	56	4	181
Depreciation of property, plant and equipment (Note 13)	10,852	11,423	12,269	6,269	3,811
Doctors' consultation fees	35,448	43,410	64,580	29,643	31,338
Cost of inventories and consumables (Note 15)	19,517	24,526	31,437	14,204	16,873
Employee benefit expenses (Note 9)	29,688	37,912	43,729	20,693	22,485
Rental expenses	19,208	17,410	19,969	9,633	10,878
Legal and professional fees	176	418	657	445	404
Listing expenses	–	–	–	–	7,974
Share option expenses to doctors	–	–	–	–	947
Others	12,265	14,241	18,495	8,373	11,453
Total cost of revenue, selling expenses and administrative expenses	<u>128,023</u>	<u>150,298</u>	<u>192,091</u>	<u>89,715</u>	<u>106,796</u>

Total costs of revenue, selling expenses and administrative expenses charged in consolidated statements of comprehensive income are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Cost of revenue	97,429	119,150	153,683	72,018	77,755
Selling expenses	2,918	4,694	7,874	3,621	4,235
Administrative expenses	27,676	26,454	30,534	14,076	24,806
	<u>128,023</u>	<u>150,298</u>	<u>192,091</u>	<u>89,715</u>	<u>106,796</u>

9 Employee benefit expenses (including directors' emoluments)

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Wages, salaries, bonuses and allowances	26,983	34,389	39,738	18,767	19,637
Retirement benefit costs – defined contribution schemes (Note (a))	1,337	1,545	2,068	954	1,112
Staff welfare and benefits	1,368	1,978	1,923	972	657
Share option expenses	–	–	–	–	1,079
	<u>29,688</u>	<u>37,912</u>	<u>43,729</u>	<u>20,693</u>	<u>22,485</u>

Notes:

(a) Retirement benefit costs – defined contribution schemes

The Company's subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Group contributes a certain percentage of the salaries of the subsidiaries' employees, and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-managed retirement plans are responsible for the entire pension obligations payable to the retired employees.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions were subject to a cap of HK\$1,250 and HK\$1,500 per month during the period from 1 January 2014 to 31 May 2014 and from 1 June 2014 to 30 June 2017, respectively, and thereafter contributions are voluntary.

(b) Directors and Chief Executive Officer's emoluments

The remunerations of each director and the Chief Executive Officer of the Group for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 are set out below:

Emoluments paid or receivable in respect of a person's services as a director,
whether of the Group, the Company or its subsidiary undertaking

	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2014						
Dr. Dennis LAM						
<i>(Chief Executive Officer)</i>						
<i>(Note (a))</i>	–	4,320	68	–	2	4,390
Ms. LI <i>(Note (b))</i>	350	295	68	660	2	1,375
Mr. LI Chun Shan						
<i>(Note (b))</i>	–	196	–	–	–	196
Dr. LEE Yau Wing Vincent						
<i>(Note (c))</i>	–	–	–	–	–	–
	<u>350</u>	<u>4,811</u>	<u>136</u>	<u>660</u>	<u>4</u>	<u>5,961</u>
Year ended 31 December 2015						
Dr. Dennis LAM						
<i>(Chief Executive Officer)</i>						
<i>(Note (a))</i>	–	8,761	66	–	2	8,829
Ms. LI <i>(Note (b))</i>	420	294	66	695	2	1,477
Mr. LI Chun Shan						
<i>(Note (b))</i>	–	191	66	–	–	257
Dr. LEE Yau Wing Vincent						
<i>(Note (c))</i>	–	–	–	–	–	–
	<u>420</u>	<u>9,246</u>	<u>198</u>	<u>695</u>	<u>4</u>	<u>10,563</u>
Year ended 31 December 2016						
Dr. Dennis LAM						
<i>(Chief Executive Officer)</i>						
<i>(Note (a))</i>	–	6,624	–	–	12	6,636
Ms. LI <i>(Note (b))</i>	–	1,525	–	720	17	2,262
Mr. LI Chun Shan						
<i>(Note (b))</i>	–	411	63	–	–	474
Dr. LEE Yau Wing Vincent						
<i>(Note (c))</i>	–	–	–	–	–	–
	<u>–</u>	<u>8,560</u>	<u>63</u>	<u>720</u>	<u>29</u>	<u>9,372</u>

Emoluments paid or receivable in respect of a person's services as a director,
whether of the Group, the Company or its subsidiary undertaking

	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Share-based payment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Six months ended 30 June 2016 (Unaudited)							
Dr. Dennis LAM (Chief Executive Officer)							
(Note (a))	-	3,076	-	-	9	-	3,085
Ms. LI (Note (b))	-	742	-	360	8	-	1,110
Mr. LI Chun Shan							
(Note (b))	-	170	-	-	-	-	170
Dr. LEE Yau Wing Vincent							
(Note (c))	-	-	-	-	-	-	-
	-	3,988	-	360	17	-	4,365
Six months ended 30 June 2017							
Dr. Dennis LAM (Chief Executive Officer)							
(Note (a))	-	1,496	-	-	2	-	1,498
Ms. LI (Note (b))	-	600	-	363	9	-	972
Mr. LI Chun Shan							
(Note (b))	-	237	-	-	-	9	246
Dr. LEE Yau Wing Vincent							
(Note (c))	-	-	-	-	-	-	-
	-	2,333	-	363	11	9	2,716

Notes:

- (a) The remuneration of Dr. Dennis LAM shown in the tables represents remuneration received and receivable from the Group by him in his capacities as a director and the Chief Executive Officer of the Company and an ophthalmologist to the Group during the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017.
- (b) The remunerations of Ms. LI and Mr. LI Chun Shan shown in the tables represent remuneration received and receivable from the Group by them in their capacities as directors of the Company and employees to the Group during the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017.
- (c) No material remunerations were received nor receivable from the Group by Dr. LEE Yau Wing Vincent in his capacity as a director of the Company since the appointment on 28 June 2017. During the years ended 31 December 2014, 2015, 2016, the six months ended 30 June 2016 and the period from 1 January 2017 to 27 June 2017, Dr. LEE Yau Wing Vincent received doctors' consultation fees of HK\$11,563,000, HK\$14,840,000, HK\$17,451,000, HK\$8,754,000 and HK\$7,270,000 respectively. During the period from 1 January 2017 to 27 June 2017, share option expenses to Dr. LEE Yau Wing Vincent amounted to HK\$764,000.

During the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017, the aggregate amounts of remuneration including fees, salaries, discretionary bonuses, allowances and benefits in kind, employer's contribution to a retirement benefit scheme, share-base payment and doctors' consultation fees which were paid by our Group to the directors were HK\$17,524,000, HK\$25,403,000, HK\$26,823,000, HK\$13,119,000 and HK\$10,767,000 respectively.

Dr. Dennis LAM and Ms. LI were appointed as the Company's executive directors on 1 February 2016.

Dr. LEE Yau Wing Vincent and Mr. LI Chun Shan were appointed as the Company's executive directors on 28 June 2017.

Dr. LAU Johnson Yiu-Nam, Dr. LI Kwok Tung Donald, Mr. MA Andrew Chiu Cheung, Mr. CHAN Chi Leong and Ms. BENTLEY Annie Liang were appointed as the Company's independent non-executive directors on 19 October 2017. During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any directors' remuneration in the capacity of independent non-executive directors.

No remunerations are paid or receivables in respect of accepting office as director during the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017.

No emoluments are paid or receivable in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiary undertaking during the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017.

No director waived or agreed to waive any emoluments during the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017.

During the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.

There is no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors during the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017.

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had material interest, whether directly or indirectly, subsisted at the end of the years/periods or at any time during the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest amongst the directors and employees in the Group include three directors, Dr. LEE Yau Wing Vincent, Dr. Dennis LAM and Ms. LI, whose emoluments are reflected in the analysis presented above for the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017. The emoluments payable to the remaining two individuals for the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Wages, salaries, bonuses and allowances	1,697	1,420	1,452	879	590
Pension costs	26	32	17	–	–
Share-based payments	–	–	–	–	781
	<u>1,723</u>	<u>1,452</u>	<u>1,469</u>	<u>879</u>	<u>1,371</u>

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
				(Unaudited)	
Emolument bands (in HK\$)					
Nil to HK\$1,000,000	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

10 Finance expenses

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Interest expense on borrowings	<u>966</u>	<u>1,189</u>	<u>932</u>	<u>511</u>	<u>334</u>

11 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017.

The applicable tax rate for the PRC subsidiaries of the Group is 25% for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017.

Under the new Corporate Income Tax Law, corporate withholding income tax is levied on the foreign investor incorporated in Hong Kong for dividend which arises from profit of foreign investment enterprises earned after 1 January 2008 at a tax rate of 5%.

The amount of taxation charged/(credited) to the consolidated statements of comprehensive income represents:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Current income tax					
– Hong Kong profits tax	3,677	6,894	7,482	3,588	5,220
– PRC enterprise income tax	2,130	3,267	5,280	2,589	4,025
Deferred income tax (<i>Note 27</i>)	(205)	(87)	(1,053)	(510)	(318)
Income tax expense	<u>5,602</u>	<u>10,074</u>	<u>11,709</u>	<u>5,667</u>	<u>8,927</u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group companies as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Profit before income tax	27,963	48,431	58,596	26,243	34,283
Tax calculated at domestic tax rate applicable to profits in respective jurisdictions	5,250	8,972	11,188	5,053	6,971
Tax effects of:					
Income not subject to tax	(295)	(378)	(280)	(43)	(349)
Expenses not deductible for taxation purpose	643	984	801	657	2,305
Withholding tax on unremitted earnings of a PRC subsidiary	–	500	–	–	–
Others	4	(4)	–	–	–
Income tax expense	<u>5,602</u>	<u>10,074</u>	<u>11,709</u>	<u>5,667</u>	<u>8,927</u>

The weighted average applicable tax rate for the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017 was 18.8%, 18.5%, 19.1% and 19.3%, and 20.3%, respectively.

There was no material fluctuation in the weighted average applicable tax rate for the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017.

12 Earnings per share

(a) Basic

Basic earnings per share for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue.

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
				(Unaudited)	
Profit attributable to owners of the Company during the year/period (HK\$'000)	22,361	38,357	46,887	20,576	25,356
Weighted average number of ordinary shares in issue	334,129	334,129	334,129	334,129	339,834
Basic earnings per share (HK\$)	66.92	114.80	140.32	61.58	74.61

Note:

- (i) The earnings per share as presented above is calculated using the weighted average number of 334,129, 334,129, 334,129, 334,129 and 339,834 ordinary shares deemed to be in issue for the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017. In determining the weighted average number of ordinary shares deemed to be in issue, the bonus elements of the shares issued in 2016 and 2017 as detailed in Note 22(b) and Note 22(c), respectively, have been taken into account since 1 January 2014.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the years the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2016 and 2017, the Group has nil, nil, nil, nil and one category of dilutive potential ordinary shares, respectively.

For the pre-IPO share options, the number of shares included as below is the number of shares that are dilutive and would have been outstanding assuming the completion of the share issue to the grantees. 5,487 share options are not included in the weighted average number of ordinary shares in issue for calculating diluted earnings per share because they are anti-dilutive for the six months ended 30 June 2017.

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
				(Unaudited)	
Profit attributable to owners of the Company during the year/period (HK\$'000)	22,361	38,357	46,887	20,576	25,356
Weighted average number of ordinary shares in issue	334,129	334,129	334,129	334,129	339,834
Adjustments for:					
– impact of the pre-IPO share option scheme	–	–	–	–	1,029
Weighted average number of ordinary shares for diluted earnings per share	334,129	334,129	334,129	334,129	340,863
Diluted earnings per share (HK\$)	66.92	114.80	140.32	61.58	74.39

13 Property, plant and equipment

	Medical equipment	Leasehold improvements	Office furniture and fixtures	Computer equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014						
Cost	33,626	14,758	2,653	1,537	997	53,571
Accumulated depreciation	(4,893)	(2,619)	(446)	(398)	(196)	(8,552)
Net book amount	28,733	12,139	2,207	1,139	801	45,019
Year ended 31 December 2014						
Opening net book amount	28,733	12,139	2,207	1,139	801	45,019
Additions	2,424	3,781	174	376	587	7,342
Disposals	(9)	–	(6)	–	(422)	(437)
Depreciation	(4,922)	(4,678)	(548)	(474)	(230)	(10,852)
Currency translation differences	(451)	(193)	(37)	(15)	(3)	(699)
Closing net book amount	25,775	11,049	1,790	1,026	733	40,373
At 31 December 2014						
Cost	35,536	18,310	2,779	1,892	1,030	59,547
Accumulated depreciation	(9,761)	(7,261)	(989)	(866)	(297)	(19,174)
Net book amount	25,775	11,049	1,790	1,026	733	40,373
Year ended 31 December 2015						
Opening net book amount	25,775	11,049	1,790	1,026	733	40,373
Additions	1,727	281	121	192	378	2,699
Depreciation	(4,989)	(5,124)	(557)	(517)	(236)	(11,423)
Currency translation differences	(991)	(256)	(64)	(20)	(20)	(1,351)
Closing net book amount	21,522	5,950	1,290	681	855	30,298

	Medical equipment	Leasehold improvements	Office furniture and fixtures	Computer equipment	Motor vehicles	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 31 December 2015						
Cost	36,000	17,952	2,795	2,022	1,383	60,152
Accumulated depreciation	(14,478)	(12,002)	(1,505)	(1,341)	(528)	(29,854)
Net book amount	<u>21,522</u>	<u>5,950</u>	<u>1,290</u>	<u>681</u>	<u>855</u>	<u>30,298</u>
Year ended 31 December 2016						
Opening net book amount	21,522	5,950	1,290	681	855	30,298
Additions	7,104	4,295	388	372	437	12,596
Disposals	(37)	–	–	–	–	(37)
Depreciation	(5,903)	(4,933)	(615)	(428)	(390)	(12,269)
Currency translation differences	(877)	(73)	(48)	(8)	(32)	(1,038)
Closing net book amount	<u>21,809</u>	<u>5,239</u>	<u>1,015</u>	<u>617</u>	<u>870</u>	<u>29,550</u>
At 31 December 2016						
Cost	41,632	21,640	3,078	2,334	1,773	70,457
Accumulated depreciation	(19,823)	(16,401)	(2,063)	(1,717)	(903)	(40,907)
Net book amount	<u>21,809</u>	<u>5,239</u>	<u>1,015</u>	<u>617</u>	<u>870</u>	<u>29,550</u>
Six months ended 30 June 2017						
Opening net book amount	21,809	5,239	1,015	617	870	29,550
Additions	1,346	1,056	176	78	–	2,656
Depreciation	(2,404)	(853)	(245)	(135)	(174)	(3,811)
Currency translation differences	453	17	24	1	17	512
Closing net book amount	<u>21,204</u>	<u>5,459</u>	<u>970</u>	<u>561</u>	<u>713</u>	<u>28,907</u>
At 30 June 2017						
Cost	43,634	23,022	3,313	2,443	1,801	74,213
Accumulated depreciation	(22,430)	(17,563)	(2,343)	(1,882)	(1,088)	(45,306)
Net book amount	<u>21,204</u>	<u>5,459</u>	<u>970</u>	<u>561</u>	<u>713</u>	<u>28,907</u>
(Unaudited)						
Six months ended 30 June 2016						
Opening net book amount	21,522	5,950	1,290	681	855	30,298
Additions	6,108	3,799	375	293	445	11,020
Disposals	(36)	–	–	–	–	(36)
Depreciation	(2,830)	(2,713)	(303)	(236)	(187)	(6,269)
Currency translation differences	(164)	(9)	(7)	(2)	(9)	(191)
Closing net book amount	<u>24,600</u>	<u>7,027</u>	<u>1,355</u>	<u>736</u>	<u>1,104</u>	<u>34,822</u>
At 30 June 2016						
Cost	41,700	21,647	3,153	2,304	1,817	70,621
Accumulated depreciation	(17,100)	(14,620)	(1,798)	(1,568)	(713)	(35,799)
Net book amount	<u>24,600</u>	<u>7,027</u>	<u>1,355</u>	<u>736</u>	<u>1,104</u>	<u>34,822</u>

Depreciation expense charged in the consolidated statements of comprehensive income is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of revenue	6,629	8,655	9,614	4,857	3,075
Administrative expenses	4,223	2,768	2,655	1,412	736
	<u>10,852</u>	<u>11,423</u>	<u>12,269</u>	<u>6,269</u>	<u>3,811</u>

Motor vehicles and medical equipment includes the following amounts where the Group is a lessee under finance leases:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost-capitalised finance leases	27,374	26,209	26,213	27,088	26,411
Accumulated depreciation	(6,830)	(9,956)	(12,913)	(11,472)	(13,603)
Net book amount	<u>20,544</u>	<u>16,253</u>	<u>13,300</u>	<u>15,616</u>	<u>12,808</u>

The Group leases various motor vehicles and medical equipment under non-cancellable finance lease agreements. The lease terms are between 3 and 5 years, and substantially all risks and rewards incidental to ownership of the underlying assets have been transferred to the Group.

14 Intangible assets

	Total
	HK\$'000
At 1 January 2014	
Cost	946
Accumulated amortisation	(39)
	<u>907</u>
Year ended 31 December 2014	
Opening net book amount	907
Additions	627
Amortisation	(119)
Currency translation differences	(25)
Closing net book amount	<u>1,390</u>
At 31 December 2014	
Cost	1,547
Accumulated amortisation	(157)
	<u>1,390</u>

	Total
	HK\$'000
Year ended 31 December 2015	
Opening net book amount	1,390
Additions	441
Amortisation	(155)
Currency translation differences	(74)
Closing net book amount	<u>1,602</u>
At 31 December 2015	
Cost	1,899
Accumulated amortisation	(297)
	<u>1,602</u>
Year ended 31 December 2016	
Opening net book amount	1,602
Additions	13
Amortisation	(149)
Currency translation differences	(59)
Closing net book amount	<u>1,407</u>
At 31 December 2016	
Cost	1,829
Accumulated amortisation	(422)
	<u>1,407</u>
Six months ended 30 June 2017	
Opening net book amount	1,407
Additions	193
Amortisation	(77)
Currency translation differences	31
Closing net book amount	<u>1,554</u>
At 30 June 2017	
Cost	2,068
Accumulated amortisation	(514)
	<u>1,554</u>
(Unaudited)	
Six months ended 30 June 2016	
Opening net book amount	1,602
Additions	13
Amortisation	(76)
Currency translation differences	(10)
Closing net book amount	<u>1,529</u>
At 30 June 2016	
Cost	1,897
Accumulated amortisation	(368)
	<u>1,529</u>

Intangible assets mainly consist of computer software.

Amortisation expense charged in the consolidated statements of comprehensive income is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost of revenue	–	61	58	30	28
Administration expenses	119	94	91	46	49
	119	155	149	76	77

15 Inventories

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Pharmaceuticals and medical consumables	1,621	1,232	2,072	2,119
Vision aid products	400	275	256	247
	2,021	1,507	2,328	2,366

The cost of inventories and consumables recognised as expense and included in cost of revenue amounted to approximately HK\$19,517,000, HK\$24,526,000, HK\$31,437,000, HK\$14,204,000 and HK\$16,873,000 for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, respectively.

16 Financial instruments by categories

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loans and receivables				
– Amount due from a director and shareholder	18,643	33,795	16	22,805
– Amounts due from related parties	192	1,337	1,393	1,206
– Trade receivables	1,745	3,464	4,456	6,095
– Deposits and other receivables	2,263	2,938	6,338	6,980
– Cash and cash equivalents	11,246	23,348	58,760	182,229
	34,089	64,882	70,963	219,315
Financial assets at fair value through profit or loss				
– Unlisted insurance policy investments	5,205	5,205	5,205	5,556
– Structured bank deposits	17,951	23,520	12,232	20,628
	23,156	28,725	17,437	26,184

	As at 31 December			As at
	2014	2015	2016	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
Other financial liabilities at amortised cost				HK\$'000
– Amounts due to directors and shareholders	5,458	4,915	10,510	7,458
– Amounts due to related parties	5,656	3,735	10,375	15,580
– Trade payables	2,483	2,342	3,090	2,758
– Accruals and other payables	4,443	8,461	13,233	17,906
– Bank borrowings	33,888	20,563	11,144	15,410
– Finance lease liabilities	9,996	12,747	7,379	4,092
	<u>61,924</u>	<u>52,763</u>	<u>55,731</u>	<u>63,204</u>

17 Trade receivables

	As at 31 December			As at
	2014	2015	2016	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
Trade receivables	<u>1,745</u>	<u>3,464</u>	<u>4,456</u>	<u>6,095</u>

The carrying amounts of trade receivables approximate their fair values.

The trade receivables are due when services are rendered and goods are sold. As at 31 December 2014, 2015 and 2016 and 30 June 2017, the ageing analysis of the trade receivables based on due date and invoice date was as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
0–90 days	1,584	3,115	4,156	5,732
91–180 days	152	245	71	196
Over 180 days	9	104	229	167
	<u>1,745</u>	<u>3,464</u>	<u>4,456</u>	<u>6,095</u>

As at 31 December 2014, 2015 and 2016 and 30 June 2017, all the trade receivables balances were past due but not impaired. These relate to a number of independent clients, commercial companies and local government. Management considers that based on past experience, the amounts can be recovered.

As at 31 December 2014, 2015, 2016 and 30 June 2017, no trade receivables were considered impaired and had been provided for.

The carrying amounts of trade receivables are denominated in the following currencies:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Dollar	1,307	2,455	3,322	4,794
Renminbi	438	1,009	1,134	1,301
	<u>1,745</u>	<u>3,464</u>	<u>4,456</u>	<u>6,095</u>

18 Deposits, prepayments and other receivables

	Group			Company	
	As at 31 December			As at 30 June	As at 30 June
	2014	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current					
Prepayments for property, plant and equipment	280	1,349	1,738	24,146	–
Prepayments for rental expenses	841	1,629	–	–	–
Rental deposits	1,809	1,699	4,129	6,351	–
	<u>2,930</u>	<u>4,677</u>	<u>5,867</u>	<u>30,497</u>	<u>–</u>
Current					
Prepayments for inventories	85	147	150	232	–
Prepayments for rental expenses	211	185	2,819	2,608	–
Listing costs	–	–	–	2,620	2,620
Rental and other deposits . . .	335	1,099	2,076	492	–
Others	490	824	999	2,399	–
	<u>1,121</u>	<u>2,255</u>	<u>6,044</u>	<u>8,351</u>	<u>2,620</u>
Total deposits, prepayments and other receivables	<u>4,051</u>	<u>6,932</u>	<u>11,911</u>	<u>38,848</u>	<u>2,620</u>

The carrying amounts of deposits, prepayments and other receivables approximate their fair values.

Deposits, prepayments and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold collateral as security.

The carrying amounts of the deposits, prepayments and other receivables are denominated in the following currencies:

	Group			Company	
	As at 31 December			As at 30 June	As at 30 June
	2014	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States Dollar	–	4	–	542	542
Hong Kong Dollar	3,090	5,501	6,587	8,034	1,523
Renminbi	961	1,427	5,324	30,272	555
	<u>4,051</u>	<u>6,932</u>	<u>11,911</u>	<u>38,848</u>	<u>2,620</u>

19 Amounts due from/(to) directors and shareholders

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the amount due from/(to) directors and shareholders are unsecured, interest free, repayable on demand and non-trade in nature.

The carrying amounts of amounts due from/(to) directors and shareholders approximate their fair values and are denominated in Hong Kong Dollar.

The amount due from a director and shareholder is not impaired.

Amounts due from/(to) directors and shareholders outstanding were summarised as follows:

	At the end of year/period	At the beginning of year/period
	HK\$'000	HK\$'000
As at 31 December 2014		
Amount due from a director and shareholder		
Dr. Dennis LAM	18,643	27,005
Amounts due to directors and shareholders		
Dr. Dennis LAM	(98)	(13,299)
Ms. LI	(5,360)	–
	<u>13,185</u>	<u>13,706</u>
As at 31 December 2015		
Amount due from a director and shareholder		
Dr. Dennis LAM	33,795	18,643
Amounts due to directors and shareholders		
Dr. Dennis LAM	(93)	(98)
Ms. LI	(4,822)	(5,360)
	<u>28,880</u>	<u>8,185</u>
As at 31 December 2016		
Amount due from a director and shareholder		
Dr. Dennis LAM	16	33,795
Amounts due to directors and shareholders		
Dr. Dennis LAM	(3,175)	(93)
Ms. LI	(7,335)	(4,822)
	<u>(10,494)</u>	<u>28,880</u>
As at 30 June 2017		
Amount due from a director and shareholder		
Dr. Dennis LAM	22,805	16
Amounts due to directors and shareholders		
Dr. Dennis LAM	(72)	(3,175)
Ms. LI	(7,386)	(7,335)
	<u>15,347</u>	<u>(10,494)</u>

20 Cash and cash equivalents

	Group			Company	
	As at 31 December			As at	As at
				30 June	30 June
	2014	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at banks (<i>Note (a)</i>)	11,179	19,472	34,644	178,534	128,765
Cash on hand	67	348	319	257	–
Short-term bank deposits (<i>Note (b)</i>)	–	3,528	23,797	3,438	–
	<u>11,246</u>	<u>23,348</u>	<u>58,760</u>	<u>182,229</u>	<u>128,765</u>

Cash and cash equivalents are denominated in the following currencies:

	Group			Company	
	As at 31 December			As at	As at
				30 June	30 June
	2014	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States Dollar (<i>Note (c)</i>)	4,771	1,366	23,343	11,611	–
Hong Kong Dollar	5,159	16,907	7,860	143,762	128,765
Renminbi (<i>Note (c)</i>)	1,316	5,075	27,557	26,856	–
	<u>11,246</u>	<u>23,348</u>	<u>58,760</u>	<u>182,229</u>	<u>128,765</u>

Notes:

- (a) Cash at banks generates interest at prevailing market interest rates ranging from 0.01% to 0.35% per annum throughout the Track Record Period.
- (b) As at 31 December 2015, 2016 and 30 June 2017, the effective interest rates per annum on short-term bank deposits were 3.8%, 4.0% and 3.6%, respectively; short-term bank deposits have maturities at inception of less than 3 months.
- (c) Cash and cash equivalents of HK\$1,099,000, HK\$4,727,000, HK\$50,623,000 and HK\$35,780,000 were held in Mainland China as at 31 December 2014, 2015 and 2016 and 30 June 2017 respectively. They are subject to local exchange control regulations. Those local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

21 Financial assets at fair value through profit or loss

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted investments:				
Key management insurance contract (Note (a))	5,205	5,205	5,205	5,556
Structured bank deposits (Note (b))	17,951	23,520	12,232	20,628
	23,156	28,725	17,437	26,184
Less: non-current portion:				
Key management insurance contract	(5,205)	(5,205)	(5,205)	(5,556)
Current portion	17,951	23,520	12,232	20,628
	<u>23,156</u>	<u>28,725</u>	<u>17,437</u>	<u>26,184</u>
	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	1,916	23,156	28,725	17,437
Addition	77,128	92,255	78,681	27,103
Disposal	(56,010)	(85,916)	(89,736)	(19,532)
Change in fair value (Note 7)	265	531	595	685
Exchange difference	(143)	(1,301)	(828)	491
At 31 December/30 June	<u>23,156</u>	<u>28,725</u>	<u>17,437</u>	<u>26,184</u>

Notes:

- (a) Investment in insurance contract represented key management life insurance policy. On 22 November 2014, Dr. Dennis LAM transferred the insurance policy to the Group at a consideration of HK\$5,205,000. The insurance policy is pledged to the bank as securities for certain bank borrowings and finance leases granted to the Group (Note 26). As at 31 December 2014, 2015 and 2016 and 30 June 2017, the fair value of unlisted insurance policy investment that is not traded in an active market is considered to be the cash surrender value of the insurance policy. The amount is denominated in United States Dollar.
- (b) During the Track Record Period, the Group invested in structured bank deposits issued by major state-owned banks in the PRC, with fixed maturities and floating interest rates. The fair values of the structured bank deposits are based on the redeemable amounts as at the year/period end date.

The maximum exposure to credit risk at the reporting date is the carrying value of financial assets at fair value through profit or loss.

There are no commitment or contingent liabilities relating to the Group's interests in the financial assets at fair value through profit or loss. These financial assets are denominated in RMB and are not impaired as at 31 December 2014, 2015 and 2016 and 30 June 2017.

22 Share capital

The Group and the Company	Note	Number of ordinary shares '000	Nominal value of ordinary share HK\$'000
Authorised:			
Upon incorporation	(a)	50	387
At 31 December 2016 and 1 January 2017		50	387
Increase in authorised share capital by recapitalisation	(b)	7,999,950	799,613
At 30 June 2017		<u>8,000,000</u>	<u>800,000</u>
Issued and paid:			
Upon incorporation	(a)	2	16
At 31 December 2016 and 1 January 2017		2	16
Increase in number of shares on recapitalisation	(b)	154	–
Proceeds from shares issued to C-MER Group Limited	(c)	178	17
Proceeds from shares issued to pre-IPO investors	(d) and (e)	37	4
At 30 June 2017		<u>371</u>	<u>37</u>

Notes:

- (a) The Company was incorporated on 1 February 2016 with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each. Upon incorporation, 2,000 ordinary shares of US\$1 were issued at par.
- (b) Pursuant to a shareholder's resolution passed on 18 May 2017, the authorised share capital of the Company was increased by HK\$800,000,000 by the creation of 8,000,000,000 ordinary shares of HK\$0.1 each. The Company repurchased and cancelled the 2,000 existing issued shares of US\$1 each and issued 156,000 shares of HK\$0.1 each to the shareholder in exchange. The authorised share capital of US\$50,000 of US\$1 each was cancelled.
- (c) Pursuant to directors' resolutions passed on 18 May 2017 and 6 June 2017, 167,000 and 11,137 ordinary shares of HK\$0.1 each, respectively, were issued and allotted to C-MER Group Limited at par value.
- (d) On 30 May 2017, the Company entered into the Pre-IPO Tranche A Subscription Agreements with certain investors ("Pre-IPO Tranche A Investors"). A total of 14,851 ordinary shares ("Pre-IPO Tranche A Shares") of HK\$0.1 each were allotted and issued to the Pre-IPO Tranche A Investors at an aggregated cash consideration of HK\$40,000,000. Pursuant to the Pre-IPO Tranche A Subscription Agreements, the Pre-IPO Tranche A Investors may request the Company to repurchase all the Pre-IPO Tranche A Shares they subscribed for at a purchase price of HK\$2,693.42 per share in the event that the listing of the Group does not take place on or before 31 December 2018 (or such date as agreed between the Pre-IPO Tranche A Investors and the Company).

Other than Mr. LAM Tak Kwan, who is a close family member of a director and Dr. LAU Johnson Yiu-Nam, who is an independent non-executive director of the Company, the remaining Pre-IPO Tranche A Investors are independent third parties. All subscription consideration has been received in cash.

- (e) On 6 June 2017, the Company entered into the Pre-IPO Tranche B Subscription Agreements with certain investors (“Pre-IPO Tranche B Corporate Investors”). A total of 22,277 ordinary shares (“Pre-IPO Tranche B Shares”) of HK\$0.1 each were allotted and issued to the Pre-IPO Tranche B Corporate Investors at an aggregated cash consideration of HK\$102,000,000. Pursuant to the Pre-IPO Tranche B Subscription Agreements, the Pre-IPO Tranche B Corporate Investors may request the Company to repurchase all the Pre-IPO Tranche B Shares they subscribed at a purchase price per share equal to 103% of the original subscription price per share in the event that the listing of the Group does not take place on or before 30 June 2018 (or such date as agreed between the Pre-IPO Tranche B Corporate Investors and the Company.) If the Pre-IPO Tranche B Corporate Investors have not exercised such put option, they may discuss with the Company on the availability of the customary minority shareholders rights.

All investors under the Pre-IPO Tranche B Subscription Agreements are independent third parties, and all subscription consideration has been received in cash.

23 Reserves

(a) Other reserve

The balance represented the combined share capital of the subsidiaries comprising the Group before the completion of the Reorganisation, and contributed surplus and merger reserve after completion of the Reorganisation.

(b) Statutory surplus reserve

The balance mainly represents statutory surplus reserve. In accordance with articles of association of certain subsidiaries incorporated in the PRC, the subsidiary is required to transfer 10% of the profit after taxation prepared in accordance with PRC accounting standards to the statutory reserve until the balance reaches 50% of the registered share capital. Such reserve can be used to reduce any losses incurred and to increase share capital.

24 Share-based payments

The Company has approved and adopted the pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) pursuant to a shareholder’s resolution passed on 28 June 2017. Share options were granted in April 2017 to incentivise the Company’s certain directors, senior management, ophthalmologists, physicians and employees:

- (i) As at 30 June 2017, 31,710,000 options were granted to a total of 12 grantees, which include certain Hong Kong ophthalmologists, selected physicians in the PRC, an executive director and a senior management (“Batch I” pre-IPO share options). This represented 3.7% of the issued shares of the Company after the completion of the proposed capitalisation upon listing (Note 35(i)), if fully converted to ordinary shares of the Company.

The options are subject to the following vesting schedule:

Vesting period of the relevant percentage of the options	Maximum percentage of options exercisable
From 1 April 2017 to 31 March 2018 ·····	33.33%
From 1 April 2017 to 31 March 2019 ·····	33.33%
From 1 April 2017 to 31 March 2020 ·····	33.33%

The vesting of the pre-IPO share options granted to the Hong Kong ophthalmologists is subject to certain performance target in terms of revenue generated during the vesting periods. No performance condition exists for the selected physicians in the PRC, executive director and senior management.

The exercise price of each option is HK\$0.1. These options are exercisable in a thirty-six-month period commencing from the third anniversary of latter of (a) the expiry of the first six-month period immediately after the listing date and (b) the first anniversary of 1 April 2017. All unexercised pre-IPO share options will lapse by the end of the exercise period.

- (ii) As at 30 June 2017, 10,012,000 options were granted to a total of 115 grantees, which includes certain employees in Hong Kong and the PRC, an executive director and a senior management (“Batch II” pre-IPO share options). This represented 1.2% of the issued shares of the Company after the completion of the proposed capitalisation upon listing (Note 35(i)), if fully converted to ordinary shares of the Company.

The options are subject to the following vesting schedule:

<u>Vesting period of the relevant percentage of the options</u>	<u>Maximum percentage of options exercisable</u>
From 1 April 2017 to 31 March 2020	100%

The exercise price of each option is HK\$1.0. These options are exercisable in a thirty-six month period commencing from the third anniversary of 1 April 2017. All unexercised pre-IPO share options will lapse by the end of the exercise period or upon the cessation of employment of the grantees.

- (iii) As at 30 June 2017, 1,856,000 options were granted to a total of 4 grantees, which includes certain physicians in the PRC (“Batch III” pre-IPO share options). This represented 0.2% of the issued shares of the Company after the completion of the proposed capitalisation upon listing (Note 35(i)), if fully converted to ordinary shares of the Company.

The options are subject to the following vesting schedule:

<u>Vesting period of the relevant percentage of the options</u>	<u>Maximum percentage of options exercisable</u>
From 1 April 2017 to 31 March 2020	60%
From 1 April 2017 to 31 March 2022	40%

The vesting of the pre-IPO share options granted to the physicians in the PRC is subject to certain performance target in terms of revenue generated during the vesting periods.

The exercise price of each option is HK\$1.0. These options are exercisable in a thirty-six month period commencing from the third anniversary of 1 April 2017 or sixty-month period commencing from the fifth anniversary of 1 April. All unexercised pre-IPO share options will lapse by the end of the exercise period or upon the cessation of employment of the grantees.

The fair values of the pre-IPO share options were calculated using the binomial option pricing model and subject to a number of assumptions and with regard to the limitation of the model. The fair value of the pre-IPO share options granted and the significant input to the model are summarised as below:

	<u>Six months ended 30 June 2017</u>
Fair value of pre-IPO share options granted (HK\$)	13,994,000
Weighted average exercise price (HK\$)	0.35
Risk-free rate	1.27–1.58%
Expected volatility	48.62–53.15%
Dividend yield	0.19–0.29%
Expected option life (years)	4–8

The expected volatility was determined based on the historical volatility of the share prices of publicly listed companies which are considered comparable with the Group.

As at 30 June 2017, all of the 43,578,000 outstanding options were not exercisable as they have not yet been vested. The total expense recognised in the consolidated statement of comprehensive income on the pre-IPO share options was HK\$2,026,000 for the six months ended 30 June 2017.

25 Dividends

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Dividends	–	–	46,500	–	–
				(Unaudited)	

During the year ended 31 December 2016, pursuant to the written resolutions on 30 August 2016 and 31 August 2016, dividends of HK\$36,500,000 and HK\$10,000,000 were declared and were offset against the amount due from a director and shareholder by Hong Kong (International) Eye Care Group Limited and Hong Kong C-MER International Eye Care Group (China) Limited, respectively.

26 Borrowings

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current				
Finance lease liabilities	6,680	6,417	1,012	807
Current				
Bank borrowings	33,888	20,563	11,144	15,410
Finance lease liabilities	3,316	6,330	6,367	3,285
	37,204	26,893	17,511	18,695
Total borrowings	43,884	33,310	18,523	19,502

(a) Borrowings

Borrowings are analysed as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Non-current				
Finance lease liabilities due for repayment after one year	6,680	6,417	1,012	807
Current				
Portion of bank borrowings due for repayment within one year which contains a repayment on demand clauses (<i>Note (a)</i>)	29,278	9,420	4,464	9,933
Portion of bank borrowings due for repayment after one year which contains a repayment on demand clauses (<i>Note (a)</i>)	4,610	11,143	6,680	5,477
Finance lease liabilities due for repayment within one year	3,316	6,330	6,367	3,285
	<u>37,204</u>	<u>26,893</u>	<u>17,511</u>	<u>18,695</u>

Note:

- (a) According to Hong Kong Interpretation 5, "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause", if a term loan agreement includes an overriding repayment on demand clause ("callable feature"), which gives the lender a clear and unambiguous unconditional right to demand repayment at any time at its sole discretion, a borrower shall classify the term loan as a current liability in its balance sheet, as the borrower does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Accordingly, the long-term portion of the Group's bank borrowings was classified as current liabilities in the consolidated balance sheets as at 31 December 2014, 2015 and 2016 and 30 June 2017.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, bank borrowings are secured by the Group's unlisted insurance policy investments with surrender values of US\$674,000, US\$674,000, US\$674,000 and US\$712,000 respectively (Note 21) and personal guarantees provided by Dr. Dennis LAM and Ms. LI, directors of the Company.

The personal guarantees provided by Dr. Dennis LAM and Ms. LI has been released subsequently on 4 July 2017.

An analysis of the carrying amounts of the Group's borrowings by type and currency is as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
United States Dollar at floating rates	4,688	4,685	–	–
Hong Kong Dollar at floating rates	38,054	27,826	17,085	18,274
Hong Kong Dollar at fixed rates	1,142	799	1,438	1,228
	<u>43,884</u>	<u>33,310</u>	<u>18,523</u>	<u>19,502</u>

An analysis of the Group's effective interest rates per annum is as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	%	%	%	2017
United States Dollar	2.55	2.55	N/A	N/A
Hong Kong Dollar	2.29	3.35	3.25	3.01

The carrying amounts of borrowings approximate their fair values.

An analysis of the Group's undrawn borrowing facilities is as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
Floating rate				
– expiring within one year	<u>26,820</u>	<u>30,000</u>	<u>4,696</u>	<u>–</u>

(b) Finance lease liabilities

The rights to the leased asset are reverted to the lessor in the event of default of the lease liabilities by the Group.

	As at 31 December			As at
	2014	2015	2016	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
Gross finance lease liabilities – minimum lease payments				HK\$'000
No later than 1 year	3,583	6,645	6,504	3,337
Later than 1 year and no later than 5 years	6,893	6,524	1,056	839
	10,476	13,169	7,560	4,176
Future finance charges on finance leases	(480)	(422)	(181)	(84)
Present value of financial lease liabilities	9,996	12,747	7,379	4,092
The present value of finance lease liabilities is as follows:				
No later than 1 year	3,316	6,330	6,367	3,285
Later than 1 year and no later than 5 years	6,680	6,417	1,012	807
	9,996	12,747	7,379	4,092

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the finance lease liabilities are secured by the Group's unlisted insurance policy investments with surrender values of US\$674,000, US\$674,000, US\$674,000 and US\$712,000 respectively (Note 21) and personal guarantees provided by Dr. Dennis LAM and Ms. LI, directors of the Company.

The personal guarantees provided by Dr. Dennis LAM and Ms. LI has been released subsequently on 4 July 2017.

27 Deferred income tax

The analysis of deferred income tax account is as follows:

	As at 31 December			As at
	2014	2015	2016	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
Deferred income tax assets to be recovered				HK\$'000
within 12 months	–	–	58	207
Deferred income tax assets to be recovered				
after more than 12 months	–	42	665	785
	–	42	723	992
Deferred income tax liabilities to be recovered				
within 12 months	(545)	(500)	(29)	(32)
Deferred income tax liabilities to be recovered after				
more than 12 months	(46)	(46)	(145)	(93)
	(591)	(546)	(174)	(125)
Deferred income tax (liabilities)/assets, net	(591)	(504)	549	867

The net movement on deferred income tax account is as follows:

	Total
	HK\$'000
At 1 January 2014	(796)
Credited to the consolidated statements of comprehensive income	205
At 31 December 2014	(591)
Credited to the consolidated statements of comprehensive income	87
At 31 December 2015	(504)
Credited to the consolidated statements of comprehensive income	1,053
At 31 December 2016	549
Credited to the consolidated statements of comprehensive income	318
At 30 June 2017	867
(Unaudited)	
At 1 January 2016	(504)
Credited to the consolidated statements of comprehensive income	510
At 30 June 2016	6

The gross movement in deferred income tax assets/(liabilities) during the years/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax (liabilities)/assets	Withholding (Accelerated)/ tax on		Share-based payment reserve	Tax losses	Total
	unremitted earnings	decelerated tax depreciation			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	–	(796)	–	–	(796)
Credited to the consolidated statement of comprehensive income	–	205	–	–	205
At 31 December 2014	–	(591)	–	–	(591)
At 1 January 2015	–	(591)	–	–	(591)
(Charged)/credited to the consolidated statement of comprehensive income	(500)	587	–	–	87
At 31 December 2015	(500)	(4)	–	–	(504)
At 1 January 2016	(500)	(4)	–	–	(504)
Credited to the consolidated statement of comprehensive income	500	156	–	397	1,053
At 31 December 2016	–	152	–	397	549
At 1 January 2017	–	152	–	397	549
Credited/(charged) to the consolidated statement of comprehensive income	–	206	302	(190)	318
At 30 June 2017	–	358	302	207	867

Deferred income tax (liabilities)/assets	Withholding (Accelerated)/ tax on		Share-based payment reserve	Tax losses	Total
	unremitted earnings	decelerated tax depreciation			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Unaudited)					
At 1 January 2016	(500)	(4)	–	–	(504)
(Charged)/credited to the consolidated statement of comprehensive income	–	199	–	311	510
At 30 June 2016	(500)	195	–	311	6

Deferred income tax assets are recognised for tax losses carry forward purposes only to the extent that realisation of the related tax benefits through future taxable profit is probable. There were no material tax losses carry-forwards for which a deferred tax asset had not been recognised for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 30 June 2017.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, deferred income tax liabilities of approximately HK\$307,000, HK\$223,000, HK\$813,000 and HK\$1,354,000, respectively, have not been recognised for the withholding taxation that would be payable on the unremitted earnings of subsidiaries in the PRC of approximately HK\$6,139,000, HK\$4,468,000, HK\$16,264,000 and HK\$27,081,000, respectively, as the directors considered that the timing of the reversal of the related temporary differences can be controlled and the related temporary difference will not be reversed and will not be taxable in the foreseeable future.

28 Trade payables

Trade payables, based on invoice date, were aged as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0–30 days	2,429	2,163	3,019	2,514
31–60 days	6	70	46	242
61–90 days	29	1	8	1
Over 90 days	19	108	17	1
	<u>2,483</u>	<u>2,342</u>	<u>3,090</u>	<u>2,758</u>

The carrying amounts of trade payables are denominated in the following currencies:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Dollar	1,191	1,180	1,439	1,288
United States Dollar	16	72	16	–
Renminbi	1,276	1,090	1,635	1,470
	<u>2,483</u>	<u>2,342</u>	<u>3,090</u>	<u>2,758</u>

The carrying amounts of trade payables approximate their fair values.

29 Accruals and other payables

	Group			Company	
	As at 31 December			As at 30 June	As at 30 June
	2014	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accruals for employee benefits	3,161	3,346	2,909	1,945	–
Accruals for operating expenses	1,974	2,904	3,346	3,525	–
Accruals for listing expenses	–	–	–	4,128	4,128
Payables for doctors' consultation fees	2,469	5,327	8,422	8,789	–
Receipts in advance	499	994	1,232	1,755	–
Others	–	230	1,465	1,464	–
	<u>8,103</u>	<u>12,801</u>	<u>17,374</u>	<u>21,606</u>	<u>4,128</u>

The carrying amounts of accruals and other payables are denominated in the following currencies:

	Group			Company	
	As at 31 December			As at 30 June	As at 30 June
	2014	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Dollar	3,533	7,687	12,589	16,011	3,597
Renminbi	4,570	5,114	4,785	5,202	138
United States Dollar	–	–	–	393	393
	<u>8,103</u>	<u>12,801</u>	<u>17,374</u>	<u>21,606</u>	<u>4,128</u>

The carrying amounts of other payables approximate their fair values.

30 Cash generated from operations

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Profit before income tax	27,963	48,431	58,596	26,243	34,283
Adjustments for:					
Amortisation of intangible assets	119	155	149	76	77
Depreciation of property, plant and equipment	10,852	11,423	12,269	6,269	3,811
Gains on disposal of property, plant and equipment, net	(2)	–	(59)	(58)	(4)
Gains on financial assets at fair value through profit or loss	(265)	(531)	(595)	(301)	(685)
Share-based payment expenses	–	–	–	–	2,026
Finance income	(33)	(211)	(747)	(505)	(299)
Finance expenses	966	1,189	932	511	334
	39,600	60,456	70,545	32,235	39,543
Changes in working capital:					
Inventories	267	477	(868)	(841)	(12)
Trade receivables	(829)	(1,770)	(1,056)	(928)	(1,602)
Deposits, prepayments and other receivables	442	(1,873)	(5,052)	(4,637)	(2,861)
Trade payables	107	(208)	662	1,396	(379)
Accruals and other payables	1,401	4,451	4,021	3,614	4,104
Balances with related parties	2,682	(1,533)	(94)	(549)	175
Cash generated from operations	43,670	60,000	68,158	30,290	38,968

(b) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Net book amounts	437	–	37	36	–
Gains on disposal of property, plant and equipment, net	2	–	59	58	4
Proceeds from disposal of property, plant and equipment	439	–	96	94	4

(c) Significant non-cash transaction

During the year ended 31 December 2016, dividends of HK\$46,500,000 were declared and offset against amount due from a director and shareholder (Note 19).

During the six months ended 30 June 2017, share-based payment expenses of HK\$2,026,000 were recognised (Note 24).

(d) Reconciliation of liabilities arising from financing activities

	Liabilities from financing activities				
	Bank borrowings	Finance lease liabilities	Amount due to a related party	Amounts due to shareholders and directors, net	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	45,849	3,353	5,229	–	54,431
Cash flows	(11,961)	6,643	172	–	(5,146)
Exchange difference	–	–	(124)	–	(124)
At 31 December 2014	33,888	9,996	5,277	–	49,161
Cash flows	(13,325)	2,751	(1,244)	–	(11,818)
Exchange difference	–	–	(298)	–	(298)
At 31 December 2015	20,563	12,747	3,735	–	37,045
Cash flows	(9,419)	(5,368)	6,810	5,861	(2,116)
Other non-cash movements	–	–	–	4,899	4,899
Exchange difference	–	–	(204)	(266)	(470)
At 31 December 2016	11,144	7,379	10,341	10,494	39,358
Cash flows	4,266	(3,287)	4,923	(10,751)	(4,849)
Exchange difference	–	–	316	257	573
At 30 June 2017	15,410	4,092	15,580	–	35,082
(Unaudited)					
At 1 January 2016	20,563	12,747	3,735	–	37,045
Cash flows	(2,344)	(2,133)	9,326	–	4,849
Exchange difference	–	–	(35)	–	(35)
At 30 June 2016	18,219	10,614	13,026	–	41,859

31 Commitments*(a) Capital commitments*

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Contracted but not provided for				
Property, plant and equipment	–	4,575	3,475	16,609

(b) Operating lease commitments

The Group leases various clinics, hospitals, office premises and staff quarters under non-cancellable operating lease agreements. The lease terms are between one and ten years, and the majority of lease agreements are renewable at the end of the lease period at market rate. At 31 December 2014, 2015, 2016 and 30 June 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	16,161	11,320	18,945	26,569
Later than one year and not later than five years	13,321	6,555	16,316	61,432
Later than five years	–	–	–	45,569
	<u>29,482</u>	<u>17,875</u>	<u>35,261</u>	<u>133,570</u>

32 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The Group is controlled by C-MER Group Limited (incorporated in the BVI), the ultimate holding company, which owns 100% of the Company's shares. The ultimate controlling party of the Group is Dr. Dennis LAM and Ms. LI.

Name of related parties	Relationship with the Company
C-MER Group Limited	Ultimate holding company
D&S Pharmaceutical Company Limited	Common controlling shareholders and directors (Dr. Dennis LAM and Ms. LI)
Hong Kong C-MER International Eye Care Group Limited	Common controlling shareholder (Dr. Dennis LAM) and directors (Dr. Dennis LAM and Ms. LI)
Maida Medical Software Development (Shenzhen) Limited	Common controlling shareholder (Dr. Dennis LAM) and director (Ms. LI)
D&S (Shenzhen) Biotechnology Limited	Common controlling shareholders (Dr. Dennis LAM and Ms. LI) and director (Ms. LI)
Project Vision Charitable Foundation Limited	Common directors (Dr. Dennis LAM and Ms. LI)
Asia-Pacific Academy Of Ophthalmology Limited	Common director (Dr. Dennis LAM)
Mr. LI Chun Shan	Close family member of a director (Father of Ms. LI)
Ms. CAO Yue Rong	Close family member of a director (Mother of Ms. LI)

(a) *In addition to those disclosed elsewhere in the Historical Financial Information, the Group has the following transactions with related parties:*

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Ophthalmic services provided to a related company					
– Project Vision Charitable Foundation Limited	–	135	250	35	261
Management fee income from related companies					
– Asia-Pacific Academy Of Ophthalmology Limited	–	–	208	69	136
– Project Vision Charitable Foundation Limited	150	360	480	240	240
	<u>150</u>	<u>495</u>	<u>938</u>	<u>344</u>	<u>637</u>
Rental expense paid to a related company					
– Maida Medical Software Development (Shenzhen) Limited	8,761	8,864	8,943	4,456	4,434
	<u>8,761</u>	<u>8,864</u>	<u>8,943</u>	<u>4,456</u>	<u>4,434</u>

The management fee income is received for the administrative services provided by the Group to the related parties. The ophthalmic service income, management fee income and rental expense were determined based on the terms mutually agreed between the Group and the related parties.

(b) *Key management compensation*

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Fees, wages, salaries, bonus	5,890	10,405	8,992	4,744	2,703
Retirement benefits costs – defined contribution scheme	21	28	45	25	24
Allowances and benefits in kind	660	695	720	360	363
Share-based payments	–	–	–	–	850
	<u>6,571</u>	<u>11,128</u>	<u>9,757</u>	<u>5,129</u>	<u>3,940</u>

(c) Year-end balances with related parties

	As at 31 December			As at
	2014	2015	2016	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
Amounts due from related parties:				HK\$'000
Non-trade				
– D&S Pharmaceutical Company Limited	–	8	373	–
– Maida Medical Software Development (Shenzhen) Limited	162	153	145	–
– D&S (Shenzhen) Biotechnology Limited	–	–	667	987
– Asia-Pacific Academy Of Ophthalmology Limited	–	–	208	91
– Project Vision Charitable Foundation Limited	30	–	–	128
– Mr. LI Chun Shan	–	1,176	–	–
	192	1,337	1,393	1,206

	As at 31 December			As at
	2014	2015	2016	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
Amounts due to related parties:				HK\$'000
Non-trade				
– Maida Medical Software Development (Shenzhen) Limited	5,277	3,735	10,341	15,580
– Project Vision Charitable Foundation Limited	–	–	34	–
– Mr. LI Chun Shan	248	–	–	–
– Ms. CAO Yue Rong	131	–	–	–
	5,656	3,735	10,375	15,580

The balances were unsecured, interest-free and repayable on demand and were denominated in following currencies:

	As at 31 December			As at
	2014	2015	2016	30 June
	HK\$'000	HK\$'000	HK\$'000	2017
Amounts due from related parties				HK\$'000
Hong Kong Dollar	30	8	581	211
Renminbi	162	1,329	812	995
	192	1,337	1,393	1,206
Amounts due to related parties				
Renminbi	5,656	3,735	10,375	15,580

33 Notes to the balance sheets of the Company

(a) Investments in subsidiaries

	As at 31 December	As at 30 June
	2016	2017
	HK\$'000	HK\$'000
Investments in unlisted shares, at cost	57,648	57,648

(b) Amount due from a director and shareholder

Amount due from a director and shareholder is unsecured, interest-free and repayable on demand and is denominated in United States Dollar.

The carrying amount of amount due from a director and shareholder approximates its fair value.

The amount due from a director and shareholder is not impaired.

(c) Amounts due from/(to) subsidiaries

Amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand and are denominated in the following currencies:

	As at 31 December	As at 30 June
	2016	2017
	HK\$'000	HK\$'000
Amounts due from subsidiaries		
Hong Kong Dollar	–	65
Amounts due to subsidiaries		
Hong Kong Dollar	41	2,238
Renminbi	–	1,175
United States Dollar	31	–
	72	3,413

The carrying amounts of amounts due to subsidiaries approximate their fair values.

(d) Reserve movement of the Company

	Share premium	Contributed surplus (Note)	Share-based payment reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2016	–	–	–	–	–
Loss for the year	–	–	–	(41)	(41)
Completion of reorganisation	–	57,617	–	–	57,617
As at 31 December 2016	–	57,617	–	(41)	57,576
Loss for the period	–	–	–	(8,029)	(8,029)
Proceeds from shares issued	141,996	–	–	–	141,996
Share-based payment expenses (Note 24)	–	–	2,026	–	2,026
As at 30 June 2017	141,996	57,617	2,026	(8,070)	193,569

Note: As part of the Reorganisation, the Company acquired interests in subsidiaries and assets and liabilities related to the Listing Business from Dr. Dennis LAM and Ms. Li. As the Reorganisation is regarded as a continuance of the Listing Business under the Operating Companies, no fair value is applied to the acquired subsidiaries interest and assets and liabilities. The difference between the consideration paid to the equity holder and the original investment of the equity holder is recorded as a contributed surplus.

34 Contingencies

The Group was involved in a lawsuit for an alleged medical negligence in pre-surgical treatment and post-surgical treatment. The legal proceedings were commenced in March 2016.

Based on the advice from the legal advisers, management considers that it would be improbable for the plaintiff to successfully pursue the claim for medical negligence.

As of the reporting date, no lawsuit provision has been made as the outflow of resources for this pending lawsuit is not probable. The directors consider there is no legal proceedings that may have material impact on the Group's business, financial conditions and operating results.

35 Events after the balance sheet date

The events after the balance sheet date are disclosed as follows:

- (i) Pursuant to a shareholder's resolution passed on 13 December 2017, conditional on the share premium account of the Company being credited as a result of the Global Offering, the Directors are authorised to and will issue a total of 802,628,735 Shares by way of capitalisation of the sum of HK\$80,262,874 standing to the credit of the share premium account of the Company upon the Global Offering.
- (ii) Pursuant to a directors' resolution dated 30 September 2017, the Company declared a dividend of HK\$100,000,000 to C-MER Group Limited. Such dividend is settled through cash and the current account with Dr. Dennis LAM.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to 30 June 2017 and up to the date of this report. Save as disclosed in this report in Note 35, no dividend or distribution has been declared or made by the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to 30 June 2017.

The information set forth in this appendix does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included in this appendix for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis set out below is for illustrative purpose only, and is set out herein to illustrate the effect of the Global Offering on the net tangible asset of our Group attributable to the owners of the Company as at 30 June 2017 as if it had taken place on 30 June 2017.

The unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at 30 June 2017 or as at any future dates.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 <i>(Note 1)</i>	Estimated net proceeds from the Global Offering <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets attributable to the owners of the Company as at 30 June 2017	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 3)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
Based on an Offer Price of HK\$2.35 per share	233,354	422,303	655,657	0.66
Based on an Offer Price of HK\$2.90 per share	233,354	527,944	761,298	0.76

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2017 is extracted from the Accountant's Report set forth in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2017 of HK\$234,908,000 with an adjustment for the intangible assets as at 30 June 2017 of HK\$1,554,000.

- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$2.35 and HK\$2.90 per Share, respectively, after deduction of estimated underwriting fees and other related expenses payable by the Group (excluding approximately HK\$7,974,000 listing expenses which have been charged to our consolidated statements of comprehensive income up to 30 June 2017) and takes no account of any Shares which may be granted and issued by the Company pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options and any option that may be granted under the Post-IPO Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate and the Buy-back Mandate.
- (3) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in the paragraph above and on the basis that 1,000,000,000 Shares are in issue (assuming that the Capitalisation Issue and the Global Offering has been completed on 30 June 2017), without taking into account of any Shares which may be granted and issued by the Company pursuant to the exercise of the Over-allotment Option, the Pre-IPO Share Options and any option that may be granted under the Post-IPO Share Option Scheme or any Shares which may be granted and issued or repurchased by the Company pursuant to the General Mandate and the Buy-back Mandate.
- (4) Save as disclosed in Note (3) above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2017.
- (5) The unaudited pro forma adjusted net tangible assets of the Group does not take into account the special dividend of approximately HK\$100 million declared by the Group on 30 September 2017. The unaudited pro forma adjusted net tangible assets per Share would have been HK\$0.56 and HK\$0.66 per Share based on the Offer Price of HK\$2.35 and HK\$2.90, respectively, after taking into account the declaration of dividend in the sum of approximately HK\$100 million.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of C-MER Eye Care Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of C-MER Eye Care Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 June 2017, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 29 December 2017, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 June 2017 as if the proposed initial public offering had taken place at 30 June 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the six months period ended 30 June 2017, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information* Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 December 2017

The following is a summary of certain provisions of the Memorandum and the Articles and of certain aspects of Cayman company law. The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 1 February 2016 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its memorandum of association (the “Memorandum”) and the Articles.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 13 December 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of Shares

The Share capital of the Company consists of ordinary Shares.

(ii) Variation of rights of existing Shares or classes of Shares

Subject to the Companies Law, if at any time the Share capital of the Company is divided into different classes of Shares, all or any of the special rights attached to the Shares or any class of Shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an

adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued Shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of Shares held by them) shall be a quorum. Every holder of Shares of the class shall be entitled to one vote for every such Share held by him.

Any special rights conferred upon the holders of any Shares or class of Shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such Shares, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its Share capital by the creation of new Shares;
- (ii) consolidate all or any of its capital into Shares of larger amount than its existing Shares;
- (iii) divide its Shares into several classes and attach to such Shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its Shares or any of them into Shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any Shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the Shares so cancelled.

The Company may reduce its Share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of Shares

All transfers of Shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the Share until the name of the transferee is entered in the register of members in respect of that Share. The board may, in its absolute discretion, at any time transfer any Share upon the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of Share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant Share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid Shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own Shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own Shares in the Company

There are no provisions in the Articles relating to ownership of Shares in the Company by a subsidiary.

(vii) Calls on Shares and forfeiture of Shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the Shares held by them respectively (whether on account of the nominal value of the Shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any Shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the Shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any Share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited Share and not actually paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the Shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent (20%) per annum as the board determines.

(b) Directors***(i) Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not 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 shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. Neither a Director nor an alternate Director is required to hold any Shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue Shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any Shares or class of Shares, any Share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of Shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any Shares or any class of Shares, all unissued Shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no Shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of Shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other

benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the Shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (cc) any contract or arrangement concerning an offer of Shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of Shares or debentures or other securities of the Company by virtue only of his/their interest in Shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a Share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any Shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid Share of which he is the holder but so that no amount paid up or credited as paid up on a Share in advance of calls or instalments is treated for the foregoing purposes as paid up on the Share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of Shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the Shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the Shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

- (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers;
 - (ee) the fixing of the remuneration of the directors and of the auditors;
 - (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued Shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued Share capital; and
 - (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.
- (v) *Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class share rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued Shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of Share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid but no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the Share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of Shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of Shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of Shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the Shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint

holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such Shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the Shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any Share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the Shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the Shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any Shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for Shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a Share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a Share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised Share capital.

(b) Share capital

The Companies Law provides that where a company issues Shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those Shares shall be transferred to an account, to be called the "Share premium account". At the option of a company, these provisions may not apply to premiums on Shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of Shares in any other company and issued at a premium.

The Companies Law provides that the Share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued Shares of the company to be issued to members as fully paid bonus Shares; (c) the redemption and repurchase of Shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of Shares or debentures of the company.

No distribution or dividend may be paid to members out of the Share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by Shares or a company limited by guarantee and having a Share capital may, if so authorised by its articles of association, by special resolution reduce its Share capital in any way.

(c) Financial assistance to purchase Shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's Shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of Shares and warrants by a company and its subsidiaries

A company limited by Shares or a company limited by guarantee and having a Share capital may, if so authorised by its articles of association, issue Shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any Shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such Shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own Shares, including any redeemable Shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own Shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its Shares unless they are fully paid. A company may not redeem or purchase any of its Shares if, as a result of the redemption or purchase, there would no longer be any issued Shares of the company other than Shares held as treasury Shares. A payment out of capital by a company for the redemption or purchase of its own Shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such Shares in the name of the company as treasury Shares prior to the purchase. Where Shares of a company are held as treasury Shares, the company shall be entered in the register of members as holding those Shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury Shares, and any purported exercise of such a right shall be void, and a treasury Share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued Shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold Shares in its holding company and, in certain circumstances, may acquire such Shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the Share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury Share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a Share capital divided into Shares, the Court may, on the application of members holding not less than one fifth of the Shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an

order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the Shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the Shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 7 July 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of Shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Register of Beneficial Ownership

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The register of beneficial ownership is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the Company is listed on the Stock Exchange, it is not required to maintain a register of beneficial ownership.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the Shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their Shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the Shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent (90%) of the Shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their Shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the Shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraphs under "Documents Available for public inspection in Hong Kong" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law with limited liability on 1 February 2016. We have established a principal place of business in Hong Kong at Suite 1535, Central Building, 1–3 Pedder Street, Hong Kong and have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 12 July 2017 under the same address. Ms. LI has been appointed as our authorised representative under the Companies Ordinance for the acceptance of service of process and notices on our behalf in Hong Kong.

As we were incorporated in the Cayman Islands, our operations are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum and the Articles. A summary of certain provisions of our constitution and relevant aspects of the Companies Act is set forth in Appendix III to this prospectus.

2. Changes in our share capital

The following sets forth the changes in the share capital of our Company since the date of incorporation:

- (a) As of the date of incorporation of our Company on 1 February 2016, the authorised share capital of our Company was US\$50,000.0 divided into 50,000 ordinary shares of US\$1.0 each. On the same date, one share was taken up by Harneys Services (Cayman) Limited which was subsequently transferred to C-MER Group at the consideration of US\$1.0.
- (b) On 1 February 2016, 1,999 fully-paid shares of US\$1.0 each at the total consideration of US\$1,999.0 were issued and allotted to C-MER Group.
- (c) On 18 May 2017, pursuant to written resolutions passed by our sole Shareholder, i.e. C-MER Group, (i) our authorised share capital was increased by HK\$800,000,000.0 divided into 8,000,000,000 Shares of HK\$0.1 each, of which 156,000 Shares were allotted and issued to C-MER Group for cash at par; (ii) our Company repurchased the then 2,000 existing issued shares of US\$1.0 each held by C-MER Group for cash consideration of US\$2,000.0; and (iii) the amount of the authorised share capital of our Company was diminished to HK\$800,000,000.0 by the cancellation of all the 50,000 unissued shares of par value US\$1.0 each in the capital of our Company.

- (d) On 18 May 2017, our Company allotted and issued 167,000 Shares at par to C-MER Group.
- (e) On 30 May 2017, our Company allotted and issued 14,851 Shares for HK\$40 million to the Pre-IPO Tranche A Investors pursuant to the Pre-IPO Tranche A Subscription Agreements. All subscription consideration was paid in cash and settled.
- (f) On 6 June 2017, our Company allotted and issued 11,137 Shares at par to C-MER Group.
- (g) On 6 June 2017, our Company allotted and issued 22,277 Shares for HK\$102 million to the Pre-IPO Tranche B Corporate Investors pursuant to the Pre-IPO Tranche B Subscription Agreements. All subscription consideration was paid in cash and settled.
- (h) Pursuant to the extraordinary general meeting of our Company held on 13 December 2017, our Shareholders resolved that conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise an amount of HK\$80,262,873.5 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 802,628,735 Shares for allotment and issue to our Shareholders whose names appeared on the principal register of members of our Company in the Cayman Islands at close of business on 13 December 2017 (or another date as our Directors may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing shareholdings in our Company, each ranking equally in all respects with the then existing issued Shares, and the Directors were authorised to give effect to such capitalisation and distributions.
- (i) Immediately following completion of the Global Offering (without taking into account any Share which may be issued upon any exercise of the Over-allotment Option, the Pre-IPO Share Options and any option that may be granted under the Post-IPO Share Option Scheme), our issued share capital will be HK\$100,000,000 divided into 1,000,000,000 Shares, all fully paid or credited as fully paid.

Save as disclosed in this prospectus, there has been no alteration in our share capital since incorporation.

3. Changes in the share capital of our subsidiaries

Further information on our subsidiaries is set forth in the Accountant's Report, the text of which is set forth in Appendix I to this prospectus and in the section headed "History, Development and Reorganisation — Our corporate history — Subsidiaries of our Company" in this prospectus.

The following alterations in the share capital of our subsidiaries have taken place within two years immediately preceding the date of this prospectus:

(a) C-MER Eye Medical

C-MER Eye Medical was incorporated in the BVI on 12 February 2016 with the authority to issue up to 50,000 shares with no par value, and has been wholly-owned by our Company with 2,000 shares in issue at US\$2,000.0 since the date of incorporation.

C-MER Eye Medical an investment holding company wholly-owned by our Company.

(b) C-MER Eye Group

C-MER Eye Group was incorporated in the BVI on 12 February 2016 with the authority to issue up to 50,000 shares with no par value, and has been wholly-owned by our Company with 2,000 shares in issue at US\$2,000.0 since the date of incorporation.

C-MER Eye Group is an investment holding company wholly-owned by our Company.

(c) HK Eye Care

On 18 November 2016, the issued share capital was increased from HK\$100.0 to HK\$10,000.0 by the allotment and issue of additional 9,900 ordinary shares to C-MER Eye Medical. On 5 December 2016, Dr. Dennis LAM transferred 70 ordinary shares to C-MER Eye Medical and Ms. LI transferred 30 ordinary shares to C-MER Eye Medical. C-MER Eye Medical became the sole shareholder of HK Eye Care since then.

As of the Latest Practicable Date, HK Eye Care had an issued share capital of HK\$10,000.0, comprising 10,000 ordinary shares, all of which were held by C-MER Eye Medical. HK Eye Care is a wholly-owned subsidiary of our Company.

(d) HK C-MER China

On 18 November 2016, the issued share capital was increased from HK\$50,000.0 to HK\$500,000.0 by the allotment and issue of additional 450,000 ordinary shares to C-MER Eye Group. On 5 December 2016, Dr. Dennis LAM transferred 49,999 ordinary shares to C-MER Eye Group and Ms. LI transferred one ordinary share to C-MER Eye Group, for HK\$49,999.0 and HK\$1.0, respectively, and C-MER Eye Group became the sole shareholder of HK C-MER China.

As of the Latest Practicable Date, HK C-MER China had an issued share capital of HK\$500,000.0 comprising 500,000 ordinary shares, all of which were held by C-MER Eye Group. HK C-MER China is a wholly-owned subsidiary of our Company.

(e) HK C-MER Vision

On 18 November 2016, the issued share capital was increased from HK\$100.0 to HK\$10,000.0 by the allotment and issue of additional 9,900 ordinary shares to C-MER Eye Group. On 5 December 2016, Dr. Dennis LAM transferred 70 ordinary shares to C-MER Eye Group and Ms. LI transferred 30 ordinary shares to C-MER Eye Group for HK\$70.0 and HK\$30.0, respectively. C-MER Eye Group became the sole shareholder of C-MER Vision since then.

As of the Latest Practicable Date, C-MER Vision had an issued share capital of HK\$10,000.0, comprising of 10,000 ordinary shares, all of which were held by C-MER Eye Group. C-MER Vision is a wholly-owned subsidiary of our Company.

(f) Beijing C-MER Hospital

On 24 June 2016, Beijing C-MER Hospital was established in the PRC as a company with limited liability and had an initial registered capital of RMB20,000,000.0, all of which was contributed by HK C-MER China. Beijing C-MER Hospital is a wholly-owned subsidiary of our Company.

(g) Shenzhen C-MER Management

Shenzhen C-MER Management was established on 5 May 2017 by HK C-MER China with the registered capital of RMB100,000.0, all of which was contributed and settled by HK C-MER China.

Save as set forth above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Resolutions passed by our Shareholders

Pursuant to the written resolutions passed by our sole Shareholder, i.e. C-MER Group, on 18 May 2017, (i) our authorised share capital was increased by HK\$800,000,000.0 divided into 8,000,000,000 Shares of HK\$0.1 each, of which 156,000 Shares were allotted and issued to C-MER Group for cash at par; (ii) our Company repurchased the then 2,000 existing issued shares of US\$1.0 each held by C-MER Group for cash consideration of US\$2,000.0; and (iii) the amount of the authorised share capital of our Company was diminished to HK\$800,000,000.0 by the cancellation of all the 50,000 unissued shares of par value US\$1.0 each in the capital of our Company.

The rules of the Pre-IPO Share Option Scheme were approved and adopted by our Shareholders at the extraordinary general meeting of our Company held on 28 June 2017.

The Pre-IPO Share Option Scheme would take effect subject to the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares which fall to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme, and the commencement of dealings in the Shares on the Main Board.

Pursuant to resolutions passed by our Shareholders at the extraordinary general meeting of our Company held on 13 December 2017:

- (a) the Memorandum and the Articles were adopted and approved conditional upon and with effect from the Listing;
- (b) Conditional upon both (i) the Listing Committee granting listing of, and permission to deal in, on the Main Board, our Shares in issue and to be issued pursuant to the Global Offering (including the Over-allotment Option), the Capitalisation Issue and the Shares that may be issued upon the exercise of the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme and (ii) the obligations of the Underwriter under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with the terms of such agreements or otherwise:
 - (i) the Global Offering and the granting of the Over-allotment Option were approved and our Directors were authorised to (a) implement the Listing, the Global Offering (including the grant of the Over-allotment Option); (b) to allot and issue the Offer Shares pursuant to the Global Offering and the Over-allotment Option and such number of Shares as may be required to be allotted and issued on and subject to the terms and conditions stated in this prospectus and the relevant Application Forms; and (c) to do all things and execute all documents in connection with or incidental to the Listing, the Global Offering (including the grant of the Over-allotment Option) subject to such modifications, amendments, variations or otherwise (if any) as may be made by our Board (or any committee of our Board thereof established by our Board) in its absolute discretion, and our Board or any such committee of our Board or any one Director was authorised and directed to effect such modifications, amendments variations or otherwise as necessary or appropriate;
 - (ii) conditional further on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise an amount of HK\$80,262,873.50 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 802,628,735 Shares for allotment and issue to the persons whose names appear on the principal register of members of our Company in the Cayman Islands at the close of business on 13 December 2017 (or such other date as our Director may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company, each ranking equally in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions;

- (iii) the rules of the Post-IPO Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorised, at their sole discretion, to (a) administer the Post-IPO Share Option Scheme; (b) modify/amend the Post-IPO Share Option Scheme from time to time as requested by the Stock Exchange; (c) grant options to subscribe for Shares under the Post-IPO Share Option Scheme up to the limits referred to in the Post-IPO Share Option Scheme; (d) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Post-IPO Share Option Scheme; (e) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Post-IPO Share Option Scheme; and (f) take all such actions as they consider necessary;
- (iv) a general unconditional mandate was given to our Directors to allot, issue and otherwise deal with our Shares or convertible securities and to make or grant offers, agreements and options which would or might require the exercise of such powers (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue, the exercise of any subscription rights which may be granted under any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for our Shares under any options and warrants or a special authority granted by our Shareholders) with an aggregate of not exceeding 20% of the total number of our Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue, excluding our Shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme;
- (v) a general unconditional mandate was given to the Directors authorising them to exercise all powers of our Company to repurchase our Shares with a total number of not more than 10% of total number of Shares in issue immediately following completion of Global Offering and the Capitalisation Issue, excluding our Shares which may be issued upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme; and
- (vi) general unconditional mandate as mentioned in paragraph (iv) above was extended by the addition to the aggregate number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (v) above provided that extended amount shall not exceed 10% of the total number of Shares immediately following completion of the Global Offering and the Capitalisation Issue, excluding any Shares which may be issued upon the

exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme.

Each of the general mandates referred to in paragraphs (iv), (v) and (vi) above will remain in effect until the earlier of (a) the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or (b) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

5. Reorganisation

Our Group underwent the Reorganisation in preparation for the Listing. Further information relating to the Reorganisation is set forth in the section headed “History, Development and Reorganisation” in this prospectus.

6. Buy-back of our own securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to buy-back their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders’ approval

All proposed buy-back of securities (which must be fully paid up in the case of shares for the purpose of Rule 10.06(1)(b)(i) of the Listing Rules) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the resolutions passed by our Shareholders at the extraordinary general meeting of our Company held on 13 December 2017, the Buy-back Mandate was given to the Directors authorising any buy-back by our Company of our Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of not more than 10% of the total number of our Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme or may be granted under the Post-IPO Share Option Scheme, such mandate to expire at the conclusion of our next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by the Articles or applicable Cayman Islands laws to be held or the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors, whichever first occurs.

(ii) Source of funds

Buy-back transactions must be paid out of funds legally available for the purpose in accordance with the Articles and the Companies Law. A listed company may not buy-back its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Companies Laws, any buy-back by our Company may be made out of profits of our Company, out of our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of buy-back or, if authorised by the Articles and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of our Shares to be purchased must be provided for out of either or both of the profits of our Company or the share premium account of our Company or, if authorised by the Articles and subject to the provisions of the Companies Law, out of capital.

(b) Reasons for buy-back transactions

Our Directors believe that it is in the best interest of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to buy-back our Shares in the market. Such buy-back may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such buy-back will benefit our Company and our Shareholders.

(c) Funding of buy-back transactions

In buying back securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Buy-back Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Buy-back Mandate, on the basis of 1,000,000,000 Shares in issue immediately after the Listing, would result in up to 100,000,000 Shares being bought back by our Company during the period in which the Buy-back Mandate remains in force.

(d) General

Neither our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules, the Articles and the applicable laws of the Cayman Islands. If, as a result of a securities buy-back, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of our Company and may become obliged under Rule 26 of the Takeovers Code to make a mandatory offer unless a whitewash waiver is obtained. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any buy-backs pursuant to the Buy-back Mandate.

Our Directors will not exercise the Buy-back Mandate if the buy-back would result in the number of Shares which are in the hands of the public falling below 25% of the total number of our Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified us that he/she/ it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Buy-back Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) the subscription agreement dated 30 May 2017 entered into between our Company and the Pre-IPO Tranche A Individual Investors;
- (b) the subscription agreement dated 30 May 2017 entered into between our Company and Moyal Pty Limited Superannuation Fund and Dr. Francis Joseph MARTIN;
- (c) the subscription agreement dated 6 June 2017 entered into between our Company, C-MER Group, Homeway Services Limited and HKF (Nominees) Limited;



- (d) the subscription agreement dated 6 June 2017 entered into between our Company, C-MER Group and LKF Capital Partners Limited;
- (e) the Deed of Indemnity;
- (f) the Deed of Non-Competition;
- (g) a cornerstone investment agreement dated 20 December 2017 entered into between our Company, Wah Li (Hong Kong) Limited and China Merchants Securities (HK) Co., Limited, pursuant to which Wah Li (Hong Kong) Limited has agreed to subscribe for our Shares in the amount of HK\$62.4 million;
- (h) a cornerstone investment agreement dated 20 December 2017 entered into between our Company, Gunther Group Limited and China Merchants Securities (HK) Co., Limited, pursuant to which Gunther Group Limited has agreed to subscribe for our Shares in the amount of HK\$62.4 million;
- (i) cornerstone investment agreement dated 20 December 2017 entered into between our Company, Advance Data Services Limited and China Merchants Securities (HK) Co., Limited, pursuant to which Advance Data Services Limited has agreed to subscribe for our Shares in the amount of HK\$62.4 million; and
- (j) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

As of the Latest Practicable Date, we have registered the following intellectual property rights which, in the opinion of our Directors, are material to our business.

(a) Trademarks


As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Registration number	Name of registered proprietor	Class	Place of registration	Date of registration	Expiry date
1	林順潮	16189104	Shenzhen C-MER Hospital	44	PRC	21 March 2016	20 March 2026
2	林順潮	303272210	HK C-MER China	44	Hong Kong	19 January 2015	18 January 2025
3		302384479	HK C-MER China	44	Hong Kong	20 September 2012	19 September 2022
4	C-MER	304115321	HK C-MER China	35, 41	Hong Kong	20 April 2017	19 April 2027
5		304115394	HK C-MER China	9, 35, 41, 44	Hong Kong	20 April 2017	19 April 2027
6	希瑪	304115303	HK C-MER China	35, 41	Hong Kong	20 April 2017	19 April 2027

As of the Latest Practicable Date, we have made arrangements for the transfer of the following four registered trademarks and we will have the ownership of these registered trademarks after completion of the transfer procedures. We can use these trademarks free of charge until completion of transfer in accordance with two trademark licence agreements both entered into between D&S Limited and Shenzhen C-MER Hospital as part of our ordinary course of business.

No.	Trademark	Registration number	Name of registered proprietor	Class	Place of registration	Date of registration	Expiry date
1	C-MER	9056305	D&S Limited	9	PRC	21 January 2012	20 January 2022
2	希玛	9056297	D&S Limited	9	PRC	21 January 2012	20 January 2022
3	C-MER	9056348	D&S Limited	44	PRC	28 January 2012	27 January 2022
4	希玛	9056340	D&S Limited	44	PRC	21 January 2012	20 January 2022

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which are under review and approval process of the relevant trademarks office:

No.	Trademark Applied For	Trademark application No.	Name of trademark Applicant	Class	Place of application
1	Dennis Lam	304115312	HK C-MER China	9, 35, 41, 44	Hong Kong
2	林順潮	304115330	HK C-MER China	9, 35, 41	Hong Kong
3	C-MER	23498082	Shenzhen C-MER Hospital	41	PRC
4	Dennis Lam	9: 23499355 35: 23498673 41: 23498494	Shenzhen C-MER Hospital	9, 35, 41	PRC
5		9: 23499236 35: 23498963 41: 23498176 44: 23549451	Shenzhen C-MER Hospital	9, 35, 41, 44	PRC
6	林順潮	9: 23499146 35: 23499028 41: 23498169	Shenzhen C-MER Hospital	9, 35, 41	PRC

As of the Latest Practicable Date, the following sets forth the domain names which are material to our business:

No.	Domain Name	Registered owner	Date of registration	Expiry date
1	dennislameyecenter.com	Company	30 November 2011	30 November 2021
2	cmereye.com	Company	30 November 2011	19 November 2021
3	hkcmr.com	Company	24 October 2011	24 October 2017
4	cmersz.com	Shenzhen C-MER Hospital	15 January 2013	15 January 2018
5	szcmr.com	Shenzhen C-MER Hospital	28 May 2015	28 May 2020
6	cmersh.com	Beijing C-MER Hospital	15 January 2013	15 January 2018
7	cmrbj.com	Shenzhen C-MER Hospital	15 January 2013	15 January 2018

As of the Latest Practicable Date, we did not hold any patent or submit any patent application.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Disclosure of interests of Directors and Chief Executive

Immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued or allotted upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme), the interests or short positions of our Directors or chief executives in our Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the “Model Code for Securities Transactions by Directors of Listed

Issuers” as set forth in Appendix 10 to the Listing Rules (the “**Model Code**”) to be notified to us, once our Shares are listed will be as follows:

(i) *Interest in our Company*

Name of Director	Nature of interest	Number of Shares or underlying Shares	Percentage of Shareholding interest (without taking into account any Shares which may be issued or allotted upon the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme)
Dr. Dennis LAM ⁽¹⁾	Interest in a controlled corporation	722,696,756	72.3
Ms. LI ⁽¹⁾	Interest in a controlled corporation	722,696,756	72.3
Dr. LAU Johnson Yiu-Nam	Beneficial owner	8,030,865	0.8
Dr. LEE Yau Wing Vincent ⁽³⁾	Beneficial owner	12,953,000	1.25
Mr. LI Chunshan	Beneficial owner ⁽⁴⁾	777,000	0.08
	Spouse interest ⁽⁵⁾	259,000	0.03

(ii) *Interest in associated corporation*

Name of Director	Name of associated corporation	Number of Shares	Percentage of shareholding interest
Dr. Dennis LAM ⁽²⁾	C-MER Group	1,400	70.0
Ms. LI ⁽²⁾	C-MER Group	600	30.0

Notes:

- (1) C-MER Group is beneficially owned as to 70% by Dr. Dennis LAM and 30% by Ms. LI. Dr. Dennis LAM and Ms. LI are parties acting jointly and comprising a group of our Controlling Shareholders. Dr. Dennis LAM and Ms. LI are therefore deemed to be interested in all Shares held by C-MER Group under the SFO.
- (2) Dr. Dennis LAM and Ms. LI are parties acting jointly and comprising a group of our Controlling Shareholders. Dr. Dennis LAM and Ms. LI are therefore deemed to be interested in all the Shares held by C-MER Group under the SFO.
- (3) Dr. LEE Yau Wing Vincent is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 12,953,000 Shares.

- (4) Mr. LI Chunshan is interested in the options granted under the Pre-IPO Share Option Scheme to subscribe for 777,000 Shares.
- (5) Ms. CAO Yuerong, the spouse of Mr. LI Chunshan and one of the Connected Grantees, is interested in the options granted under the Pre-IPO Share Option Scheme. Mr. LI Chunshan is deemed to be interested in our Shares interested by Ms. CAO Yuerong under the SFO.

(b) Disclosure of interests of Substantial Shareholders

Further information on the persons who will, immediately following completion of the Global Offering (without taking into account any Shares which may be issued or allotted upon any exercise of the Over-allotment Option and the options that granted under the Pre-IPO Share Option Scheme and any option that may be granted under Post-IPO Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company is set forth in the section headed “Controlling Shareholders and Substantial Shareholders” in this prospectus.

2. Further information about our Directors

(a) Particulars of Directors’ contracts

Each of the executive Directors entered into a service contract with our Company on 13 December 2017. Each of these service contracts is for a term of three years effective from 13 December 2017 and subject to termination in accordance with their respective terms. Each of these service contracts may be renewed in accordance with the Articles and the applicable laws and regulations.

In particular, our Company has entered into a service contact with Dr. Dennis LAM pursuant to which Dr. Dennis LAM will continue to provide ophthalmic services for us for such terms and conditions similar to those prior to the Listing. Further information is set forth in the section headed “Business — Our business — Hong Kong — Remuneration received and to be received by Dr. Dennis LAM” in this prospectus. The service contract with Dr. Vincent Lee has incorporated the terms of the Cooperative Agreement entered into with him, further information on which is set forth in the section headed “Business — Our business — Hong Kong — Terms of the Cooperative Agreements” in this prospectus.

(b) Particular of the letter of appointment with the independent non-executive Directors

Each of the independent non-executive Directors has signed a letter of appointment with our Company on 13 December 2017 for a term of three years commenced from 13 December 2017. The letters of appointment are subject to termination in accordance with their respective terms.

3. Remuneration of Directors

The aggregate amount of fees, salaries, contributions to retirement benefits, discretionary bonuses, allowances and other benefits in kind granted to our Directors (in a capacity as directors or employees of any subsidiary of our Group) for the three years ended 31 December 2016 and six months ended 30 June 2017 were HK\$17.6 million, HK\$25.4 million, HK\$26.8 million and HK\$10.8 million, respectively.

Under the arrangements in force as of the date of this prospectus, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending 31 December 2017, is expected to be no more than HK\$22.0 million in aggregate.

There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the Track Record Period.

4. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed in the paragraphs under “E. Other Information — 8. Consent of Experts” below had received any commissions, discounts, agency fee, brokerage or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

5. Connected transactions and related party transactions

Save as disclosed in the sections headed “Continuing Connected Transactions” and “Relationship with our Controlling Shareholders” in this prospectus and in note 32 to the Accountant’s Report, the text of which is set forth in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material connected transactions or related party transactions.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executives has any interests and short positions in our Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code to be notified to us and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;

- (b) so far as is known to any of our Directors or chief executives, no person has an interest or short position in our Shares and underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (c) none of our Directors nor any of the persons whose names are listed in the paragraphs under “E. Other Information — 8. Consent of Experts” in this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;
- (d) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the persons whose names are listed in the paragraphs under “E. Other Information — 8. Consent of Experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date in this prospectus which is significant in relation to the business of our Group;
- (e) save in connection with the Underwriting Agreements, none of our Directors nor any of the persons whose names are listed in the paragraphs under “E. Other Information — 8. Consent of Experts” in this Appendix: (i) is interested legally or beneficially in any of our Shares or any share in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or customers; and
- (g) none of the Directors or any past Directors of any members of our Group has been paid any sum of money for the three years ended 31 December 2016 (i) as an inducement to join or upon joining us or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

D. SHARE OPTION SCHEMES**1. Pre-IPO Share Option Scheme**

Pursuant to the resolutions passed by our Shareholders at the extraordinary general meeting of our Company held on 28 June 2017, the rules of the Pre-IPO Share Option Scheme were approved and adopted.

(a) Purpose and terms

The purpose of the Pre-IPO Share Option Scheme is to provide incentives and rewards to the directors, employees, ophthalmologists/physicians, advisers, consultants and business partners of our Group for their contribution, and to align the corporate objectives and interests between us and our Grantees. The principal terms of the Pre-IPO Share Option Scheme, approved and adopted pursuant to the resolutions passed by our Shareholders at the extraordinary general meeting of our Company held on 28 June 2017, are substantially the same as the terms of the Post-IPO Share Option Scheme (including a non-refundable remittance of HK\$1.00 is payable by the grantee to our Company upon acceptance of the offer of options which will not be a part payment of the subscription price) except that:

- (i) the total number of Shares which may be issued upon the exercise of all Pre-IPO Share Options is 46,765,000 Shares, representing 4.68% of the enlarged issued share capital of our Company immediately following completion of the Global Offering (without taking into account any Share which may be issued upon any exercise of the Over-allotment Option and the options which have been or may be granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme);
- (ii) save for the options which have been granted on 140 Grantees, no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date;
- (iii) subject to any restriction contained in the Pre-IPO Share Option Scheme, an option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme and the terms of grant thereof. All the Pre-IPO Share Options that are not exercised by them within the exercise period shall lapse and be deemed as cancelled and void;
- (iv) the exercise prices for each Share under the Pre-IPO Share Options are in the range between HK\$0.10 and HK\$1.0;
- (v) In terms of rights on death or ceasing employment:
 - (aa) If the Grantee (being an individual) dies before exercising the Pre-IPO Share Options in full, all unvested Pre-IPO Share Options shall vest on the date of his death, and the legal personal representative(s) of such Grantee may exercise all Pre-IPO Share Options granted to the deceased within twelve (12) months thereafter;

- (bb) If the Grantee is an employee, director, consultant or adviser of our Group at the time of the grant of the relevant Pre-IPO Share Options and his or her employment or service to our Company is terminated on the ground of disability resulting from an occupational accident, all unvested Pre-IPO Share Options shall vest on the termination date of the employment or engagement of such Grantee. The Grantee may exercise all Pre-IPO Share Options granted to him or her within twelve (12) months thereafter; or
- (cc) If the Grantee is on leave without pay accumulated for more than one hundred and eighty-three (183) days in any calendar year after the Listing Date, the vesting periods for all unvested Pre-IPO Share Options granted to him or her shall be respectively extended for twelve (12) months. If any such extension will result in the vesting period of any unvested options to cross beyond the date of the 3rd anniversary of 1 April 2017, 1 September 2017, 1 November 2017, 1 December 2017, 1 January 2018 or 1 June 2018 (as the case maybe), such extension shall be deemed to be made up to the business day immediately prior to the date of the 3rd anniversary of 1 April 2017, 1 September 2017, 1 November 2017, 1 December 2017, 1 January 2018 or 1 June 2018 (as the case maybe).

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in, 46,765,000 Shares to be issued pursuant to the exercise of the Pre-IPO Share Options.

(b) Outstanding Pre-IPO Share Options

As of the date of this prospectus, Pre-IPO Share Options to subscribe for an aggregate of 46,765,000 Shares (representing 4.68% of the enlarged number of our Shares in issue immediately after completion of the Global Offering, without taking into account any Share which may be issued upon any exercise of the Over-allotment Option and the options which may be granted under the Post-IPO Share Option Scheme) have been granted under the Pre-IPO Share Option Scheme to 140 Grantees. The Grantees comprise three Connected Grantees, seven Doctor Grantees, five Consultant Grantees, two members of our senior management team, our employees in Hong Kong and our physicians and employees in the PRC. All the Pre-IPO Share Options were granted on or before the Listing Date and no further options will be granted under the Pre-IPO Share Option Scheme prior to the Listing Date. As of the Latest Practicable Date, all of the Pre-IPO Share Options had not been exercised and remained outstanding.

The Pre-IPO Share Options granted to the Grantees will be vested on different dates. Further information on the terms of the Pre-IPO Share Option Scheme is set forth in the section headed “History, Development and Reorganisation — Pre-IPO Share Option Scheme” in this prospectus.

Detailed information on selected Grantees is set forth below:

<u>Grantee and position</u>	<u>Residential address</u>	<u>Number of underlying Shares to be issued upon the exercise of the Pre-IPO Share Options in full</u>	<u>Percentage of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue without taking into consideration any Shares that may be issued upon the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme</u>
Connected Grantees			
1. Dr. Vincent LEE (Executive Director)	Flat 6212, Block A Cape Mansion 56-62 Mount Davis Road Pokfulam Hong Kong	12,953,000	1.30
2. Mr. LI Chunshan (Executive Director)	26B, Building 6 Xiasha Bihai Hongshu Garden Futian District Shenzhen Guangdong PRC	777,000	0.08
3. Ms. CAO Yuerong (Finance Manager)	26B, Building 6 Xiasha Bihai Hongshu Garden Futian District Shenzhen Guangdong PRC	259,000	0.03

<u>Grantee and position</u>	<u>Residential address</u>	<u>Number of underlying Shares to be issued upon the exercise of the Pre-IPO Share Options in full</u>	<u>Percentage of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue without taking into consideration any Shares that may be issued upon the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme</u>
Grantees who are members of our senior management team			
4. Mr. CHAN Wa Ping (Chief financial officer and company secretary)	Flat 17B, Tower 5 Sausalito, 1 Yuk Tai Street Ma On Shan, New Territories Hong Kong	933,000	0.09
5. Ms. SIU Man Yi (Centre manager)	Flat A, 21st Floor Tower 5, Island Resort Siu Sai Wan Hong Kong	432,000	0.04
Doctor Grantees			
6. Dr. FAN, Hoi (Hong Kong Ophthalmologist)	Flat C, 6th Floor Lu Shan Mansion Taikoo Shing Hong Kong	12,953,000	1.30
7. Dr. WONG, Chun Wah Alex (Hong Kong Ophthalmologist)	Flat A, 15th Floor Block 2 Hill Paramount 18 Hin Tai Street Tai Wai, New Territories Hong Kong	648,000	0.06

Grantee and position	Residential address	Number of underlying Shares to be issued upon the exercise of the Pre-IPO Share Options in full	Percentage of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue without taking into consideration any Shares that may be issued upon the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme
8. Dr. LAU, Hoi Shan Flora (Hong Kong Ophthalmologist)	Flat C, 40th Floor Block 5 Central Park Hoi Ting Road Kowloon Hong Kong	648,000	0.06
9. Dr. LEE, Wai Yip Jacky (Hong Kong Ophthalmologist)	Flat 703 One South Lane Sai Ying Pun Hong Kong	881,000	0.09
10. Dr. YAU, Chun Yuen (Hong Kong Ophthalmologist)	Flat B, 17th Floor Tower 2 Pacific Palisades 1 Braemar Hill Road North Point Hong Kong	311,000	0.03
11. Dr. LI, Yuen Mei Emmy (Hong Kong Ophthalmologist)	Flat B, 3rd Floor Evergreen Mansion 14 Cornwall Street Kowloon Tong Hong Kong	311,000	0.03
12. Dr. CHAN Cheuk Ki (Hong Kong Ophthalmologist)	Flat 7, 12th Floor Block A Chun Man Court Homantin, Kowloon Hong Kong	200,000	0.02

<u>Grantee and position</u>	<u>Residential address</u>	<u>Number of underlying Shares to be issued upon the exercise of the Pre-IPO Share Options in full</u>	<u>Percentage of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue without taking into consideration any Shares that may be issued upon the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme</u>
Consultant Grantees			
13. PANG Chi Pui (Consultant)	Flat G, 16th Floor Block 1 Castello 69 Siu Lek Yuen Road Shatin Hong Kong	500,000	0.05
14. THAM Chee Yung Clement (Consultant)	Flat A, 21st Floor Block 1 Victoria Garden 301 Victoria Road Hong Kong	500,000	0.05
15. ZHANG Ming Zhi (Consultant)	Room 502, Building 2 Xinghu Haojing Shantou Guangdong Province PRC	500,000	0.05
16. WANG Ning Li (Consultant)	Room 401, Unit 1 Building 7 The Riverside-Middle Park Hongyan Road Chaoyang District Beijing PRC	500,000	0.05

Grantee and position	Residential address	Number of underlying Shares to be issued upon the exercise of the Pre-IPO Share Options in full	Percentage of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue without taking into consideration any Shares that may be issued upon the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme
17. LIU Zu Guo (Consultant) (who will join us in June 2018)	Room 1604 15 Xiadaxicun Siming District, Xiamen PRC	500,000	0.05

Grantees receiving 500,000 Pre-IPO Share Options other than Connected Grantees, Doctor Grantees, Grantees who are members of our senior management team and Consultant Grantees

18. XIAO Yueying (Physician)	808, Block 9, Phase 4 Long Yue Ju Junction between Shuanglong Street and Zhiyuan South Road Longhua New District Shenzhen PRC	604,000	0.06
19. ZHAN Xingkai (Physician)	1413, Lixiang Gongguan Meilin Road Futian District Shenzhen PRC	604,000	0.06
20. LIU Shu (Senior Ophthalmic Assistant)	Flat D, 12/F King Ming Mansion 69 Pok Fu Lam Road, Sai Wan Hong Kong	530,000	0.05
21. HE Mingguang (Physician)	32A Albury Road Balwyn North VIC 3104 Melbourne	518,000	0.05

<u>Grantee and position</u>	<u>Residential address</u>	<u>Number of underlying Shares to be issued upon the exercise of the Pre-IPO Share Options in full</u>	<u>Percentage of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue without taking into consideration any Shares that may be issued upon the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and any option that may be granted under the Post-IPO Share Option Scheme</u>
22. LIN Xiaoming (Physician)	702 Taojin Dong Heng Road Yuexiu District Guangshou PRC	518,000	0.05
23. ZHANG Feng (Physician)	Unit 1304, Block 5 North Lane Yuantan South Street Xicheng District Beijing PRC	518,000	0.05
24. ZHANG Xiulan (Physician)	Flat 2702 Oriental Plaza 38 Xiniu Road Yuexiu District Guangzhou PRC	518,000	0.05
Other Grantees			
25. 116 Grantees including our physicians in the PRC and employees in Hong Kong and the PRC	Not applicable	9,149,000	0.09
	Total	<u>46,765,000</u>	<u>4.68</u>

As of the Latest Practicable Date, all of the Pre-IPO Share Options had not been exercised and remained outstanding. Assuming full vesting and exercise of the outstanding Pre-IPO Share Options, the shareholding percentage of our Shareholders immediately following the Listing would be diluted by 4.47% as calculated based on 1,046,765,000 Shares then in issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme) and the dilution effect on our earnings per Share would be 4.47%.

In addition, we are required to recognise share-based compensation as expenses. We estimate that the share-based compensation expenses we will recognise in the four years ending 31 December 2020 for the Pre-IPO Share Options will amount to HK\$6.6 million, HK\$6.3 million, HK\$3.0 million and HK\$0.7 million, respectively.

As agreed with our Pre-IPO Tranche B Corporate Investors, the maximum number of the Pre-IPO Share Options that may be granted shall not be more than 7.0% of the number of our Shares in issue immediately after completion of the Global Offering and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option that may be granted under the Post-IPO Share Option Scheme).

(c) Waiver and exemption

Our Company has applied for and has been granted (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules and (ii) an exemption from the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Further information is set forth in the section headed “Waiver and Exemption from Strict Compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and Exemption in relation to the Pre-IPO Share Option Scheme” in this prospectus.

2. Post-IPO Share Option Scheme

The following is a summary of principal terms of the Post-IPO Share Option Scheme conditionally adopted by our Shareholders at the extraordinary general meeting held on 13 December 2017 (the “**Adoption Date**”). The terms of the Post-IPO Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

Our Company will disclose details of the Post-IPO Share Option Scheme in its annual and interim reports including but not limited to the number of options, date of grant, exercise price, exercise period and vesting period during the financial year in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Post-IPO Share Option Scheme.

Application has been made to the Listing Committee for the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Post-IPO Share Option Scheme, being 100,000,000 Shares in total.

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is to give the Eligible Persons (as mentioned in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimise their future performance and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

(b) Conditions of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

- (i) subject to (b) and (c) below, the approval of our Shareholders for the adoption of the Post-IPO Share Option Scheme;
- (ii) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 100,000,000 Shares to be allotted and issued pursuant to the exercise of the options (the “**Options**”) in accordance with the terms and conditions of the Post-IPO Share Option Scheme;
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with its terms or otherwise; and
- (iv) the commencement of dealing of our Shares on the Main Board on the Listing Date.

(c) Who may join

Our Board may, at its absolute discretion, offer Options to subscribe for such number of Shares in accordance with the terms set forth in the Post-IPO Share Option Scheme to:

- (i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (the

- “**Executive**”), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (the “**Employee**”);
- (ii) a director or proposed director (including an independent non-executive director) of any member of our Group;
 - (iii) a direct or indirect shareholder of any member of our Group;
 - (iv) a supplier of goods or services to any member of our Group;
 - (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
 - (vi) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
 - (vii) an associate of any of the persons referred to in paragraphs (a) to (c) above.

(the persons referred above are the “**Eligible Persons**”)

(d) Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Post-IPO Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of our Shares in issue as of the Listing Date, excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option (the “**Scheme Mandate Limit**”) provided that:

- (i) Our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Post-IPO Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as of the date of approval by Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Post-IPO Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Post-IPO Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules.
- (ii) Our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specifically

identified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules.

- (iii) The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Shares in issue from time to time. No Options may be granted under the Post-IPO Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

(e) Maximum number of Option to each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Shares in issue from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if the Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the exercise price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of our Board meeting proposing such grant shall be taken as the date of grant for the purpose of calculating the subscription price of those Options.

(f) Offer and grant of Options

Subject to the terms of the Post-IPO Share Option Scheme, our Board shall be entitled at any time within 10 years from the date of adopting the Post-IPO Share Option Scheme to offer the grant of an Option to any Eligible Person as our Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as our Board may (subject to the terms of the Post-IPO Share Option Scheme) determine (provided the same shall be a board lot for dealing in our Shares on the Stock Exchange or an integral multiple thereof).

(g) Granting Options to connected persons

Subject to the terms in the Post-IPO Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our

Company, or any of their respective associates, such offer must first be approved by the independent non-executive Directors (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (ii) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million, such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a Eligible Person who is a substantial shareholder or an independent non-executive Director, or any of their respective associates. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

(h) Offer period and number accepted

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date (the “**Offer Date**”) provided that no such grant of an Option may be accepted after the expiry of the effective period of the Post-IPO Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favour of our Company of HK\$1.0 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 30 days after the Offer Date (the “**Acceptance Date**”). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

(i) Restriction on the time of grant of Options

Our Board shall not grant any Option under the Post-IPO Share Option Scheme after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

(j) Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, our Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Post-IPO Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of all or any of our Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Post-IPO Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as our Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

(k) Amount payable for Options

The amount payable on acceptance of an Option is HK\$1.0.

(l) Subscription price

The subscription price of a Share in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (i) the nominal value of a Share;

- (ii) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant; and
- (iii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the date of grant.

(m) Exercise of Option

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option period in the manner as set forth in this Post-IPO Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Post-IPO Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his legal personal representative(s)) Share certificate(s) in respect of our Shares so allotted.
- (ii) The exercise of any Option may be subject to a vesting schedule to be determined by our Board in its absolute discretion, which shall be specified in the offer letter.
- (iii) The exercise of any Option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised Share capital of our Company.
- (iv) Subject as hereinafter provided:
 - (aa) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as our Board may determine;
 - (bb) in the event that the grantee ceases to be an executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or termination on the ground of misconduct, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which

event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

- (cc) if a general offer is made to all Shareholders and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- (dd) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it despatch notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:
- the Option period (in respect of any particular Option, the period commencing immediately after the business day (as defined in the Listing Rules) on which the Option is deemed to be granted and accepted in accordance with the Post-IPO Share Option Scheme and expiring on a date to be determined and notified by our Directors to each grantee provided that such period shall not exceed the period of 10 years from the date of the grant of a particular Option but subject to the provisions for early termination thereof contained in the Post-IPO Share Option Scheme);
 - the period of two months from the date of such notice; or
 - the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his Option;
- (ee) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatch such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his Options at any time not later than two business days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon

our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(n) Ranking of Shares

Our Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the memorandum and articles of association of our Company and the laws of the Cayman Islands from time to time and shall rank pari passu in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

A Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

(o) Life of Post-IPO Share Option Scheme

Subject to the terms of the Post-IPO Share Option Scheme, the Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further Options will be granted or offered but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Options granted prior to the expiry of the 10-years period or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme.

(p) Lapse of Option

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option period;
- (ii) the expiry of any of the period referred to paragraphs related to exercise of Option;
- (iii) subject to the period mentioned in paragraph under “Exercise of Option” in this section, the date of the commencement of the winding-up of our Company and the date on which the scheme of arrangement of our Company becomes effective;

- (iv) the date on which the grantee ceases to be an Eligible Person by reason of the termination of his relationship with our Group on any one or more of the following grounds:
 - (aa) that he has been guilty of serious misconduct;
 - (bb) that he has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of our Group;
 - (cc) that he has become insolvent, bankrupt or has made arrangements or compositions with his creditors generally; or
 - (dd) on any other ground as determined by our Board that would warrant the termination of his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of our Board or our board of directors of the relevant subsidiary to the effect that the relationship of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; and
- (v) the date on which our Board shall exercise our Company's right to cancel the Option at any time after the grantee commits a breach of the restriction on transferability of Option or the Options are cancelled.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

(q) Adjustment

In the event of any capitalisation issue, rights issue, open offer, sub-division or consolidation of Shares or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of our Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

- (i) the number of our Shares subject to any outstanding Options;
- (ii) the subscription price of each Option;
- (iii) our Shares to which the Option relates;
- (iv) the method of exercise of the Option; and/or
- (v) any combination thereof,

as the auditors or an independent financial adviser shall certify in writing to our Board to be in their opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the notes thereto and the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to Post-IPO Share Option Schemes and any future guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time. The capacity of the auditors or the independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees. The costs of the auditors or the independent financial adviser to our Company shall be borne by our Company. Notice of such adjustment shall be given to the grantees by our Company.

(r) Cancellation of Options

Our Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the “**Cancellation Date**”):

- (i) the grantee commits or permits or attempts to commit or permit a breach of the restriction on transferability of Option or any terms or conditions attached to the grant of the Option;
- (ii) the grantee makes a written request to our Board for the Option to be cancelled; or
- (iii) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as of the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

(s) Termination

Our Company may by resolution in general meeting or the Board may at any time terminate the operation of the Post-IPO Share Option Scheme. Upon termination of the Post-IPO Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Post-IPO Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Post-IPO Share Option Scheme.

(t) Transferability of Options

The Option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Post-IPO Share Option Scheme may be registered), except with the prior written consent of our Board from time to time. Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

(u) Amendment

The Post-IPO Share Option Scheme may be altered in any respect by a resolution of our Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting, provided always that the amended terms of the Post-IPO Share Option Scheme shall comply with the applicable requirements of the Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Post-IPO Share Option Scheme); (ii) any alteration to the provisions of the Post-IPO Share Option Scheme in relation to the matters set forth in Rule 17.03 of the Listing Rules to the advantage of grantee; and (iii) any alteration to the aforesaid termination provisions.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands and Hong Kong.

Each of our Controlling Shareholders, jointly and severally, has entered into the Deed of Indemnity in favour of our Company (for ourselves and on behalf of our subsidiaries) in respect of, among other matters:

- Hong Kong estate duty which might be payable by any member of our Group, by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, as amended by the Revenue (Abolition of Estate Duty) Ordinance) to any member of our Group on or before the date on which the Global Offering becomes unconditional (the “**Relevant Date**”), or
- any Hong Kong profits tax which is finally amended as payable by any member of our Group for any period of time but has not been provided in the financial statements of our Group during the Track Record Period, or

- any payment made or required to be made by any member of our Group and any costs and expenses incurred as a result of or in connection with any claim (i) falling on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received or deemed to occur or (ii) falling on any member of our Group in respect of their current accounting periods or any accounting period commencing on or after the Relevant Date (as defined below) unless liability for taxation would not have arisen but for any act or omission of, or transaction voluntarily effected by, any member of our Group without the prior written consent or agreement of the indemnifier(s), whether alone or in conjunction with other circumstances and whether or not such taxation is chargeable against or attributable to any other person, firm or company, or
- any non-compliance with any applicable laws and regulations by any member of our Group prior to the Relevant Date or any litigation, arbitration or claim of material importance against any member of our Group in relation to any matter, event or incident occurred prior to the Listing.

Each of our Controlling Shareholders shall, however, not be liable under the Deed of Indemnity for taxation, claim or liability to the extent that:

- (a) to the extent that provisions, reserve or allowance has been made for such taxation in audited consolidated financial statements of our Group during the Track Record Period;
- (b) for which any member of our Group is liable as a result of any event occurring or income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Relevant Date;
- (c) to the extent that such taxation or liability would not have arisen but for any act or omission by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the indemnifiers, otherwise than in the ordinary course of business after the date on which the Global Offering becomes unconditional or carried out, made or entered into pursuant to a legally binding commitment created after the Relevant Date;
- (d) to the extent that such taxation or liability is discharged by another person who is not any member of our Group and that any member of our Group is not required to reimburse such person in respect of the discharge of the taxation or liability; and

- (e) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the date on which the Global Offering becomes unconditional or to the extent such claim arises or is increased by an increase in the rates of taxation after the Relevant Date with retrospective effect.

2. Litigation and claims

As of the Latest Practicable Date, save as disclosed in the sections headed “Business — Non-compliance incidents” and “Business — Legal proceedings and claims” in this prospectus, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or operating results.

3. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including any Share which may be issued pursuant to the exercise of the Over-allotment Option). The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules. The fees to the Sole Sponsor in connection with the Global Offering were approximately US\$0.5 million.

4. Compliance adviser

Our Company has appointed WAG Worldsec Corporate Finance Limited as the compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary expenses

The preliminary expenses incurred by us in relation to our incorporation were approximately HK\$0.2 million and were paid by us.

6. Promoter

We have no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Qualification of experts

The following sets forth the qualifications of the experts who have given opinion or advice contained in this prospectus:

Name	Qualifications
China Merchants Securities (HK) Co., Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (advising on asset management) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Squire Patton Boggs	Hong Kong Solicitors
Hoosenally & Neo	Hong Kong Solicitors
Tian Yuan Law Firm	PRC Legal Adviser
Conyers Dill & Pearman	Cayman Islands Attorneys-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Savills Valuation and Professional Services Limited	Property valuer

8. Consent of experts

Each of the experts named in paragraph 7 above, namely China Merchants Securities (HK) Co., Limited, PricewaterhouseCoopers, Squire Patton Boggs, Hoosenally & Neo, Tian Yuan Law Firm, Conyers Dill & Pearman, Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. and Savills Valuation and Professional Services Limited, has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report, letter or opinion (as the case may be) and the references to its name or summary of report, letter or opinion included in this prospectus in the form and context in which they respectively appear.

None of the experts named in paragraph 7 above, namely China Merchants Securities (HK) Co., Limited, PricewaterhouseCoopers, Squire Patton Boggs, Hoosenally & Neo, Tian Yuan Law Firm, Conyers Dill & Pearman, Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. and Savills Valuation and Professional Services Limited, has any shareholder interests in any member of our Group or the right (other than the penal provisions) of sections 44A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) insofar as applicable.

10. Registration procedures

The register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Branch Share Registrar. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands.

11. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of our Share or any share in any of our subsidiaries.
- (b) Save as disclosed in this prospectus, we had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.
- (c) Our Directors confirm that:

- (i) there has been no material adverse change in our financial or trading position or prospects of our Group since 30 June 2017 (being the date to which the latest audited consolidated financial statements of our Group were prepared); and
 - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (d) Our principal register of members will be maintained by our principal registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Branch Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Branch Registrar and may not be lodged in the Cayman Islands.
- (e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

12. Bilingual prospectus

The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of **WHITE**, **YELLOW**, **GREEN** and **PINK** Application Forms;
- (b) the written consents referred to in the paragraph under “E. Other information — 8. Consent of experts” in Appendix IV to this prospectus; and
- (c) copies of the material contracts referred to in the paragraphs under “B. Further information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION IN HONG KONG

Copies of the following documents will be available for public inspection at the office of Squire Patton Boggs at 29th Floor, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set forth in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the Track Record Period;
- (d) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which is set forth in Appendix II to this prospectus;
- (e) the letter of advice prepared by Conyers Dill & Pearman, summarising certain aspects of the company law of the Cayman Islands referred to in Appendix III to this prospectus;
- (f) the Cayman Companies Law;
- (g) the material contracts referred to in the paragraphs under “B. Further information about our business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (h) the legal opinion dated the date of this prospectus issued by Tian Yuan Law Firm, our PRC legal adviser in respect of various aspects of our business operations in the PRC and properties leased by our Group in the PRC;

- (i) the legal opinion dated the date of this prospectus issued by Squire Patton Boggs, our legal adviser as to Hong Kong law (corporate and securities matters);
- (j) redacted version of the letter of advice issued by Hoosenally & Neo on their advice on a claim for medical negligence against Dr. Dennis LAM and HK Eye Care;
- (k) the service contracts and the letters of appointment referred to in the paragraphs under “C. Further information about our Directors and Substantial Shareholders — 2. Further information about our Directors (a) Particulars of Directors’ contracts and (b) Particulars of the letters of appointment with the Independent non-executive Directors” in Appendix IV to this prospectus;
- (l) the full list of all the Grantees of the Pre-IPO Share Option Scheme, containing all the details as required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance;
- (m) the written consents referred to in the paragraph under “E. Other information — 8. Consent of experts” in Appendix IV to this prospectus;
- (n) the industry report prepared and issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;
- (o) the rental report prepared and issued by Savills Valuation and Professional Services Limited;
- (p) the rules of the Pre-IPO Share Option Scheme; and
- (q) the rules of the Post-IPO Share Option Scheme.



C-MER 希瑪

C-MER EYE CARE HOLDINGS LIMITED
希瑪眼科醫療控股有限公司