



Chaoju Eye Care Holdings Limited 朝聚眼科醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 2219



INTERIM REPORT
2021

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Bozhou (*Chairman and Chief Executive Officer*)
Ms. Zhang Xiaoli
Mr. Zhang Junfeng
Mr. Zhang Guangdi

Non-executive Directors

Mr. Ke Xian
Mr. Richard Chen Mao
Mr. Li Zhen
Ms. Zhang Wenwen

Independent non-executive Directors

Mr. He Mingguang
Ms. Guo Hongyan
Mr. Li Jianbin
Mr. Bao Shan

AUDIT COMMITTEE

Mr. Li Jianbin (*Chairman*)
Ms. Guo Hongyang
Mr. Bao Shan

REMUNERATION COMMITTEE

Mr. Bao Shan (*Chairman*)
Mr. Li Jianbin
Mr. Zhang Bozhou

NOMINATION COMMITTEE

Mr. Zhang Bozhou (*Chairman*)
Mr. Bao Shan
Mr. He Mingguang

COMPANY SECRETARY

Mr. Wang Weichao (*Resigned on August 27, 2021*)
Mr. Cheng Ching Kit

AUTHORISED REPRESENTATIVES

Mr. Zhang Bozhou
Mr. Cheng Ching Kit

REGISTERED OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Fengtai District
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China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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HONG KONG SHARE REGISTRAR

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Hong Kong

HONG KONG LEGAL ADVISORS

Fangda Partners
26/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

COMPLIANCE ADVISOR

Haitong International Capital Limited
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One International Finance Centre
1 Harbour View Street
Central
Hong Kong

STOCK CODE

2219

COMPANY WEBSITE

www.chaojueye.com

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		
	2021	2020	Change
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Operating Results			
Revenue	500,171	319,445	56.6%
Gross profit	227,350	134,104	69.6%
Profit before tax	106,011	48,658	117.7%
Net profit	78,671	38,373	104.9%
Non-IFRS adjusted net profit ⁽¹⁾	98,606	43,090	128.8%
Profitability			
Gross profit margin	45.5%	42.0%	
Net profit margin	15.7%	12.0%	
Non-IFRS adjusted net profit margin ⁽²⁾	19.7%	13.5%	
	As at	As at	
	June 30,	December 31,	
	2021	2020	
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Financial Position			
Total assets	1,138,458	1,089,022	4.5%
Total equity	735,475	763,545	(3.7%)
Total liabilities	402,983	325,477	23.8%
Cash and cash equivalents	438,184	413,246	6.0%

Notes:

- (1) Non-IFRS adjusted net profit was calculated as net profit for the Reporting Period excluding: (i) listing expenses; and (ii) share-based compensation expenses. The above adjustments will only have an impact on the net profit for this fiscal year, and will no longer have a continuous impact from the next fiscal year.
- (2) Non-IFRS adjusted net profit margin was calculated based on non-IFRS adjusted net profit divided by revenue.

CORPORATE PROFILE

The Group is a leading ophthalmic medical service group in North China with a strong reputation nationwide. According to Frost & Sullivan, the Group ranked first in Inner Mongolia, second in North China and fifth in China among private ophthalmic hospitals in terms of total revenue in 2020.

The Group was founded in 1988 in Baotou, Inner Mongolia, as a clinic providing ophthalmic services. Since its inception, the Group adheres to the vision of “taking our century’s heritage to bring light to the world and inspire hope” (百年朝聚·朝向光明·聚集希望) and has been providing its patients with safe, reassuring and affordable ophthalmic medical experience with professional and effective equipment and technology as well as caring and considerate services.

The Group generates revenue primarily from (i) consumer ophthalmic services, and (ii) basic ophthalmic services. Consumer ophthalmic services include treatments and prevention of various types of ophthalmic disorders, including refractive correction (including presbyopia correction), myopia control and provision of optical products. Basic ophthalmic services include treatments of a wide range of common eye diseases, including cataract, glaucoma, squint, ocular fundus diseases, ocular surface diseases, orbital diseases and pediatric eye diseases, the cost of which are generally eligible to be covered by public health insurance programs. In light of upgraded social consumption in China over the recent years, the Group plans to increase its strategic focus on its consumer ophthalmic services business and devote more efforts to continue its rapid growth, while maintaining its fundamental strength in basic ophthalmic business.

The Group’s patients are treated by ophthalmologists equipped with the latest technology and advanced equipment. The Group has a deep bench of ophthalmic experts with medical expertise and rich experience. Advanced technology and equipment is another key factor underpinning its market leadership. Baotou Hospital is the one-and-only ophthalmic hospital in Inner Mongolia with a preparation room to produce hospital-made traditional Chinese medicine capsules and eye drops. It is also one of the few medical service providers in China that are qualified to produce 0.01% atropine sulfate eye drops to be prescribed within the respective hospitals to control myopia among adolescents. The Group believes that its capabilities in hospital-made pharmaceuticals have helped improve its brand awareness and customer loyalty, which has brought the Group with competitive advantage in the area of myopia control and increased its overall revenue.

The Group believes that the following competitive strengths have differentiated itself from its competitors:

- As a leading ophthalmic medical service group in North China, the Group is well-positioned to capture significant demands from a vast market for ophthalmic services.
- The Group’s clustered operation model helps to improve our market penetration, operational efficiency and profitability.
- The Group’s centralized and standardized management system makes its business model scalable and replicable.
- The Group has a team of high-caliber medical professionals and a sound training system underpinning the foundation of its growth.
- The Group’s full-service clinical ophthalmic treatments bring high customer satisfaction.
- The Group has garnered significant support from its experienced management team as well as its Shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS UPDATES

As of June 30, 2021, the Group operated a network of 17 ophthalmic hospitals and 23 optical centers spanning across five provinces or autonomous region in China. The ophthalmic hospitals are specialized in providing ophthalmic services and the optical centers provides a series of optical products and services to satisfy a wide array of requests from customers.

The following table sets forth a breakdown of certain operational information by type of services provided by the periods indicated:

	Unaudited	
	Six months ended June 30,	
	2021	2020
The hospitals		
Out-patient services		
Number of out-patient visits	412,974	267,445
Average spending per visit (RMB)	711	602
In-patient services		
Number of in-patient visits	21,998	17,886
Average spending per visit (RMB)	7,593	7,325
Optical centers		
Number of customer visits ⁽¹⁾	57,049	40,250
Average selling price (RMB) ⁽²⁾	684	659

Notes:

- (1) Represents the total number of purchases made by customers at the optical centers. If a customer makes more than one purchase at the optical centers within the same day, he/she will only be counted once. If a customer purchases at the optical centers on different days, he/she will be counted according to the number of days he/she made purchases at the optical centers.
- (2) Represents the average selling price calculated by the total revenue generated from the optical centers by the total number of customer visits.

The Group's revenue increased by 56.6% from RMB319.4 million for the six months ended June 30, 2020 to RMB500.2 million for the six months ended June 30, 2021, primarily attributable to the increase in revenue from consumer ophthalmic services, and to a lesser extent, revenue generated from basic ophthalmic services.

The following table sets forth a breakdown of revenue by business segments for the periods indicated:

	Unaudited Six months ended June 30,			
	2021		2020	
	Revenue (RMB'000)	Percentage of revenue	Revenue (RMB'000)	Percentage of revenue
Consumer ophthalmic services	266,495	53.3%	143,214	44.8%
Basic ophthalmic services	233,002	46.6%	175,209	54.9%
Others	674	0.1%	1,022	0.3%
Total	500,171	100.0%	319,445	100.0%

Consumer ophthalmic services

The Group's consumer ophthalmic services include treatments and prevention of various types of ophthalmic disorders, including refractive correction (including presbyopia correction), myopia control and provision of optical products and services, the costs for which are currently not covered by public health insurance programs.

The Group enhanced its reputation in the provision of consumer ophthalmic services by using optimized and effective marketing promotional methods, including online promotion activities, events in commercial buildings and myopia screening events at schools, optimizing its customer membership marketing model, investing in new equipment for consumer ophthalmic services and increased training to the Group's professionals on consumer ophthalmic services techniques and related skills, implementing stringent medical quality control and providing quality medical services to its patients.

In addition, consumer ophthalmic services are usually more profitable as it is not subject to the pricing guidance imposed by public health insurance authorities and the Group devoted more resources to pursue continuous and rapid growth of consumer ophthalmic services. For the six months ended June 30, 2021, the Group's consumer ophthalmic services contributed to 53.3% of the Group's total revenue, representing an increase of approximately 8.5% compared to the same period in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Basic ophthalmic services

The Group's basic ophthalmic services include treatments of a wide range of common eye diseases, including cataract, glaucoma, squint, ocular fundus diseases, ocular surface diseases, orbital diseases and pediatric eye diseases, the cost of which are generally eligible to be covered by public health insurance programs.

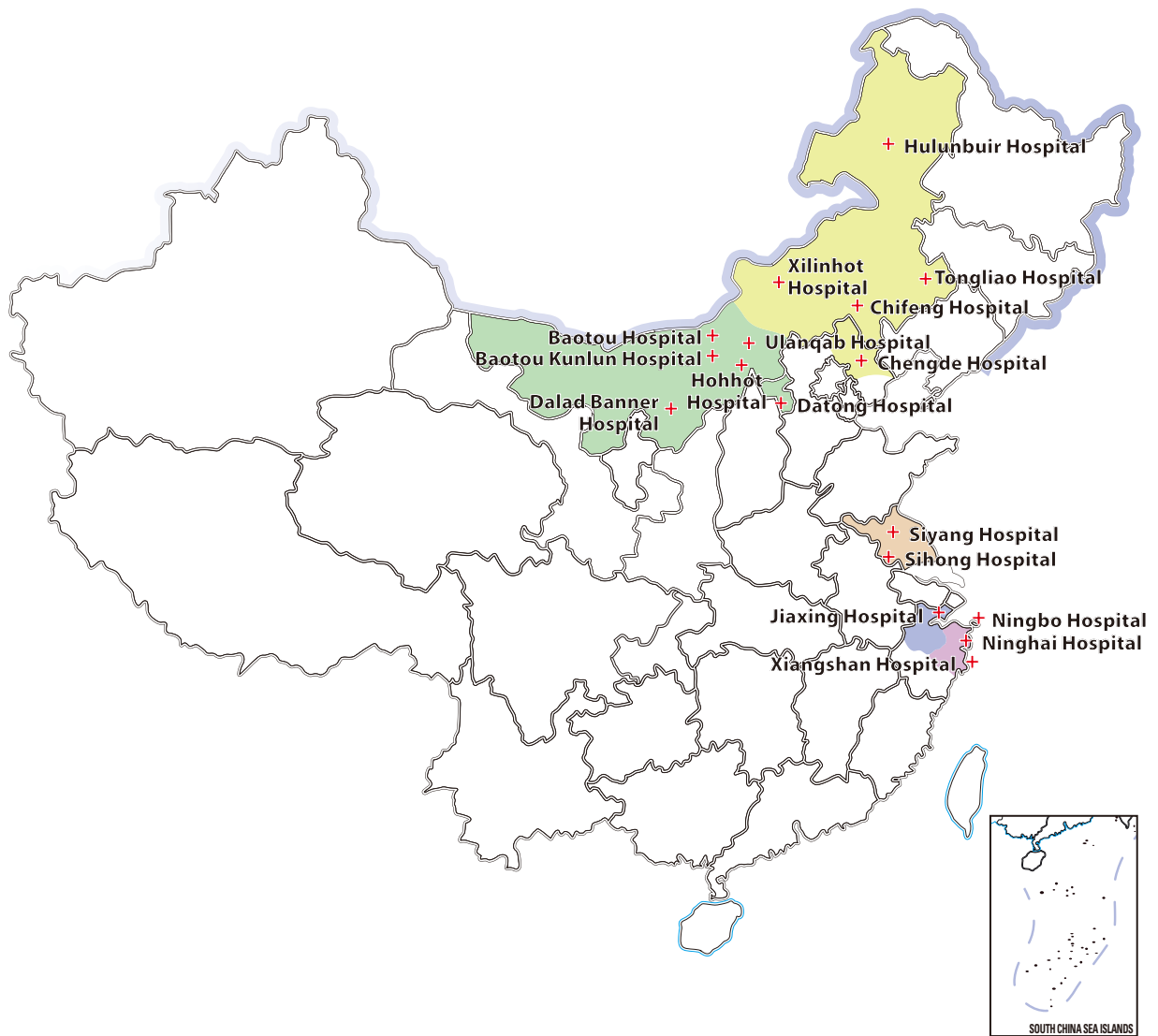
For the six months ended June 30, 2021, the Group increased its marketing initiatives and provided quality medical services, which improved rate of patients returning to the Group's ophthalmic hospitals and receive treatment on their other eye for basic eye diseases, such as cataracts. Simultaneously, the impact of the COVID-19 pandemic in China weakened compared to the same period of 2020.

Although the revenue of consumer ophthalmic services continued to increase, basic ophthalmic services continued to grow steady in terms of revenue, and is a key component that allows the Group to maintain its market share and influence. For the six months ended June 30, 2021, the Group's basic ophthalmic services contributed to 46.6% of the Group's total revenue.

Our Hospital Network

As of June 30, 2021, the Group operated a network of 17 ophthalmic hospitals spanning across five provinces or autonomous regions in China, all of which were specialized in providing ophthalmic services. In addition, we also provide out-patient services through two clinics, namely the Tumb Right Banner branch of our Baotou Hospital and the Pingzhuang clinic of our Chifeng Hospital, which are branches of our Baotou Hospital and Chifeng Hospital, respectively. The Group's hospitals offer a wide range of ophthalmic services, including out-patient and in-patient treatments and surgeries. The Group's clinics only offer out-patient diagnosis and treatments for relatively simple ophthalmic diseases and disorders and do not perform any surgeries.

The Group's hospitals are strategically located in five major regions, namely western Inner Mongolia and its adjacent region, eastern Inner Mongolia and its adjacent region, eastern Zhejiang, northern Zhejiang and northern Jiangsu. The Group has established a leading position in western Inner Mongolia and its adjacent region through its dense network layout of six hospitals as of June 30, 2021. Leveraging the Group's market presence and experience in such region as well as its highly standardized management and services models, the Group has successfully established and acquired 11 hospitals in other regions as of June 30, 2021, consisting of five hospitals in eastern Inner Mongolia and its adjacent region, three hospitals in eastern Zhejiang, one hospital in northern Zhejiang and two hospitals in northern Jiangsu. Set out below is an illustration of the locations of the Group's hospitals as of June 30, 2021.



- Western Inner Mongolia and the adjacent region
- Eastern Inner Mongolia and the adjacent region
- Eastern Zhejiang
- Northern Zhejiang
- Northern Jiangsu

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth certain key information of the Group's hospitals as of June 30, 2021.

					GFA (sq.m.)	Facilities Number of registered beds ⁽²⁾
	Hospital	Location	Class ⁽¹⁾	Date of Incorporation		
1	Baotou Hospital	Western Inner Mongolia	Class III	May 12, 2016	15,710	120
2	Hohhot Hospital	Western Inner Mongolia	Class III	September 21, 2016	7,697	100
3	Datong Hospital	Adjacent to western Inner Mongolia	Class II	March 24, 2015	4,319	50
4	Ulanqab Hospital	Western Inner Mongolia	N/A	March 27, 2017	3,100	60
5	Baotou Kunlun Hospital	Western Inner Mongolia	Class II	March 7, 2016	2,968	30
6	Dalad Banner Hospital	Western Inner Mongolia	Class II	May 23, 2016	2,292	30
7	Hulunbuir Hospital	Eastern Inner Mongolia	Class II	February 14, 2018	3,772	30
8	Chifeng Hospital	Eastern Inner Mongolia	Class III	December 19, 2016	7,662	100
9	Tongliao Hospital	Eastern Inner Mongolia	Class II	September 20, 2017	4,568	60
10	Chengde Hospital	Adjacent to eastern Inner Mongolia	Class II	December 2, 2016	7,579	80
11	Xilinhot Hospital	Eastern Inner Mongolia	Class II	December 16, 2014	1,070	30
12	Ningbo Hospital	Eastern Zhejiang	Class II	Acquired ⁽³⁾	4,510	30
13	Ninghai Hospital	Eastern Zhejiang	Class II	Acquired ⁽⁴⁾	2,798	20
14	Xiangshan Hospital	Eastern Zhejiang	Class III	Acquired ⁽⁵⁾	2,763	47
15	Jiaxing Hospital	Northern Zhejiang	N/A	February 7, 2018	6,937	60
16	Siyang Hospital	Northern Jiangsu	N/A	July 21, 2016	4,200	30
17	Sihong Hospital	Northern Jiangsu	N/A	June 28, 2017	5,201	60
Total					87,146	937

Notes:

- (1) Represents the classification of hospitals assigned by NHC or its local counterparts, with Class III being the highest classification and Class I being the lowest classification. "N/A" indicates that the relevant hospital was not assigned any classification by NHC or any of its local counterparts as of June 30, 2021, as the application for such classification of hospitals is not mandatory under applicable laws and regulations.
- (2) Represents the number of beds registered in the practicing license of the respective hospital as of June 30, 2021.
- (3) The Group acquired Ningbo Hospital in December 2017.
- (4) The Group acquired Ninghai Hospital in June 2018.
- (5) The Group acquired Xiangshan Hospital in December 2017.

The Group's Optical Center Network

The Group locates its optical centers in areas with highly desirable retail developments and surrounded by dense concentration of target customers, and usually at locations inside or adjacent to its hospitals to facilitate the medical screening procedures for customers. The Group maintains a disciplined approach to open new optical centers and conduct market research before selecting a new site based on customer demographics and information from its existing customer database. As of June 30, 2021, the Group operated a network of 23 optical centers under the brand Chaoju (朝聚), strategically located in five major regions, namely the western Inner Mongolia and its adjacent region, eastern Inner Mongolia and its adjacent region, eastern Zhejiang, northern Zhejiang and northern Jiangsu, such as ten optical centers in western Inner Mongolia and its adjacent region, eight optical centers in eastern Inner Mongolia and its adjacent region, one optical center in eastern Zhejiang, two optical centers in northern Zhejiang and two optical centers in northern Jiangsu.

The table below sets forth a list of the Group's optical centers as of June 30, 2021 and its locations.

Optical center	Location
1 Baotou City Chaoju Optometry Correction Eyeglasses Co., Ltd. (包頭市朝聚眼視光矯治配鏡有限公司)	Western Inner Mongolia
2 Baotou City Kunlun Chaoju Optometry Correction Eyeglasses Co., Ltd. (包頭市昆侖朝聚眼視光矯治配鏡有限責任公司)	Western Inner Mongolia
3 Hohhot City Chaoju Optometry Correction Eyeglasses Co., Ltd. (呼和浩特市朝聚眼視光矯治配鏡有限公司)	Western Inner Mongolia
4 Ulanqab City Chaoju Optometry Correction Eyeglasses Co., Ltd. (烏蘭察布市朝聚眼視光矯治配鏡有限公司)	Western Inner Mongolia
5 Datong City Chaoju Eyeglasses Co., Ltd. (大同市朝聚眼鏡有限公司)	Adjacent to western Inner Mongolia
6 Dalad Banner Chaoju Optometry Eyeglasses Co., Ltd. (達拉特旗朝聚驗光配鏡有限公司)	Western Inner Mongolia
7 Jungar Banner Chaoju Optometry Eyeglasses Co., Ltd. (准格爾旗朝聚驗光配鏡有限公司)	Western Inner Mongolia
8 Baotou City Donghe District Chaoju Optometry Eyeglasses Co., Ltd. (包頭市東河區朝聚驗光配鏡有限公司)	Western Inner Mongolia
9 Tumb Right Banner Chaoju Optometry Eyeglasses Co., Ltd. (土默特右旗朝聚驗光配鏡有限公司)	Western Inner Mongolia
10 Baotou Low Vision Rehabilitation Center (包頭市低視力康復中心)	Western Inner Mongolia
11 Chengde Chaoju Trading Co., Ltd. (承德朝聚商貿有限公司)	Adjacent to eastern Inner Mongolia

MANAGEMENT DISCUSSION AND ANALYSIS

Optical center	Location
12 Hexigten Banner Chaoju Ophthalmic Optometry Clinic Co., Ltd. (克什克騰旗朝聚眼科視光門診有限公司) ⁽²⁾	Eastern Inner Mongolia
13 Xilinhot City Chaoju Optometry Correction Eyeglasses Co., Ltd. (錫林浩特市朝聚眼視光矯治配鏡有限公司)	Eastern Inner Mongolia
14 Hulunbuir City Chaoju Optometry Co., Ltd. (呼倫貝爾市朝聚眼視光有限公司)	Eastern Inner Mongolia
15 Tongliao City Chaoju Eyeglasses Co., Ltd. (通遼市朝聚眼鏡有限責任公司)	Eastern Inner Mongolia
16 Ongniud Banner Chaoju Optometry Eyeglasses Co., Ltd. (翁牛特旗朝聚驗光配鏡有限責任公司)	Eastern Inner Mongolia
17 Chifeng City Yuanbaoshan District Chaoju Optometry Eyeglasses Co., Ltd. (赤峰市元寶山區朝聚驗光配鏡有限責任公司)	Eastern Inner Mongolia
18 Chifeng Chaoju Eyeglasses Co., Ltd. (赤峰朝聚眼鏡有限責任公司)	Eastern Inner Mongolia
19 Zhoushan Chaoju Optical Glasses Co., Ltd. (舟山朝聚光學眼鏡有限公司)	Eastern Zhejiang
20 Hangzhou Chaoju Optical Eyeglasses Co., Ltd. (杭州朝聚光學眼鏡有限公司)	Northern Zhejiang
21 Jiaxing City Chaoju Optical Glasses Co., Ltd. (嘉興市朝聚光學眼鏡有限公司)	Northern Zhejiang
22 Siyang Chaoju Eyeglasses Co., Ltd. (泗陽朝聚眼鏡有限公司)	Northern Jiangsu
23 Sihong County Chaoju Optical Optometry Eyeglasses Co., Ltd. (泗洪縣朝聚視光配鏡有限公司)	Northern Jiangsu

OUTLOOK AND FUTURE

The demand for ophthalmic medical services has grown steadily in recent years and is expected to experience relatively high growth rates in the foreseeable future as a result of continued economic growth and an increasingly aging population, according to Frost & Sullivan. The size of China's ophthalmic medical services market increased from RMB73.0 billion in 2015 to RMB127.5 billion in 2019, representing a CAGR of 15.0%, and is expected to further reach RMB223.1 billion by 2024. In particular, the size of ophthalmic medical services market in North China increased from RMB13.2 billion in 2015 to RMB21.2 billion in 2019, representing a CAGR of 12.5%, and is expected to further grow to RMB33.7 billion by 2024. However, ophthalmic medical resources in China are scarce, and the penetration rate of surgeries for eye diseases in China is low.

As a leading ophthalmic medical services group in North China, the Group is able to leverage on its brand awareness and market reputation, and is well-positioned to capture the significant growth potential of the underserved market of private ophthalmic services in China.

Looking into the future, the Group expects to:

- (1) adhere to the concept of providing patients with a safe, reassuring and affordable ophthalmic medical experience with professional and effective equipment and technology as well as caring and considerate services;
- (2) reinforce its leading position in Inner Mongolia and the surrounding regions, enhance its market positioning in Zhejiang Province, Jiangsu Province and other key regions while developing its featured ophthalmic hospitals;
- (3) seize opportunities in the consumer ophthalmic market to build a leading consumer ophthalmic brand in China;
- (4) improve the utilization efficiency of its regional resources and strengthen its centralized management model with regional center hospitals as the core;
- (5) continuously improve patient satisfaction and brand awareness;
- (6) actively attract and recruit talents by further refining its training programs, cultivating its unique corporate culture and offering fair incentives to its key employees; and
- (7) standardize the management of the Group and the communication with regulatory authorities, such as the Stock Exchange, and various professional institutions, so as to improve the comprehensive corporation governance.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group generates revenue primarily from (i) consumer ophthalmic services and (ii) basic ophthalmic services. The revenue of the Group increased by 56.6% from RMB319.4 million for the six months ended June 30, 2020 to RMB500.2 million for the six months ended June 30, 2021.

Consumer ophthalmic services

The Group's consumer ophthalmic services include treatments and prevention of various types of ophthalmic disorders, including refractive correction (including presbyopia correction), myopia control and provision of optical products and services.

The Group's revenue from consumer ophthalmic services increased by 86.1% from RMB143.2 million for the six months ended June 30, 2020 to RMB266.5 million for the six months ended June 30, 2021, primarily due to (i) implementing further optimized and effective marketing promotional methods, including online promotion activities, events in commercial buildings and myopia screening events at schools, (ii) optimizing the customers membership marketing model, (iii) increasing investments in new equipment and increased training to the professional on consumer ophthalmic technique and related skills, implementing stringent quality control, and providing quality medical services to improve the reputation of the Group, and (iv) weakened impact of the COVID-19 pandemic in China on the consumer ophthalmic services business as compared to that in the first half of 2020.

Basic ophthalmic services

The Group's basic ophthalmic services include treatments of a wide range of common eye diseases, including cataract, glaucoma, squint, ocular fundus diseases, ocular surface diseases, orbital diseases and pediatric eye diseases.

The Group's revenue from basic ophthalmic services increased by 33.0% from RMB175.2 million for the six months ended June 30, 2020 to RMB233.0 million for the six months ended June 30, 2021, primarily due to (i) increased marketing initiatives and strengthened medical quality control that improved the branding and reputation of the Group, which attracted more patients to receive treatment for basic eye diseases at the ophthalmic hospitals of the Group, and in particular, there was an increasing amount of patients who chose to return and receive treatment for their other eye and (ii) the weakened impact of the COVID-19 pandemic in China on the basic ophthalmic services.

Cost of Sales

During the Reporting Period, the Group's cost of sales was primarily composed of medical consumables and optical products, employee compensation directly related to the provision of medical services, cost of pharmaceuticals, depreciation, amortization and rental expenses.

The Group's cost of revenue increased by 47.2% from RMB185.3 million for the six months ended June 30, 2020 to RMB272.8 million for the six months ended June 30, 2021, primarily due to an increase in medical consumables and labor expenses, which is in line with the increase in revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 69.6% from RMB134.1 million for the six months ended June 30, 2020 to RMB227.4 million for the same period in 2021.

The Group's gross profit margin increased from 42.0% for the six months ended June 30, 2020 to 45.5% for the six months ended June 30, 2021. The increase in gross profit margin was primarily due to (i) the increase in revenue from both the consumer ophthalmic services and basic ophthalmic services business of 56.9% compared to the same period last year, which had an economies of scale effect and resulted in dilution of related costs, (ii) consumer ophthalmic services has a higher gross profit margin compared to basic ophthalmic services and the revenue contribution of consumer ophthalmic services increased compared to the same period last year, which increased the overall gross profit margin and (iii) the effective use of a centralized procurement platform which further improved the bargaining power of the Group and reduced procurement costs.

Selling and Distribution Expenses

During the Reporting Period, the Group's selling and distribution expenses were primarily composed of the compensation of the Group's sales and marketing personnel and advertising expenses, depreciation, amortization, office expenses and rental expenses.

The Group's selling and distribution expenses increased by 45.7% from RMB14.0 million for the six months ended June 30, 2020 to RMB20.4 million for the six months ended June 30, 2021, primarily due to an increase in labor expenses and advertising expenses.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses were primarily composed of the compensation of and share-based payments to the Group's administrative and management personnel, depreciation and amortization, rental expenses and fees paid for the professional services and listing expenses incurred in connection with the Global Offering and office expenses.

The Group's administrative expenses increased by 68.7% from RMB55.3 million for the six months ended June 30, 2020 to RMB93.3 million for the six months ended June 30, 2021, primarily due to an increase in listing expenses with respect to the Listing and labor expenses.

Impairment Losses on Financial Assets

During the Reporting Period, the Group's impairment losses on financial assets were primarily composed of provision for impairment losses on trade receivables, and other receivables.

The Group's impairment losses on financial assets decreased by 53.9% from RMB10.2 million for the six months ended June 30, 2020 to RMB4.7 million for the six months ended June 30, 2021, primarily due to a decrease in the non-recurring impairment losses on accounts receivable and other receivables due from related parties.

Finance Costs

During the Reporting Period, the Group's finance costs were primarily composed of interest expenses associated with new leases standard. The Group's finance costs decreased by 34.8% from RMB6.9 million for the six months ended June 30, 2020 to RMB4.5 million for the six months ended June 30, 2021, primarily due to full repayment of its interest-bearing bank borrowings in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expense

During the Reporting Period, the income tax rate generally applicable to the Group's subsidiaries in China is 25% and certain of the Group's subsidiaries are eligible for a preferential income tax rate of 15%. Certain other subsidiaries are eligible for a preferential income tax rate of 5% or 10% with respect to part of their taxable income.

The Group's income tax expense increased by 165.0% from RMB10.3 million for the six months ended June 30, 2020 to RMB27.3 million for the six months ended June 30, 2021, primarily due to an increase in the Group's profit before tax.

Net Profit and Non-IFRS Adjusted Net Profit

As a result of the foregoing, the Group's net profit increased by 104.9% to RMB78.7 million for the six months ended June 30, 2021 from RMB38.4 million for the same period in 2020. The Group's net profit margin increased to 15.7% for the six months ended June 30, 2021 from 12.0% for the same period in 2020. The Group defined non-IFRS adjusted net profit as profit and total comprehensive income for the period adjusted for items which are non-recurring or extraordinary, including expenses in relation to the Listing and share-based compensation expenses. The Group's non-IFRS adjusted net profit increased by 128.8% to RMB98.6 million for the six months ended June 30, 2021 from RMB43.1 million for the same period in 2020.

Non-IFRS Measures

To supplement the Group's condensed consolidated financial statements which are presented in accordance with IFRS, the Company has provided non-IFRS adjusted net profit and non-IFRS adjusted net profit margin as non-IFRS measures, which are not required by, or presented in accordance with, IFRS. The Company believes that the non-IFRS adjusted financial measures provide useful information to investors and others in understanding and evaluating the Group's condensed consolidated statements of profit or loss in the same manner as they helped the Company's management, and that the Company's management and investors may benefit from referring to these non-IFRS adjusted financial measures in assessing the Group's operating performance from period to period by eliminating impacts of items that the Group does not consider indicative of the Group's operating performance. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. You should not view the non-IFRS adjusted results on a stand-alone basis or as a substitute for results under IFRS.

The following table sets forth the reconciliations of the Group's non-IFRS financial measures for the six months ended June 30, 2020 and 2021 to the nearest measures prepared in accordance with IFRS:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net Profit	78,671	38,373
Adjustments:		
Listing expenses (after tax)	13,695	0
Share-based compensation expenses	6,240	4,717
Non-IFRS adjusted net profit	98,606	43,090
Non-IFRS adjusted net profit margin	19.7%	13.5%

Note:

Non-IFRS adjusted net profit margin was calculated based on non-IFRS adjusted net profit divided by revenue.

Financial Position

Trade Receivables

The Group's trade receivables increased by 10.0% from RMB62.0 million as of December 31, 2020 to RMB68.2 million as of June 30, 2021, primarily due to an increase in receivables from medical insurance.

Prepayments, other receivables and other assets

The Group's prepayments, other receivables and other assets mainly include prepayments, loans provided to third parties and capitalization of listing expenses. Prepayments, other receivables and other assets increased by 6.6% from RMB39.4 million as of December 31, 2020 to RMB42.0 million as of June 30, 2021, primarily due to an increase in prepayments and capitalization of listing expenses.

Cash and Bank Balances

The Group's business operations and expansion plans require significant amount of capital, which will be used for upgrading the existing ophthalmic hospitals and optical centers, establishing and acquiring new hospitals and other working capital requirements. The Group's principal sources of liquidity are cash generated from its business operations, as well as debt and equity financing.

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	127,250	89,167
Net cash flows from investing activities	(14,377)	(17,617)
Net cash flows from financing activities	(88,028)	(47,595)
Net increase in cash and cash equivalents	24,845	23,955

The Group's net increase in cash and cash equivalents is RMB24.8 million for the six months ended June 30, 2021, primarily due to net cash inflows of RMB127.3 million from operating activities; net cash outflows from investment activities, which was mainly due to purchases of property, plant and equipment of RMB15.8 million; net cash outflows from financing activities, which was mainly due to the payment of dividends of RMB70.0 million and the principal portion of lease payments of RMB12.8 million.

Trade Payables

The Group's trade payables increased by 24.7% from RMB39.3 million as of December 31, 2020 to RMB49.0 million as of June 30, 2021, primarily due to an increase in payables for medical consumables and pharmaceuticals.

Other Payables and Accruals

The Group's other payables and accruals include salaries and welfare payables, rent payables, listing expenses, payables for purchases of property, plant and equipment and contract liabilities.

The Group's other payables and accruals increased by 12.9% from RMB106.2 million as of December 31, 2020 to RMB119.9 million as of June 30, 2021, primarily due to an increase in the salaries and welfare payables of the employees, payables for purchases of property, plant and equipment and listing expenses with respect to the Listing.

MANAGEMENT DISCUSSION AND ANALYSIS

Contingent Liabilities

As of June 30, 2021, the Group did not have any material contingent liabilities or guarantees.

Pledge of Assets

As of June 30, 2021, no asset has been pledged by the Group (as of December 31, 2020: nil).

Gearing Ratio

As of June 30, 2021, the Group is in a net cash position and thus, gearing ratio is not applicable.

Interim Dividends

As disclosed in the Prospectus, in May 2021, the Board declared dividends of RMB43.0 million for the four months ended April 30, 2021 to the then Shareholders. The Board has resolved not to declare any further dividends for the six months ended June 30, 2021.

Significant Investments

The Group did not make any significant investments during the six months ended June 30, 2021 (six months ended June 30, 2020: nil).

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the six months ended June 30, 2021.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this report, the Group did not have any plans for material investments and capital assets during the six months ended June 30, 2021.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2021, the Group had 1,705 full-time employees, among which, 928 were professionals at the hospitals, 89 were professionals at the optical centers and 688 were administrative, finance and other employees at the Group's headquarters, hospitals and optical centers. In addition, the Group also had 67 multi-site practice physicians who were full-time employees of other medical institutions. The following table shows a breakdown of the Group's full-time employees by function as of that date:

	As of June 30, 2021	
	Number of employees	percentage of total employees
Professionals at the hospitals:		
Physicians ⁽¹⁾	194	11.38%
Nurses	422	24.75%
Other professionals	312	18.30%
Professionals at the optical centers	89	5.22%
Administrative, finance and other employees at:		
The headquarters	92	5.40%
The hospitals	545	31.96%
The optical centers	51	2.99%
Total	1,705	100%

Note:

(1) As of June 30, 2021, 161 of the full-time physicians were registered as specialized ophthalmologists

The Group enters into employment contracts with all of its full-time employees. The remuneration packages for its employees primarily comprise one or more of the following elements: basic salary, performance-based incentive bonus and discretionary year-end bonus. The Group also sets performance targets for its employees based on their position and regularly reviews their performance, the results of which are used in their annual salary review and promotion appraisal.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group provides structured training and education programs which enable its employees to consistently deliver high quality services. The Group's discipline development committees are responsible for training its medical professionals, maintaining a proper mix of different levels of professionals, as well as research and development, and have supplied numerous young ophthalmologists with solid skills and rich clinical experience. The Group also engages external consultants, experts and professors to provide trainings for the physicians with an aim to cultivate clinicians with extensive practical capabilities in a precise, standardized and high-quality manner. These programs aim to equip them with a sound foundation of the medical principles, ethics and knowledge as well as practical skills, and foster a high standard of practice. Regular internal and external mandatory online and on-site trainings are organized for the medical team to keep them abreast of the latest development in the ophthalmology industry. From time to time, the Group identifies and sponsors its employees with high development potential to undertake further study and professional trainings in prestigious medical institutions. They also support their attending physicians to train at top-tier eye hospitals in China for a period of three to six months, such as Wenzhou Medical University Eye Hospital (溫州醫科大學附屬眼視光醫院). In addition, the Group also designs and implements specialized trainings for its nurses and medical assistants to improve their respective professional skills and foster their professional career path.

As of June 30, 2021, none of the Group's employees had negotiated with them on the employment terms through the labor unions or in a way of collective bargaining and the Group had not experienced any major labor disputes or labor strikes that had interfered with its operations in any material respect.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Since the Listing Date and up to the date of this report, save as provisions addressed below, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The roles of chairman of the Board and chief executive officer of the Company are held by Mr. Zhang Bozhou who has extensive experience in the industry. The Board believes that vesting the roles of the chairman and chief executive officer in Mr. Zhang Bozhou is beneficial to the management of the Group and will improve the efficiency of the Group's decision making and executive process given his knowledge in the Group's affairs. Further, the Group has put in place an appropriate check-and-balance mechanism through the Board and the independent non-executive Directors.

In view of the above, the Board considers that such structure will not impair the balance of power and authority between the Board and the management of the Group. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangement when the Board considers appropriate.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Upon specific enquiry, all Directors confirmed that they had complied with the requirements as set out in the Model Code since the Listing Date and up to the date of this report.

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

Since the Listing Date and up to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the requirements under the Listing Rules. The Audit Committee is composed of three independent non-executive Directors, being Mr. Li Jianbin (chairman of the Audit Committee), Ms. Guo Hongyan and Mr. Bao Shan. The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, the internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

REVIEW OF INTERIM REPORT

The independent auditors of the Company, namely, Ernst & Young, have carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has jointly reviewed with the management and the independent auditors of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended June 30, 2021) of the Group. The Audit Committee and the independent auditors considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

OTHER INFORMATION

CHANGES TO DIRECTORS' INFORMATION

As of the date of this report, there were no changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CAPITAL STRUCTURE

The Shares of the Company were listed on the Main Board of the Stock Exchange on July 7, 2021, and 137,500,000 Shares of the Company were issued at the offer price of HK\$10.60 per Share by way of Global Offering. Subsequently, the Company announced that the over-allotment option described in the Prospectus was partially exercised on July 29, 2021, in respect of an aggregate of 20,125,000 Shares. There was no changes in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares. As of the date of this report, the total issued share capital of the Company was HKD380,000 divided into 1,520,000,000 shares.

The capital structure of the Group was 35.4% debt and 64.6% equity as of June 30, 2021, compared with 29.9% debt and 70.1% equity as of December 31, 2020.

RISK MANAGEMENT

Interest Rate Risk

The Group's interest rate risk arises from interest-bearing borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group currently does not use any interest rate swap contracts or other financial instruments to hedge against interest rate exposure.

Credit Risk

Credit risk is the risk regarding the loss arising from a counterparty's inability to meet its obligations.

The Group trades only with recognized and creditworthy third parties. The Group's policy requires credit verification procedures for all customers who wish to trade on credit terms. In addition, receivable balances are monitored on an ongoing basis.

Liquidity Risk

The Group's liquidity is primarily dependent on our ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and the ability to obtain external financing to meet its committed future capital expenditure.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by its management to finance the operation and mitigate the effects of fluctuations in cash flows.

Foreign Exchange Risk

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which our Group conducts business may affect our financial condition and results of operation. The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollars. The conversion of foreign currencies into RMB, including Hong Kong dollars, has been based on rates set by the People's Bank of China. The Group seeks to limit our exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position. During the Reporting Period, the Group did not enter into any currency hedging transactions.

PROCEEDS FROM GLOBAL OFFERING AND ITS UTILISATION

The Company issued 137,500,000 Shares in the Global Offering at HK\$10.60 per Share which were listed on the Main Board of the Stock Exchange on July 7, 2021 and subsequently issued 20,125,000 Shares at HK\$10.60 per Share on August 3, 2021 upon partial exercise of the over-allotment option.

The net proceeds from the Global Offering received by the Company, after deduction of the underwriting fees and commissions and other expenses payable by the Company in connection with the Global Offering, amounted to approximately HK\$1,599 million, which will be utilized in accordance with the purposes as set out in the Prospectus. The following table sets out the planned applications of the net proceeds as well as the expected timeline for utilization:

	Percentage of the net proceeds from the Global Offering	Net proceeds from the Global Offering HK\$ million	Utilized amount (as of the date of this report) HK\$ million	Unutilized amount (as of the date of this report) HK\$ million	Expected timeline for utilization
Establishment of new hospitals and the relocation, upgrade and renovation of existing hospitals	35.8%	572.4	2.2	570.2	From July 2021 to June 2024
Acquiring hospitals, when appropriate opportunities arise, in new markets with sizable population and relatively high level of demand for ophthalmic healthcare services	44.8%	716.4	12.0	704.4	From July 2021 to December 2023
Upgrading information technology systems	9.4%	150.3	0	150.3	From July 2021 to December 2023
Working capital and other general corporate purposes	10%	159.9	9.7	150.2	From July 2021 to December 2023
Total	100%	1,599	23.9	1,575.1	

Since the Listing Date and as of the date of this report, the Group has utilized net proceeds of HK\$23.9 million from the Listing. The Group will gradually utilize the proceeds from the Listing in accordance with the intended purposes.

EVENTS AFTER THE REPORTING PERIOD

Pursuant to the written resolutions of the Shareholders of the Company passed on June 12, 2021, upon the listing of the Company's shares on the Stock Exchange on July 7, 2021, the 10,652,174 issued Shares of HK\$0.01 par value were subdivided into 40 Shares of HK\$0.00025 par value each and the Company issued 123,913,040 Shares to the existing Shareholders by way of capitalization from the share premium account. Immediately following the completion of the share subdivision and capitalization issue, the issued Shares were 550,000,000 shares.

On July 7, 2021, the Company issued 137,500,000 new Shares at HK\$10.60 per Share under its Global Offering, which were listed and traded on the Main Board of the Stock Exchange. The gross proceeds before expenses from the new Share issuance amounted to approximately HK\$1,458 million (equivalents to RMB1,216 million).

OTHER INFORMATION

On August 3, 2021, the Company issued 20,125,000 new Shares at HK\$10.60 per share upon the partial exercise of the over-allotment option, which were listed and traded on the Main Board of the Stock Exchange. The gross proceeds before expenses from the new Share issuance amounted to approximately HK\$213 million (equivalent to RMB177 million).

Save as disclosed above and apart from the Listing of the Company, there was no significant event that might affect the Group after the Reporting Period.

INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

(i) **Interests and short positions of the Directors and the chief executive of the Company in the Shares, and underlying Shares and debentures of the Company and its associated corporations**

As the Company was not listed on the Stock Exchange as of June 30, 2021, Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO were not applicable to the Directors or chief executives of the Company as of June 30, 2021. As of the date of this report, the interests or short positions of the Directors or chief executives in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests 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 to be notified to the Company and the Stock Exchange under the Model Code, were as follows:

Interest in Shares or Underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest
Mr. Zhang Bozhou	Interests held jointly with another person; interests of controlled corporation	286,065,000	40.43%
Ms. Zhang Xiaoli	Interests held jointly with another person; interests of controlled corporation	286,065,000	40.43%
Mr. Zhang Junfeng	Interests held jointly with another person; interests of controlled corporation	286,065,000	40.43%
Ms. Zhang Wenwen	Interests of controlled corporation	36,465,000	5.15%

(ii) Interests in the Company's associated corporations

So far as the Directors are aware, as of the date of this report, the following persons were interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than the Company):

Name of Director	Name of member of the Group	Approximate percentage of shareholding
Mr. Zhang Bozhou	Xiamen Xinkangnuo	26.64%
Ms. Zhang Xiaoli	Xiamen Xinkangnuo	29.03%
Mr. Zhang Junfeng	Xiamen Xinkangnuo	20.67%

Director's Rights to Acquire Shares on Debentures

Save as otherwise disclosed in this interim report, at no time during the period from the Listing Date to the date of this report was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

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

As the Company was not listed on the Stock Exchange as of June 30, 2021, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company as of June 30, 2021. So far as the Directors are aware, as of the date of this report, the following persons had an interest or a short position in the Shares which were required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or were, 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 the Company:

Name of Shareholder	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest in the Company	Long position/ Short position/ Lending pool
Mr. Zhang Bozhou ⁽¹⁾⁽²⁾	Interests held jointly with another person; interests of controlled corporation	286,065,000	40.43%	Long position
Ms. Zhang Xiaoli ⁽¹⁾⁽³⁾	Interests held jointly with another person; interests of controlled corporation	286,065,000	40.43%	Long position
Mr. Zhang Junfeng ⁽¹⁾⁽⁴⁾	Interests held jointly with another person; interests of controlled corporation	286,065,000	40.43%	Long position
Mr. Zhang Fengsheng ⁽¹⁾⁽⁵⁾	Interests held jointly with another person; interests of controlled corporation	286,065,000	40.43%	Long position
Ms. Zhang Yumei ⁽¹⁾⁽⁶⁾	Interests held jointly with another person; interests of controlled corporation	286,065,000	40.43%	Long position

OTHER INFORMATION

Name of Shareholder	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest in the Company	Long position/ Short position/ Lending pool
Ms. Zhang Hongbo ⁽⁷⁾	Interests of spouse	286,065,000	40.43%	Long position
Mr. He Yong ⁽⁸⁾	Interests of spouse	286,065,000	40.43%	Long position
Ms. Su Yuqin ⁽⁹⁾	Interests of spouse	286,065,000	40.43%	Long position
Ms. Li Furong ⁽¹⁰⁾	Interests of spouse	286,065,000	40.43%	Long position
Mr. Jin Longqi ⁽¹¹⁾	Interests of spouse	286,065,000	40.43%	Long position
Jutong Medical Management Co. Ltd	Beneficial owner	77,292,000	10.92%	Long position
Sihai Medical Management Co. Ltd	Beneficial owner	84,266,000	11.91%	Long position
Guangming Medical Management Co. Ltd	Beneficial owner	59,966,000	8.47%	Long position
Xiamen Chaoxi Enterprise Management Consulting Partnership (Limited Partnership)* (廈門朝翕企業管理諮詢合夥企業 (有限合夥))	Beneficial owner	45,485,000	6.43%	Long position
Mr. Wang Hui ⁽¹²⁾	Interests of controlled corporation	78,540,000	11.10%	Long position
Ms. Liu Linan ⁽¹³⁾	Interests of spouse	78,540,000	11.10%	Long position
Orchid Asia VII Global Investment Limited	Beneficial owner	67,320,000	9.51%	Long position
Ms. Lam Lai Ming ⁽¹⁴⁾	Interests of controlled corporation	67,320,000	9.51%	Long position
Mr. Gabriel Li ⁽¹⁴⁾	Interests of controlled corporation	67,320,000	9.51%	Long position
Ms. Zhang Wenwen ⁽¹⁵⁾	Interests of controlled corporation	36,465,000	5.15%	Long position
Mr. Xiao Feng ⁽¹⁶⁾	Interests of spouse	36,465,000	5.15%	Long position

Notes:

- (1) Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Zhang Fengsheng and Ms. Zhang Yumei have entered into an acting-in-concert agreement to acknowledge and confirm their acting-in-concert relationship in relation to the Company and irrevocably entrust Mr. Zhang Bozhou to exercise, at his discretion, their voting rights at the shareholders meetings of the Group. Under the SFO, Mr. Zhang Bozhou, Ms. Zhang Xiaoli, Mr. Zhang Junfeng, Mr. Zhang Fengsheng and Ms. Zhang Yumei are deemed to be interested in the Shares which each other has interest in.
- (2) Mr. Zhang Bozhou wholly-owns Jutong Medical Management Co. Ltd and controls Xiamen Juludazhou Equity Investment as its general partner, which held 77,292,000 and 21,945,000 Shares, respectively as of the date of this report.
- (3) Ms. Zhang Xiaoli wholly-owns Sihai Medical Management Co. Ltd, which held 84,266,000 Shares as of the date of this report.
- (4) Mr. Zhang Junfeng wholly-owns Guangming Medical Management Co. Ltd, which held 59,966,000 Shares as of the date of this report.
- (5) Mr. Zhang Fengsheng wholly-owns Xiwang Medical Management Co. Ltd, which held 33,686,000 Shares as of the date of this report.

- (6) Ms. Zhang Yumei wholly-owns Sitong Medical Management Co. Ltd, which held 8,910,000 Shares as of the date of this report.
- (7) Ms. Zhang Hongbo is the spouse of Mr. Zhang Bozhou and is deemed to be interested in Mr. Zhang Bozhou's interests in the Company.
- (8) Mr. He Yong is the spouse of Ms. Zhang Xiaoli and is deemed to be interested in Ms. Zhang Xiaoli's interests in the Company.
- (9) Ms. Su Yuqin is the spouse of Mr. Zhang Junfeng and is deemed to be interested in Mr. Zhang Junfeng's interests in the Company.
- (10) Ms. Li Furong is the spouse of Mr. Zhang Fengsheng and is deemed to be interested in Mr. Zhang Fengsheng's interests in the Company.
- (11) Mr. Jin Longqi is the spouse of Ms. Zhang Yumei and is deemed to be interested in Ms. Zhang Yumei's interests in the Company.
- (12) Mr. Wang Hui controls Xiamen Chaoxi and Light Medical Limited, which held 45,485,000 and 33,055,000 Shares, respectively, as of the date of this report.
- (13) Ms. Liu Linan is the spouse of Mr. Wang Hui and is deemed to be interested in Mr. Wang Hui's interests in the Company.
- (14) Orchid Asia VII, L.P. is controlled by Orchid Asia V Group Management, Limited which is wholly-owned by Orchid Asia V Group Limited, which is in turn wholly-owned by Areo Holdings Limited. Areo Holdings Limited is wholly-owned by Ms. Lam Lai Ming, and is controlled by Mr. Gabriel Li by virtue of his directorship there.
- (15) Ms. Zhang Wenwen controls Riverhead Capital I and Riverhead Runfeng, which held 22,440,000 and 14,025,000 Shares, respectively, as of the date of this report.
- (16) Mr. Xiao Feng is the spouse of Ms. Zhang Wenwen and is deemed to be interested in Ms. Zhang Wenwen's interests in the Company.

Save as disclosed above, the Directors are not aware of any person who had, as of the date of this report, an interest or a short position in the Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or would be, directly or indirectly, interested in 5% 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 the Group.

INDEPENDENT REVIEW REPORT

To the board of directors of Chaoju Eye Care Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 29 to 50, which comprises the condensed consolidated statement of financial position of Chaoju Eye Care Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as at 30 June 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

27 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
REVENUE	4	500,171	319,445
Cost of sales		(272,821)	(185,341)
Gross profit		227,350	134,104
Other income and gains		3,615	3,236
Selling and distribution expenses		(20,393)	(14,029)
Administrative expenses		(93,289)	(55,323)
Impairment losses on financial assets, net		(4,665)	(10,187)
Other expenses		(2,135)	(2,260)
Finance costs		(4,472)	(6,883)
PROFIT BEFORE TAX	5	106,011	48,658
Income tax expense	6	(27,340)	(10,285)
PROFIT FOR THE PERIOD		78,671	38,373
Attributable to:			
Owners of the parent		80,940	41,579
Non-controlling interests		(2,269)	(3,206)
		78,671	38,373
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic (RMB yuan)		0.15	0.08
Diluted (RMB yuan)		0.15	0.08

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	78,671	38,373
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	19	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	78,690	38,373
Attributable to:		
Owners of the parent	80,959	41,579
Non-controlling interests	(2,269)	(3,206)
	78,690	38,373

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	299,440	294,770
Right-of-use assets		162,318	151,788
Goodwill		28,228	28,228
Intangible assets		54,229	56,476
Deferred tax assets		4,940	4,762
Prepayments, other receivables and other assets		1,932	11,493
Total non-current assets		551,087	547,517
CURRENT ASSETS			
Inventories		35,047	37,999
Trade receivables	10	68,174	62,037
Prepayments, other receivables and other assets		40,060	27,928
Due from related parties		5,906	295
Cash and cash equivalents		438,184	413,246
Total current assets		587,371	541,505
CURRENT LIABILITIES			
Trade payables	11	49,049	39,291
Other payables and accruals		119,098	105,354
Interest-bearing bank and other borrowings		5,250	6,000
Lease liabilities		36,554	30,544
Tax payable		15,448	17,467
Dividends payable	7	43,000	–
Total current liabilities		268,399	198,656
NET CURRENT ASSETS		318,972	342,849
TOTAL ASSETS LESS CURRENT LIABILITIES		870,059	890,366

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		678	678
Lease liabilities		114,011	105,139
Deferred tax liabilities		19,050	20,204
Other payables and accruals		845	800
Total non-current liabilities		134,584	126,821
Net assets		735,475	763,545
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	93	93
Reserves		711,354	737,155
Non-controlling interests		711,447	737,248
		24,028	26,297
Total equity		735,475	763,545

Zhang Bozhou

Director

Zhang Guangdi

Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent							
	Share capital	Capital reserve	Share-based payment reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (audited)	93	559,722	21,547	197	155,689	737,248	26,297	763,545
Profit for the period	-	-	-	-	80,940	80,940	(2,269)	78,671
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	-	-	-	19	-	19	-	19
Total comprehensive income for the period	-	-	-	19	80,940	80,959	(2,269)	78,690
Share-based payments	-	-	6,240	-	-	6,240	-	6,240
Dividend (note 7)	-	-	-	-	(113,000)	(113,000)	-	(113,000)
At 30 June 2021 (unaudited)	93	559,722*	27,787*	216*	123,629*	711,447	24,028	735,475

* These reserve accounts comprise the consolidated reserves of RMB711,354,000 (31 December 2020: RMB737,155,000) in the interim condensed consolidated statement of financial position as at 30 June 2021.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent						Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Retained profits RMB'000	Total RMB'000			
At 1 January 2020 (audited)	–	443,964	12,112	65,550	521,626	32,661		554,287
Profit and total comprehensive income for the period	–	–	–	41,579	41,579	(3,206)		38,373
Contributions by non-controlling shareholders	–	–	–	–	–	200		200
Disposal of a subsidiary	–	–	–	–	–	(98)		(98)
Share-based payments	–	–	4,717	–	4,717	–		4,717
Dividend (note 7)	–	–	–	(34,000)	(34,000)	–		(34,000)
At 30 June 2020 (unaudited)	–	443,964	16,829	73,129	533,922	29,557		563,479

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	106,011	48,658
Adjustments for:		
Finance costs	4,472	6,883
Foreign exchange differences, net	(93)	–
Interest income	(2,650)	(2,140)
Loss on disposal of items of property, plant and equipment, net	–	2
Loss on disposal of a subsidiary	–	390
Covid-19-related rent concessions from lessors	–	(656)
Depreciation of property, plant and equipment	21,003	20,172
Depreciation of right-of-use assets	17,169	16,941
Amortisation of intangible assets	2,548	2,376
Impairment of trade receivables	2,370	2,399
Impairment of other receivables	2,000	3,303
Impairment of amounts due from related parties	295	4,485
Share-based payment expense	6,240	4,717
Decrease/(increase) in inventories	2,952	(9,464)
Increase in trade receivables	(8,507)	(9,174)
(Increase)/decrease in prepayments, other receivables and other assets	(11,521)	1,923
Increase/(decrease) in trade payables	9,758	(23,404)
Increase in other payables and accruals	13,469	31,056
Increase in amounts due from related parties	(5,906)	(1,215)
Decrease in amounts due to related parties	–	(3,348)
Decrease in restricted deposits	–	7,215
Cash generated from operations	159,610	101,119
Interest received	2,650	1,763
Interest paid	(4,321)	(4,612)
Income tax paid	(30,689)	(9,103)
Net cash flows from operating activities	127,250	89,167

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	–	4,557
Payments for acquisition of items of property, plant and equipment	(15,777)	(37,280)
Payments for acquisition of intangible assets	(301)	(330)
Proceeds from disposal of items of property, plant and equipment	1	310
Disposal of a subsidiary	–	(390)
Proceeds of loans from related parties	–	15,016
Decrease in amounts due from other receivables	1,700	500
Net cash flows used in investing activities	(14,377)	(17,617)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in interest-bearing bank and other borrowings	–	14,950
Repayment of interest-bearing bank and other borrowings	(901)	(30,808)
Repayment of amounts due to related parties	–	(14,086)
Principal portion of lease payments	(12,816)	(17,651)
Capitalized listing expense	(4,311)	–
Dividends paid	(70,000)	–
Net cash flows used in financing activities	(88,028)	(47,595)
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,845	23,955
Cash and cash equivalents at beginning of period	413,246	239,815
Effect of foreign exchange rate changes, net	93	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	438,184	263,770
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	438,184	263,770
Cash and cash equivalents as stated in the consolidated statements of financial position and statements of cash flows	438,184	263,770

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 19 May 2020. The registered office address of the Company is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries are involved in the provision of in-patient services, out-patient services, and sale of optical products in the mainland of the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of Preparation

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2020 as disclosed in the appendix I to the Company's prospectus dated 24 June 2021.

The interim condensed consolidated financial information has been prepared under the historical cost convention. The interim condensed consolidated financial information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000), except when otherwise indicated.

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16
Amendment to IFRS 16

Interest Rate Benchmark Reform

*Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

2.2 Changes in Accounting Policies and Disclosures (Continued)

The nature and impact of the revised IFRSs are described below:

- a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.
- b) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of in-patient services, out-patient services and sales of optical products. For management purposes, the aforesaid businesses are integral and the Group has not organised these business into different operating segments. Management monitors the results of the Group's operation as a whole for the purpose of making decisions about resource allocation and performance assessment, and accordingly no further operating segment analysis thereof is presented.

Geographical information

As the Group's major operations, customers and non-current assets are located in the People's Republic of China (the "PRC"), no further geographical segment information is provided.

Information about major customers

No revenue from single customers individually accounted for 10% or more of the Group's revenue.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended	
	30 June	2020
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	500,171	319,445
Analysed into:		
Basic ophthalmic services	233,002	175,209
Consumer ophthalmic services	266,495	143,214
Others	674	1,022

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

4. REVENUE (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<i>Types of goods or services</i>		
In-patient services	167,025	131,010
Out-patient services	293,474	160,882
Sale of optical products	38,998	26,531
Others	674	1,022
Total revenue from contracts with customers	500,171	319,445

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<i>Timing of revenue recognition</i>		
Goods and services transferred at a point in time	333,146	188,435
Services transferred over time	167,025	131,010
Total revenue from contracts with customers	500,171	319,445

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cost of sales	272,821	185,341
Depreciation of property, plant and equipment	21,003	20,172
Depreciation of right-of-use assets	17,169	16,941
Amortisation of intangible assets	2,548	2,376
Total depreciation and amortisation	40,720	39,489
Impairment of trade receivables	2,370	2,399
Impairment of other receivables	2,000	3,303
Impairment of amounts due from related parties	295	4,485
Foreign exchange differences, net	(93)	–

6. INCOME TAX EXPENSE

The PRC enterprise income tax has been provided at the rate of 25% (six months ended 30 June 2020: 25%) on the estimated assessable income arising in the PRC during the period. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2020: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (jurisdictions) in which the Group operates.

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current – Mainland China Charge for the period	28,672	10,733
Deferred	(1,332)	(448)
Total tax charge for the period	27,340	10,285

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

7. DIVIDEND

	30 June 2021 RMB'000 (Unaudited)	30 June 2020 RMB'000 (Unaudited)
Dividends declared	113,000	34,000

On 28 February 2021, the Board of Directors of the Company proposed a dividend of RMB70,000,000 to the then shareholders for the year ended 31 December 2020 and the above dividend distribution has been approved by shareholders on the same date, the Company has paid the dividend in full as of 30 June 2021. On 31 May 2021, the Board of Directors of the Company proposed a dividend of RMB43,000,000 to the then shareholders for the four months ended 30 April 2021 and the above dividend distribution has been approved by shareholders on the same date, the dividend has not been paid as of 30 June 2021.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

On July 7, 2021, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited. Upon the listing of the Company's shares on the Stock Exchange of Hong Kong Limited, 539,347,826 shares were issued by the Company to existing Shareholders by the ways of the issued 10,652,174 Shares of HK\$0.01 par value subdivided into 40 Shares of HK\$0.00025 par value each Share subdivision (the "**Share Subdivision**") and the sum of HK\$30,978 standing to the credit of the share premium account of the Company was capitalized and applied towards paying up in full at par 123,913,040 Shares of the Company (the "**Capitalization Issue**"). The weighted average number of shares has been retrospectively adjusted for the effect of the Share Subdivision and Capitalization Issue on the assumption that the Share Subdivision and Capitalization Issue had been completed on January 1, 2020.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Earnings		
Profit for the period attributable to ordinary equity holders of the parent for the purpose of the basic and diluted earnings per share calculation	80,940	41,579
	Number of shares For the six months ended 30 June	
	2021 '000 (Unaudited)	2020 '000 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	550,000	550,000

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at an aggregate cost of RMB24,887,000 (30 June 2020: RMB14,153,000).

Assets (other than those classified as held for sale) with a net book value of RMB1,000 were disposed of by the Group during the six months ended 30 June 2021 (30 June 2020: RMB313,000), resulting in no loss or gain on disposal (30 June 2020: loss RMB2,000)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

10. TRADE RECEIVABLES

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 3 months	42,943	26,891
4 to 6 months	10,594	12,351
7 to 12 months	6,609	7,549
Over 12 months	8,028	15,246
	68,174	62,037

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within 1 year	45,236	36,267
1 to 2 years	2,781	2,203
2 to 3 years	653	584
Over 3 years	379	237
	49,049	39,291

12. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 19 May 2020 with authorised share capital of HK\$380,000 divided into 38,000,000 shares with a par value of HK\$0.01 each.

	As at 31 December 2020 and 30 June 2021
	HK\$
Authorised 38,000,000 shares of par value of HK\$0.01 each	380,000
	RMB
Issued and fully paid 10,652,174 shares of par value of HK\$0.01 each	93,082

13. CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities or guarantees (31 December 2020: Nil).

14. COMMITMENTS

As at 30 June 2021, the Group did not have any material capital commitments (31 December 2020: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

15. RELATED PARTY TRANSACTIONS

(a) Related party transactions

In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Sales of property, plant and equipment to:		
Associates	–	58
Interest income:		
Fellow subsidiaries	–	271
Rental expenses:		
Fellow subsidiaries (i)	5,172	5,421
Controlling Shareholders	1,031	568
	6,203	5,989

Notes:

(i) The above related party transactions were conducted in accordance with the terms mutually agreed between the parties.

(b) Outstanding balances with related parties

Due from related parties

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade in nature:		
Fellow subsidiaries	5,182	–
Controlling Shareholder	724	–
Associates	–	295
	5,906	295

As at 30 June 2021 and 31 December 2020, the amounts due from related parties are unsecured, interest-free and collectable on demand.

15. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	1,499	1,435
Performance related bonuses	765	765
Pension scheme contributions	91	24
Share-based payments	2,660	2,408
	5,015	4,632

(d) Financing arrangements

	As at 30 June 2021	As at 31 December 2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Lease liabilities due to related parties	21,786	17,610

The lease contract terms for related parties are about 2 to 5 years. The purpose is for the Group's continuous operation. As at 31 December 2020 and 30 June 2021, the Group recognised right-of-use assets of RMB18,511,000 and RMB22,629,000, respectively. During the six months ended 30 June 2021, the related interest expense on the lease liabilities is RMB630,000 (30 June 2020: RMB921,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amount		Fair value	
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion	678	678	720	704

Management has assessed that the fair values of trade receivables, financial assets included in prepayments, other receivables and other assets, due from related parties, restricted deposits, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals, due to related parties, and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments or their floating interest rates.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial liabilities included interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed

As at 30 June 2021

	Fair value measurement using			Total (Unaudited) RMB'000
	Quoted prices in active markets (Level 1) (Unaudited) RMB'000	Significant observable inputs (Level 2) (Unaudited) RMB'000	Significant unobservable inputs (Level 3) (Unaudited) RMB'000	
Interest-bearing bank and other borrowings, non-current portion	–	720	–	720

As at 31 December 2020

	Fair value measurement using			Total (Audited) RMB'000
	Quoted prices in active markets (Level 1) (Audited) RMB'000	Significant observable inputs (Level 2) (Audited) RMB'000	Significant unobservable inputs (Level 3) (Audited) RMB'000	
Interest-bearing bank and other borrowings, non-current portion	–	704	–	704

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

17. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the written resolutions of the shareholders of the Company on 12 June 2021, upon the listing of the Company's shares on the Stock Exchange of Hong Kong Limited on 7 July 2021, the issued 10,652,174 shares of HK\$0.01 par value will be subdivided into 40 Shares of HK\$0.00025 par value each and the Company issued 123,913,040 shares to existing shareholders by way of capitalization from the share premium account. Immediately following completion of the Share Subdivision and Capitalization Issue, the issued shares will be 550,000,000 shares.

On 7 July 2021, the Company issued 137,500,000 new shares at HK\$10.60 per share under its global offering, which were listed and traded on the Main Board of the Stock Exchange. The gross proceeds before expenses from the new share issuance amounted to approximately HKD1,458 million (equivalents to RMB1,216 million).

On 3 August 2021, the Company issued 20,125,000 new shares at HK\$10.60 per share upon the partial exercise of the over-allotment option, which were listed and traded on the Main Board of the Stock Exchange. The gross proceeds before expenses from the new share issuance amounted to approximately HKD 213 million (equivalents to RMB177 million).

18. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 27 August 2021.

DEFINITIONS & GLOSSARY

In this report, the following expressions have the meanings set out below unless the context otherwise requires:

“Audit Committee”	the audit committee of the Board
“Baotou Hospital”	Baotou City Chaoju Eye Hospital Co., Ltd.* (包頭市朝聚眼科醫院有限公司), a limited liability company incorporated in the PRC on May 12, 2016, a subsidiary of the Company
“Board” or “Board of Directors”	the board of Directors of the Company
“CAGR”	compound annual growth rate
“cataract”	a condition involving the clouding or opacification of the natural lens. Cataract is most commonly caused by aging, but may also be caused by other reasons such as malnutrition, diabetes, trauma or radiation. The more opaque the lens the more the quality of vision is reduced. As a common treatment, clear artificial lenses may be implanted as a substitute for the natural lens to restore clear vision
“CG Code” or “Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chifeng Hospital”	Chaoju (Chifeng) Eye Hospital Co., Ltd.* (朝聚(赤峰)眼科醫院有限公司), a limited liability company incorporated in the PRC on December 19, 2016, a subsidiary of the Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this report and for geographical reference only, references herein to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“Company” or “the Company”	Chaoju Eye Care Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands on May 19, 2020
“COVID-19”	Novel coronavirus pneumonia

DEFINITIONS & GLOSSARY

“Directors”	director(s) of the Company
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, an Independent Third Party
“glaucoma”	an eye condition usually caused by overly high intraocular pressure, which usually causes optic nerve atrophies and visual field defect
“Global Offering”	the Hong Kong Public Offering and the International Offering (both as defined in the Prospectus)
“Group” or “the Group”	the Company together with its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“hyperopia”	a type of refractive error also known as farsightedness, which is usually caused by a shorter-than-normal eyeball or insufficient refractive ability of the crystalline lens, which results in parallel lights to focus at a position behind the retina, thus forming a blurred spot on the retina
“IFRS”	International Financial Reporting Standards
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“in-patient service”	treatments of patients who are checked-in at hospitals and are hospitalized overnight or for an extended period of time
“Listing”	the listing of the Shares on the Main Board on July 7, 2021
“Listing Date”	the date, namely July 7, 2021, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“macula”	the center of the retina where the retina is most sensitive to lights, and is therefore the core area for the sense of vision
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange

“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“myopia”	a type of refractive error also known as nearsightedness, where the patient is unable to see distant objects clearly. Myopia is usually caused by a longer-than-normal eyeball or excessive refractive ability of the crystalline lens, which results in parallel lights focusing at a position before reaching the retina, thus forming a blurred spot when it reaches the retina
“NHC”	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
“Ningbo Hospital”	Ningbo Boshi Eye Hospital Co., Ltd.* (寧波博視眼科醫院有限公司), a limited liability company incorporated in the PRC on August 26, 2016, a subsidiary of the Company
“Ninghai Hospital”	Ninghai Eye Hospital Co., Ltd.* (寧海眼科醫院有限公司), a limited liability company incorporated in the PRC on November 2, 2016, a subsidiary of the Company
“North China”	a northern region of China consisting of Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia
“ocular fundus”	the interior surface of the eye opposite the crystalline lens, including the retina, optic disc, macula and posterior pole
“ocular surface”	the interface between the functioning eye and the environment, including the outer layer of the cornea, the conjunctiva, and the margin of the eye lids
“ophthalmologist”	a medical doctor who specializes in eye and vision care
“out-patient service”	treatments of patients who are not checked-in at hospitals and stay at the hospital only for a short period of time (usually completed within the day)
“presbyopia”	an eye condition where the patient has difficulty seeing near items clearly due to declines in refractive abilities of the lens. Presbyopia is a result of the aging of the eye, as the lens loses its natural elasticity and therefore its ability to focus on near objects
“Prospectus”	the prospectus of the Company published on June 24, 2021
“Reporting Period”	from January 1, 2021 to June 30, 2021
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time

DEFINITIONS & GLOSSARY

“Riverhead Capital I”	Riverhead Capital I, L.P. (北京陽光融匯醫療健康產業成長投資管理中心)(有限合夥)), a limited liability partnership established under the laws of the PRC on February 9, 2015, a shareholder of our Company, which is controlled by Ms. Zhang Wenwen, one of our non-executive Directors
“Riverhead Runfeng”	Ronghui Yangguang Runfeng, L.P. (北京融匯陽光潤豐投資管理中心 (有限合夥)), a limited liability partnership established under the laws of the PRC on March 10, 2016, a shareholder of our Company, which is controlled by Ms. Zhang Wenwen, one of our non-executive Directors
“Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of HK\$0.00025 each
“Shareholder(s)”	holder(s) of the Shares
“squint”	deviation of the eyes where there is an eye misalignment
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Tianjin Chaoju”	Tianjin Chaoju Yangguang Medical Instrument Trade Co., Ltd.* (天津朝聚陽光醫療器械貿易有限公司), a limited liability company incorporated in the PRC on January 20, 2017, an indirect wholly-owned subsidiary of the Company
“Xiamen Juludazhou Equity Investment”	Xiamen Juludazhou Equity Investment Partnership (Limited Partnership)* (廈門聚鷺達洲股權投資合夥企業 (有限合夥)), a limited liability partnership established under the laws of the PRC on April 10, 2020, a shareholder of our Company, which is controlled by Mr. Zhang Bozhou as its sole general partner
“Xiamen Xinkangnuo”	Xiamen Xinkangnuo Management Consulting Co., Ltd.* (廈門信康諾管理諮詢有限公司), a limited liability company established under the laws of the PRC on August 6, 2020, a subsidiary of the Company by way of consolidation of financial statements, which is owned by Mr. Zhang Bozhou as to 26.64%, Ms. Zhang Xiaoli as to 29.03%, Mr. Zhang Junfeng as to 20.67%, Mr. Zhang Fengsheng as to 20.67% and Ms. Zhang Yumei as to 2.99%, respectively
“Xiangshan Hospital”	Xiangshan Renming Eye Diseases Hospital Co., Ltd.* (象山仁明眼病醫院有限公司), a limited liability company incorporated in the PRC on April 7, 2015, a subsidiary of the Company
“Xiwang Medical Management”	Xiwang Medical Management Co. Ltd, a BVI business company with limited liability incorporated under the laws of the BVI on March 4, 2020, a shareholder of our Company, which is wholly owned by Mr. Zhang Fengsheng

* The English translation of the Chinese names denoted in this report is for illustration purposes only. Should there be any inconsistencies, the Chinese name shall prevail.