



## Investment Thesis Summary

Chaoju Eye Care Holdings Limited is one of the largest ophthalmic medical service organizations in North China, with a focus on ophthalmic hospital groups and optical centres. It provides ocular medical treatments, inpatient and outpatient eye hospital services, and optical product commerce. It runs a network of 29 optical centres and 31 ophthalmology hospitals across seven provinces in China. Consumer ophthalmic services (such as refractive correction, myopia control, and presbyopia correction) and basic ophthalmic treatments (such as cataracts, glaucoma, and juvenile eye illnesses)

### Low Penetration Rate

According to an industry research report by Frost and Sullivan in 2021, the penetration rate stands at less than 3% for cataract surgeries, indicating the massive gap of opportunity that is available for ophthalmic companies to organically expand rapidly. The number of patients untreated far outweighs the capacity of the industry to service available demand.

### Chaoju Eye Care Sets Its Sights on New Acquisitions to Grow It Reach

Chaoju Eye Care Holdings, after a year-long pause in acquisitions, has recently announced two modest strategic moves purchasing an additional stake in an existing facility in Ningbo and acquiring a majority share in a hospital in Wuzhong, Ningxia. Chaoju is acquiring 37% equity of Ningbo Boshi Eye Hospital for approximately RMB 14 million, increasing its stake from 63% to a full 100%. Further Chaoju is acquiring a 70% stake for about RMB 5 million of Wuzhong Yunshikang Eye Hospital (Ningxia) and together both investments total less than RMB 20 million approximately USD 3 million.

### Chaoju's Massive IPO Cash Pile

Chaoju was listed through an IPO in July 2021 and had raised 1.6 billion HKD and as of 2023, the cash pile is still at the same number due to expansion are financed by internal funds. With an average return on invested capital of 20% which matches its industry as well, Chaoju may achieve a reasonable return of 320 million HKD in the span of 5 years which is about 2.2 times its current profits just from the cash pile alone. Without even considering the additional contribution of its future free cash flow, it has the capacity to grow at least 10% annually. This makes Chaoju prime and ripe for acquisitions and lease building for rapid and aggressive growth.

### RECOMMENDATION SUMMARY

Buy

Research Date	22/8/2025
Market Price	3
Target Price	11.47
Upside	283%
FCF Yield	5%

Table 1. Recommendation Summary

### STOCK INFORMATION

RMB ('000)

Current Price (RMB)	2.75
Current Price (HKD)	3.00
Number of Shares	668,894
Market Capitalization	1,839,759
Sector	Healthcare
Industry	Medical Care Facilities
Sub Industry	Hospitals, Clinics & Primary Care Services

Table 2. Stock Information

### KEY METRICS

Price to Earnings Ratio	9.88x
Price to Book Ratio	0.79x
Gross Margin	42%
Operating Margin	17%
Net Margin	9.17%
Return on Equity	5.5%
Return on Invested Capital	10.7%

Table 3. Key Metrics

### VALUATION METRIC

China 10-Year Risk Free Rate	1.76%
Damodaran China Risk Premium	5.25%
Cost of Debt	6.09%
Cost of Equity	7.01%
Weighted Average Cost of Capital	7.01%
Terminal Growth	3.00%

Table 4. Valuation Metrics

## Company Background

Chaoju Eye Care Holdings Limited is a major Chinese medical service provider in the ophthalmological field that provides both basic and consumer-oriented eye care services. The modern business was then established in official capacities as an eye hospital in Baotou, Inner Mongolia, in 1988 to capitalize on this legacy. In July 2021 Chaoju listed its IPO on the Hong Kong Stock Exchange, which managed to raise more than HK\$1.5 billion and marked a point of crucial turnover in the company.

## Facilities and Operations

Chaoju Eye Care owned a network of 31 specialized eye hospitals and 29 optical centers in China. They are mostly located in Inner Mongolia, Shanxi, Ningxia, and Hebei provinces and have extended in some large metropolitan cities like Beijing and Zhejiang with focus on selective acquisitions.

## Business Model and Product & Services

Chaoju Eye Care Holdings Limited has a cross-business strategy where the business unit is integrated with ophthalmic healthcare and retail. The company classifies its operations into two sectors with the main ones as follows:

- **Consumer Ophthalmic Services** division offers higher-margin, elective procedures, including refractive surgery to correct myopia and presbyopia, dry-eye, myopia control in children, and oculoplastic or cosmetic eye procedures.
- **Basic Ophthalmic Services** line provides basic treatment like cataract operations, glaucoma, pediatric ophthalmology, and treatment of eye diseases of the retina and cornea. In addition to the clinical business, Chaoju also engages in optical retail distribution, which deals with the sale of eyeglasses, contact lens, and optometry, having an in-house eyeglass manufacturing factory.

## Strategic Expansion Through Acquisitions

Chaoju Eye Care Holdings Limited is one of the leading ophthalmic service providers in China and acquiring companies to enhance its presence in the region. It has made investments in 2025 in Zhejiang and Ningxia hospitals as part of its growth strategy to expand its coverage and strengthen growth in the eye care industry.

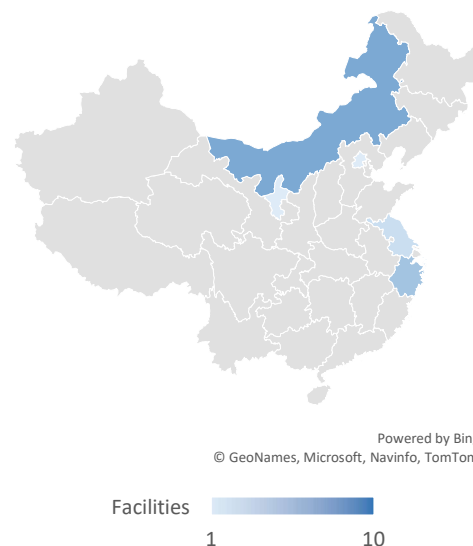


Figure 1. Geographic Presence

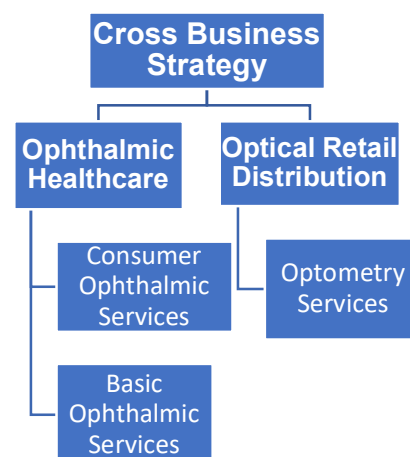


Figure 2. Business Model

Acquisition Target	Stake Acquired	Amount
Ningbo Boshi Eye Hospital	37%	RMB 14.04 million
Wuzhong Yunshikang Eye Hospital	70%	RMB 4.97 million

Table 5. Strategic Acquisitions

Industry Overview

The ophthalmic medical services sector in China and Hong Kong represents a substantial and rapidly expanding market, with an estimated total addressable market size of approximately RMB237 billion. The segment accessible to firms like Chaoju Eye Care Holdings is estimated at RMB3.3 billion, reflecting a significant opportunity for specialized providers. Chaoju Eye Care Holdings currently holds a moderate market share of around 5%, positioning it as the fifth largest listed entity in this industry. The firm generated RMB1.4 billion in revenue in 2023 and has delivered a consistent compound annual growth rate (CAGR) approaching 10+% over the prior four years. These growth figures demonstrate strong operational momentum in a competitive landscape.

Market Share

Chaoju Eye Care Holdings Limited is the 5th largest publicly company in its oligopolistic industry by revenue, demonstrating its large scale and impact within the ophthalmic healthcare industry. The company is currently operating in a total addressable market (TAM) of RMB 237 billion in China and Hong Kong, and serviceable available market (SAM) of RMB 33.18 billion are suitable to its service capabilities and operational scope. To be more precise, its serviceable obtainable market (SOM) is RMB 3.3 billion, with Chaoju occupying about RMB 1.369 billion, which corresponds to a market share of about 5 percent.

Chaoju has a medium price power, which enables the company to offer competitive prices if it provides quality ophthalmic services. Entry barriers into the market are also quite steep, in part due to the specialized medical knowledge necessary, regulations, and high capital investment in advanced medical equipment and facilities. Although the ophthalmic healthcare industry can follow a cyclical trend regarding economic forces, Chaoju has a high market presence, scalability, and strategic expansions that support its growth potential in this large and expanding mark.

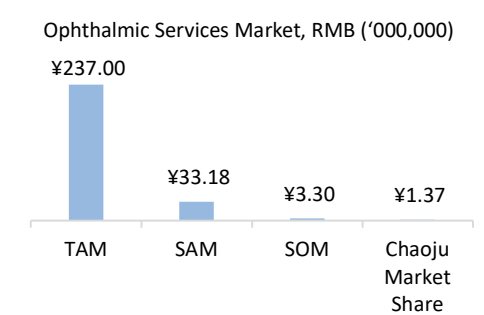


Figure 3, Market Scope

Category	Detail
Market Share	5%
Pricing Power	Medium-can offer competitive price
Entry Barriers	High-specialized regulations
Growth Potential	Strong- high presence, scalability

Table 7. Market Share Overview

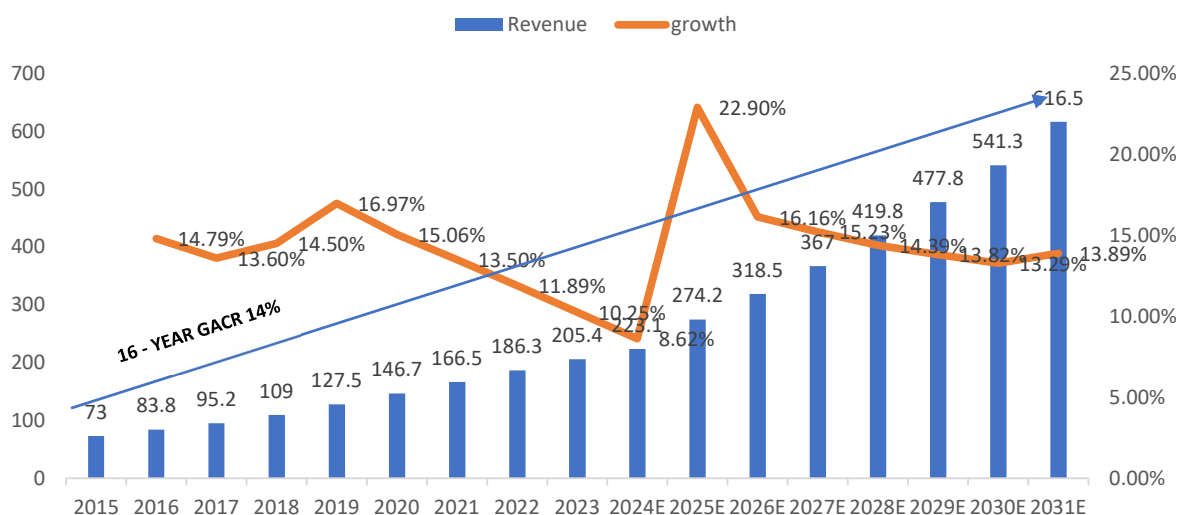


Figure 4. Market Size and Forecast

### 2015-2031 Ophthalmic Medical Services Market Size and Forecast in China

China's ophthalmic medical services industry has grown from RMB73 billion in 2015 to an expected RMB223 billion in 2024 and is forecast to more than double again to RMB616.5 billion by 2031, reflecting a long-term CAGR of around 14 percent. While basic services such as cataract treatment and eye check-ups remain the foundation of the market, the real driver of growth is the rapid rise of consumer ophthalmic services from LASIK to premium lenses driven by higher incomes, greater health awareness, and demand for lifestyle-focused care. By 2031, the industry will be not only much larger but also more consumer-oriented, marking a structural shift in how eye care is delivered in China (Figure 1).

### Favourable Policies for the Ophthalmic Industry (China Healthcare Plan)

PRC Government has launched a series of policies to raise the level of ophthalmic medical services which is the 13th Five-year National Plan of Eye Health and National Disability Prevention Action Plan. Local governments also provide financial and administrative support for investors that enter the ophthalmic industry. Regarding consumer ophthalmic medical services, NHC has launched multiple policies that urge the nation to reduce the rate of myopia, which is beneficial for the development of the consumer ophthalmic medical services market.

Component	Chaoju Eye Care Holdings Ltd
General Industry Development	Growing, strong public/private demand, supports GNP
Profile of Industry	Industry leader, advanced technology, full-service, expanding, strong financials
Market Share	Leading in N. China, growing E. China, large network
Market Size & Target Group	Huge China market, all age groups, insure and consumer
Demand and supply	High, rising capacity expansion ongoing
Competitors (size/rank)	Major private provider; faces Aier, C-MER, and public hospitals

Table 7. Overview Industry

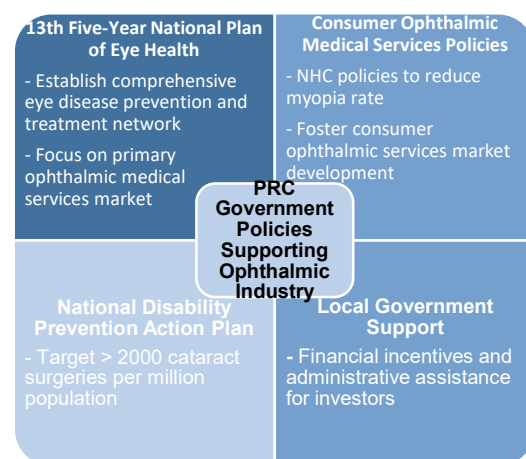


Figure 5. China Healthcare Plan

## Capital Intensive Growth with Strong Entry Barriers to Enter Ophthalmic Healthcare Chaina

The control of resources, brand awareness, access to capital, customer loyalty, and management and operating experience are crucial factors in the ophthalmic medical industry. Medical devices and physicians are expensive but frequently updated, creating a gap between the number of practitioners and market demand. Industry leaders often open chain hospitals to expand their brand influence and provide technical support. Another important element in the market is customer loyalty. Due to their high attendance rates and excellent administration, consumers are familiar with both large public hospitals and private ophthalmic chains. Newcomers may find it challenging to attend small private clinics due to issues with safety protocols and service quality. Applying successful operating models from existing hospitals to newly built ones can lead to cost saving management and quality service.



Figure 6. Value Flow

## Industry's Rapid Growth

The industry has grown rapidly from 2018 to 2023 with a CAGR of 15%. Market leaders grew at about the same rate in the period. This suggests that the opportunity to expand is high due to the number of patients not receiving treatment, higher aggregate disposable income, low service available in rural and suburban areas and an aging population in China.

## Innovation In Ophthalmology Unlocks Growth Opportunities for Investors

The 2025 ARVO Annual Meeting featured groundbreaking ophthalmic drug development developments, such as breakthrough retinal medicines, innovative drug delivery systems, gene therapies, and regenerative cell therapies. AI advancements in ocular imaging are allowing for earlier diagnosis and individualized treatment plans. Such technological advancements are altering the future of ophthalmology by increasing therapy efficacy and speeding up clinical trial success.

## **Environmental, Social and Governance**

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The present report provides a summary of the company's Environmental, Social, and Governance (ESG) performance according to its 2024 Annual Report and external Environmental, Social, and Governance risk analyses.

### **Environmental**

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Chaoju has made the sustainable development of its healthcare activities a fundamental priority in order to mitigate environmental impact. The company encourages the effective use of resources and deploys smart technologies such as AI to make operations more efficient and less wastage. It is planned to further build a proper ESG framework with emphasis on environmental responsibility as a component of the corporate governance framework in the future.

### **Social**

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Their social responsibility is based on commitment to patient safety, quality care and accessibility of ophthalmic services. Chaoju is also involved in community health programs including pro bono eye screening programs. The company lays great emphasis on talent acquisition and professional development and has more than 1,400 full-time medical personnel who have specialized in the field of ophthalmology. Their patient satisfaction includes improvements in the quality of services provided to patients, simplified admission procedures, and customer membership schemes.

### **Governance**

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Chaoju has also embraced the fine management systems (Excellence Program) which are oriented towards management efficiency, accountability, and resource optimization. The firm focuses on open interaction with the regulating bodies and stakeholders, and the ongoing enhancement of corporate governance. There is an average score in the management of the ESG-related risks, which indicates moderate effectiveness of the ESG programs and policies. The new ESG Risk Rating released by Sustainalytics puts Chaoju Eye Care in the middle range of 230 among 562 healthcare firms across the world which implies that the company is balanced in its management of the ESG risks.

### **Financial and Strategic Aspects Influencing ESG**

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The strong financial management of Chaoju helps in sustainability because of the healthy cash flow to support growth in the future. Competitive pressures and healthcare reforms in China are some of the factors that the company is experiencing and is responding to with strategic market positioning, expansion and innovation. The proposed extension of focused ophthalmic care and the utilization of AI helps to emphasize a progressive ESG approach of the company.



## Financial Analysis

Ratio Summary	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Revenue</b>	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Sales to Capital Ratio	170%	170%	167%	165%	163%	160%	157%	155%	153%	150%
<b>Profitability</b>										
Gross margin	42.00%	42.00%	41.00%	41.00%	40.50%	40.50%	40.00%	40.00%	40.00%	40.00%
Operating margin	17.00%	17.00%	17.00%	17.00%	21.00%	20.00%	19.00%	18.00%	17.00%	17.00%
Taxes	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
Net margin	12.92%	12.92%	12.92%	12.92%	12.92%	12.92%	12.92%	12.92%	12.92%	12.92%
<b>Invested Capital</b>										
Invested Capital										
Growth	17%	16%	15%	14%	13%	12%	11%	10%	10%	10%
Return on Invested Capital	22%	22%	22%	21%	21%	21%	20%	20%	20%	19%
<b>Liquidity/Solvency</b>										
Current Ratio (times)	5	5	5	5	5	5	5	5	5	5
Quick Ratio (times)	5	5	5	5	5	5	5	5	5	5
Interest Coverage Ratio	19	19	19	19	19	19	18	18	18	18

### Strengthening Position in Key Areas

Chaoju has made plans to continue to bolster and reinforce its position and influence as the largest leader in Inner Mongolia and Northern China. It does this by continuing to pursue expansion through acquisitions and leasing buildings. It continues to use its reputation and branding in Northern China as it has the largest market share, making trust and confidence from customers a compounding advantage to its side.

### Effective Utilisation of IPO Proceeds

Chaoju had a history from 2018 of effectively utilising and allocating funds for efficient returns on capital. The trend of return on invested capital (ROIC) for Chaoju has been about 20% on average. The management plans to fully utilize its IPO proceeds between 2025 to 2027. If the utilization is as effective as before, there is a chance that more than HKD 1 billion utilized will generate about HKD 200 million of profits, meaning it doubles its profits within 5 years. This would exceed the expectation of the base case projection of profits.

### Transactions Are Mostly Cash

The business model of the company is that it operates primarily like a retail business in which it conducts most of its sales via cash consideration. However, in some cases, customers use insurance claims on their treatment and therefore contributes to receivables. This makes up a small part of the revenue and the receivable turnover are usually less than a quarter. Chaoju is a cash generating machine with most of their revenues may be realized immediately.

### Preferential Corporate Income Tax

Certain districts have policies to impose lower income taxes under the Catalogue of Encouraged Industries. Certain subsidiaries of the group are entitled to a deduction of 25% of taxable income plus tax rates of 20%. The forecast made was tax rates of 24%. This case may generate more profits compared to the base case forecasts for this company

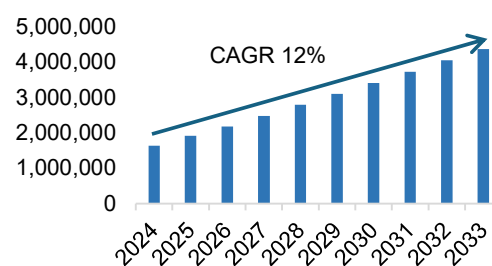


Figure 7, Revenue Projections. RMB ('000)

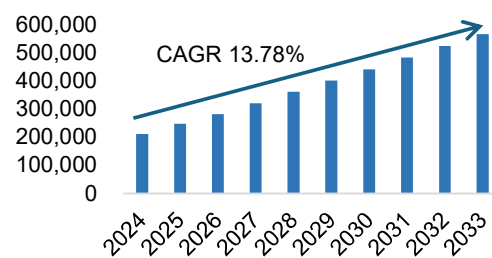


Figure 8, Profit Projections. RMB ('000)

Cash and equivalents,	1,530,170
Return on invested capital	20%
Potential profits on internal funds	306,034
Last reported profits	155,513
Potential profits at year-5	461,547
Bull case 5-year CAGR	24%

Table 8. Potential Profits on Internal Funds. RMB ('000)

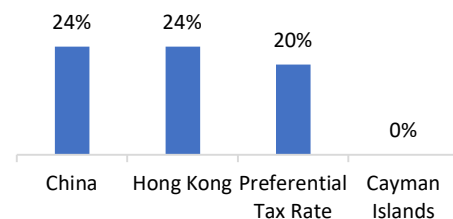


Figure 9. Tax Rates Applicable to Chaoju

## Key Risks

Although the company has good management of operations, handling the cash flows and ensuring rock solid finances, the company is still exposed to key predominant systematic risk that threatens its operation and its capacity to generate cash flows.

### Price Reduction Directives

Chaoju may be subjected to price reduction directives from local provincial or national policies if ophthalmic treatment is commoditized and considered basic. The Volume-Based Procurement Program is a program that allows public health institutions to have access to drugs and medicine for cheap by a tendering process to acquire bulk items at a commoditized price. This allows healthcare to be more accessible to the public. The Chinese government has mandated the Volume-Based Procurement program to all health institutions. This makes drugs and medicine cheap.

### Non-profit mandate

Chaoju may be subjected to non-profit mandates from local provincial or national policies if ophthalmic treatment is commoditized and considered basic. The Chinese government also had mandated the prohibition of profiteering from high school and middle school education (K-12). A \$126 billion industry wiped out because of the mandate. The main reason stated by the Chinese government was that primary and secondary education must be made accessible for everyone, and students should not participate in additional study after 10 PM. This suggests the Chinese government favours centralized social planning benefit, even if it at the cost of private institutions.

### Prohibition of Variable Interest Entity (VIE)

Chaoju has entered into a contractual agreement with investors that allows it to control 100% as a foreign entity, bypassing the 70% limit law. This means Chaoju does not legally own 30% of the equity. Legal advisors have stated this practice is legal in China. This poses the risk that if a Chinese citizen bound to the contract decides to transgress the terms, little may be gained from the Chinese courts due to the contract not being officially legalized and the favour to Chinese citizens as compared to foreign entities may be a serious consideration of risk.

### Rising costs

The costs of salary, medical devices and legal costs increase over time. Data has shown that the cost of goods are rising due to inflation. However it might be mitigated by China's slowing inflation growth rate.

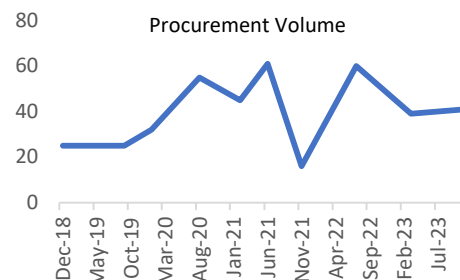


Figure 10. Drugs Volume Based Procurement

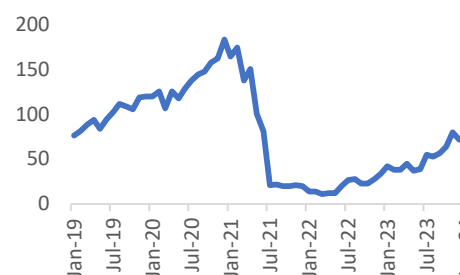


Figure 11. Tal Education. Price Dives After Non-Profit Mandate for K-12 Education (USD)

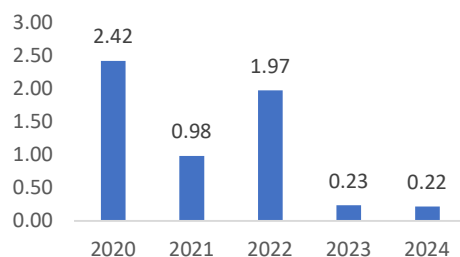


Figure 12. China Inflation Rate (%)



## Valuation and Recommendation

From the forecasts made, we have reached a valuation of **RMB 10.53 or HKD 11.47** from using the discounted cashflow method. These methods paired with the Lynch and Graham fair value, EV/EBITDA exit multiple models resulted in the company being perceived as undervalued and therefore Chaoju Eye Care Holdings Limited is assigned a **BUY** call.

### Discounted Cash Flows Method (Primary Valuation)

The Discounted Cash Flows method is used to value this company because of its projected consistent cashflows that includes the massive cash balance it has. The cost of debt used is the amount of interest divided by the sum of debt and lease liabilities. The cost of debt makes up about 0.01% of the cost of capital due to mostly internal financing. The cost of equity used is the risk-free rate plus Damodaran's implied equity risk premium. Using a discount rate of 7.01% referring to the calculated cost of capital. This presents an astounding opportunity to buy for compounding returns with an upside of 283%. **BUY.**

### Price to Earnings Ratio Comparison

The price to earnings ratio at the date of research is 9.47 times while the average for ophthalmic companies in Hong Kong is 12 times, China at 40 times and the rest of the world at around 20 times. This shows Chaoju is undervalued at any comparison made. The reason is because the extreme valuations in China/HK in 2021 had different peak valuations with about 30 P/E difference between them. Ophthalmic companies in China were valued at around the P/E of 60 while it is P/E of 30 in Hong Kong on average. The similar price dive after 2021 made ophthalmic HK stocks below average P/E of 10 while China average was around P/E of 30-40. **BUY.**

### EV/EBITDA Exit Multiple

The EV/EBITDA multiple for Chaoju stands at 1.89 times compared to the China/HK average at 15.06 times. This shows Chaoju's multiple is substantially undervalued relative to the industry. The reason of the massive gap is similar to the case of P/E comps. Using the EV/EBITDA exit multiple instead of the terminal value in DCF yields an intrinsic value of RMB 16.57/HKD 18.11 per share. **BUY.**

### Lynch Fair Value and Graham Fair Value

In the spirit of honouring value investing, The Lynch Formula and the Graham Formula screening tools is used to identify whether the company may be undervalued or not. Suggested by Peter Lynch, Chaoju's Lynch value stands at 1.48 times, suggesting it is undervalued. Graham's formula valued Chaoju at RMB 5.26/HKD 5.74 which is higher than current price at HKD 3.00. Both screening formulas suggest Chaoju is undervalued. **BUY.**

Discounted Cash Flow Method	
DCF Assumptions	Values
China 10-Year Risk Free Rate	1.76%
Damodaran China Equity Risk Premium	5.25%
Discount Rate	7.01%
Terminal Growth Rate	3.00%

Table 9. DCF Assumptions

Intrinsic Value	Values, RMB
Sum of Present Value	5,285,967
- Debt	218,006
+ Cash	1,540,262
Value of Equity	7,044,235
Number of Shares	668,894
Intrinsic Value Per Share (RMB)	10.53
Market Price (RMB)	2.75
Upside	283%

Table 10. Intrinsic Value RMB ('000)

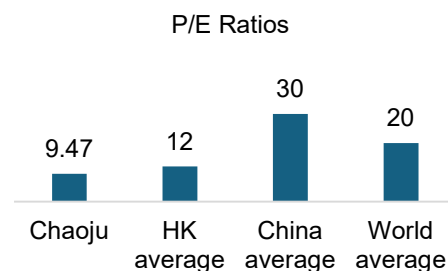


Figure 13. P/E Comps

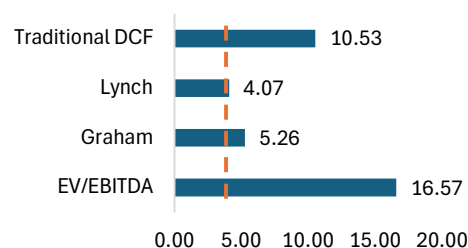


Figure 14. Fair Value of Multiple Valuation Metrics. (RMB, Price per Share)

## Appendix

Income Statement	2018	2019	2020	2021	2022	2023	2024
REVENUE	632,659	714,671	794,282	997,787	990,044	1,369,505	1,405,454
Cost of sales	(387,707)	(436,630)	(444,762)	(549,113)	(555,347)	(748,371)	(794,152)
Gross profit	244,952	278,041	349,520	448,674	434,697	621,134	611,302
Other income and gains	7,970	12,894	7,351	14,900	50,249	83,278	57,260
Selling and distribution expenses	(35,863)	(34,531)	(32,892)	(47,149)	(61,283)	(104,989)	(124,574)
Administrative expenses	(129,341)	(118,132)	(133,527)	(177,278)	(162,040)	(222,459)	(237,485)
Other expenses	(9,922)	(4,565)	(7,919)	(4,413)	(6,631)	(59,666)	(31,098)
Impairment losses on financial assets,	(5,379)	(17,279)	(12,165)	(13,608)	(3,957)	(5,835)	(2,028)
Finance costs	(24,319)	(22,868)	(12,747)	(10,544)	(11,897)	(12,221)	(10,654)
Share of losses of associates	(696)	(1,496)	0	0	0	0	0
PROFIT BEFORE TAX	47,402	92,064	157,621	210,582	239,138	299,242	262,723
Income tax expense	(18,196)	(21,240)	(37,090)	(52,941)	(55,942)	(78,507)	(76,513)
PROFIT FOR THE YEAR	29,206	70,824	120,531	157,641	183,196	220,735	186,210
Number of Shares							
Basic for profit for the year			¥0.23	¥0.26	¥0.27	¥0.33	¥0.28
Diluted for profit for the year					¥0.27	¥0.33	¥0.28

Balance Sheet	2018	2019	2020	2021	2022	2023	2024
NON-CURRENT ASSETS							
Property, plant and equipment	287,796	309,106	294,770	305,151	392,309	396,995	391,917
Investment properties	0	0	0	0	0	28,774	27,415
Right-of-use assets	208,062	187,511	151,788	180,753	200,744	195,100	241,273
Goodwill	28,228	28,228	28,228	28,228	115,214	205,986	185,599
Intangible assets	62,119	59,132	56,476	53,818	91,201	166,963	165,635
Investments in associates	1,496	0	0	0	0	0	0
Financial assets at FVPL	0	0	0	0	0	92,000	125,337
Deferred tax assets	4,788	4,812	4,762	5,729	6,013	5,712	7,664
Time deposits	0	0	0	0	82,002	95,007	20,339
Due from related parties	0	0	0	0	1,000	0	0
Other assets	2,154	1,544	11,493	18,404	19,540	6,604	7,753
Total non-current assets	594,643	590,333	547,517	592,083	908,023	1,193,141	1,172,932
CURRENT ASSETS							
Inventories	46,553	36,058	37,999	34,900	52,415	51,112	40,313
Trade receivables	65,776	71,789	62,037	54,167	46,645	55,742	74,426
Prepayments, other receivables, assets	23,656	32,622	27,928	29,021	34,931	70,190	52,983
Due from related parties	175,914	24,883	295	19,164	0	0	0
Financial assets at FVPL	0	0	0	520,043	382,793	412,453	462,068
Other current financial assets	0	0	0	0	0	50,222	10,092
Restricted deposits	9,620	7,215	0	0	0	0	0
Time deposits	0	0	0	0	353,616	626,509	287,317
Cash and cash equivalents	157,234	239,815	413,246	1,257,136	944,727	463,437	780,785
Total current assets	478,753	412,382	541,505	1,914,431	1,815,127	1,729,665	1,707,984

CURRENT LIABILITIES	2018	2019	2020	2021	2022	2023	2024
Trade payables (O)	62,655	50,538	39,291	36,802	44,027	55,356	53,614
Other payables and accruals (O)	96,213	95,183	105,354	120,373	138,918	221,137	229,172
Due to related parties (O)	71,777	33,584	0	0	2,415	306	22
Other borrowings	0	0	6,000	5,524	0	0	0
Interest-bearing bank and other borrowings	126,344	45,786	0	0	0	0	0
Interest-bearing other borrowings	0	0	0	0	12,013	7,153	7,073
Lease liabilities	35,720	36,496	30,544	40,707	41,358	41,822	34,251
Tax payable	15,755	8,810	17,467	18,423	6,252	16,965	15,153
Total current liabilities	408,464	270,397	198,656	221,829	244,983	342,739	339,285
NET CURRENT ASSETS	70,289	141,985	342,849	1,692,602	1,570,144	1,386,926	1,368,699
TOTAL ASSETS LESS CURRENT LIABILITIES	664,932	732,318	890,366	2,284,685	2,478,167	2,580,067	2,541,631
NON-CURRENT LIABILITIES							
Convertible bonds	0	0	0	0	0	0	33,556
Other borrowings	44,962	24,272	678	717	0	0	0
Lease liabilities	155,263	138,766	105,139	131,699	142,785	151,822	143,126
Deferred tax liabilities	15,371	14,290	20,204	22,867	28,368	41,777	36,953
Other payables and accruals	0	703	800	996	8,541	8,043	1,845
Total non-current liabilities	215,596	178,031	126,821	156,279	179,694	201,642	215,480
Net assets	449,336	554,287	763,545	2,128,406	2,298,473	2,378,425	2,326,151
EQUITY							
Equity attributable to owners of the parent							
Share capital	0	0	93	152	152	152	152
Treasury shares	0	0	0	0	(18,665)	(76,901)	(63,963)
Equity component of convertible bonds	0	0	0	0	0	0	947
Reserves	410,786	521,626	737,155	2,106,065	2,291,231	2,436,803	2,379,054
	410,786	521,626	737,248	2,106,217	2,272,718	2,360,054	2,316,190
Non-controlling interests	38,550	32,661	26,297	22,189	25,755	18,371	9,961
Total equity	449,336	554,287	763,545	2,128,406	2,298,473	2,378,425	2,326,151

Statement of Cash Flows	2018	2019	2020	2021	2022	2023	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Profit before tax	47,402	92,064	157,621	210,582	239,138	299,242	262,723
Adjustments for:							
Finance costs	24,319	22,868	12,747	10,544	11,897	12,221	10,654
Share of losses of associates	696	1,496	0	0	0	0	0
Interest income	(6,798)	(6,706)	(4,595)	(8,326)	(22,974)	(41,306)	(39,584)
Foreign exchange differences, net	282	2,135	247	(2,195)	21	8,069	5,318
Gain on bargain purchase	0	(375)	0	0	0	0	0
Fair value gains on financial assets at fair value through profit or loss	0	0	0	(43)	(20,193)	(16,223)	(3,828)
Depreciation of property, plant and equipment	39,397	38,797	39,805	42,412	51,275	64,448	73,304
Depreciation of investment properties	0	0	0	0	0	0	1,359
Impairment of of investment properties	0	0	0	0	0	19,137	0
Depreciation of right-of-use assets	28,168	32,801	32,588	35,968	42,238	49,139	55,879
Amortisation of intangible assets	4,256	4,642	4,858	5,142	5,853	9,774	13,619
Write-down of inventories	0	0	0	0	0	0	424
Impairment/(reversal of impairment) of trade receivables	1,137	6,796	1,948	6,575	(623)	4,123	2,154
(Reversal of impairment)/impairments of prepayments and other receivables	958	778	5,379	6,738	4,580	1,712	(126)
Impairment of property, plant and equipment	0	0	0	0	0	866	0
Impairment of goodwill	0	0	0	0	0	13,831	20,387
Impairment of amounts due from related parties	3,284	9,705	4,838	295	0	0	0
Loss/(gain) on disposal of items of property, plant and equipment, net	(160)	67	212	37	(82)	860	182
Loss on disposal of a subsidiary	0	0	390	0	0	0	0
Loss on disposal of items of intangible assets, net	0	0	0	0	0	7	0
Gain on revision of leases	0	0	0	0	206	0	(302)
Gain on a deemed disposal of interest previously held in an associate	0	0	0	0	0	(12,073)	0
Gain on disposal of an associate	0	(2,000)	0	0	0	0	0
Gain on disposal of a subsidiary	0	0	0	0	(402)	0	0
Share-based payments	2,756	2,847	9,435	11,360	2,978	14,443	16,519
Covid-19-related rent concessions from lessors	0	0	(702)	0	0	0	0
	145,697	205,915	264,771	319,089	313,912	428,270	418,682
Decrease/(increase) in inventories	(3,130)	10,496	(1,958)	3,099	(13,976)	6,912	10,375
(Increase)/decrease in trade receivables	(40,688)	(12,584)	7,804	1,295	13,476	(10,744)	(20,838)
Decrease/(increase) in prepayments, other receivables and other assets	28,371	2,765	2,426	(13,596)	(7,488)	(35,772)	17,333
Decrease in amounts due from related parties	0	0	0	0	19,164	0	0
(Decrease)/increase in trade payables	(20,393)	(12,279)	(11,221)	(2,489)	223	9,683	(1,742)
(Decrease)/increase in other payables and accruals	(6,950)	10,531	13,898	13,202	8,163	49,703	17,067
(Increase)/decrease in amounts due from related parties	9,385	2,725	216	(19,164)	0	0	0
(Decrease)/increase in amounts due to related parties	3,988	(5,623)	(5,192)	0	391	(84)	(284)
(Increase)/decrease in restricted deposits	–	(7,215)	7,215	0	0	0	0
Cash generated from operations	116,280	194,731	277,959	301,436	333,865	447,968	440,593
Interest received	769	2,871	3,842	8,326	16,641	8,636	9,524
Interest paid	(11,778)	(12,425)	(10,587)	(10,079)	(11,471)	(11,491)	(10,345)
Income tax paid	(14,838)	(29,290)	(22,469)	(50,289)	(65,625)	(72,544)	(85,417)
Net cash flows from operating activities	90,433	155,887	248,745	249,394	273,410	372,569	354,355

CASH FLOWS FROM INVESTING ACTIVITIES	2018	2019	2020	2021	2022	2023	2024
Purchases of financial assets at fair value through profit or loss	0	0	0	0	(1,820,000)	(1,572,000)	(1,000,000)
Proceeds/(disposal) from financial assets at fair value through profit or loss	0	0	0	0	1,977,443	1,466,563	920,876
Purchases of time deposits over three months	0	0	0	0	(416,282)	(1,101,887)	(432,953)
Withdrawal of time deposits over three months	0	0	0	0	0	848,437	874,260
Purchases of other current financial assets	0	0	0	0	0	(50,000)	(10,000)
Redemption of other current financial assets	0	0	0	0	0	0	50,604
Interest received	0	12,011	4,660	0	0	0	0
Increase of financial assets at fair value through profit or loss	0	0	0	(520,000)	0	0	0
Payments for acquisition of items of property, plant and equipment	(96,801)	(36,981)	(50,382)	(57,728)	(121,081)	(80,011)	(64,466)
Payments for acquisition of intangible assets	(597)	(1,655)	(2,202)	(2,484)	(4,035)	(6,539)	(12,291)
Payments for acquisition of leasehold land	0	0	0	0	0	0	(42,173)
Proceeds from disposal of an associate	0	2,000	0	0	0	0	0
Proceeds from disposal of items of property, plant and equipment	349	391	589	0	145	1,507	120
One-off payments for acquisition of right-of-use assets	0	0	0	0	0	0	(17,329)
Acquisition of subsidiaries	(71,759)	324	(4,043)	–	(81,948)	(155,621)	0
Payment for acquisition of subsidiaries in prior years	0	0	0	0	0	(4,544)	(21,291)
Disposal of a subsidiary	0	0	(25)	0	990	0	0
Decrease in prepayments, other receivables and other assets	(949)	0	500	1,700	0	0	0
Decrease in amounts due from related parties	22,955	118,655	15,449	0	0	0	0
Net cash flows from/(used in) investing activities	(146,802)	94,745	(35,454)	(578,512)	(464,768)	(654,095)	245,357
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from issue of convertible bonds	0	0	0	0	0	0	34,800
Purchases of shares for the share award scheme	0	0	0	0	(18,665)	(58,236)	(2,690)
Prepayments received from the award of shares under the share award scheme	0	0	0	0	0	10,729	4,364
Repurchase of restricted shares under the share award scheme	0	0	0	0	0	0	(214)
Acquisition of non-controlling interests	0	(34,829)	(44)	0	(720)	0	0
Repayment of interest-bearing other borrowings	0	0	0	0	(31,690)	(11,410)	(370)
Proceeds from issue of share capital	121,250	26,933	116,051	1,392,485	0	0	0
Repayment of non-controlling interests	0	0	(3,028)	0	0	0	0
Contributions by non-controlling shareholders	3,371	1,264	200	0	0	0	0
Increase in interest-bearing bank and other borrowings	158,817	91,000	21,929	0	0	0	0
(Increase)/decrease in restricted deposits	(9,620)	9,620	0	0	0	0	0
Repayment of interest-bearing bank and other borrowings	(108,434)	(201,819)	(87,469)	(902)	0	0	0
Repayment of amounts due to related parties	(1,641)	(29,611)	(14,123)	0	0	0	0
Principal portion of lease payments	(32,440)	(27,971)	(35,742)	(28,210)	(51,618)	(35,348)	(58,515)
Payments of listing expenses	(175)	(503)	(3,387)	(63,405)	0	0	0
Dividends paid	0	0	(34,000)	(113,000)	(62,734)	(109,750)	(269,672)
Net cash flows from/(used in) financing activities	131,128	(165,916)	(39,613)	1,186,968	(165,427)	(204,015)	(292,297)
net increase/(decrease) in cash and cash equivalents	74,759	84,716	173,678	857,850	(356,785)	(485,541)	307,415
Cash and cash equivalents at beginning of year	82,757	157,234	239,815	413,246	1,257,136	944,727	463,437
Effect of foreign exchange rate changes, net	(282)	(2,135)	(247)	(13,960)	44,376	4,251	9,933
cash and cash equivalents at end of year	157,234	239,815	413,246	1,257,136	944,727	463,437	780,785

Historical Free Cash Flows						
Chaoju Eye Care Holdings Ltd (RMB '000), Past Performance						
Sales, Costs and Profits	2018	2019	2020	2021	2022	Base Year
Revenue Growth		13%	11%	26%	-1%	38%
Revenue	632,659	714,671	794,282	997,787	990,044	1,369,505
COGS, Selling and Admin Expenses	563,529	595,354	619,100	777,953	785,301	1,135,485
<b>Operating Margin</b>	11%	17%	22%	22%	21%	17%
Operating Earnings	69,130	119,317	175,182	219,834	204,743	234,020
Tax Rate	26%	18%	21%	24%	27%	34%
Taxes	18,196	21,240	37,090	52,941	55,942	78,507
Zakat	-	-	-	-	-	-
Operating Earnings Growth		93%	41%	21%	-11%	5%
Operating Earnings After Tax	50,934	98,077	138,092	166,893	148,801	155,513
FCFF Bridge						
<b>Invested Capital Growth</b>	-	-13%	-9%	7%	41%	21%
Invested Capital	667,459	583,977	531,262	567,950	799,468	965,044
<b>Sales to Capital</b>	-	107%	136%	188%	174%	171%
Return on Invested Capital	-	17%	26%	29%	19%	16%
Reinvestment Rate	-	-85%	-38%	22%	156%	106%
Free Cash Flow to Firm	50,934	98,077	138,092	130,205	(82,717)	(10,063)
FCFE Bridge						
Payment of Debt	142,515	101,248	63,380	437	5,772	4,860
Cost of Debt	12,500	10,500	2,160	465	426	730
Cost of Lease	11,800	12,400	10,587	10,079	11,471	11,491
Free Cash Flow to Equity	(115,881)	(26,071)	61,965	119,224	(100,386)	(27,144)



## Forecast Free Cash Flows

## Chaoju Eye Care Holdings Ltd (RMB '000), Forecasted Performance

Sales, Costs and Profits	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenue	1,640,575	1,919,473	2,187,295	2,485,265	2,798,861	3,104,503	3,411,849	3,738,908	4,059,731	4,378,141
Growth	20%	17%	14%	14%	13%	11%	10%	10%	9%	8%
Operating Margin	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
Operating Earnings	311,709	364,700	415,586	472,200	531,784	589,856	648,251	710,393	771,349	831,847
Tax Rate	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
Taxes	74,810	87,528	99,741	113,328	127,628	141,565	155,580	170,494	185,124	199,643
Zakat	0	0	0	0	0	0	0	0	0	0
Operating Earnings After Tax	236,899	277,172	315,845	358,872	404,155	448,290	492,671	539,898	586,225	632,204
Growth	52%	17%	14%	14%	13%	11%	10%	10%	9%	8%
Primary Drivers										
Sales to Capital	170%	170%	167%	165%	163%	160%	157%	155%	153%	150%
Return on Invested Capital	25%	25%	24%	24%	24%	23%	23%	22%	22%	22%
Reinvestment Rate	69%	65%	62%	59%	55%	52%	49%	45%	45%	46%
Invested Capital Growth	17%	16%	15%	14%	13%	12%	11%	10%	10%	10%
Invested Capital	1,129,101	1,309,758	1,506,221	1,717,092	1,940,314	2,173,152	2,412,199	2,653,419	2,918,761	3,210,637
Free Cash Flow to Firm	72,842	96,516	119,382	148,001	180,933	215,453	253,624	298,678	320,883	340,327
FCFE Bridge										
Settlement of Debt	7153	0	0	0	0	0	0	0	0	0
Cost of Lease	14,703	17,056	19,614	22,360	25,267	28,299	31,412	34,553	38,008	41,809
Free Cash Flow to Equity	50,985	79,460	99,768	125,641	155,667	187,154	222,213	264,126	282,875	298,519
Growth	-288%	56%	26%	26%	24%	20%	19%	19%	7%	6%