C-MER 希瑪

C-MER EYE CARE HOLDINGS LIMITED

希瑪眼科醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3309)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

LISTING ON THE STOCK EXCHANGE

The Company has been listed on the Stock Exchange since 15 January 2018 following completion of the Global Offering of 226,550,000 new Shares issued by the Company. The amount of net proceeds from the Global Offering is HK$609.8 million. Such amount of net proceeds, as well as the corresponding increase in the number of Shares in issue, are not included in the audited consolidated financial statements of the Group for the year ended 31 December 2017.

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2017	2016	**Change**
	HK$'000	*HK$'000*	
Revenue	**311,228**	248,659	+25.2%
Gross profit	**135,431**	94,976	+42.6%
Profit for the year	**40,127**	46,887	–14.4%
Adjusted net profit for the year(1)&(2)	**64,287**	46,887	+37.1%
Gross profit margin (%)	**43.5%**	38.2%	+5.3pp
Net profit margin (%)	**12.9%**	18.9%	–6.0pp
Adjusted net profit margin (%)(1)&(2)	**20.7%**	18.9%	+1.8pp

Notes:

(1) Adjusted net profit is derived by adding listing expenses from the net profit for the year.

(2) This non-GAAP financial data is a supplemental financial measure that is not required by, or presented in accordance with, HKFRSs and is therefore referred to as a "non-GAAP" financial measure. It is not a measurement of the Group's financial performance under HKFRSs and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with HKFRSs or as an alternative to cash flows from operating activities or as a measure of the Group's liquidity.

The board (the "**Board**") of directors (the "**Directors**") of C-MER Eye Care Holdings Limited (the "**Company**") is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**311,228**	248,659
Cost of revenue	*6*	**(175,797)**	(153,683)
Gross profit		**135,431**	94,976
Other income	*4*	**2,407**	1,497
Selling expenses	*6*	**(11,263)**	(7,874)
Administrative expenses	*6*		
– Listing expenses		**(24,160)**	–
– Other administrative expenses		**(43,584)**	(30,534)
Other gains, net	*5*	**210**	1,463
Operating profit		**59,041**	59,528
Finance expenses	*7*	**(555)**	(932)
Profit before income tax		**58,486**	58,596
Income tax expense	*8*	**(18,359)**	(11,709)
Profit for the year		**40,127**	46,887
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		**5,588**	(3,869)
Total other comprehensive income/(loss) for the year		**5,588**	(3,869)
Total comprehensive income attributable to equity holders of the Company		**45,715**	43,018
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK cents per share)			
– basic	*9*	**5.22**	6.49
– diluted	*9*	**5.15**	6.49

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2017** ***HK$'000***	 2016 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**109,179**	29,550
Intangible assets		**2,453**	1,407
Deferred income tax assets		**935**	723
Deposits and prepayments		**10,809**	5,867
Financial assets at fair value through profit or loss		**–**	5,205
		123,376	42,752
Current assets			
Inventories		**6,873**	2,328
Amount due from a director and shareholder		**–**	16
Amounts due from related parties		**–**	1,393
Trade receivables	*11*	**7,692**	4,456
Deposits, prepayments and other receivables		**9,407**	6,044
Financial assets at fair value through profit or loss		**60**	12,232
Current income tax recoverable		**–**	661
Pledged bank deposits		**8,000**	–
Cash and cash equivalents		**77,969**	58,760
		110,001	85,890
Total assets		**233,377**	128,642
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**37**	16
Reserves		**157,386**	63,416
Total equity		**157,423**	63,432

	Note	As at 31 December 2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**665**	1,012
Deferred income tax liabilities		**15**	174
		680	1,186
Current liabilities			
Amounts due to directors and shareholders		**–**	10,510
Amounts due to related parties		**153**	10,375
Trade payables	*12*	**6,892**	3,090
Accruals and other payables		**53,796**	17,374
Current income tax liabilities		**6,151**	5,164
Borrowings		**8,282**	17,511
		75,274	64,024
Total liabilities		**75,954**	65,210
Total equity and liabilities		**233,377**	128,642

NOTES

1 GENERAL INFORMATION

C-MER Eye Care Holdings Limited (the "Company") was incorporated in the Cayman Islands on 1 February 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of ophthalmic services, sale of vision aid and pharmaceutical products in Hong Kong ("HK") and the People's Republic of China (the "PRC"). The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 January 2018 (the "Listing").

The consolidated financial statements are presented in Hong Kong Dollar and all values are rounded to nearest thousand (HK$'000) except when otherwise indicated.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

(a) New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2017:

HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKAS 7 (Amendment)	Disclosure Initiative
HKFRS 12 (Amendment)	Disclosure of Interest in Other Entities

The adoption of the above amendments did not have any significant impact to the financial statements of the Group.

(b) New and amended standards not yet adopted

The following new standards, amendments and interpretation to standards which have been issued, but are effective for the financial year beginning on or after 1 January 2018 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures	1 January 2019
HKAS 40 (Amendment)	Transfers of Investment Property	1 January 2018
HKFRS 1 (Amendment)	First Time Adoption of HKFRS	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRSs (Amendment)	Annual Improvement to HKFRSs 2015–2017 Cycle	1 January 2019
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019

HKFRS 9, "Financial Instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss. HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. HKFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of HKAS39.

Based on the assessments undertaken to date, the Group considers that there will be no material adverse change in the credit risks in respect of the Group's future financial assets and the adoption of the new ECL model under HKFRS 9 will not have significant impact on its financial performance and position.

The new standard also introduces expanded disclosure requirements. It is effective for first interim period of the financial year commencing on or after 1 January 2018. The Group has not early adopted this new standard.

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Group has performed assessment on the adoption of HKFRS 15 and the result indicated that the impact on the Group's financial statements are not expected to be significant other than changes on the disclosure.

HKFRS 15 is effective for first interim period of the financial year commencing on or after 1 January 2018. The Group has not early adopted this new standard.

HKFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 "Leases", and related interpretations.

The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set forth in the note to the consolidated financial statements under which operating lease payment is accounted for in the consolidated statement of comprehensive income when incurred and the Group's future operating lease commitments are not reflected in the consolidated balance sheets but disclosed in in the note to the consolidated financial statements. As of 31 December 2017, the Group's total operating lease commitments amounted to HK$142,086,000. HKFRS 16 provides new provisions for the accounting treatment of leases and all non-current leases, including future operating lease commitments, must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheets. Operating expenses under otherwise identical circumstances will decrease, and depreciation, amortisation and interest expense will increase. It is expected that certain portion of these lease commitments will be required to be recognised in the balance sheets as right of use assets and lease liabilities.

For the other amendments to standards presented, management is in the process of making an assessment of the likely impact of these changes but is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and/or the presentation of its financial statements will result.

The new standard is effective for first interim period of the financial year commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Provision of ophthalmic services	**291,076**	234,391
Sales of vision aid products	**20,152**	14,268
	311,228	248,659

(b) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to making strategic decisions. The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from a client perspective and assesses the performance of the operating segments based on segment revenue and segment results for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as these consolidated financial statements.

Management considers the business is mainly located in HK and the PRC, which the revenue and segment results are determined by the geographical location in which the client is operated. Management has therefore identified the reportable segment based on the Group's geographic perspective, namely HK and the PRC.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

Other income, other gains, net, listing expenses, finance expenses, and income tax expense are not included in segment results.

The segment results for the year ended 31 December 2017 are as follows:

	Year ended 31 December 2017		
	HK	**PRC**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	**189,507**	**121,721**	**311,228**
Gross profit	**66,722**	**68,709**	**135,431**
Selling expenses	**(796)**	**(10,467)**	**(11,263)**
Administrative expenses	**(16,773)**	**(26,811)**	**(43,584)**
Segment results	**49,153**	**31,431**	**80,584**
Other income			**2,407**
Listing expenses			**(24,160)**
Other gains, net			**210**
Finance expenses			**(555)**
Profit before income tax			**58,486**
Income tax expense			**(18,359)**
Profit for the year			**40,127**
Other segment information			
Additions to non-current assets	**9,784**	**75,385**	**85,169**
Depreciation and amortisation	**(4,804)**	**(3,774)**	**(8,578)**
Losses on disposal of property, plant and equipment, net	**(63)**	**–**	**(63)**

The segment results for the year ended 31 December 2016 are as follows:

	Year ended 31 December 2016		
	HK	PRC	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	161,168	87,491	248,659
Gross profit	50,093	44,883	94,976
Selling expenses	(664)	(7,210)	(7,874)
Administrative expenses	(11,218)	(19,316)	(30,534)
Segment results	38,211	18,357	56,568
Other income			1,497
Other gains, net			1,463
Finance expenses			(932)
Profit before income tax			58,596
Income tax expense			(11,709)
Profit for the year			46,887
Other segment information			
Additions to non-current assets	9,347	3,262	12,609
Depreciation and amortisation	(6,167)	(6,251)	(12,418)
Gains on disposal of property, plant and equipment, net	59	–	59

No analysis of segment assets and liabilities is presented as they are not regularly provided to the executive directors.

There is no single external client contributed more than 10% to the Group's revenue for the year ended 31 December 2017 (2016: nil).

4 OTHER INCOME

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Management fee income	**616**	688
Interest from bank deposits	**877**	747
Others	**914**	62
	2,407	1,497

5 OTHER GAINS, NET

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
(Losses)/gains on disposal of property, plant and equipment, net	**(63)**	59
Gains on financial assets at fair value through profit or loss	**681**	595
Exchange (losses)/gains, net	**(408)**	809
	210	1,463

6 EXPENSES BY NATURE

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Amortisation of intangible assets	**177**	149
Auditor's remuneration		
– Audit services	**1,900**	750
– Non-audit services	**171**	56
Depreciation of property, plant and equipment	**8,401**	12,269
Doctors' consultation fees	**68,535**	64,580
Cost of inventories and consumables	**39,773**	31,437
Employee benefit expenses	**52,984**	43,729
Rental expenses	**21,843**	19,969
Legal and professional fees	**1,713**	657
Listing expenses	**24,160**	–
Share option expenses to doctors and consultants	**5,339**	–

7 FINANCE EXPENSES

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Interest expense on borrowings	**555**	932

8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year ended 31 December 2017.

The applicable tax rate for the PRC subsidiaries of the Group is 25% (2016: 25%) for the year ended 31 December 2017.

Under the new Corporate Income Tax Law, corporate withholding income tax is levied on the foreign investor incorporated in Hong Kong for dividend which arises from profit of foreign investment enterprises earned after 1 January 2008 at a tax rate of 5%.

The amount of taxation charged/(credited) to the consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**9,300**	7,482
– PRC enterprise income tax	**9,189**	5,280
Under-provision in prior years	**241**	–
Deferred income tax	**(371)**	(1,053)
Income tax expense	**18,359**	11,709

9 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.

	Year ended 31 December	
	2017	2016
Profit attributable to equity holders of the Company during the year *(HK$'000)*	**40,127**	46,887
Weighted average number of ordinary shares in issue	**769,287,977**	722,679,109
Basic earnings per share *(HK cents)*	**5.22**	6.49

Note:

(i) The earnings per share as presented above is calculated using the weighted average number of 769,287,977 (2016: 722,679,109) ordinary shares deemed to be in issue for the year ended 31 December 2017. In determining the weighted average number of ordinary shares deemed to be in issue, the bonus elements of the shares issued in 2016, 2017 and 2018 have been taken into account since 1 January 2016.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the year ended 31 December 2017, the Group has one (2016: nil) category of dilutive potential ordinary shares.

For the pre-IPO share options, the number of shares included as below is the number of shares that are dilutive and would have been outstanding assuming the completion of the share issue to the grantees.

	Year ended 31 December	
	2017	2016
Profit attributable to equity holders of the Company during the year *(HK$'000)*	**40,127**	46,887
Weighted average number of ordinary shares in issue	**769,287,977**	722,679,109
Adjustments for:		
– impact of the pre-IPO share option scheme	**10,613,634**	–
Weighted average number of ordinary shares for diluted earnings per share	**779,901,611**	722,679,109
Diluted earnings per share *(HK cents)*	**5.15**	6.49

10 DIVIDENDS

	Year ended 31 December	
	2017	2016
	HK$'000	*HK$'000*
Final dividend *(Note (i))*	**–**	–
Dividends declared and paid to the controlling shareholder *(Note (ii))*	**100,000**	46,500

Notes:

(i) At a meeting held on 28 March 2018, the directors do not recommend the payment of the final dividend for the year ended 31 December 2017.

(ii) Pursuant to a directors' resolution dated 30 September 2017, the Company declared a dividend of HK$100,000,000 to C-MER Group Limited, the controlling shareholder of the Company. Such dividend has been settled through cash and the current account with Dr. Dennis LAM.

Pursuant to the written resolutions on 30 August 2016 and 31 August 2016, dividends of HK$36,500,000 and HK$10,000,000 were declared and were offset against the amount due from a director and shareholder by Hong Kong (International) Eye Care Group Limited and Hong Kong C-MER International Eye Care Group (China) Limited, respectively.

11 TRADE RECEIVABLES

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**7,692**	4,456

The carrying amounts of trade receivables approximate their fair values.

The trade receivables are due when services are rendered and goods are sold. As at 31 December 2017, the ageing analysis of the trade receivables based on due date and invoice date was as follows:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
0–90 days	**7,151**	4,156
91–180 days	**234**	71
Over 180 days	**307**	229
	7,692	4,456

As at 31 December 2017, all the trade receivables balances were past due but not impaired (2016: same). These relate to a number of independent clients, commercial companies and local government to which no credit terms were granted. Management considers that based on past experience, the amounts can be recovered.

As at 31 December 2017, no trade receivables were considered impaired and had been provided for (2016: nil).

The carrying amounts of trade receivables are denominated in the following currencies:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong Dollar	**5,986**	3,322
Renminbi	**1,706**	1,134
	7,692	4,456

12 TRADE PAYABLES

Trade payables, based on invoice date, were aged as follows:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
0–30 days	**6,887**	3,019
31–60 days	**4**	46
61–90 days	**1**	8
Over 90 days	**–**	17
	6,892	3,090

The carrying amounts of trade payables are denominated in the following currencies:

	As at 31 December	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong Dollar	**4,928**	1,439
United States Dollar	**11**	16
Renminbi	**1,953**	1,635
	6,892	3,090

The carrying amounts of trade payables approximate their fair values.

13 EVENTS AFTER THE BALANCE SHEET DATE

The events after the balance sheet date are disclosed as follows:

(a) Pursuant to a shareholder's resolution passed on 13 December 2017, conditional on the share premium account of the Company being credited as a result of the Listing, the directors were authorised to issue a total of 802,628,735 shares by way of capitalisation of the sum of HK$80,262,874 standing to the credit of the share premium account of the Company upon the Listing. Such capitalisation issue has been completed on 15 January 2018.

(b) On 15 January 2018, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited. In connection with the Listing, the Company issued 197,000,000 shares at a price of HK$2.9 each for a gross proceed of HK$571,300,000.

(c) Pursuant to the International Underwriting Agreement dated 11 January 2018, the Company granted the over-allotment option to China Merchants Securities (HK) Co., Limited, the international underwriter of the global offering (the "Global Offering"), in its discretion to require the Company to allot and issue up to 29,550,000 additional shares. The over-allotment option was fully exercised on 18 January 2018 and the Company issued 29,550,000 additional shares at a price of HK$2.9 each for a gross proceed of HK$85,695,000 at the closing date on 29 January 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the year ended 31 December 2017, we generated 60.9% (2016: 64.8%) of our revenue in Hong Kong and 39.1% (2016: 35.2%) in the PRC. We experienced a rapid growth during the year ended 31 December 2017, generating total revenue of HK$311.2 million (2016: HK$248.7 million) for the year ended 31 December 2017, representing an increase of 25.2% from last year. In particular, the revenue of the PRC operations also recorded an increase of 39.1% during the year ended 31 December 2017.

Following the year ended 31 December 2017, our business continued to grow. Our eye hospital in Beijing has commenced business operations since January 2018 and our fifth satellite clinic in Hong Kong has commenced business operations in March 2018.

Gross profit margin increased to 43.5% (2016: 38.2%) during the year ended 31 December 2017 and the amount of gross profit increased by 42.6% to HK$135.4 million, primarily due to economies of scale of the Group both in Hong Kong and the PRC.

Net profit for the year ended 31 December 2017 decreased by 14.4% to HK$40.1 million, primarily due to (a) the expenses relating to the Listing in the amount of HK$24.2 million charged to the consolidated statement of comprehensive income, and (b) the pre-opening operating expenses of HK$6.4 million incurred by the eye hospital in Beijing. These two factors affect the amount of the net profit during the year ended 31 December 2017.

Excluding listing expenses for the year ended 31 December 2017, the adjusted net profit of the Group for the year ended 31 December 2017 amounted to HK$64.3 million, representing an increase of 37.1% from the year ended 31 December 2016.

FINANCIAL REVIEW

Revenue

We are an ophthalmic service provider in Hong Kong and the PRC. Our ophthalmologists/physicians are specialised in the fields of cataract, glaucoma, strabismus and refractive surgeries and external eye diseases. Our revenue is derived from our fees charged to our clients on consultation and other medical services, and surgeries as well as the sales of vision aid products, including glasses and lens. The following table sets forth our revenue for the years indicated as a percentage of total revenue:

	Year ended 31 December			
	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Provision of ophthalmic services	**291,076**	**93.5**	234,391	94.3
Sales of vision aid products	**20,152**	**6.5**	14,268	5.7
Total	**311,228**	**100.0**	248,659	100.0

Our revenue was generated from Hong Kong and the PRC. In Hong Kong, our service network included our eye centre in Central and four satellite eye clinics. In the PRC, our eye hospital is located in Shenzhen. The following table sets forth our revenue according to geographical markets as a percentage of total revenue:

	Year ended 31 December			
	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Hong Kong	**189,507**	**60.9**	161,168	64.8
PRC	**121,721**	**39.1**	87,491	35.2
Total	**311,228**	**100.0**	248,659	100.0

Our total revenue during the year ended 31 December 2017 represented an increase of 25.2% as compared with our total revenue during the year ended 31 December 2016. In addition to the increase in the sales of visual aid products by 41.2%, the increase was primarily driven by the increase in the revenue generated from the provision of ophthalmic services to HK$291.1 million during the year ended 31 December 2017 from HK$234.4 million during the year ended 31 December 2016, representing an increase of 24.2%, because of the increase in the number of surgeries performed by us and the number of our ophthalmologists/physicians in Hong Kong and the PRC. The revenue generated from our business operations in Hong Kong accounted for 60.9% of our total revenue, represented a slight decrease from 64.8% as compared with the year ended 31 December 2016, primarily because of the increase in revenue of the PRC of 39.1% for the year ended 31 December 2017 which was at a faster pace than that of Hong Kong of 17.6%.

Provision of ophthalmic services

Our revenue generated from the provision of ophthalmic services may be broadly divided into two categories, namely (1) consultation and other medical service fees and (2) surgery fees. The following table sets forth our revenue by categories for the years indicated as a percentage of total revenue generated from the provision of ophthalmic services:

	Year ended 31 December			
	2017		2016	
	HK$'000	*%*	*HK$'000*	*%*
Consultation and other medical service fees				
– Hong Kong	**64,251**	**22.1**	52,263	22.3
– PRC	**49,284**	**16.9**	36,703	15.7
	113,535	**39.0**	88,966	38.0
Surgery fees				
– Hong Kong	**123,871**	**42.5**	107,602	45.9
– PRC	**53,670**	**18.5**	37,823	16.1
Total	**291,076**	**100.0**	234,391	100.0

The ophthalmic services provided by us are focused on surgeries for the treatment of not only cataract, glaucoma and strabismus, but also eye diseases, including corneal and vitreoretinal diseases. Generally speaking, ophthalmic services are outpatient or day-care procedures, performed under local anaesthesia. Hence, unlike other hospitals, clinics or nursing homes, we are not constrained by bed capacity and do not focus on providing large inpatient facilities at our eye centres/hospitals or clinics.

The following table sets forth the total surgery fees, the total number of surgeries performed by us and the average fee per surgery:

	Year ended 31 December	
	2017	2016
For Hong Kong		
Total surgery fee *(in HK$'000)*	**123,871**	107,602
Number of surgeries performed by us	**3,205**	3,062
Average surgery fee *(HK$)*	**38,649**	35,141
For PRC		
Total surgery fee *(in HK$'000)*	**53,670**	37,823
Number of surgeries performed by us	**3,865**	2,730
Average surgery fee *(HK$)*	**13,886**	13,855

In Hong Kong, both the average surgery fee and the surgery volume increased during the year ended 31 December 2017 as a result of the increasing number of complicated surgeries performed by us and the increasing number of our Hong Kong Ophthalmologists during the same period.

In the PRC, the average surgery fee was stable during the year ended 31 December 2017 and the number of surgeries increased by 41.6% to 3,865 during the year ended 31 December 2017.

Sales of vision aid products

We also generate revenue from the sales of vision aid products including glasses and lens. The sales were conducted by us through the assessment of the optometrists employed by us in Hong Kong and the PRC. During the year ended 31 December 2017, our revenue generated from the sales of vision aid products amounted to HK$20.2 million, representing an increase of 41.2% from last year.

Cost of revenue

The following table sets forth an analysis of our cost of revenue for the years indicated, both in terms of Hong Kong dollars and as a percentage of total revenue:

	Year ended 31 December			
	2017		2016	
	HK$'000	***% to revenue***	*HK$'000*	*% to revenue*
Doctors' consultation fees	**68,535**	**22.0**	64,580	26.0
Cost of inventories and consumables	**39,773**	**12.8**	31,437	12.6
Staff salaries and allowance	**32,270**	**10.4**	28,864	11.6
Rent and rates	**17,257**	**5.5**	16,522	6.6
Others	**17,962**	**5.8**	12,280	5.0
Total	**175,797**	**56.5**	153,683	61.8

Our cost of revenue increased by 14.4% from HK$153.7 million for the year ended 31 December 2016 to HK$175.8 million for the year 31 December 2017, primarily as a result of (i) an increase in the doctors' consultation fees of HK$4.0 million primarily payable to our Hong Kong Ophthalmologists and (ii) an increase in cost of inventories and consumables of HK$8.3 million. These increases were primarily due to an increase in the demand for our ophthalmic services. Depreciation of property, plant and equipment, employee benefit expenses and rental expenses were relatively stable.

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin according to geographical markets for the years indicated:

	Year ended 31 December			
	2017		2016	
	HK$'000	***%***	*HK$'000*	*%*
Hong Kong	**66,722**	**35.2**	50,093	31.1
PRC	**68,709**	**56.4**	44,883	51.3
Total	**135,431**	**43.5**	94,976	38.2

The amount of gross profit during the year ended 31 December 2017 amounted to HK$135.4 million, representing an increase of 42.6% from HK$95.0 million during the year ended 31 December 2016. Our gross profit margin was 43.5% during the year ended 31 December 2017, as compared with 38.2% during the year ended 31 December 2016. The gross profit margin for our business operations in the PRC recorded a significant increase to 56.5% from 51.3% primarily due to the economy of scale. The gross profit margin for our business operations in Hong Kong also recorded an improvement to 35.2% from 31.1% primarily due to the increase in our fee levels and enhanced operational efficiency.

Selling expenses

Our selling expenses increased by 43.0% from HK$7.9 million for the year ended 31 December 2016 to HK$11.3 million for the year ended 31 December 2017, primarily due to an increase in promotional expenses in the PRC. The amount of selling expenses, as a percentage of our total revenue, slightly increased from 3.2% for the year ended 31 December 2016 to 3.6% for the year ended 31 December 2017. The fees paid to online platforms represented the major component of our selling expenses.

Administrative expenses

Our total administrative expenses during the year ended 31 December 2017 amounted to HK$67.8 million, consisting of listing expenses amounted to HK$24.2 million and other administrative expenses amounted to HK$43.6 million.

The other administrative expenses had an increase of 42.7% as compared with HK$30.5 million during the year ended 31 December 2016. The increase in our other administrative expenses during the year was primarily driven by the increase in our staff salaries and allowance as a result of business expansion, especially for the new eye hospital in Beijing, and the increase in rent and rates.

During the year ended 31 December 2017, we incurred HK$24.2 million as the listing expenses.

Other income

Our other income during the year ended 31 December 2017 increased to HK$2.4 million from HK$1.5 million during the year ended 31 December 2016. The increase was primarily due to the increase in the interest income and miscellaneous income.

Other gains, net

Our other gains, net during the year ended 31 December 2017 decreased to HK$0.2 million from HK$1.5 million during the year ended 31 December 2016 due to the exchanges losses during the year ended 31 December 2017.

Finance expenses

Our finance expenses decreased from HK$0.9 million for the year ended 31 December 2016 to HK$0.6 million for the year ended 31 December 2017, primarily because of the repayment of bank loans.

Income tax expense

Our income tax expense during the year ended 31 December 2017 amounted to HK$18.4 million, representing an increase by 56.8% from HK$11.7 million during the year ended 31 December 2016. The significant increase was primarily due to the increase of the adjusted profit before tax (adding listing expenses).

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year ended 31 December 2017 decreased by 14.4% to HK$40.1 million due to the listing expenses incurred amounted to HK$24.2 million and the pre-opening operating expenses of the eye hospital in Beijing before its commerce of operations amounted to HK$6.4 million.

After adding listing expenses for the year ended 31 December 2017, the adjusted net profit of the Group for the year ended 31 December 2017, amounted to HK$64.3 million, representing an increase of 37.1% from the year ended 31 December 2016. Our adjusted net profit margin (adding listing expenses) increased to 20.7% for the year ended 31 December 2017 from 18.9% for the year ended 31 December 2016, primarily due to the growth of our business which enabled us to achieve enhanced operational efficiency.

OUTLOOK AND STRATEGIES

The Directors believe that the Group will have its competitive strengths following the listing on the Hong Kong Stock Exchange as one of the leading and internationally recognised ophthalmic service providers in Hong Kong and the PRC. As stated in the in the Company's prospectus dated 29 December 2017 (the "**Prospectus**"), in addition to the national economic growth in the PRC, the implementation of the favorable policies to the medical industry in the PRC, the development of the Guangdong-Hong Kong-Macau Big Bay Area (粵港澳大灣區) and the increasing urbanisation and living standards of the middle-class population in the PRC are expected to stimulate the demand for high-quality ophthalmic services. The Group is prepared to the business opportunity by implementing the following strategies:

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

Leveraging our experience in Hong Kong and Shenzhen, we intend to further increase our penetration in Hong Kong and the PRC. We believe we can draw on our experience in having successfully established and achieving profitable operation at Shenzhen C-MER Eye Hospital to expand further into selected PRC cities where the demand and growth potential for ophthalmic services is substantial. Currently, we intend to expand into other selected PRC cities that have similar demographic features and medical resources as Beijing and Shenzhen, by either setting up new hospitals or acquiring operating hospitals, centres or clinics when desirable opportunities arise.

Improve our operational capacity and service capability.

We will continue to dedicate our efforts to maintaining our high service standards and strive to give our clients quality ophthalmic services. We will continue to invest in advanced medical equipment and information technology infrastructure to enhance the quality and efficiency of our practice and to ensure our clients are provided with the most appropriate treatment. We will purchase additional LASIK equipment and enhance the information technology system for upgrading the document management systems for our patient records and the related information technology systems.

Identify suitable strategic partners for collaboration.

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

CORPORATE GOVERNANCE

The Board is committed to maintaining high corporate governance standards.

The Company has been listed on the Stock Exchange since 15 January 2018 (the "**Listing Date**"). During the period from the Listing Date up to the date of this announcement, the Company has applied the principles as set forth in the Corporate Governance Code (the "**CG code**") contained in Appendix 14 to the Listing Rules which are applicable to the Company.

Code provisions A.1.1 and C.3.3 respectively provide that board meetings should be held at least four times a year at approximately quarterly intervals with a majority of Directors being present and the Audit Committee must meet at least twice a year with the issuer's auditors. The Company was not a listed company during the year ended 31 December 2017 and hence, it did not follow the requirements in the Code provisions A.1.1 and C.3.3. During the period from 1 January 2018 and up to the date of this announcement, the Board has convened one meeting and the Audit Committee has convened two meetings with the auditors of the Company for the purpose of approving the annual results of the Company for the year ended 31 December 2017. The Company will continue to strictly comply with the corporate governance requirements under the CG Code and the Listing Rules.

In the opinion of the Board, during the period from the Listing Date up to the date of this announcement, the Company has complied with all applicable code provisions as set forth in the CG Code, save and except for code provision A.2.1 which states that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. LAM Shun Chiu Dennis is both our chairman and chief executive officer and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group.

The Board believes that vesting the roles of the Chairman and Chief Executive Officer in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises four executive Directors (including Dr. LAM Shun Chiu Dennis) and five independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board of Directors will nevertheless review the structure and composition of the Board of Directors from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company.

Further information of the corporate governance practice of the Company will be set forth in the corporate governance report in the annual report of the Company for the year ended 31 December 2017.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity requirements are primarily attributable to our working capital for our business operations. Our principal sources of liquidity are cash generated from our business operations. As at 31 December 2017, we had cash and bank balances of HK$78.0 million.

The current ratio (calculated as current assets over current liabilities) was 1.46 times as at 31 December 2017 compared with 1.34 times as at 31 December 2016.

Net cash generated from operating activities was HK$65.5 million during the year ended 31 December 2017 (2016: HK$53.5 million). The increase was mainly attributed to increase in cash generated from operations during the year ended 31 December 2017.

Net cash used in investing activities amounted to HK$89.9 million during the year ended 31 December 2017 as compared to HK$13.8 million during the year ended 31 December 2016. The Group invested approximately HK$62.4 million for purchase of property, plant and equipment mainly in connection with the new eye hospital in Beijing.

During the year ended 31 December 2017, net cash generated from financing activities amounted to HK$41.2 million, as compared to net cash used in financing activities amounted to HK$3.0 million during the year ended 31 December 2016. The cash inflow from financing activities for the year ended 31 December 2017 was mainly attributable to the proceeds from the issuance of shares of the Company (the "Shares") to the Pre-IPO investors of HK$142.0 million.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2017, the Group did not have any significant investments, acquisitions or disposals, except the reorganisation of the Group with details set forth in the Prospectus.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Shares have been listed on the Stock Exchange since 15 January 2018, and the net proceeds from the Global Offering amounted to HK$609.8 million. As at the date of this announcement, the net proceeds from the Global Offering have not been used. The Directors are reviewing the business opportunities available to the Group from time to time for the purpose of using the net proceeds for the purposes stated in the Prospectus. The Directors do not anticipate that there will be any material change to the proposed use of the net proceeds from the Global Offering.

Capital expenditure and commitments

For the year ended 31 December 2017, the Group incurred capital expenditures of HK$85.2 million, primarily due to purchases of medical equipment and leasehold improvement.

As at 31 December 2017, the Group had a total capital commitment of approximately HK$9.5 million (2016: HK$3.5 million), mainly comprising the related contracts of capital expenditure for medical equipment.

Borrowings

As at 31 December 2017, the Group had total borrowings of HK$8.9 million.

Contingent liabilities

The Group had no material contingent liability as at 31 December 2017.

Pledge of assets

As at 31 December 2017, bank deposits of HK$8.0 million were pledged for the bank borrowings.

Financial instruments

Our major financial instruments include trade receivables, other receivables excluding prepayments, cash and cash equivalents, pledged bank deposits, borrowings, trade payables and other payables excluding non-financial liabilities. Our management manages such exposure to ensure appropriate measures are implemented on a timely and effective manner.

Gearing ratio

As at 31 December 2017, the gearing ratio is not applicable due to net cash position (2016: same).

Foreign exchange risk

Our subsidiaries mainly operate in Hong Kong and the PRC with most of the transactions settled in HK$ and RMB, respectively. Foreign exchange rate risk arises when recognised financial assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at 31 December 2017, the financial assets and liabilities of our subsidiaries in Hong Kong and PRC are primarily denominated in HK$ and RMB, respectively.

Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. We do not anticipate significant impact resulted from the reasonable possible change in interest rates.

The Group's fair value interest rate risk mainly arises from finance lease liabilities at fixed interest rates.

Credit risk

Our credit risk mainly arises from trade receivables, deposits and other receivables, and cash and cash equivalents. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets.

The credit risk of cash and cash equivalents are limited because the counterparties are state-owned or reputable commercial banks which are high-credit-quality financial institutions located in Hong Kong and the PRC.

We have a highly diversified source of patients, without any single patient contributing material revenue. Moreover, some of our revenue is settled by reputable commercial companies and local government on behalf of patients. We have controls to closely monitor the patients' billing and payment status by communication with commercial companies and local government to minimise the credit risk. We review the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

Employees and remuneration policies

As at 31 December 2017, the Group employed a total of 301 employees (2016: 170). The increase in the number of employees was mainly due to the increase in the scale of the Group's business.

The Group ensures that its remuneration packages are comprehensive and competitive from time to time. Employees are remunerated with a fixed monthly income plus annual performance related bonuses. Share options are granted to employees to reward their contributions under the share option scheme of the Company, details of which will be set forth in the Company's 2017 annual report. The Group also sponsors selected employees to attend external training courses that suit the needs of the Group's business.

LISTING ON THE STOCK EXCHANGE

The Company has been listed on the Stock Exchange since 15 January 2018 following completion of the Global Offering of 226,550,000 new Shares issued by the Company. The amount of net proceeds from the Global Offering is HK$609.8 million. Such amount of net proceeds, as well as the corresponding increase in the number of Shares in issue, are not included in the audited consolidated financial statements of the Group for the year ended 31 December 2017.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board comprises three independent non-executive Directors, namely, Mr. MA Andrew Chiu Cheung (Chairman of the audit committee), Dr. LI Kwok Tung Donald and Ms. BENTLEY Annie Liang. The audit committee of the Board has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the audited consolidated financial statements for the year ended 31 December 2017.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set forth in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set forth in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors. Employees of the Group (the "**Relevant Employees**") who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities are also subject to compliance with the Model Code. Following specific enquiry, each of the Directors has confirmed compliance with the Model Code throughout the period from the Listing Date and up to the date of this announcement. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the period from the Listing Date to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

FINAL DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the register of members of the Company on 30 May 2018 are entitled to attend and vote at the annual general meeting of the Company (the "**AGM**"). The register of members of the Company will be closed from Friday, 25 May 2018 to Wednesday, 30 May 2018, both days inclusive. In order to qualify for attending and voting at the AGM, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 24 May 2018.

ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 30 May 2018. Notice of the AGM will be sent to the shareholders of the Company in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company's website at www.cmereye.com. The 2017 annual report and the notice of the AGM will be dispatched to the shareholders of the Company and made available on the websites of the Hong Kong Stock Exchange and the Company in due course.

By order of the Board of Director
C-MER EYE CARE HOLDINGS LIMITED
Dr. LAM Shun Chiu Dennis ***JP***
Chairman

Hong Kong, 28 March 2018

As at the date of this announcement, the executive Directors are Dr. LAM Shun Chiu Dennis JP, Ms. LI Xiaoting, Dr. LEE Yau Wing Vincent and Mr. LI Chunshan; the independent non-executive Directors are Dr. LAU Johnson Yiu-Nam, Dr. LI Kwok Tung Donald SBS JP, Mr. MA Andrew Chiu Cheung, Mr. CHAN Chi Leong and Ms. BENTLEY Annie Liang.