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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2019	2018	Change
	HK$'000	*HK$'000*	
Revenue	**264,594**	192,314	37.6%
Gross profit	**99,299**	63,069	57.5%
Profit for the period	**33,126**	12,021	175.6%
Adjusted net profit for the period[(1)&(2)]	**33,126**	14,042	135.9%
Gross profit margin (%)	**37.5%**	32.8%	4.8 pp
Net profit margin (%)	**12.5%**	6.3%	6.3 pp
Adjusted net profit margin (%)[(1)&(2)]	**12.5%**	7.3%	5.2 pp

Notes:

(1) Adjusted net profit is derived by adding listing expenses from the net profit for the period. No listing expenses were incurred for the six months ended 30 June 2019.

(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 interim consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019, together with the comparative figures for the six months ended 30 June 2018, as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	4	**264,594**	192,314
Cost of revenue	7	**(165,295)**	(129,245)
Gross profit		**99,299**	63,069
Other income	5	**6,669**	7,270
Selling expenses	7	**(18,533)**	(9,031)
Administrative expenses	7		
– Listing expenses		**–**	(2,021)
– Other administrative expenses		**(41,567)**	(28,519)
Other gains/(losses), net	6	**1,073**	(8,504)
Operating profit		**46,941**	22,264
Finance expenses	8	**(3,433)**	(152)
Profit before income tax		**43,508**	22,112
Income tax expense	9	**(10,382)**	(10,091)
Profit for the period		**33,126**	12,021
Profit/(loss) for the period attributable to:			
– Equity holders of the Company		**33,757**	12,021
– Non-controlling interests		**(631)**	–
		33,126	12,021

	Note	Six months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Other comprehensive loss			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		**(234)**	(1,370)
Total other comprehensive loss for the period		**(234)**	(1,370)
Total comprehensive income for the period		**32,892**	10,651
Total comprehensive income/(loss) for the period attributable to:			
– Equity holders of the Company		**33,517**	10,651
– Non-controlling interests		**(625)**	–
		32,892	10,651
Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– basic	10	**3.24**	1.19
– diluted	10	**3.19**	1.16

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		As at	
		30 June	31 December
		2019	2018
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**247,035**	110,484
Intangible assets		**4,560**	3,827
Goodwill	14	**34,338**	–
Deferred income tax assets		**2,004**	1,047
Deposits and prepayments		**9,545**	8,905
		297,482	124,263
Current assets			
Inventories		**15,252**	9,145
Trade receivables	12	**9,528**	6,259
Deposits, prepayments and other receivables		**12,462**	14,122
Financial assets at fair value through profit or loss		**–**	11,397
Current income tax recoverable		**–**	819
Bank deposits with original maturity over three months		**576,197**	249,099
Cash and cash equivalents		**145,802**	471,745
		759,241	762,586
Total assets		**1,056,723**	886,849
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**105,130**	103,511
Reserves		**744,141**	730,194
Total equity		**849,271**	833,705

		As at	
		30 June	31 December
		2019	2018
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		**90,839**	1,748
		90,839	1,748
Current liabilities			
Trade payables	13	**10,345**	5,362
Accruals and other payables		**40,724**	41,643
Amount due to a related party		**20**	20
Current income tax liabilities		**10,428**	3,647
Lease liabilities		**34,070**	724
Dividend payable		**21,026**	–
		116,613	51,396
Total liabilities		**207,452**	53,144
Total equity and liabilities		**1,056,723**	886,849

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 products in Hong Kong ("**HK**") and the People's Republic of China (the "**PRC**") (the "**Business**"). The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 15 January 2018 (the "**Listing**").

This condensed consolidated interim financial information is presented in Hong Kong Dollar and all values are rounded to nearest thousand (HK$'000) except when otherwise indicated.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with the Hong Kong Accounting Standards ("**HKAS**") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2018, as described in those annual consolidated financial statements, except for the adoption of new and amended standards as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The following new standards, amendments to standards and interpretation have been adopted by the Group for the first time for the financial year beginning on 1 January 2019:

HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015 – 2017 Cycle
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting HKFRS 16 Leases ("**HKFRS 16**").

The impact of the adoption of HKFRS 16 is disclosed below. The other standards did not have material impact on the Group's accounting policies and did not require any adjustments.

(i) ***HKFRS 16 Leases***

Changes in the accounting policies

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the condensed consolidated interim statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed lease payments. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- prepayment, and
- any initial direct costs.

Right-of-use assets are presented within "property, plant and equipment" in the condensed consolidated interim balance sheet, within which the corresponding underlying assets would be presented if they were owned by the Group.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Impact of adoption

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provision in the standard. The adjustments arising from the new leasing rules are therefore recognised in the opening condensed consolidated interim balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases ("**HKAS 17**"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 (date of initial application of HKFRS 16). The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.2%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by this standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

The reconciliation between the operating lease commitments disclosed applying HKAS 17 as at 31 December 2018 and the lease liabilities recognised in the opening of condensed consolidated interim balance sheet as at 1 January 2019 (date of initial application of HKFRS 16) is as follows:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	146,541
Discounted using the lessee's incremental borrowing rate at the date of initial application	105,684
Add: finance lease liabilities recognised as at 31 December 2018	2,472
Less: short-term leases recognised on a straight-line basis as expense	(540)
Add: adjustments for reassessment of extension and termination options of lease contracts	23,898
Lease liabilities recognised as at 1 January 2019	131,514
Of which are:	
Current lease liabilities	33,419
Non-current lease liabilities	98,095
	131,514

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019	1 January 2019
	HK$'000	*HK$'000*
Properties	**118,054**	126,907
Medical equipment	**2,324**	2,721
	120,378	129,628

The change in accounting policy affected the following items in the condensed consolidated interim balance sheet on 1 January 2019:

- property, plant and equipment (right-of-use assets) – increase by HK$129,628,000
- property, plant and equipment (medical equipment) – decrease by HK$2,721,000
- prepayments – decrease by HK$330,000
- accruals – decrease by HK$2,465,000
- borrowings – decrease by HK$2,472,000
- lease liabilities – increase by HK$131,514,000

(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 2019 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

Management is in the process of assessing the financial impact of the new standards and amendments to standards presented and does not expect them to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Provision of ophthalmic services	**245,260**	179,221
Sales of vision aid products	**19,334**	13,093
	264,594	192,314
Timing of revenue recognition		
Over time	**245,260**	179,221
At a point in time	**19,334**	13,093
	264,594	192,314

(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 this condensed consolidated interim financial information.

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/(losses), net, listing expenses, finance expenses, and income tax expense are not included in segment results.

The segment results for the six months ended 30 June 2019 are as follows:

	(Unaudited) Six months ended 30 June 2019		
	HK	**PRC**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue	**134,891**	**129,703**	**264,594**
Gross profit	**44,833**	**54,466**	**99,299**
Selling expenses	**(2,580)**	**(15,953)**	**(18,533)**
Administrative expenses	**(13,855)**	**(27,712)**	**(41,567)**
Segment results	**28,398**	**10,801**	**39,199**
Other income			**6,669**
Other gains, net			**1,073**
Finance expenses			**(3,433)**
Profit before income tax			**43,508**
Income tax expense			**(10,382)**
Profit for the period			**33,126**
Other segment information			
Additions to non-current assets	**32,074**	**141,804**	**173,878**
Depreciation and amortisation	**(13,164)**	**(21,898)**	**(35,062)**
Loss on disposal of property, plant and equipment, net	**(108)**	**–**	**(108)**

The segment results for the six months ended 30 June 2018 are as follows:

	(Unaudited) Six months ended 30 June 2018		
	HK	PRC	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	101,331	90,983	192,314
Gross profit	30,427	32,642	63,069
Selling expenses	(608)	(8,423)	(9,031)
Administrative expenses	(9,430)	(19,089)	(28,519)
Segment results	20,389	5,130	25,519
Other income			7,270
Listing expenses			(2,021)
Other losses, net			(8,504)
Finance expenses			(152)
Profit before income tax			22,112
Income tax expense			(10,091)
Profit for the period			12,021
Other segment information			
Additions to non-current assets	16,442	5,020	21,462
Depreciation and amortisation	(3,905)	(9,093)	(12,998)
Gains on disposal of property, plant and equipment, net	45	–	45

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

5 OTHER INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Management fee income	**57**	240
Interest from bank deposits	**6,587**	6,690
Others	**25**	340
	6,669	7,270

6 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Losses)/gains on disposal of property, plant and equipment, net	**(108)**	45
Exchange gains/(losses), net	**1,181**	(8,549)
	1,073	(8,504)

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	**289**	207
Auditor's remuneration	**907**	750
Depreciation of property, plant and equipment	**34,773**	12,791
Doctors' consultation fees	**51,535**	36,451
Cost of inventories and consumables	**46,737**	31,415
Employee benefit expenses	**50,087**	39,517
Rental expenses	**307**	19,866
Legal and professional fees	**4,048**	1,159
Listing expenses	**–**	2,021
Share option expenses to doctors and consultants	**1,532**	3,267

8 FINANCE EXPENSES

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	**3,433**	152

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profits for the period.

The applicable tax rate for the PRC subsidiaries of the Group is 25% (six months ended 30 June 2018: 25%) for the period.

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	**6,909**	4,404
– PRC enterprise income tax	**4,424**	5,920
Under-provision in prior years	**27**	–
Deferred income tax	**(978)**	(233)
Income tax expense	**10,382**	10,091

10 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.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company during the period *(HK$'000)*	**33,757**	12,021
Weighted average number of ordinary shares in issue	**1,041,361,323**	1,009,577,900
Basic earnings per share *(HK cents)*	**3.24**	1.19

Note:

(i) The earnings per share as presented above is calculated using the weighted average number of 1,041,361,323 (six months ended 30 June 2018: 1,009,577,900) ordinary shares deemed to be in issue for the period. In determining the weighted average number of ordinary shares deemed to be in issue, the bonus elements of the shares issued in 2018 have been taken into account since 1 January 2018.

(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 period, the Group has one (six months ended 30 June 2018: one) 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.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company during the period *(HK$'000)*	**33,757**	12,021
Weighted average number of ordinary shares in issue	**1,041,361,323**	1,009,577,900
Adjustments for:		
– impact of the pre-IPO share option scheme	**15,461,136**	28,882,699
Weighted average number of ordinary shares for diluted earnings per share	**1,056,822,459**	1,038,460,599
Diluted earnings per share *(HK cents)*	**3.19**	1.16

11 DIVIDENDS

Final dividend in respect of 2018 of HK2.0 cents per ordinary share, totalling approximately HK$21,026,000, was declared and payable with the shareholders' approval on 25 June 2019.

At a board meeting held on 27 August 2019, the directors do not recommend the payment of any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

12 TRADE RECEIVABLES

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

	As at	
	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 90 days	**8,501**	5,624
91 – 180 days	**417**	226
Over 180 days	**610**	409
	9,528	6,259

13 TRADE PAYABLES

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

	As at	
	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**8,501**	5,193
31 – 60 days	**360**	160
61 – 90 days	**117**	3
Over 90 days	**1,367**	6
	10,345	5,362

14 BUSINESS COMBINATION

On 28 March 2019, the Group acquired 80% of the equity interests in Kunming Eye Hospital, a company that operates an eye hospital in Kunming, Yunnan Province, the PRC, for consideration of RMB30,000,000 (equivalent to approximately HK$35,111,000). The acquisition is expected to expand the Group's eye care service network in the PRC.

The following table summarises the consideration paid for Kunming Eye Hospital and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

		As at
		28 March 2019
	Note	*HK$'000*
		(Unaudited)
Consideration		
– Cash		35,111
Recognised amounts of identifiable assets acquired and liabilities assumed		
– Property, plant and equipment		890
– Cash and cash equivalents		290
– Trade receivables		19
– Deposits, prepayments and other receivables		3,797
– Inventories		516
– Trade payables		(1,851)
– Accruals and other payables		(2,695)
Total identifiable net assets		966
Non-controlling interests	a	(193)
Goodwill	b	34,338
Total consideration		35,111
Acquisition-related costs	c	619
Net cash outflow on acquisition		
Cash paid		35,111
Less: Cash and cash equivalents acquired		(290)
		34,821

(a) Non-controlling interests

The non-controlling interests were recognised at their proportionate share of the recognised amounts of identifiable net assets in Kunming Eye Hospital as at 28 March 2019.

(b) Goodwill

The goodwill arises from a number of factors including expected synergies through leveraging the expertise and reputation of the Group, the local knowledge and experience of Kunming Eye Hospital and the established workforce including local ophthalmologists, physicians and supporting staff. None of the goodwill recognised is expected to be deductible for income tax purposes.

(c) Acquisition-related costs

Acquisition-related costs represent legal and professional fees incurred to effect the business combination. Total acquisition-related costs amounted to HK$619,000, of which HK$241,000 is charged to the condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2019 and the remaining amounts were expensed in prior reporting periods in which they were incurred.

(d) Revenue and profit contribution

Kunming Eye Hospital contributed revenue of HK$1,470,000 and net loss of HK$3,159,000 to the Group since acquisition date. Had the consolidation taken place at 1 January 2019, the consolidated statement of comprehensive income would show pro-forma revenue and net profit of approximately HK$267,135,000 and HK$23,824,000, respectively.

15 EVENT AFTER THE BALANCE SHEET DATE

On 18 July 2019, the Company granted an aggregate of 6,540,000 share options to certain directors, employees and consultants of the Group to subscribe, in aggregate, for up to 6,540,000 ordinary shares, subject to acceptance of the grantees under the share option scheme adopted by the Company on 13 December 2017. The exercise price of each option is HK$5.18.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the six months ended 30 June 2019, we generated 51.0% (six months ended 30 June 2018: 52.7%) of our revenue in Hong Kong and 49.0% (six months ended 30 June 2018: 47.3%) in the PRC. Our business was experienced a rapid growth during the six months ended 30 June 2019, generating total revenue of HK$264.6 million for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$192.3 million), representing an increase of 37.6% from the corresponding period in 2018. In particular, the revenue of the PRC operations also recorded an increase of 42.6% in Hong Kong dollar terms during the six months ended 30 June 2019 primarily as a result of the strong growth in revenue of the eye hospitals in Shenzhen and Beijing. The depreciation of Renminbi has lowered our growth when reporting in Hong Kong dollar terms. In Renminbi, our revenue in PRC increased by 51.1%.

The revenue of the eye hospital in Shenzhen amounted to HK$103.2 million during the six months ended 30 June 2019 (six months ended 30 June 2018: HK$81.5 million) , representing a promising growth rate of 26.5% in Hong Kong dollar terms. In Renminbi, the revenue increased by 34.1%.

The revenue of the eye hospital in Beijing which commenced business operations since January 2018 increased by 165.3% in Hong Kong dollar terms and amounted to HK$25.1 million (six months ended 30 June 2018: HK$9.5 million). In Renminbi, the revenue increased by 181.2%. Although the revenue of the eye hospital in Beijing is catching up in good progress, it incurred a net loss amounted to HK$3.9 million during the six months ended 30 June 2019 (six months ended 30 June 2018: HK$17.6 million). Our Directors are satisfied with the performance of the eye hospital in Beijing, and we expect that its profitability will keep improving in the second half of 2019.

We will further expand our service network in the Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區) and other PRC regions.

Our first eye hospital in Huizhou, Guangdong province, is planned to open in the fourth quarter of 2019 or the first quarter of 2020. The eye hospital in Huizhou will have ten consultation rooms and three operation theatres. The eye hospital in Huizhou is expected to strengthen our service network in Guangdong province.

On 28 March 2019, we completed the acquisition of Kunming Eye Hospital and this will help the Group to establish the service network in Southwest China which has increasing demand for high quality ophthalmic services. After the acquisition, the Kunming Eye Hospital was under renovation and opened for full operation during June 2019.

On 26 March 2019, the Group entered into an agreement with independent third parties to acquire 100% equity interest of Shanghai Lucida Medical Scientific Ltd (the "**acquiree**") in Shanghai, the PRC, at a maximum cash consideration of RMB82,900,000 (equivalent to approximately HK$92,475,000) which is subject to contingent consideration payments based on the cash and cash equivalents and equity value of the acquiree at the date of completion. The acquisition is expected to be completed by end of September 2019.

Gross profit margin increased to 37.5% (six months ended 30 June 2018: 32.8%) during the six months ended 30 June 2019 and the amount of gross profit increased to HK$99.3 million (six months ended 30 June 2018: HK$63.1 million). The increase of the gross profit margin was primarily due to the improving profitability of our eye hospital in Beijing.

Net profit for the six months ended 30 June 2019 increased by 175.6% to HK$33.1 million, primarily due to (i) increase of revenue by 37.6% and (ii) the improving financial performance of the eye hospital in Beijing during the six months ended 30 June 2019. These two factors increased the amount of net profit significantly during the six months ended 30 June 2019.

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 periods indicated as a percentage of total revenue:

	Six months ended 30 June					
	2019		2018		Change	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Provision of ophthalmic services	**245,260**	**92.7**	179,221	93.2	66,039	36.8
Sales of vision aid products	**19,334**	**7.3**	13,093	6.8	6,241	47.7
	264,594	**100.0**	192,314	100.0	72,280	37.6

Our revenue was generated from Hong Kong and the PRC. In Hong Kong, our service network included our eye centre in Central and five satellite eye clinics in different districts in Hong Kong.

In the PRC, our eye hospitals are located in Shenzhen, Beijing and Kunming. A satellite eye clinic is also located in Baoan, Shenzhen. The following table sets forth our revenue according to geographical markets as a percentage of total revenue:

	Six months ended 30 June					
	2019		2018		Change	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	**134,891**	**51.0**	101,331	52.7	33,561	33.1
PRC	**129,703**	**49.0**	90,983	47.3	38,719	42.6
	264,594	**100.0**	192,314	100.0	72,280	37.6

Our total revenue during the six months ended 30 June 2019 represented an increase of 37.6% as compared with our total revenue during the six months ended 30 June 2018. In addition to the increase in the sales of vision aid products by 47.7%, the increase was primarily driven by the increase in the revenue generated from the provision of ophthalmic services to HK$245.3 million during the six months ended 30 June 2019 from HK$179.2 million during the six months ended 30 June 2018, representing an increase of 36.8%, 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 51.0% of our total revenue, represented a decrease from 52.7% as compared with the six months ended 30 June 2018, primarily because of the increase in the amount of revenue of the PRC of 42.6% for the six months ended 30 June 2019 which was at a faster pace than that of Hong Kong of 33.1%.

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 periods indicated as a percentage of total revenue generated from the provision of ophthalmic services:

	Six months ended 30 June					
	2019		2018		Change	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Consultation and other medical service fees						
– Hong Kong	**49,761**	**20.3**	39,848	22.2	9,913	24.9
– PRC	**39,469**	**16.1**	33,909	19.0	5,560	16.4
	89,230	**36.4**	73,757	41.2	15,473	21.0
Surgery fees						
– Hong Kong	**83,802**	**34.2**	60,621	33.8	23,181	38.2
– PRC	**72,228**	**29.4**	44,843	25.0	27,385	61.1
	156,030	**63.6**	105,464	58.8	50,566	47.9
	245,260	**100.0**	179,221	100.0	66,039	36.8

The ophthalmic services provided by us included 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 daycare 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:

	Six months ended 30 June		
	2019	2018	Change
	HK$'000	*HK$'000*	*%*
For Hong Kong			
Total surgery fee *(in HK$'000)*	**83,802**	60,621	38.2
Number of surgeries performed by us	**2,449**	1,817	34.8
Average surgery fee *(HK$)*	**34,219**	33,363	2.6
For PRC			
Total surgery fee *(in HK$'000)*	**72,228**	44,843	61.1
Number of surgeries performed by us	**4,621**	3,001	54.0
Average surgery fee *(HK$)*	**15,630**	14,943	4.6

In Hong Kong, the average surgery fee was stable with an increase of 2.6%. The surgery volume increased during the six months ended 30 June 2019 as a result of the increasing number of our Hong Kong Ophthalmologists.

In the PRC, the average surgery fee increased by 4.6% due to the nature of surgery undertaken by us during the six months ended 30 June 2019 and the number of surgeries increased by 54.0% to 4,621 during the six months ended 30 June 2019 mainly due to the strong growth contributed by the eye hospitals in Shenzhen and Beijing.

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 six months ended 30 June 2019, our revenue generated from the sales of vision aid products amounted to HK$19.3 million, representing an increase of 47.7% from last period.

Cost of revenue

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

	Six months ended 30 June					
	2019		2018		Change	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Doctors' consultation fees	**51,535**	**19.5**	36,451	19.0	15,084	41.4
Cost of inventories and consumables	**46,737**	**17.7**	31,415	16.3	15,322	48.8
Staff salaries and allowance	**31,431**	**11.9**	24,904	12.9	6,527	26.2
Others	**35,592**	**13.4**	36,475	19.0	(883)	(2.4)
Total	**165,295**	**62.5**	129,245	67.2	36,050	27.9

Comparing with the six months ended 30 June 2019 and same period in 2018, there were two new service locations commenced into operations to meet the increased demand of ophthalmic services, including the eye hospital in Kunming since March 2019 and the satellite clinic in Baoan District, Shenzhen since November 2018.

Accordingly, our cost of revenue increased by 27.9% from HK$129.2 million for the six months ended 30 June 2018 to HK$165.3 million for the six months ended 30 June 2019, primarily as a result of (i) an increase in doctors' consultation fees of HK$15.1 million, (ii) an increase in cost of inventories and consumables of HK$15.3 million, and (iii) an increase in staff salaries and allowance of HK$6.5 million.

Gross profit and gross profit margin

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

	Six months ended 30 June					
	2019		2018		Change	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	**44,833**	**33.2**	30,427	30.0	14,406	47.3
PRC	**54,466**	**42.0**	32,642	35.9	21,824	66.9
	99,299	**37.5**	63,069	32.8	36,230	57.5

The amount of gross profit during the six months ended 30 June 2019 amounted to HK$99.3 million, representing an increase of 57.5% from HK$63.1 million during the six months ended 30 June 2018. Our gross profit margin was 37.5% during the six months ended 30 June 2019, as compared with 32.8% during the six months ended 30 June 2018. The gross profit margin for our business operations in the PRC increased to 42.0% from 35.9% primarily due to the improving performance from the eye hospital in Beijing. The gross profit margin for our business operations in Hong Kong also increased to 33.2% from 30.0% primarily due to the economy of scale of increased revenue.

Selling expenses

Our selling expenses increased by 105.2% from HK$9.0 million for the six months ended 30 June 2018 to HK$18.5 million for the six months ended 30 June 2019, primarily due to an increase in promotional expenses in the PRC for the eye hospitals in Shenzhen, Beijing and Kunming. The amount of selling expenses, as a percentage of our total revenue, increased from 4.7% for the six months ended 30 June 2018 to 7.0% for the six months ended 30 June 2019. The fees paid to online platforms represented the major component of our selling expenses.

Administrative expenses

Our total administrative expenses during the six months ended 30 June 2019 amounted to HK$41.6 million. The other administrative expenses had an increase of 45.8% as compared with HK$28.5 million during the six months ended 30 June 2018. The increase in our other administrative expenses during the period was primarily driven by the increase in our staff salaries and allowance as a result of business expansion.

Other income

Our other income during the six months ended 30 June 2019 decreased to HK$6.7 million from HK$7.3 million during the six months ended 30 June 2018. The decrease was primarily due to the decrease in the interest income and miscellaneous income.

Other gains/(losses), net

Our other gains, net during the six months ended 30 June 2019 amounted to HK$1.1 million mainly consisted of foreign exchange gains.

Finance expenses

Our finance expenses increased from HK$0.2 million for the six months ended 30 June 2018 to HK$3.4 million for the six months ended 30 June 2019, primarily because of the lease liabilities from the adoption of HKFRS 16 Leases.

Income tax expense

Our income tax expense during the six months ended 30 June 2019 amounted to HK$10.4 million, representing an increase by 2.9% from HK$10.1 million during the six months ended 30 June 2018. The increase was primarily due to the increase in the profit before tax.

Profit for the period

As a result of the foregoing, our profit for the six months ended 30 June 2019 increased by 175.6% to HK$33.1 million due to the increase of revenue by 37.6% and the improving financial performance of the hospital in Beijing with decreasing net loss amounted to HK$3.9 million (30 June 2018: 17.6 million).

If excluding the net losses of the eye hospital in Beijing amounted to HK$3.9 million, the satellite clinic in Baoan amounted to HK$4.3 million and the hospital in Kunming amounted to HK$3.2 million, the net profit of the Group for the six months ended 30 June 2019 would be amounted to HK$44.5 million.

Event after the balance sheet date

On 18 July 2019, the Company granted an aggregate of 6,540,000 share options to certain directors, employees and consultants of the Group to subscribe, in aggregate, for up to 6,540,000 ordinary shares, subject to acceptance of the grantees under the share option scheme adopted by the Company on 13 December 2017. The exercise price of each option is HK$5.18.

OUTLOOK AND STRATEGIES

The Directors believe that the Group has its competitive strengths as one of the leading and internationally recognised ophthalmic service providers in Hong Kong and the PRC. 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 Greater 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 increase the demand for high-quality ophthalmic services. The Group is prepared to capture these 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 Greater 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 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.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2019.

CORPORATE GOVERNANCE

The Board is committed to maintaining high corporate governance standards.

In the opinion of the Board, during the six months ended 30 June 2019, the Company has complied with all applicable code provisions as set forth in the Corporate Governance Code (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 nonexecutive Directors and therefore has a fairly strong independence element in its composition. The Board will nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company.

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 six months ended 30 June 2019. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the six months ended 30 June 2019.

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 during the six months ended 30 June 2019.

USE OF PROCEEDS FROM GLOBAL OFFERING

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 15 January 2018 (the "**Listing Date**") (the "**Listing**"), and the net proceeds from the global offering (the "**Global Offering**") amounted to HK$609.8 million.

From the Listing Date to 30 June 2019, the Group used the net proceeds amounted to HK$103.3 million, which included property, plant and equipment, cash for operations, for the set-up of the first satellite clinic in Baoan, Shenzhen and the acquisition of an eye hospital in Kunming.

Set out below is the intended use of proceeds as set out in the prospectus of the Company dated 29 December 2017 (the "**Prospectus**"), utilised amount and unutilised amount of net proceeds as at 30 June 2019.

Use of net proceeds	Percentage of net proceeds	Net proceeds	Amount utilised	Amount remaining
	%	HK$'000	HK$'000	HK$'000
For possible acquisition of three operating eye hospitals in selected PRC cities	42.5%	259,200	(34,821)	224,379
For establishing three eye hospitals in selected PRC cities	40.4%	246,400	–	246,400
For establishing two satellite clinics in Shenzhen	4.2%	25,600	(10,000)	15,600
For upgrading our medical equipment and enhancing our information technology system in Hong Kong and the PRC	8.5%	51,800	(32,849)	18,951
For our working capital and general corporate purpose	4.4%	26,800	(25,617)	1,183
Total	100.0%	609,800	(103,287)	506,513

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 change to the proposed use of the net proceeds from the Global Offering.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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 with the management the accounting principles as well as practices adopted by the Group and discussed risk management and internal control as well as financial reporting matters including the review of the unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 with the Directors. In addition, the Group's independent auditor has carried out a review of the unaudited interim results in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company's website at www.cmereye.com. The interim report of the Company for the six months ended 30 June 2019 will be dispatched to the shareholders of the Company and made available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board
C-MER Eye Care Holdings Limited
Dr. LAM Shun Chiu Dennis *JP*
Chairman

Hong Kong, 27 August 2019

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.