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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 2019

FINANCIAL HIGHLIGHTS

		Year ended 31 December		
		2019	2018	**Change**
	Note	***HK$'000***	*HK$'000*	
Revenue		**576,209**	429,374	34.2%
Gross profit		**191,321**	149,337	28.1%
Profit for the year		**39,122**	42,571	-8.1%
Adjusted net profit for the year	(1) & (2)	**39,122**	44,592	-12.3%
Gross profit margin (%)		**33.2%**	34.8%	-1.6pp
Net profit margin (%)		**6.8%**	9.9%	-3.1pp
Adjusted net profit margin (%)	(1) & (2)	**6.8%**	10.4%	-3.6pp

Notes:

(1) Adjusted net profit is derived by excluding the effect of listing expenses from the net profit for the relevant 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 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	**2019**	2018
		HK$'000	*HK$'000*
Revenue	3	**576,209**	429,374
Cost of revenue	6	**(384,888)**	(280,037)
Gross profit		**191,321**	149,337
Other income	4	**15,294**	14,268
Selling expenses	6	**(46,300)**	(26,501)
Administrative expenses	6		
– Listing expenses		**–**	(2,021)
– Other administrative expenses		**(98,423)**	(64,867)
Other losses, net	5	**(956)**	(8,890)
Operating profit		**60,936**	61,326
Finance expenses	7	**(7,532)**	(160)
Share of losses of an associate		**(196)**	–
Profit before income tax		**53,208**	61,166
Income tax expense	8	**(14,086)**	(18,595)
Profit for the year		**39,122**	42,571
Profit/(loss) for the year attributable to:			
– Equity holders of the Company		**41,435**	42,571
– Non-controlling interests		**(2,313)**	–
		39,122	42,571

	Note	Year ended 31 December 2019	2018
		HK$'000	*HK$'000*
Other comprehensive loss			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		**(3,849)**	(7,731)
Total other comprehensive loss for the year		**(3,849)**	(7,731)
Total comprehensive income for the year		**35,273**	34,840
Total comprehensive income/(loss) for the year attributable to:			
– Equity holders of the Company		**37,567**	34,840
– Non-controlling interests		**(2,294)**	–
		35,273	34,840
Earnings per share for profit attributable to equity holders of the Company during the year (expressed in HK cents per share)			
– basic	9	**3.96**	4.16
– diluted	9	**3.87**	4.04

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2019** *HK$'000*	2018 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**164,373**	110,484
Right-of-use assets		**165,392**	–
Intangible assets		**104,566**	3,827
Interest in an associate		**2,204**	–
Deferred income tax assets		**5,014**	1,047
Deposits and prepayments		**96,401**	8,905
		537,950	124,263
Current assets			
Inventories		**14,169**	9,145
Trade receivables	11	**11,228**	6,259
Deposits, prepayments and other receivables		**20,449**	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		**253,675**	249,099
Cash and cash equivalents		**282,178**	471,745
		581,699	762,586
Total assets		**1,119,649**	886,849
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**105,130**	103,511
Reserves		**751,608**	730,194
		856,738	833,705
Non-controlling interests		**4,583**	–
Total equity		**861,321**	833,705

	Note	As at 31 December 2019 HK$'000	2018 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**128,437**	–
Borrowings		**–**	1,748
		128,437	1,748
Current liabilities			
Trade payables	12	**13,849**	5,362
Accruals and other payables		**60,385**	41,643
Amount due to a related party		**131**	20
Current income tax liabilities		**12,283**	3,647
Lease liabilities		**43,243**	–
Borrowings		**–**	724
		129,891	51,396
Total liabilities		**258,328**	53,144
Total equity and liabilities		**1,119,649**	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 (the "**Group**") are principally engaged in the provision of ophthalmic services and sales of vision aid products in Hong Kong ("**HK**") and Mainland China. 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 consolidated financial statements are presented in Hong Kong Dollar and all values are rounded to nearest thousand (HK$'000) except when otherwise indicated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years and periods presented, unless otherwise stated.

2.1 Basis of preparation

The 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 requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements 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.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The following standards and amendments to standards 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

The Group had to change its accounting policies following the adoption of HKFRS 16 "Leases" ("**HKFRS 16**"). The adoption of other amendments and interpretation listed above did not have material impact on the Group's accounting policies and consolidated financial statements.

(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 2020 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
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting	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 making an assessment of the impact of the above new and amended standards but is not yet in a position to state whether they will result in substantial changes to the Group's significant accounting policies and the presentation of its financial statements.

2.1.1 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's consolidated financial statements.

As indicated in note 2.1(a) above, 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 transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated 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". 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. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.3%.

For leases previously classified as finance leases, the Group 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 the standard:

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

- 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 consolidated 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:

	1 January 2019 *HK$'000*
Properties	126,907
Medical equipment	2,721
	129,628

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

- right-of-use assets – increase by HK$129,628,000
- property, plant and 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

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Provision of ophthalmic services	**528,545**	399,905
Sales of vision aid products	**47,664**	29,469
	576,209	429,374
Timing of revenue recognition		
Over time	**528,545**	399,905
At a point in time	**47,664**	29,469
	576,209	429,374

(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 assess 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 Mainland China, 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 Mainland China.

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets and intangible assets.

Other income, other losses, net, listing expenses, finance expenses, share of loss of an associate and income tax expense are not included in segment results.

The segment results for the year ended 31 December 2019 are as follows:

	Year ended 31 December 2019		
	HK	**Mainland China**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue	**284,953**	**291,256**	**576,209**
Gross profit	**84,702**	**106,619**	**191,321**
Selling expenses	**(7,152)**	**(39,148)**	**(46,300)**
Administrative expenses	**(26,478)**	**(71,945)**	**(98,423)**
Segment results	**51,072**	**(4,474)**	**46,598**
Other income			**15,294**
Other losses, net			**(956)**
Finance expenses			**(7,532)**
Share of loss of an associate			**(196)**
Profit before income tax			**53,208**
Income tax expense			**(14,086)**
Profit for the year			**39,122**
Other segment information			
Additions to non-current assets	**17,387**	**124,519**	**141,906**
Depreciation and amortisation	**(27,083)**	**(51,455)**	**(78,538)**
Losses on disposal of property, plant and equipment, net	**(112)**	**(29)**	**(141)**

The segment results for the year ended 31 December 2018 are as follows:

	Year ended 31 December 2018		
		Mainland	
	HK	China	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	217,997	211,377	429,374
Gross profit	65,634	83,703	149,337
Selling expenses	(2,165)	(24,336)	(26,501)
Administrative expenses	(21,681)	(43,186)	(64,867)
Segment results	41,788	16,181	57,969
Other income			14,268
Listing expenses			(2,021)
Other losses, net			(8,890)
Finance expenses			(160)
Profit before income tax			61,166
Income tax expense			(18,595)
Profit for the year			42,571
Other segment information			
Additions to non-current assets	15,952	18,433	34,385
Depreciation and amortisation	(17,527)	(8,019)	(25,546)
Gains/(losses) on disposal of property, plant and equipment, net	45	(34)	11

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 2019 (2018: nil).

4 OTHER INCOME

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Management fee income	**114**	389
Interest income from bank deposits *(Note)*	**13,482**	13,397
Others	**1,698**	482
	15,294	14,268

Note: Total interest income on financial assets measured at amortised cost for the year was HK$13,415,000 (2018: HK$13,321,000) and interest income from financial assets at fair value through profit or loss was HK$67,000 (2018: HK$76,000).

5 OTHER LOSSES, NET

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
(Losses)/gains on disposal of property, plant and equipment, net	**(141)**	11
Gains on financial assets at fair value through profit or loss	**67**	76
Exchange losses, net	**(882)**	(8,977)
	(956)	(8,890)

6 EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Amortisation of intangible assets	**666**	471
Auditor's remuneration		
– Audit services	**1,800**	1,500
– Non-audit services	**84**	203
Depreciation of property, plant and equipment	**31,382**	25,075
Depreciation of right-of-use asset	**46,490**	–
Doctors' consultation fees	**111,065**	80,874
Cost of inventories and consumables	**121,143**	75,150
Employee benefit expenses	**124,477**	87,057
Short-term lease expenses (2018: Rental expenses)	**1,812**	40,219
Legal and professional fees	**6,411**	4,056
Listing expenses	**–**	2,021
Share option expenses to doctors and consultants	**3,518**	5,437

7 FINANCE EXPENSES

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Interest expense on borrowings	**–**	160
Interest expense on leases	**7,532**	–
	7,532	160

8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year ended 31 December 2019.

The applicable tax rate for the subsidiaries in Mainland China of the Group is 25% (2018: 25%) for the year ended 31 December 2019.

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 to the consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax	**9,771**	8,302
– China enterprise income tax	**8,019**	10,459
Under/(over)-provision in prior years	**335**	(39)
Deferred income tax	**(4,039)**	(127)
Income tax expense	**14,086**	18,595

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	
	2019	2018
Profit attributable to equity holders of the Company during the year *(HK$'000)*	**41,435**	42,571
Weighted average number of ordinary shares in issue	**1,046,371,503**	1,022,274,585
Basic earnings per share *(HK cents)*	**3.96**	4.16

Note:

(i) The earnings per share as presented above is calculated using the weighted average number of 1,046,371,503 (2018: 1,022,274,585) ordinary shares deemed to be in issue for the year ended 31 December 2019. 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 year ended 31 December 2019, the Group has one (2018: one) category of dilutive potential ordinary shares.

For the pre-IPO share options, the number of shares included below is the number of shares that are dilutive and would have been outstanding assuming the completion of the share issue to the grantees. The 6,540,000 post-IPO share options granted on 18 July 2019 are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2019.

	Year ended 31 December	
	2019	2018
Profit attributable to equity holders of the Company during the year *(HK$'000)*	**41,435**	42,571
Weighted average number of ordinary shares in issue	**1,046,371,503**	1,022,274,585
Adjustments for:		
– impact of pre-IPO share option scheme	**25,441,498**	31,504,587
Weighted average number of ordinary shares for diluted earnings per share	**1,071,813,001**	1,053,779,172
Diluted earnings per share *(HK cents)*	**3.87**	4.04

10 DIVIDENDS

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Final dividend of 2018, declared and paid of HK2.0 cents per ordinary share *(Note (i))*	**21,026**	–
Final dividend of 2019, proposed, of HK2.0 cents (2018: HK2.0 cents) per ordinary share *(Notes (i) and (ii))*	**21,103**	20,702

Notes:

(i) At a Board meeting held on 26 March 2019, the Directors recommended the payment of a final dividend in respect of 2018 of HK2.0 cents per ordinary share, which was estimated to be approximately HK$20,702,000 at the time calculated on the basis of the ordinary shares in issue as at 31 December 2018. The final dividend was declared and approved at the annual general meeting on 25 June 2019, totalled HK$21,026,000.

(ii) At a Board meeting held on 31 March 2020, the Directors recommended the payment of a final dividend in respect of 2019 of HK2.0 cents per ordinary share, totalling approximately HK$21,103,000 on the basis of the 1,055,164,308 ordinary shares in issue as at 31 March 2020. The dividend was not reflected as dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2020 after receiving shareholders' approval at the forthcoming annual general meeting.

11 TRADE RECEIVABLES

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**11,228**	6,259

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 2019, the ageing analysis of the trade receivables based on due date and invoice date was as follows:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
0 – 90 days	**9,617**	5,624
91 – 180 days	**594**	226
Over 180 days	**1,017**	409
	11,228	6,259

As at 31 December 2019, all the trade receivables balances were not impaired (2018: same). These relate to a number of independent clients, commercial companies and local government to which no credit terms were granted.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

12 TRADE PAYABLES

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

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**10,216**	5,193
31 – 60 days	**1,256**	160
61 – 90 days	**870**	3
Over 90 days	**1,507**	6
	13,849	5,362

The carrying amounts of trade payables approximate their fair values.

13 BUSINESS COMBINATIONS

To expand the Group's eye care service network in the Mainland China, the Group entered into the following transactions during the year ended 31 December 2019:

(a) 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, from independent third parties for a consideration of RMB30,000,000 (equivalent to approximately HK$34,980,000).

(b) On 30 September 2019, the Group acquired the entire equity interests in Shanghai Lucida Medical Scientific Limited ("**Shanghai Lucida**") from independent third parties for a consideration of RMB74,000,000 (equivalent to approximately HK$81,178,000). Shanghai Lucida and its subsidiaries operate an eye hospital and three clinics in Shanghai, the PRC.

The following table summarises the consideration paid and the amounts of the assets acquired and liabilities assumed recognised at the acquisition dates.

	Note	Kunming Eye Hospital 28 March 2019 *HK$'000*	Shanghai Lucida 30 September 2019 *HK$'000*
Consideration			
– Cash		34,980	81,178
Recognised amounts of identifiable assets acquired and liabilities assumed			
– Property, plant and equipment		890	6,247
– Right-of-use assets		–	30,968
– Intangible assets		–	734
– Cash and cash equivalents		290	5,095
– Trade receivables		19	561
– Deposits, prepayments and other receivables		3,797	5,705
– Inventories		516	985
– Trade payables		(1,851)	(1,614)
– Accruals and other payables		(2,695)	(1,856)
– Lease liabilities		–	(31,712)
Total identifiable net assets		966	15,113
Non-controlling interests	(a)	(193)	–
Goodwill	(b)	34,207	66,065
Total consideration		34,980	81,178
Acquisition-related costs	(c)	619	647
Net cash outflow on acquisition			
Cash paid		34,980	81,178
Less: Consideration payable at year end		–	(7,521)
Less: Cash and cash equivalents acquired		(290)	(5,095)
		34,690	68,562

Note:

(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 the acquirees 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 combinations. Total acquisition-related costs amounted to HK$1,266,000, of which HK$888,000 is charged to the consolidated statement of comprehensive income for the year ended 31 December 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$10,548,000 and net loss of HK$11,563,000 to the Group since acquisition date. Shanghai Lucida and its subsidiaries contributed revenue of HK$8,148,000 and net loss of HK$8,046,000 to the Group since acquisition date. Had the business combinations taken place at 1 January 2019, the consolidated statement of comprehensive income would show pro-forma revenue and net profit of approximately HK$611,466,000 and HK$22,108,000, respectively.

14 EVENTS AFTER THE BALANCE SHEET DATE

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

(a) On 17 January 2020, the Group entered into agreements with China Cinda Asset Management Co., Ltd. Guangzhou Branch ("**China Cinda**"), an independent third party to acquire:

(i) 100% equity interest of Guangzhou Yue Xiu Economic Development Limited ("**Guangzhou Yue Xiu**") at a cash consideration of RMB36,050,000 (equivalent to approximately HK$40,051,000). Guangzhou Yue Xiu holds certain properties in Guangzhou; and

(ii) the rights to loan and interest receivables amounting RMB63,950,000 (equivalent to approximately HK$71,048,587) due from Guangzhou Yue Xiu to China Cinda at a cash consideration of RMB63,950,000.

Up to the date of this announcement, the transactions have not been completed.

(b) On 17 January 2020, the Group entered into an agreement with two independent third parties to acquire 100% equity interest of Zhuhai Chang Jiu Ophthalmic Hospital Limited in Zhuhai, the PRC, at a cash consideration of RMB16,000,000 (equivalent to approximately HK$17,776,000). Up to the date of this announcement, the acquisition has not been completed.

(c) On 20 January 2020, the Group entered into an agreement with Avalon Global Holdings Limited ("**Avalon Global**") to subscribe for 5% of the issued share capital of Avalon Global at a total consideration of HK$38,875,000, of which HK$19,437,500 to be settled in cash and the remaining HK$19,437,500 to be settled by allotment of 3,864,314 shares of the Company. Avalon Global and its subsidiaries are engaged in developing healthcare solutions across the fields of biopharma, diagnostics, medical devices and other areas of healthcare. The share subscription has been completed on 31 January 2020.

(d) The outbreak of coronavirus disease COVID-19 ("**COVID-19**") started to negatively impact the Group's operations in Hong Kong and the Mainland China commencing from late January 2020. Most of the Group's clinics, day surgery centers and hospitals have seen appointment cancellations and the surgery centers and clinics in Hong Kong were closed for 3 to 6 days while the hospitals in the Mainland China were closed for 3 to 6 weeks as a result of government restrictions, quarantines and lockdowns in the Mainland China. Management considers that the overall financial impact of the outbreak could not be reliably estimated at this stage given the dynamic nature of the outbreak and its development globally. The Group is now focused on all possible operational cost containment options, as well as deferring capital spending where possible. The Group will continue to assess the impact of the outbreak of COVID-19 on the Group's operation and financial performance and closely monitor its financial and liquidity position.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

During the year ended 31 December 2019, the Group completed the acquisitions of an eye hospital in Kunming (the "**Kunming Acquisition**"), and an eye hospital and three clinics in Shanghai (the "**Shanghai Acquisition**"), in March and September 2019, respectively, and the Kunming and the Shanghai eye hospitals became the third and fourth eye hospitals in the Mainland China under the Group. After training and renovation, the operations in Kunming and Shanghai fully commenced in June and November 2019, respectively.

The Shanghai Acquisition included an eye hospital in Huangpu District (黃浦區), the city center of Shanghai, and three clinics located in the Pudong New District (浦東新區), Yangpu District (楊浦區) and Putuo District (普陀區), respectively. Leveraging the expertise and the international reputation of the Group and the local knowledge and experience of the team in Shanghai, the operations acquired by the Group under the Shanghai Acquisition will be a key growth engine of the Group in the near future.

In December 2019, the Group became entitled to acquire a parcel of land located in Pingshan District (坪山區), Shenzhen, which is located near the high speed train station of Pingshan and is adjacent to a station on the planned Line 14 of Shenzhen Metro. The land will be used to establish the headquarters of the Group and a new eye hospital, which is an ideal place in terms of the convenience of the location for the patients and the increasing population in the eastern part of Shenzhen. Details were disclosed in the Company's announcement dated 27 December 2019.

We aim to further expand our service network in the Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區) and other Mainland China regions. Our fifth eye hospital in the Mainland China will be located in Huizhou (惠州), Guangdong Province, and is expected to commence operations during the second half of 2020. We plan to set up our sixth and seventh eye hospitals at Zhuhai and Guangzhou, respectively. In January 2020, the Group entered into an agreement to acquire 100% equity interest of an eye hospital in Zhuhai located at Xiangzhou District (香洲區) and the completion is expected to take place by the end of September 2020. The Group also entered into an agreement to acquire a property located at the city center of Tianhe District (天河區), Guangzhou, which will be used as the premises for our new eye hospital in Guangzhou and is expected to commence operations in the second half of 2020 or the first half of 2021.

For the year ended 31 December 2019, we generated 49.5% (2018: 50.8%) of our revenue in Hong Kong and 50.5% of our revenue (2018: 49.2%) in the Mainland China. Our business had experienced a rapid growth during the year ended 31 December 2019, generating a total revenue of HK$576.2 million for the year ended 31 December 2019 (2018: HK$429.4 million), representing an increase of 34.2% from the year ended 31 December 2018. With the increasing demand of quality medical services and the well-built network of our satellite clinics in Hong Kong, the revenue of Hong Kong increased by 30.7% to HK$285.0 million (2018: HK$218.0 million). In addition, the revenue of the Mainland China operations recorded an increase of 37.8% in Hong Kong dollar terms during the year ended 31 December 2019 primarily as a result of the strong growth in revenue of the eye hospitals in Shenzhen and Beijing, and the commencement of full business operations of the eye hospitals in Kunming and Shanghai. The depreciation of Renminbi ("**RMB**") has lowered our revenue growth when reporting in Hong Kong dollar terms. In RMB terms, our revenue in the Mainland China increased by 43.6% from the year ended 31 December 2018.

The revenue from Shenzhen amounted to HK$221.8 million (2018: HK$179.7 million) for the year ended 31 December 2019, representing a promising growth rate of 23.4% in Hong Kong dollar terms. In RMB terms, the revenue increased by 28.7%.

The revenue of the eye hospital in Beijing which commenced business operations since January 2018 increased by 65.9% in Hong Kong dollar terms and amounted to HK$52.6 million (2018: HK$31.7 million). In RMB terms, the revenue increased by 72.7%. Although the revenue of the eye hospital in Beijing is catching up and showing good progress, it incurred a net loss of HK$13.0 million during the year ended 31 December 2019 (2018: net loss of HK$23.2 million). Our Directors are satisfied with the performance of the eye hospital in Beijing, and we expect that its profitability will continue to improve in 2020.

FINANCIAL REVIEW

Revenue

We are an ophthalmic service provider in Hong Kong and the Mainland China. 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					
	2019		2018		**Change**	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Provision of ophthalmic services	528,545	91.7	399,905	93.1	128,640	32.2
Sales of vision aid products	47,664	8.3	29,469	6.9	18,195	61.7
	576,209	100.0	429,374	100.0	146,835	34.2

Our revenue was generated from Hong Kong and the Mainland China. In Hong Kong, our service network included our two day surgery centres and four satellite clinics. In the Mainland China, our eye hospitals are located in Shenzhen, Beijing, Shanghai and Kunming. Satellite eye clinics are also located in Baoan, Shenzhen, and another three located in different districts of Shanghai. The following table sets forth our revenue according to geographical markets as a percentage of total revenue:

	Year ended 31 December					
	2019		2018		**Change**	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	**284,953**	**49.5**	217,997	50.8	66,956	30.7
Mainland China	**291,256**	**50.5**	211,377	49.2	79,879	37.8
	576,209	**100.0**	429,374	100.0	146,835	34.2

Our total revenue during the year ended 31 December 2019 represented an increase of 34.2% as compared with our total revenue during the year ended 31 December 2018. In addition to the increase in the sales of visual aid products by 61.7%, the increase was primarily driven by the increase in the revenue generated from the provision of ophthalmic services to HK$528.5 million during the year ended 31 December 2019 from HK$399.9 million during the year ended 31 December 2018, representing an increase of 32.2%, because of the increase in the number of surgeries performed by us and the number of our ophthalmologists and physicians in Hong Kong and the Mainland China.

The revenue generated from our business operations in Hong Kong accounted for 49.5% of our total revenue, decreased from 50.8% for the year ended 31 December 2018, primarily due to the increase in revenue generated from our business operations in the Mainland China, which increased by 37.8% for the year ended 31 December 2019, which was at a faster pace than the revenue growth in Hong Kong of 30.7%.

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					
	2019		2018		**Change**	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
Consultation and other medical service fees						
– Hong Kong	**105,202**	**19.9**	83,460	20.9	21,742	26.1
– Mainland China	**94,245**	**17.8**	76,769	19.2	17,476	22.8
	199,447	**37.7**	160,229	40.1	39,218	24.5
Surgery fees						
– Hong Kong	**177,233**	**33.5**	131,888	33.0	45,345	34.4
– Mainland China	**151,865**	**28.7**	107,788	27.0	44,077	40.9
	329,098	**62.3**	239,676	59.9	89,422	37.3
Total	**528,545**	**100.0**	399,905	100.0	128,640	32.2

The ophthalmic services provided by us 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 provided by us 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		Change
	2019	2018	%
For Hong Kong			
Total surgery fee *(in HK$'000)*	**177,233**	131,888	34.4
Number of surgeries performed by us	**5,316**	3,779	40.7
Average surgery fee *(HK$)*	**33,340**	34,900	(4.5)
For Mainland China			
Total surgery fee *(in HK$'000)*	**151,865**	107,788	40.9
Number of surgeries performed by us	**10,654**	7,202	47.9
Average surgery fee *(HK$)*	**14,254**	14,966	(4.8)

In Hong Kong, the average surgery fee decreased by 4.5% due to the change of the type of surgery mix. The surgery volume increased during the year ended 31 December 2019 as a result of the increasing number of our Hong Kong ophthalmologists.

In the Mainland China, the average surgery fee decreased by 4.8% due to the depreciation of RMB against the Hong Kong dollar during the year ended 31 December 2019. The number of surgeries increased by 47.9% to 10,654 during the year ended 31 December 2019 mainly due to the strong growth in the number of patients 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 Mainland China. During the year ended 31 December 2019, our revenue generated from the sales of vision aid products amounted to HK$47.7 million, representing an increase of 61.7% from that of 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					
	2019		2018		**Change**	
	HK$'000	***% to revenue***	*HK$'000*	*% to revenue*	*HK$'000*	*%*
Doctors' consultation fees	**111,065**	**19.3**	80,874	18.8	30,191	37.3
Cost of inventories and consumables	**121,143**	**21.0**	75,150	17.5	45,993	61.2
Staff salaries and allowance	**78,219**	**13.6**	54,723	12.7	23,496	42.9
Rent and rates	**–**	**–**	33,955	7.9	(33,955)	(100.0)
Depreciation of right-of-use assets	**37,122**	**6.4**	–	–	37,122	N/A
Depreciation of property, plant and equipment	**24,050**	**4.2**	21,546	5.0	2,504	11.6
Others	**13,289**	**2.3**	13,789	3.2	(500)	(3.6)
Total	**384,888**	**66.8**	280,037	65.2	104,851	37.4

Compared with the year ended 31 December 2018, two new service locations which were acquired by us to meet the increased demand of ophthalmic services, including the eye hospitals in Kunming and Shanghai together with three satellite clinics in Shanghai since March and September 2019, respectively.

Accordingly, our cost of revenue increased by 37.4% from HK$280.0 million for the year ended 31 December 2018 to HK$384.9 million for the year 31 December 2019, primarily as a result of (i) an increase in cost of inventories and consumables of HK$46.0 million, (ii) an increase in doctors' consultation fees of HK$30.2 million, and (iii) an increase in staff salaries and allowance of HK$23.5 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 years indicated:

	Year ended 31 December					
	2019		2018		**Change**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Hong Kong	**84,702**	**29.7**	65,634	30.1	19,068	29.1
PRC	**106,619**	**36.6**	83,703	39.6	22,916	27.4
	191,321	**33.2**	149,337	34.8	41,984	28.1

The amount of gross profit during the year ended 31 December 2019 amounted to HK$191.3 million, representing an increase of 28.1% from HK$149.3 million during the year ended 31 December 2018. Our gross profit margin was 33.2% during the year ended 31 December 2019, as compared with 34.8% during the year ended 31 December 2018. The gross profit margin for our business operations in the Mainland China recorded a decrease to 36.6% from 39.6% primarily due to the lower gross profit margins in new hospitals in Shanghai and Kunming. The gross profit margin for our business operations in Hong Kong also recorded a decrease from 30.1% to 29.7% primarily due to the change of surgery mix and more new ophthalmologists joined the Group during the year ended 31 December 2019.

Selling expenses

Our selling expenses increased by 74.7% from HK$26.5 million for the year ended 31 December 2018 to HK$46.3 million for the year ended 31 December 2019, primarily due to an increase in promotional expenses in the Mainland China. The amount of selling expenses, as a percentage of our total revenue, slightly increased from 6.2% for the year ended 31 December 2018 to 8.0% for the year ended 31 December 2019. 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 2019 amounted to HK$98.4 million.

The other administrative expenses had an increase of 51.7% as compared with HK$64.9 million during the year ended 31 December 2018. The increase in our other administrative expenses during the year was primarily driven by the increase in our staff salaries and allowances as a result of business expansion.

Other income

Our other income during the year ended 31 December 2019 increased to HK$15.3 million from HK$14.3 million during the year ended 31 December 2018. The increase was primarily due to the increase in the interest income and miscellaneous income.

Other losses, net

Our other losses, net during the year ended 31 December 2019 amounted to HK$0.9 million and mainly consisted of foreign exchange losses.

Finance expenses

Our finance expenses increased from HK$0.2 million for the year ended 31 December 2018 to HK$7.5 million for the year ended 31 December 2019, primarily because of the lease liabilities recorded from the initial adoption of HKFRS 16.

Income tax expense

Our income tax expense during the year ended 31 December 2019 amounted to HK$14.1 million, representing a decrease by 24.2% from HK$18.6 million during the year ended 31 December 2018. The decrease was primarily due to the decrease of the profit before tax in the Mainland China.

Profit for the year

As a result of the foregoing, our profit for the year ended 31 December 2019 decreased by 8.1% to HK$39.1 million, primarily due to the losses of the new eye hospitals in Kunming and Shanghai and the satellite clinic in Baoan, Shenzhen.

If excluding the net losses of the eye hospital in Beijing amounted to HK$13.0 million, the satellite clinic in Baoan amounted to HK$7.0 million, the hospital in Kunming amounted to HK$11.6 million and the hospital and three clinics in Shanghai amounted to HK$8.0 million, the net profit of the Group for the year ended 31 December 2019 would amount to HK$78.7 million.

Capital expenditure and commitments

For the year ended 31 December 2019, the Group incurred capital expenditures of HK$141.9 million, primarily due to purchases of medical equipment and leasehold improvements.

As at 31 December 2019, the Group had a total capital commitment of approximately HK$188.7 million (2018: HK$0.5 million), mainly comprising the related contracts of capital expenditure for medical equipment and the capital required for the acquisition of the parcel of land in Pingshan District, Shenzhen.

Borrowings

As at 31 December 2019, the Group had no borrowings.

Contingent liabilities

The Group had no material contingent liability as at 31 December 2019.

Pledge of assets

The Group had no pledge of assets as at 31 December 2019.

Financial instruments

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

Gearing ratio

As at 31 December 2019, the gearing ratio is not applicable due to net cash position (2018: same).

Foreign exchange risk

Our subsidiaries mainly operate in Hong Kong and the Mainland China 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 2019, the financial assets and liabilities of our subsidiaries in Hong Kong and the Mainland China were primarily denominated in HK$ and RMB, respectively. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group's foreign exchange rate risks. Any material fluctuation in the exchange rates of HK$ or RMB may have an impact on the operating results of the Group. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

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 lease liabilities at fixed interest rates.

Credit risk

Our credit risk mainly arises from trade receivables, deposits and other receivables, bank deposits with an original maturity over three months 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 sheet.

The credit risk of bank deposits with original maturity over three months and 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 or the Mainland China.

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.

Employees and remuneration policies

As at 31 December 2019, the Group employed a total of 851 employees (2018: 456). 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 bonus. 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 2019 annual report. The Group also sponsors selected employees to attend external training courses that suit the needs of the Group's business.

Events after the balance sheet date

(a) On 17 January 2020, the Group entered into agreements with China Cinda, an independent third party, to acquire:

    (i) 100% equity interest of Guangzhou Yue Xiu at a cash consideration of RMB36,050,000 (equivalent to approximately HK$40,051,000). Guangzhou Yue Xiu holds certain properties in the city center of Tianhe District, Guangzhou, the PRC, which will be used as the premises for our new eye hospital in Guangzhou;

    (ii) the rights to loan and interest receivables amounting to RMB63,950,000 (equivalent to approximately HK$71,048,587) due from Guangzhou Yue Xiu to China Cinda at a cash consideration of RMB63,950,000.

    Up to the date of this announcement, the transactions have not been completed.

(b) On 17 January 2020, the Group entered into an agreement with two independent third parties to acquire 100% equity interest of Zhuhai Chang Jiu Ophthalmic Hospital Limited in Zhuhai, the PRC, at a cash consideration of RMB16,000,000 (equivalent to approximately HK$17,776,000). Up to the date of this announcement, the acquisition has not been completed.

(c) On 20 January 2020, the Group entered into an agreement with Avalon Global to subscribe for 5% of the issued share capital of Avalon Global at a total consideration of HK$38,875,000, of which HK$19,437,500 to be settled in cash and the remaining HK$19,437,500 to be settled by allotment of 3,864,314 shares of the Company. Avalon Global and its subsidiaries are engaged in developing healthcare solutions across the fields of biopharma, diagnostics, medical devices and other areas of healthcare. The share subscription was completed on 31 January 2020. Details was disclosed in the Company's announcement dated 20 January 2020.

(d) The outbreak of coronavirus disease (COVID-19) ("**COVID-19**") started to negatively impact the Group's operations in Hong Kong and the Mainland China commencing from late January 2020. Most of the Group's clinics, day surgery centers and hospitals have seen appointment cancellations and the surgery centers and clinics in Hong Kong were closed for 3 to 6 days while the hospitals in the Mainland China were closed for 3 to 6 weeks as a result of government restrictions, quarantines and lockdowns in the Mainland China. Management considers that the overall financial impact of the outbreak could not be reliably estimated at this stage given the dynamic nature of the outbreak and its development globally. The Group is now focused on all possible operational cost containment options, as well as deferring capital spending where possible. The Group will continue to assess the impact of the outbreak of COVID-19 on the Group's operation and financial performance and closely monitor its financial and liquidity position, and will issue further announcement(s) as and when necessary if there is material impact of the outbreak on the Group.

OUTLOOK AND STRATEGIES

The implementation of the favorable policies to the medical industry in the Mainland China, 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 Mainland China are expected to stimulate the demand for high-quality ophthalmic services. The Group is prepared to exploit the business opportunity by implementing the following strategies:

- establish or acquire eye hospitals, eye centre and clinics in Hong Kong and selected Mainland China cities including cities in Eastern China, Southwest or Central China and the Guangdong- Hong Kong-Macau Greater Bay Area;
- improve our operational capacity and service capability; and
- identify suitable strategic partners for collaboration.

CORPORATE GOVERNANCE

The Board is committed to maintaining high corporate governance standards.

During the year ended 31 December 2019, the Company has applied the principles as set forth in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") which are applicable to the Company.

In the opinion of the Board, during the year ended 31 December 2019, 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 should be separate and should not be performed by the same individual. Dr. LAM Shun Chiu Dennis *JP* is both our Chairman and Chief Executive Officer and is responsible for the overall management of the Group and directing the strategic development and business plans of the 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 *JP*) and four independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board 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 2019.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity requirements are primarily used to satisfy to our working capital needs for our business operations. Our principal sources of liquidity are cash generated from our business operations and our bank deposits. As at 31 December 2019, we had cash and cash equivalents of HK$282.2 million and bank deposits with original maturity of over three months of HK$253.7 million.

The current ratio (calculated as current assets over current liabilities) was 4.48 times as at 31 December 2019 compared with 14.84 times as at 31 December 2018.

Net cash generated from operating activities was HK$136.8 million during the year ended 31 December 2019 (2018: HK$40.9 million). The increase was mainly attributed to increase in cash generated from operations and the increase in depreciation of right-of-use assets of HK$46.5 million during the year ended 31 December 2019.

Net cash used in investing activities amounted to HK$259.4 million during the year ended 31 December 2019 as compared to HK$274.6 million during the year ended 31 December 2018. The Group invested approximately HK$103.3 million for acquisitions of subsidiaries, net of cash acquired and approximately HK$83.9 million for purchase of property, plant and equipment.

During the year ended 31 December 2019, net cash used in financing activities amounted to HK$66.6 million, as compared to net cash generated from financing activities amounted to HK$630.4 million during the year ended 31 December 2018. The cash outflow from financing activities for the year ended 31 December 2019 was mainly from the principal elements of lease payments.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2019, the Group did not have any significant investments, acquisitions or disposals, save for the Shanghai Acquisition and the acquisition of land use rights in Shenzhen. For details, please refer to the Company's announcements dated 26 March 2019 and 27 December 2019, respectively.

USE OF PROCEEDS FROM GLOBAL OFFERING

The shares of the Company were listed on 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.

During the year ended 31 December 2019, net proceeds in the amount of approximately HK$273.8 million was used, consisting of (1) HK$51.8 million for the acquisition of property, plant and equipment, (2) HK$26.8 million for general working capital, (3) HK$81.2 million for the Shanghai Acquisition as adjusted with the downward adjustment as stated in the Company's announcement dated 26 March 2019, (4) HK$35.0 million for the Kunming Acquisition, (5) HK$22.6 million for the establishment of an eye hospital in Huizhou, and (6) HK$46.4 million being applied towards the deposit for the acquisition of land use rights in Shenzhen, which will be used for the establishment of a new eye hospital.

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 31 December 2019.

Use of net proceeds	Percentage of net proceeds *%*	Net proceeds *HK$'000*	Amount utilised *HK$'000*	Amount remaining *HK$'000*
For possible acquisition of three operating eye hospitals in selected PRC cities	42.5%	259,200	116,158	143,042
For establishing three eye hospitals in selected PRC cities	40.4%	246,400	69,064	177,336
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	51,800	–
For our working capital and general corporate purpose	4.4%	26,800	26,800	–
Total	100.0%	609,800	273,822	355,978

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 for the amount remaining unused from the Global Offering from that disclosed in the Prospectus. The Directors expect that the amount remaining will be used on or before 31 December 2021.

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 *SBS JP* 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 consolidated financial statements and annual results for the year ended 31 December 2019.

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 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft 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 year ended 31 December 2019. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the year ended 31 December 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 for the year ended 31 December 2019.

FINAL DIVIDEND

The Board has resolved to propose a final dividend of HK2.0 cents per share for the year ended 31 December 2019, representing a distribution of approximately 53.9% of the Group's net profit for the year ended 31 December 2019.

The proposed final dividend payment is subject to approval by the shareholders of the Company at the annual general meeting ("**AGM**") to be held on Tuesday, 19 May 2020. If approved by shareholders, the proposed final dividend is expected to be paid on or about Monday, 22 June 2020 to shareholders whose names appear on the register of members of the Company on Thursday, 28 May 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed as follows:

(a) Shareholders whose names appear on the register of members of the Company on 19 May 2020 are entitled to attend and vote at the AGM. The register of members of the Company will be closed from Thursday, 14 May 2020 to Tuesday, 19 May 2020, 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 Wednesday, 13 May 2020.

(b) For the purpose of ascertaining shareholders' entitlement for the final dividend, the register of members of the Company will be closed from Tuesday, 26 May 2020 to Thursday, 28 May 2020, both days inclusive. To qualify for the final dividend, 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 Monday, 25 May 2020.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 19 May 2020. 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 2019 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 Stock Exchange and 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, 31 March 2020

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