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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2020	2019	Change
	HK$'000	*HK$'000*	
	(Unaudited)	(Unaudited)	
Revenue	**261,766**	264,594	-1.1%
Gross profit	**61,466**	99,299	-38.1%
(Loss)/profit for the period	**(22,177)**	33,126	N/A
(Loss)/profit for the period attributable to equity holders of the Company	**(20,981)**	33,757	N/A
Gross profit margin (%)	**23.5%**	37.5%	-14.0 pp
Net profit margin (%)	**N/A**	12.5%	N/A

The board (the "**Board**") of directors (the "**Directors**") of C-MER Eye Care Holdings Limited (the "**Company**") announces the unaudited interim consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020, together with the comparative figures for the six months ended 30 June 2019, as follows:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2020	2019
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	4	**261,766**	264,594
Cost of revenue	7	**(200,300)**	(165,295)
Gross profit		**61,466**	99,299
Other income	5	**2,564**	6,669
Selling expenses	7	**(23,489)**	(18,533)
Administrative expenses	7	**(52,844)**	(41,567)
Other (losses)/gains, net	6	**(1,632)**	1,073
Operating (loss)/profit		**(13,935)**	46,941
Finance expenses	8	**(4,770)**	(3,433)
Share of losses of associates		**(84)**	–
(Loss)/profit before income tax		**(18,789)**	43,508
Income tax expense	9	**(3,388)**	(10,382)
(Loss)/profit for the period		**(22,177)**	33,126
(Loss)/profit for the period attributable to:			
– Equity holders of the Company		**(20,981)**	33,757
– Non-controlling interests		**(1,196)**	(631)
		(22,177)	33,126

	Note	Six months ended 30 June	
		2020	2019
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Other comprehensive loss			
Item that may be subsequently reclassified to profit or loss			
Currency translation differences		**(11,280)**	(234)
Total other comprehensive loss for the period		**(11,280)**	(234)
Total comprehensive (loss)/income for the period		**(33,457)**	32,892
Total comprehensive (loss)/income for the period attributable to:			
– Equity holders of the Company		**(32,123)**	33,517
– Non-controlling interests		**(1,334)**	(625)
		(33,457)	32,892
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
– basic	10	**(1.97)**	3.24
– diluted	10	**(1.97)**	3.19

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

		As at	
		30 June	31 December
		2020	2019
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**168,637**	164,373
Right-of-use assets		**397,033**	165,392
Intangible assets		**103,679**	104,566
Interest in an associate		**793**	2,204
Financial assets at fair value through other comprehensive income		**54,933**	–
Deferred income tax assets		**4,695**	5,014
Deposits and prepayments		**119,172**	96,401
		848,942	537,950
Current assets			
Inventories		**22,308**	14,169
Trade receivables	12	**12,407**	11,228
Deposits, prepayments and other receivables		**20,674**	20,449
Bank deposits with original maturity over three months		**338,734**	253,675
Cash and cash equivalents		**236,359**	282,178
		630,482	581,699
Total assets		**1,479,424**	1,119,649
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**114,373**	105,130
Reserves		**1,110,013**	751,608
		1,224,386	856,738
Non-controlling interests		**3,249**	4,583
Total equity		**1,227,635**	861,321

		As at	
		30 June	31 December
		2020	2019
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		**133,224**	128,437
		133,224	128,437
Current liabilities			
Trade payables	13	**14,968**	13,849
Accruals and other payables		**45,607**	60,385
Amount due to a related party		**129**	131
Current income tax liabilities		**7,424**	12,283
Lease liabilities		**50,437**	43,243
		118,565	129,891
Total liabilities		**251,789**	258,328
Total equity and liabilities		**1,479,424**	1,119,649

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 and sale of vision aid products in Hong Kong ("**HK**") and Mainland China (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 2020 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 2019, 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 2019, 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 amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2020:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting
HKFRS 3 (Amendments)	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
HKFRS 16 (Amendments)	COVID-19-Related Rent Concessions

The Group has early adopted Amendment to HKFRS 16 "COVID-19-Related Rent Concessions" from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and (c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totalling HK$3,400,000 have been accounted for as negative variable lease payments and recognised in the condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2020, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

The adoption of other amendments listed above did not have material impact on the Group's accounting policies and did not require any adjustments.

(b) New and amended standards not yet adopted

The following new standards and amendments to standards which have been issued, but are effective for the financial year beginning on or after 1 January 2021 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
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
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022

Management is in the process of assessing the financial 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.

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Provision of ophthalmic services	**227,852**	245,260
Sales of vision aid products	**33,914**	19,334
	261,766	264,594
Timing of revenue recognition		
Over time	**227,852**	245,260
At a point in time	**33,914**	19,334
	261,766	264,594

(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 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)/gains, net, finance expenses, share of losses of associates and income tax expense are not included in segment results.

The segment results for the six months ended 30 June 2020 are as follows:

	(Unaudited) Six months ended 30 June 2020		
	HK	**Mainland China**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue	**135,554**	**126,212**	**261,766**
Gross profit	**32,334**	**29,132**	**61,466**
Selling expenses	**(4,134)**	**(19,355)**	**(23,489)**
Administrative expenses	**(13,336)**	**(39,508)**	**(52,844)**
Segment results	**14,864**	**(29,731)**	**(14,867)**
Other income			**2,564**
Other losses, net			**(1,632)**
Finance expenses			**(4,770)**
Share of losses of associates			**(84)**
Loss before income tax			**(18,789)**
Income tax expense			**(3,388)**
Loss for the period			**(22,177)**
Other segment information			
Additions to non-current assets	**13,264**	**279,757**	**293,021**
Depreciation and amortisation	**(15,210)**	**(38,988)**	**(54,198)**
Loss on disposal of property, plant and equipment, net	**(1)**	**(3)**	**(4)**

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

	(Unaudited) Six months ended 30 June 2019		
	HK	Mainland China	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)

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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Management fee income	**57**	57
Interest from bank deposits	**2,436**	6,587
Others	**71**	25
	2,564	6,669

6 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Losses on disposal of property, plant and equipment, net	**(4)**	(108)
Loss on disposal of an associate	**(1,328)**	–
Exchange (losses)/gains, net	**(300)**	1,181
	(1,632)	1,073

7 EXPENSES BY NATURE

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of intangible assets	**415**	289
Auditor's remuneration	**917**	907
Depreciation of property, plant and equipment	**20,704**	14,304
Depreciation of right-of-use assets	**33,079**	20,469
Doctors' consultation fees	**58,875**	51,535
Cost of inventories and consumables	**54,700**	46,737
Employee benefit expenses	**67,383**	50,087
Short-term lease expenses	**549**	307
COVID-19-related rent concessions	**(3,400)**	–
Legal and professional fees	**2,259**	4,048
Share option expenses to doctors and consultants	**1,809**	1,532

8 FINANCE EXPENSES

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	**4,770**	3,433

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits for the period.

The applicable tax rate for the subsidiaries in Mainland China of the Group is 25% (six months ended 30 June 2019: 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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong profits tax	**2,680**	6,909
– China enterprise income tax	**423**	4,424
Under-provision in prior years	**38**	27
Deferred income tax	**247**	(978)
Income tax expense	**3,388**	10,382

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the loss (six months ended 30 June 2019: profit) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to equity holders of the Company during the period *(HK$'000)*	**(20,981)**	33,757
Weighted average number of ordinary shares in issue	**1,062,916,228**	1,041,361,323
Basic (loss)/earnings per share *(HK cents)*	**(1.97)**	3.24

Note:

(i) The loss (six months ended 30 June 2019: earnings) per share as presented above is calculated using the weighted average number of 1,062,916,228 (six months ended 30 June 2019: 1,041,361,323) ordinary shares deemed to be in issue for the period.

(b) Diluted

Diluted loss (six months ended 30 June 2019: 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 no (six months ended 30 June 2019: one category) dilutive potential ordinary shares.

As at 30 June 2020, the 3,174,000 pre-IPO share options and 5,500,000 post-IPO share options outstanding are not included in the calculation of diluted loss per share because they are antidilutive for the six months ended 30 June 2020.

For the six months ended 30 June 2019, the number of shares included as below for the pre-IPO share options 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	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to equity holders of the Company during the period *(HK$'000)*	**(20,981)**	33,757
Weighted average number of ordinary shares in issue	**1,062,916,228**	1,041,361,323
Adjustments for:		
– impact of the pre-IPO share option scheme	**–**	15,461,136
Weighted average number of ordinary shares for diluted (loss)/earnings per share	**1,062,916,228**	1,056,822,459
Diluted (loss)/earnings per share *(HK cents)*	**(1.97)**	3.19

11 DIVIDENDS

At a Board meeting held on 31 March 2020, the directors recommended the payment of a final dividend in respect of the year ended 31 December 2019 of HK2.0 cents per ordinary share, which was estimated to be approximately HK$21,103,310 at the time calculated on the basis of the ordinary shares in issue as at 31 December 2019. The final dividend was declared and approved at the annual general meeting on 19 May 2020, totalled HK$21,515,000.

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2020** *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
0–90 days	**10,766**	9,617
91–180 days	**1,082**	594
Over 180 days	**559**	1,017
	12,407	11,228

13 TRADE PAYABLES

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

	As at **30 June 2020** *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
0–30 days	**11,893**	10,216
31–60 days	**182**	1,256
61–90 days	**1,404**	870
Over 90 days	**1,489**	1,507
	14,968	13,849

14 EVENTS AFTER THE BALANCE SHEET DATE

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$17,456,000). The acquisition was completed on 8 August 2020.

On 28 August 2020, a wholly-owned subsidiary of the Group entered into an agreement with an independent third party to acquire the practice and assets of a clinic in Central, Hong Kong, at a maximum consideration of HK$26,745,000 of which a maximum amount of HK$15,381,000 to be settled in cash and the remaining HK$11,364,000 to be settled by allotment of 1,852,322 shares of the Company, which is subject to contingent cash consideration payments or receivables based on the cost of inventory at the date of closing and achievement of future revenue targets, respectively. Up to the date of this announcement, the acquisition has not been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The outbreak of COVID-19 has negatively impacted the Group's operations in Hong Kong and 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 the hospitals in the Mainland China were locked down for up to 6 weeks in the first quarter of 2020. Moreover, the second wave of COVID-19 outbreak in Beijing in June 2020 gave a further blow to our operation in Beijing. Our operation in Shanghai was moderately affected while our operations in Hong Kong, Shenzhen and Kunming were affected to a lesser degree.

Despite of the impact of COVID-19, we continue with our plan to 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 and sixth eye hospitals are located at Zhuhai and Baoan, Shenzhen. 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) from an independent third party and the completion took place on 8 August 2020. The clinic in Baoan, Shenzhen will be upgraded to a full-size eye hospital by October 2020 with an increase of area from 1,600 square meters to 3,418 square meters with 4 operating theatres and 11 consultation rooms.

Our seventh and eighth eye hospitals will be located at Huizhou (惠州) and Guangzhou, respectively. Our eye hospital in Huizhou, is expected to commence operations during the second half of 2020. The Group also entered into an agreement to acquire a property from an independent third party 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 first half of 2021. Up to the date of this announcement, the transaction has not been completed.

For the six months ended 30 June 2020, we generated 51.8% (six months ended 30 June 2019: 51.0%) of our revenue in Hong Kong and 48.2% (six months ended 30 June 2019: 49.0%) in the Mainland China. Due to the impact of COVID-19, our business experienced a slight decrease during the six months ended 30 June 2020, generating total revenue of HK$261.8 million for the six months ended 30 June 2020 (six months ended 30 June 2019: HK$264.6 million), representing a slight decrease of 1.1% from the corresponding period in 2019. In particular, the revenue of the Mainland China operations recorded a decrease of 2.7% in Hong Kong dollar terms during the six months ended 30 June 2020 primarily as a result of the adverse impact of COVID-19. The depreciation of Renminbi has negatively impacted our revenue when reporting in Hong Kong dollar terms. In Renminbi, our revenue in Mainland China increased by 2.4%.

The revenue of the eye hospital in Shenzhen amounted to HK$70.8 million during the six months ended 30 June 2020 (six months ended 30 June 2019: HK$100.2 million), representing a decrease of 29.3% in Hong Kong dollar terms. In Renminbi, the revenue decreased by 25.7%. Our clinic in Baoan, Shenzhen was catching up well with revenue amounted to HK$11.2 million during the six months ended 30 June 2020 (six months ended 30 June 2019: HK$3.0 million), representing an increase of 276.8% in Hong Kong dollar terms. In Renminbi, the revenue increased by 296.5%.

With the second wave of COVID-19 outbreak in Beijing in June 2020, the revenue of the eye hospital in Beijing, which commenced business operations since January 2018, decreased by 47.8% in Hong Kong dollar terms and amounted to HK$13.1 million (six months ended 30 June 2019: HK$25.1 million). In Renminbi, the revenue decreased by 45.1%. As a result, this hospital incurred a net loss amounted to HK$14.8 million during the six months ended 30 June 2020 (six months ended 30 June 2019: HK$3.9 million).

The two newly acquired eye hospitals located in Kunming and Shanghai commenced full operations in June and November 2019, respectively, and contributed HK$11.7 million and HK$19.5 million to the revenue of the Group, respectively, during the six months ended 30 June 2020. Operations at both of these eye hospitals are improving well from the lockdowns since March 2020. The Group will continue to seek opportunities by acquisition as this provides a faster way for expansion.

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 periods indicated as a percentage of total revenue:

	Six months ended 30 June					
	2020		2019		Change	
	HK$'000	***%***	*HK$'000*	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)			
Provision of ophthalmic services	**227,852**	**87.0**	245,260	92.7	(17,408)	(7.1)
Sales of vision aid products	**33,914**	**13.0**	19,334	7.3	14,580	75.4
	261,766	**100.0**	264,594	100.0	(2,828)	(1.1)

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

	Six months ended 30 June					
	2020		2019		Change	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)			
Hong Kong	**135,554**	**51.8**	134,891	51.0	663	0.5
Mainland China	**126,212**	**48.2**	129,703	49.0	(3,491)	(2.7)
	261,766	**100.0**	264,594	100.0	(2,828)	(1.1)

Our total revenue during the six months ended 30 June 2020 represented a slight decrease of 1.1% as compared with our total revenue during the six months ended 30 June 2019. Although the sales of vision aid products increased by 75.4% to HK$33.9 million due to the revenue from the operations in Kunming, Shanghai and Baoan, Shenzhen, the decrease in total revenue was primarily driven by the decrease in the revenue generated from the provision of ophthalmic services to HK$227.9 million during the six months ended 30 June 2020 from HK$245.3 million during the six months ended 30 June 2019, representing a decrease of 7.1%, because of adverse impact of COVID-19.

The revenue generated from our business operations in Hong Kong accounted for 51.8% of our total revenue, represented an increase from 51.0% as compared with the six months ended 30 June 2019, primarily because of the decrease in the amount of revenue of Mainland China of 2.7% for the six months ended 30 June 2020 while the revenue of Hong Kong increased by 0.5%.

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					
	2020		2019		Change	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)			
Consultation and other medical service fees						
– Hong Kong	**47,698**	**20.9**	49,761	20.3	(2,063)	(4.1)
– Mainland China	**31,357**	**13.8**	39,469	16.1	(8,112)	(20.6)
	79,055	**34.7**	89,230	36.4	(10,175)	(11.4)
Surgery fees						
– Hong Kong	**87,159**	**38.3**	83,802	34.2	3,357	4.0
– Mainland China	**61,638**	**27.1**	72,228	29.4	(10,590)	(14.7)
	148,797	**65.3**	156,030	63.6	(7,233)	(4.6)
	227,852	**100.0**	245,260	100.0	(17,408)	(7.1)

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 for the six months ended 30 June 2020:

	Six months ended 30 June		
	2020	2019	Change
	(Unaudited)	(Unaudited)	%
For Hong Kong			
Total surgery fee *(in HK$'000)*	**87,159**	83,802	4.0
Number of surgeries performed by us	**2,635**	2,449	7.6
Average surgery fee *(HK$)*	**33,077**	34,219	(3.3)
For Mainland China			
Total surgery fee *(in HK$'000)*	**61,638**	72,228	(14.7)
Number of surgeries performed by us	**5,597**	4,621	21.1
Average surgery fee *(HK$)*	**11,013**	15,630	(29.5)

In Hong Kong, the average surgery fee decreased by 3.3% due to the change of the type of surgery mix. However, the surgery volume increased during the six months ended 30 June 2020 as a result of the increasing number of our Hong Kong ophthalmologists.

In Mainland China, the average surgery fee decreased by 29.5% due to the depreciation of RMB against HK$ and the change of surgery mix during the six months ended 30 June 2020 although the number of surgeries increased by 21.1% to 5,597 during the six months ended 30 June 2020, such increase was mainly attributable to the surgeries performed in the eye hospitals in Kunming and Shanghai.

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 Mainland China. During the six months ended 30 June 2020, our revenue generated from the sales of vision aid products amounted to HK$33.9 million, representing an increase of 75.4% 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					
	2020		2019		Change	
	HK$'000	***% to revenue***	*HK$'000*	*% to revenue*	*HK$'000*	*%*
	(Unaudited)		(Unaudited)			
Doctors' consultation fees	**58,875**	**22.5**	51,535	19.5	7,340	14.2
Cost of inventories and consumables	**54,700**	**20.9**	46,737	17.7	7,963	17.0
Staff salaries and allowance	**42,625**	**16.3**	31,431	11.9	11,194	35.6
Depreciation of right-of-use assets	**23,716**	**9.1**	16,725	6.3	6,991	41.8
Depreciation of property, plant and equipment	**17,047**	**6.5**	12,059	4.6	4,988	41.4
Others	**3,337**	**1.3**	6,808	2.6	(3,471)	(51.0)
Total	**200,300**	**76.5**	165,295	62.5	35,005	21.2

Comparing with the six months ended 30 June 2020 with the same period in 2019, there were two new service locations that commenced operations 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 21.2% from HK$165.3 million for the six months ended 30 June 2019 to HK$200.3 million for the six months ended 30 June 2020, primarily as a result of (i) an increase in staff salaries and allowance of HK$11.2 million, (ii) an increase in cost of inventories and consumables of HK$8.0 million, and (iii) an increase in doctors' consultation fees of HK$7.3 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					
	2020		2019		Change	
	Gross profit *HK$'000* **(Unaudited)**	**GP%**	Gross profit *HK$'000* (Unaudited)	GP%	Gross profit *HK$'000*	GP%
Hong Kong	**32,334**	**23.9**	44,833	33.2	(12,499)	(27.9)
Mainland China	**29,132**	**23.1**	54,466	42.0	(25,334)	(46.5)
	61,466	**23.5**	99,299	37.5	(37,833)	(38.1)

Due to the reasons mentioned above, the amount of gross profit during the six months ended 30 June 2020 amounted to HK$61.5 million, representing a decrease of 38.1% from HK$99.3 million during the six months ended 30 June 2019. Our gross profit margin was 23.5% during the six months ended 30 June 2020, as compared with 37.5% during the six months ended 30 June 2019. The gross profit margin for our business operations in the Mainland China decreased to 23.1% from 42.0% and the gross profit margin for our business operations in Hong Kong also decreased to 23.9% from 33.2% primarily due to the adverse impact of COVID-19.

Selling expenses

Our selling expenses increased by 26.7% from HK$18.5 million for the six months ended 30 June 2019 to HK$23.5 million for the six months ended 30 June 2020, primarily due to an increase in promotional expenses in the Mainland China for the eye hospitals in Shenzhen, Beijing, Shanghai and Kunming. The amount of selling expenses, as a percentage of our total revenue, increased from 7.0% for the six months ended 30 June 2019 to 9.0% for the six months ended 30 June 2020. The fees paid to online platforms represented the major component of our selling expenses.

Administrative expenses

Our total administrative expenses had an increase of 27.1% as compared with HK$41.6 million during the six months ended 30 June 2019. The increase in our 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 2020 decreased to HK$2.6 million from HK$6.7 million during the six months ended 30 June 2019. The decrease was primarily due to the decrease in the interest income and miscellaneous income.

Other (losses)/gains, net

Our other losses, net during the six months ended 30 June 2020 amounted to HK$1.6 million, mainly consisted of a loss on disposal of an associate.

Finance expenses

Our finance expenses increased from HK$3.4 million for the six months ended 30 June 2019 to HK$4.8 million for the six months ended 30 June 2020, primarily due to the lease liabilities recorded in accordance with the HKFRS 16 Leases for the six months ended 30 June 2020.

Income tax expense

Our income tax expense during the six months ended 30 June 2020 amounted to HK$3.4 million, representing a decrease by 67.4% from HK$10.4 million during the six months ended 30 June 2019. The decrease was primarily due to the decrease in the profit before tax for the operations in Hong Kong and Shenzhen.

(Loss)/profit for the period

As a result of the foregoing, our loss for the six months ended 30 June 2020 amounted to HK$22.2 million (six months ended 30 June 2019: profit of HK$33.1 million), with the primary impact arising from the adverse impact of COVID-19.

If excluding the loss recorded by the eye hospital in Beijing in the amount of HK$14.8 million, the satellite clinic in Baoan amounted to HK$2.4 million, the hospital in Kunming amounted to HK$5.8 million and the hospital and three clinics in Shanghai amounted to HK$9.8 million, the "profit" or "net profit" of the Group for the six months ended 30 June 2020 would be amounted to HK$10.6 million.

Events after the balance sheet date

(1) 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$17,456,000). The acquisition was completed on 8 August 2020.

(2) On 28 August 2020, a wholly-owned subsidiary of the Group entered into an agreement with an independent third party to acquire the practice and assets of a clinic in Central, Hong Kong, at a maximum consideration of HK$26,745,000, of which a maximum amount of HK$15,381,000 to be settled in cash and the remaining HK$11,364,000 to be settled by allotment of 1,852,322 shares of the Company, which is subject to contingent cash consideration payments or receivables based on the cost of inventory at the date of closing and achievement of future revenue targets, respectively. Up to the date of this announcement, the acquisition has not been completed.

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 opportunities 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.

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020.

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 2020, the Company has complied with all applicable code provisions as set forth in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, 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 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 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 2020. 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 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed in this announcement, 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 2020.

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.

During the period ended 30 June 2020, net proceeds in the amount of approximately HK$184.9 million was used, consisting of (1) HK$7.5 million for the final payment of the Shanghai Acquisition, and (2) a total of HK$177.3 million being applied towards the payment for the acquisition of land use rights in Shenzhen and the premises in Guangzhou, which will be used for the establishment of the new eye hospitals in Shenzhen and Guangzhou, respectively.

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 2020.

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 Mainland China cities	42.5%	259,200	(123,679)	135,521
For establishing three eye hospitals in selected Mainland China 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 Mainland China	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	(458,679)	151,121

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. The Directors expect that the amount remaining will be used on or before 31 December 2021.

USE OF PROCEEDS FROM PLACING

On 19 June 2020, the Company entered into a placing agreement with C-MER Group Limited (the "**Seller**") and the Hong Kong and Shanghai Banking Corporation Limited (the "**Placing Agent**") in respect of the placing of an aggregate amount of 68,000,000 existing ordinary shares of the Company (the "**Shares**") at the Placing Price of HK$5.80 per Share (the "**Pricing Price**") to not less than six independent professional, institutional and/or individual investors (the "**Placing**"). The Seller then subscribed (the "**Subscription**") for 68,000,000 Shares that were subsequently issued by the Company at the Placing Price. The Placing and the Subscription was completed on 23 June 2020 and 30 June 2020, respectively.

The net proceeds from the Subscription (after deducting relevant expenses borne or incurred by the Company) were approximately HK$387.6 million, which will be used for strengthening the financial position of the Group and for possible acquisition(s) and/or establishment of eye hospital(s) in Mainland China and/or as working capital for the Group, as disclosed in the announcement of the Company dated 19 June 2020. The table below sets out the planned applications of the net proceeds and actual usage up to 30 June 2020:

Use of proceeds	**Planned applications**	**Percentage of total net proceeds**	**Actual usage up to 30 June 2020**	**Net proceeds brought forward for the Reporting Period**	**Unutilized net proceeds as at 30 June 2020**	**Expected timeline for utilizing the remaining unutilized net proceeds**[(1)]
	HK$'000		*HK$'000*	*HK$'000*	*HK$'000*	
For possible acquisition(s) and/or establishment of eye hospital(s) in Mainland China and/or as working capital for the Group	387,600	100%	–	387,600	387,600	By the end of 2022

Note:

(1) The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

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 2020 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 2020 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, 28 August 2020

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. LI Kwok Tung Donald SBS JP, Mr. MA Andrew Chiu Cheung, Mr. CHAN Chi Leong and Ms. BENTLEY Annie Liang.