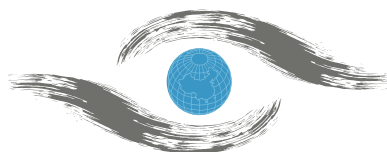


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**C-MER 希瑪**

**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 2020  
AND  
CHANGE IN USE OF PROCEEDS**

**FINANCIAL HIGHLIGHTS**

	<i>Note</i>	<b>Year ended 31 December</b>		<b>Change</b>
		<b>2020</b>	<b>2019</b>	
		<b>HK\$'000</b>	<b>HK\$'000</b>	
Revenue		<b>699,545</b>	576,209	21.4%
Gross profit		<b>194,077</b>	191,321	1.4%
Profit before income tax		<b>2,504</b>	53,208	-95.3%
(Loss)/profit for the year		<b>(8,412)</b>	39,122	N/A
(Loss)/profit for the year attributable to equity holders of the Company		<b>(6,246)</b>	41,435	N/A
Earnings before interest, taxes, depreciation and amortisation	1	<b>121,362</b>	125,796	-3.5%
Gross profit margin (%)		<b>27.7%</b>	33.2%	-5.5 pp
Net profit margin (%)		<b>N/A</b>	6.8%	N/A

*Note:*

- 1 This is not a measure of performance under Hong Kong Financial Reporting Standards (“**HKFRS**”), but is widely used by management for monitoring business performance of a company from operational perspective. It may not be comparable to similar measures presented by other companies.

The board (the “**Board**”) of directors (the “**Directors**”) of C-MER Eye Care Holdings Limited (the “**Company**”) announces the annual consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019, as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	2020	2019
		HK\$'000	HK\$'000
Revenue	3	699,545	576,209
Cost of revenue	6	(505,468)	(384,888)
Gross profit		194,077	191,321
Other income	4	12,913	1,812
Selling expenses	6	(69,885)	(46,300)
Administrative expenses	6	(139,276)	(98,423)
Other gains/(losses), net	5	10,247	(956)
<b>Operating profit</b>		<b>8,076</b>	<b>47,454</b>
Finance income	7	5,056	13,482
Finance cost	7	(10,352)	(7,532)
Finance (cost)/income, net		(5,296)	5,950
Share of loss of an associate		(276)	(196)
<b>Profit before income tax</b>		<b>2,504</b>	<b>53,208</b>
Income tax expense	8	(10,916)	(14,086)
<b>(Loss)/profit for the year</b>		<b>(8,412)</b>	<b>39,122</b>
<b>(Loss)/profit for the year attributable to:</b>			
– Equity holders of the Company		(6,246)	41,435
– Non-controlling interests		(2,166)	(2,313)
		<b>(8,412)</b>	<b>39,122</b>

	<i>Note</i>	<b>Year ended 31 December</b>	
		<b>2020</b>	<b>2019</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Other comprehensive income/(loss)</b>			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		<u>32,944</u>	<u>(3,849)</u>
<b>Other comprehensive income/(loss) for the year</b>		<u>32,944</u>	<u>(3,849)</u>
<b>Total comprehensive income for the year</b>		<u>24,532</u>	<u>35,273</u>
<b>Total comprehensive income for the year attributable to:</b>			
– Equity holders of the Company		26,209	37,567
– Non-controlling interests		<u>(1,677)</u>	<u>(2,294)</u>
		<u>24,532</u>	<u>35,273</u>
<b>(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company during the year (expressed in HK cents per share)</b>			
– Basic	9	<u>(0.57)</u>	<u>3.96</u>
– Diluted	9	<u>(0.57)</u>	<u>3.87</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2020</b>	2019
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>218,150</b>	164,373
Right-of-use assets		<b>566,033</b>	165,392
Intangible assets		<b>144,934</b>	104,566
Interest in an associate		<b>1,928</b>	2,204
Financial assets at fair value through other comprehensive income		<b>52,575</b>	–
Deferred income tax assets		<b>3,127</b>	5,014
Deposits and prepayments		<b>31,236</b>	96,401
		<b>1,017,983</b>	537,950
<b>Current assets</b>			
Inventories		<b>20,443</b>	14,169
Trade receivables	11	<b>14,749</b>	11,228
Deposits, prepayments and other receivables		<b>22,102</b>	20,449
Bank deposits with original maturity over three months		–	253,675
Cash and cash equivalents		<b>553,934</b>	282,178
		<b>611,228</b>	581,699
<b>Total assets</b>		<b>1,629,211</b>	1,119,649
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		<b>114,725</b>	105,130
Reserves		<b>1,179,600</b>	751,608
		<b>1,294,325</b>	856,738
Non-controlling interests		<b>2,906</b>	4,583
<b>Total equity</b>		<b>1,297,231</b>	861,321

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2020</b>	<b>2019</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other payables		<b>2,303</b>	–
Lease liabilities		<b>177,373</b>	128,437
		<u><b>179,676</b></u>	<u>128,437</u>
<b>Current liabilities</b>			
Trade payables	12	<b>19,023</b>	13,849
Accruals and other payables		<b>51,627</b>	52,488
Contract liabilities		<b>8,603</b>	7,897
Amount due to a related party		<b>23</b>	131
Current income tax liabilities		<b>5,436</b>	12,283
Lease liabilities		<b>67,592</b>	43,243
		<u><b>152,304</b></u>	<u>129,891</u>
<b>Total liabilities</b>		<u><b>331,980</b></u>	<u>258,328</u>
<b>Total equity and liabilities</b>		<u><b>1,629,211</b></u>	<u>1,119,649</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 the People’s Republic of China (the “**PRC**”). The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 15 January 2018.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the 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 other comprehensive income, 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 Group has adopted the following revised new and amended to standards which are relevant to the Group’s operations and are mandatory for the financial year beginning on 1 January 2020:

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Group also elected to adopt the following amendments early:

HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions
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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\$3,524,000 have been accounted for as negative variable lease payments and recognised in the condensed consolidated statement of comprehensive income for the year ended 31 December 2020, with a corresponding adjustment to the lease liability. There is no impact on the opening balance of equity at 1 January 2020.

Except for the Amendments to HKFRS 16 set out above, the adoption of the above revised new and amended standards did not have any significant financial impact on these consolidated financial statements.

**(b) New standards and amendments to 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:

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements Projects	Annual Improvements to HKFRSs 2018–2020 (amendments)	1 January 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HK Interpretation 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will apply the above new standard and amendments to standards when they become effective. No new standard and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group.

### 3 REVENUE AND SEGMENT INFORMATION

#### (a) Revenue

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Provision of ophthalmic services	605,607	528,545
Sales of vision aid products	93,938	47,664
	<u>699,545</u>	<u>576,209</u>
<b>Timing of revenue recognition</b>		
Over time	605,607	528,545
At a point in time	93,938	47,664
	<u>699,545</u>	<u>576,209</u>

#### (b) Liabilities related to contract with customers

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Contract liabilities – advanced payments received from clients	8,603	7,897

Revenue recognised during the year ended 31 December 2020 that was included in the contract liabilities balance at the beginning of the year amounted to HK\$7,897,000 (2019: HK\$3,789,000).

#### (c) 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, other gain, net, finance income, finance cost, 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 2020 are as follows:

	Year ended 31 December 2020		
	HK	Mainland	Total
	HK\$'000	China	HK\$'000
Segment revenue	339,928	359,617	699,545
Gross profit	87,587	106,490	194,077
Selling expenses	(7,513)	(62,372)	(69,885)
Administrative expenses	(36,199)	(103,077)	(139,276)
Segment results	43,875	(58,959)	(15,084)
Other income			12,913
Other gains, net			10,247
Finance income			5,056
Finance cost			(10,352)
Share of loss of an associate			(276)
Profit before income tax			2,504
Income tax expense			(10,916)
Loss for the year			(8,412)
<b>Other segment information</b>			
Additions to non-current assets	182,982	344,893	527,875
Depreciation and amortisation	(33,800)	(79,762)	(113,562)
Losses on disposal of property, plant and equipment, net	(3)	(33)	(36)

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

	Year ended 31 December 2019		
	HK HK\$'000	Mainland China HK\$'000	Total 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			1,812
Other losses, net			(956)
Finance income			13,482
Finance cost			(7,532)
Share of loss of an associate			(196)
Profit before income tax			53,208
Income tax expense			(14,086)
Profit for the year			<u>39,122</u>
<b>Other segment information</b>			
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)

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 2020 (2019: same).

#### 4 OTHER INCOME

	Year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Management fee income	114	114
Rent concessions	3,524	–
Government grants ( <i>Note</i> )	8,723	1,606
Others	552	92
	<u>12,913</u>	<u>1,812</u>

*Note:* There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

## 5 OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Losses on disposal of property, plant and equipment, net	(36)	(141)
Gains on financial assets at fair value through profit or loss	37	67
Exchange gains/(losses), net	10,246	(882)
	<u>10,247</u>	<u>(956)</u>

## 6 EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Amortisation of intangible assets	886	666
Auditor's remuneration		
– Audit services	1,800	1,800
– Non-audit services	96	84
Depreciation of property, plant and equipment	41,896	31,382
Depreciation of right-of-use assets	70,780	46,490
Write-off on property, plant and equipment	1,363	–
Doctors' consultation fees	139,456	111,065
Cost of inventories and consumables	163,761	121,143
Employee benefit expenses	170,413	124,477
Short-term lease expenses	1,262	1,812
Legal and professional fees	5,985	6,411
Share option expenses to doctors and consultants	2,813	3,518
Promotion expenses	69,411	45,839
Others	44,707	34,924
	<u>714,629</u>	<u>529,611</u>
Total cost of revenue, selling and administrative expenses		

## 7 FINANCE (COST)/INCOME, NET

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Finance income		
Bank interest income	5,056	13,482
	<u>5,056</u>	<u>13,482</u>
Finance cost		
Interest expense on leases	(10,352)	(7,532)
	<u>(10,352)</u>	<u>(7,532)</u>
Finance (cost)/income, net	<u>(5,296)</u>	<u>5,950</u>

## 8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year ended 31 December 2020.

The applicable tax rate for the subsidiaries in the PRC of the Group was 25% (2019: 25%) for the year ended 31 December 2020.

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:

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current income tax		
– Hong Kong profits tax	<b>8,714</b>	9,771
– China enterprise income tax	<b>2,445</b>	8,019
(Over)/under-provision in prior years	<b>(1,154)</b>	335
Deferred income tax	<b>911</b>	(4,039)
	<hr/>	<hr/>
Income tax expense	<b>10,916</b>	14,086
	<hr/>	<hr/>

## 9 (LOSS)/EARNINGS PER SHARE

### (a) Basic

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

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
(Loss)/profit attributable to equity holders of the Company during the year (HK\$'000)	<b>(6,246)</b>	41,435
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue	<b>1,104,171,570</b>	1,046,371,503
	<hr/>	<hr/>
Basic (loss)/earnings per share (HK cents)	<b>(0.57)</b>	3.96
	<hr/>	<hr/>

*Note:*

- (i) The (loss)/earnings per share as presented above is calculated using the weighted average number of 1,104,171,570 (2019: 1,046,371,503) ordinary shares deemed to be in issue for the year ended 31 December 2020. 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 (loss)/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 2020, the Group has no (2019: one category) dilutive potential ordinary shares.

As at 31 December 2020, 1,600,000 pre-IPO share options and 6,514,000 post-IPO share options outstanding are not included in the calculation of diluted loss per share because they are antidilutive for the year ended 31 December 2020.

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
(Loss)/profit attributable to equity holders of the Company during the year ( <i>HK\$'000</i> )	<b>(6,246)</b>	41,435
Weighted average number of ordinary shares in issue	<b>1,104,171,570</b>	1,046,371,503
Adjustments for:		
– impact of pre-IPO share option scheme	–	25,441,498
Weighted average number of ordinary shares for diluted (loss)/earnings per share	<b>1,104,171,570</b>	1,071,813,001
Diluted (loss)/earnings per share ( <i>HK cents</i> )	<b>(0.57)</b>	3.87

**10 DIVIDENDS**

	<b>Year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Final dividend of 2019, declared and paid of HK2.0 cents (2018: HK2.0 cents) per ordinary share ( <i>Note (i)</i> )	<b>21,515</b>	21,026
Final dividend of 2020, proposed, of HK2.0 cents (2019: HK2.0 cents) per ordinary share ( <i>Note (ii)</i> )	<b>22,945</b>	21,103

*Notes:*

- (i) 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, which was estimated to be approximately HK\$21,103,000 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.
- (ii) At a board meeting held on 31 March 2021, the Directors recommended the payment of a final dividend in respect of 2020 of HK2.0 cents per ordinary share, which was estimated to be approximately HK\$22,945,000 on the basis of the 1,147,254,968 ordinary shares in issue as at 31 March 2021. 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 2021 after receiving shareholders' approval at the forthcoming annual general meeting.

## 11 TRADE RECEIVABLES

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Trade receivables	<b>14,749</b>	11,228

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 2020, the ageing analysis of the trade receivables based on due date and invoice date was as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
0–90 days	<b>13,663</b>	9,617
91–180 days	<b>584</b>	594
Over 180 days	<b>502</b>	1,017
	<b>14,749</b>	11,228

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

As at 31 December 2020, all the trade receivables balances were not impaired (2019: same). These relate to a number of independent clients, commercial companies and local government to which no credit terms were granted.

## 12 TRADE PAYABLES

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

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
0–30 days	<b>15,031</b>	10,216
31–60 days	<b>886</b>	1,256
61–90 days	<b>184</b>	870
Over 90 days	<b>2,922</b>	1,507
	<b>19,023</b>	13,849

## 13 ACQUISITIONS OF SUBSIDIARIES

To expand the Group's eye care service network in the PRC and in Hong Kong, the Group entered into the following transactions during the year ended 31 December 2020:

### (a) Assets acquisition

On 11 December 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% of the equity interests of Guangzhou Yue Xiu Economic Development Limited ("Guangzhou Yue Xiu") for a cash consideration of RMB36,050,000 (equivalent to approximately HK\$42,682,000). Guangzhou Yue Xiu holds certain properties in Guangzhou.
- (ii) the rights to loan and interest receivables amounting RMB63,950,000 (equivalent to approximately HK\$75,715,000) due from Guangzhou Yue Xiu to China Cinda at a cash consideration of RMB63,950,000 (equivalent to approximately HK\$75,715,000).

The acquisition incurred a transaction fee of RMB220,000 (equivalent to approximately HK\$260,000).

As the above newly acquired company did not operate any business prior to the date of acquisition, the Group considers the nature of the acquisition as acquisitions of assets in substance and the consideration should be attributable to the individual assets acquired and liabilities assumed.

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

	<b>Guangzhou Yue Xiu 11 December 2020</b>
<i>Note</i>	<i>HK\$'000</i>
Consideration	
– Cash	118,657
Recognised amounts of identifiable assets acquired and liabilities assumed	
– Property, plant and equipment	19,168
– Right-of-use assets	97,108
– Cash and cash equivalents	2,046
– Prepayments and other receivables	356
– Other payables	(21)
Total identifiable net assets	118,657
Acquisition-related costs	(ii) 260
Net cash outflow on acquisition	
Cash consideration	118,657
Less: Cash and cash equivalents acquired	(2,046)
	116,611

**(b) Business combinations**

- (i) On 8 August 2020, the Group acquired 100% of the equity interests in Zhuhai Eye Hospital, a company that operates an eye hospital in Zhuhai, the PRC, from independent third parties for a cash consideration of RMB16,000,000 (equivalent to approximately HK\$17,797,000).
- (ii) On 15 September 2020, the Group acquired the practice and assets of a clinic in Central, Hong Kong, from an independent third party for a consideration of HK\$26,136,000, of which HK\$15,281,000 was settled in cash and the remaining was settled by allotment of 1,852,322 shares of the Company.

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

	<b>Zhuhai Eye Hospital 8 August 2020 HK\$'000</b>	<b>The clinic in Central 15 September 2020 HK\$'000</b>
Consideration		
– Cash	17,797	15,281
– Allotment of shares	–	10,855
	<u>17,797</u>	<u>26,136</u>

The fair value of the 1,852,322 shares allotted as part of the consideration paid for a clinic in Central (HK\$10,855,000) was based on the published share price of approximately HK\$5.86 per share.



		<b>Zhuhai Eye Hospital 8 August 2020</b>	<b>The clinic in Central 15 September 2020</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Recognised amounts of identifiable assets acquired and liabilities assumed			
– Property, plant and equipment		5,545	157
– Prepayment for employee compensation		–	7,598
– Cash and cash equivalents		11	–
– Trade receivables		1	–
– Deposits, prepayments and other receivables		378	–
– Inventories		10	100
– Deferred tax liabilities		–	(1,254)
– Accruals and other payables		(309)	–
Total identifiable net assets		5,636	6,601
Goodwill	(i)	12,161	19,535
Total consideration		17,797	26,136
Acquisition-related costs	(ii)	–	502
Net cash outflow on acquisition			
Cash consideration		17,797	15,281
Less: Cash and cash equivalents acquired		(11)	–
		17,786	15,281

*Notes:*

**(i) 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.

**(ii) Acquisition-related costs**

Acquisition-related costs represent legal and professional fees incurred to effect the business combinations. Total acquisition-related costs amounted to HK\$502,000 which is charged to the consolidated statement of comprehensive income for the year ended 31 December 2020.

**(iii) Revenue and profit/(loss) contribution**

Zhuhai Eye Hospital contributed revenue of HK\$2,156,000 and net loss of HK\$5,739,000 to the Group since acquisition date. The clinic in Central contributed revenue of HK\$2,118,000 and net profit of HK\$756,000 to the Group since acquisition date. Had the business combinations taken place at 1 January 2020, the consolidated statement of comprehensive income would show pro-forma revenue and net loss of approximately HK\$706,800,000 and HK\$14,934,000, respectively.

**13 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION**

The events after the date of statement of financial position are disclosed as follows:

- (a) On 9 February 2021, the Group acquired 90% equity interest of Health Hope International Medical Laboratory Limited from Dr. LAM Shun Chiu Dennis and Ms. LI Xiaoting, Directors of the Company, at a total consideration of HK\$9,000,000 in cash. Up to the date of approval for issuance of these consolidated financial statements, the acquisition has been completed. However, the calculation of purchase price allocation has not been completed.
- (b) On 10 February 2021, the Group entered into an agreement with an independent third party to acquire 60% equity interest of CAD/CAM Restorative Dental Centre Limited at a maximum consideration of HK\$13,123,000 of which a maximum amount of HK\$6,216,000 to be settled in cash and the remaining HK\$6,907,000 to be settled by allotment of 1,137,235 shares of the Company, which is subject to the achievement of future revenue targets. Up to date of approval for issuance of these consolidated financial statements, 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 in the first half of 2020. Most of the Group's clinics, day surgery centers and hospitals have seen appointment cancellations and the surgery centers and the hospitals in 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. Though the impact of COVID-19 remains dynamic, the Group's witnessed promising revenue improvement in the second half of 2020 and recorded an increase of revenue of 19.3% and 23.5% in Hong Kong and Mainland China, respectively, for the year ended 31 December 2020.

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 and started full operations since December 2020. The clinic in Baoan, Shenzhen has been upgraded to a full-size eye hospital in September 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 has commenced operations in late March 2021. The Group also entered into an agreement to acquire a property from an independent third party located in the city center of Tianhe District (天河區), Guangzhou, and the completion took place on 11 December 2020. The property will be used as the premises for our new eye hospital in Guangzhou and is expected to commence operations in the second half of 2021.

In Hong Kong, there are 2 new satellite clinics in Central and Tsuen Wan, which commenced operations in September and November 2020, respectively. The Group acquired the new satellite clinic in Central from a reputable ophthalmologist with revenue guarantee on a calendar year basis from the date after closing for a term of four years, and the completion took place on 16 September 2020. On a pro-rata basis, the ophthalmologist met the revenue guarantee from the date after closing up to 31 December 2020.

For the year ended 31 December 2020, we generated 48.6% (2019: 49.5%) of our revenue in Hong Kong and 51.4% (2019: 50.5%) of our revenue in Mainland China. Despite COVID-19, our revenue had experienced a rapid growth during the year ended 31 December 2020, generating a total revenue of HK\$699.5 million for the year ended 31 December 2020 (2019: HK\$576.2 million), representing an increase of 21.4% from the year ended 31 December 2019. 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 19.3% to HK\$339.9 million (2019: HK\$285.0 million). In addition, the revenue of Mainland China operations recorded an increase of 23.5% in Hong Kong dollar terms during the year ended 31 December 2020 primarily as a result of the strong growth in revenue 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 Mainland China increased by 24.6% from the year ended 31 December 2019.

The total revenue from the hospitals in Futian and Baoan, Shenzhen was stable and amounted to HK\$221.8 million (2019: HK\$221.8 million) for the year ended 31 December 2020. In RMB terms, the revenue increased by 0.9%. Our newly upgraded hospital in Baoan, Shenzhen was catching up well with revenue amounted to HK\$34.3 million during the year ended 31 December 2020 (2019: HK\$10.7 million), representing a promising increase of 220.6% in Hong Kong dollar terms. In Renminbi, the revenue increased by 222.1%.

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 slightly by 5.0% in Hong Kong dollar terms and amounted to HK\$49.9 million (2019: HK\$52.6 million). In RMB terms, the revenue decreased by 4.2%. As a result, this hospital incurred a net loss of HK\$23.5 million during the year ended 31 December 2020 (2019: net loss of HK\$13.0 million).

The two acquired eye hospitals (one in Kunming and one in Shanghai) and the three satellite clinics in Shanghai commenced full operations in June and November 2019, respectively, and contributed HK\$35.0 million and HK\$50.8 million to the revenue of the Group, respectively, during the year ended 31 December 2020. Operations at both 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 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					
	2020		2019		Change	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Provision of ophthalmic services	<b>605,607</b>	<b>86.6</b>	528,545	91.7	77,062	14.6
Sales of vision aid products	<b>93,938</b>	<b>13.4</b>	47,664	8.3	46,274	97.1
	<b><u>699,545</u></b>	<b><u>100.0</u></b>	<b><u>576,209</u></b>	<b><u>100.0</u></b>	<b><u>123,336</u></b>	<b><u>21.4</u></b>

Our revenue was generated from Hong Kong and Mainland China. In Hong Kong, our service network included our two day surgery centres and six satellite clinics. In Mainland China, our eye hospitals are located in Shenzhen (Futian and Baoan), Beijing, Shanghai, Zhuhai and Kunming. Three satellite eye clinics are 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					
	2020		2019		Change	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Hong Kong	<b>339,928</b>	<b>48.6</b>	284,953	49.5	54,975	19.3
Mainland China	<b>359,617</b>	<b>51.4</b>	291,256	50.5	68,361	23.5
	<b><u>699,545</u></b>	<b><u>100.0</u></b>	<b><u>576,209</u></b>	<b><u>100.0</u></b>	<b><u>123,336</u></b>	<b><u>21.4</u></b>

Our total revenue during the year ended 31 December 2020 represented an increase of 21.4% as compared with our total revenue during the year ended 31 December 2019. In addition to the increase in the sales of visual aid products by 97.1%, the increase was primarily driven by the increase in the revenue generated from the provision of ophthalmic services to HK\$605.6 million during the year ended 31 December 2020 from HK\$528.5 million during the year ended 31 December 2019, representing an increase of 14.6%, primarily attributable to the increase in the number of surgeries performed by us and the number of our ophthalmologists and physicians in Hong Kong and Mainland China.

The revenue generated from our business operations in Hong Kong accounted for 48.6% of our total revenue, decreased from 49.5% for the year ended 31 December 2019, primarily due to the increase in revenue generated from our business operations in Mainland China, which increased by 23.5% for the year ended 31 December 2020, which was at a faster pace than the revenue growth in Hong Kong of 19.3%.

### *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					
	2020		2019		Change	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Consultation and other medical service fees						
– Hong Kong	111,890	18.5	105,202	19.9	6,688	6.4
– Mainland China	86,581	14.3	94,245	17.8	(7,664)	(8.1)
	<u>198,471</u>	<u>32.8</u>	<u>199,447</u>	<u>37.7</u>	<u>(976)</u>	<u>(0.5)</u>
Surgery fees						
– Hong Kong	226,573	37.4	177,233	33.5	49,340	27.8
– Mainland China	180,563	29.8	151,865	28.7	28,698	18.9
	<u>407,136</u>	<u>67.2</u>	<u>329,098</u>	<u>62.3</u>	<u>78,038</u>	<u>23.7</u>
Total	<u><u>605,607</u></u>	<u><u>100.0</u></u>	<u><u>528,545</u></u>	<u><u>100.0</u></u>	<u><u>77,062</u></u>	<u><u>14.6</u></u>

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		
	2020	2019	Change %
For Hong Kong			
Total surgery fee ( <i>in HK\$'000</i> )	<b>226,573</b>	177,233	27.8
Number of surgeries performed by us	<b>7,205</b>	5,316	35.5
Average surgery fee ( <i>HK\$</i> )	<b>31,447</b>	33,340	-5.7
For Mainland China			
Total surgery fee ( <i>in HK\$'000</i> )	<b>180,563</b>	151,865	18.9
Number of surgeries performed by us	<b>14,520</b>	10,654	36.3
Average surgery fee ( <i>HK\$</i> )	<b>12,435</b>	14,254	-12.8

In Hong Kong, the average surgery fee decreased by 5.7% due to the change of the type of surgery mix. The surgery volume increased during the year ended 31 December 2020 as a result of the increasing number of our Hong Kong ophthalmologists.

In Mainland China, the average surgery fee decreased by 12.8% due to the change of the type of surgery mix and the depreciation of RMB against the Hong Kong dollar during the year ended 31 December 2020. The number of surgeries increased by 36.3% to 14,520 during the year ended 31 December 2020 mainly due to the strong growth in the number of patients contributed by 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 year ended 31 December 2020, our revenue generated from the sales of vision aid products amounted to HK\$93.9 million, representing an increase of 97.1% 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				Change	
	2020		2019			
	<i>HK\$'000</i>	<i>% to revenue</i>	<i>HK\$'000</i>	<i>% to revenue</i>	<i>HK\$'000</i>	<i>%</i>
Doctors' consultation fees	<b>139,456</b>	<b>19.9</b>	111,065	19.3	28,391	25.6
Cost of inventories and consumables	<b>163,761</b>	<b>23.4</b>	121,143	21.0	42,618	35.2
Staff salaries and allowance	<b>101,806</b>	<b>14.6</b>	78,219	13.6	23,587	30.2
Depreciation of right-of-use assets	<b>49,317</b>	<b>7.0</b>	37,122	6.4	12,195	32.9
Depreciation of property, plant and equipment	<b>33,527</b>	<b>4.8</b>	24,050	4.2	9,477	39.4
Others	<b>17,601</b>	<b>2.5</b>	13,289	2.3	4,312	32.4
Total	<b><u>505,468</u></b>	<b><u>72.3</u></b>	<b><u>384,888</u></b>	<b><u>66.8</u></b>	<b><u>120,580</u></b>	<b><u>31.3</u></b>

Compared with the year ended 31 December 2020, there were two new service locations that commenced full-year 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 31.3% from HK\$384.9 million for the year ended 31 December 2019 to HK\$505.5 million for the year 31 December 2020, primarily as a result of (i) an increase in cost of inventories and consumables of HK\$42.6 million, (ii) an increase in doctors' consultation fees of HK\$28.4 million, and (iii) an increase in staff salaries and allowance of HK\$23.6 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					
	2020		2019		Change	
	HK\$'000	GP %	HK\$'000	GP %	HK\$'000	%
Hong Kong	87,587	25.8	84,702	29.7	2,885	3.4
Mainland China	106,490	29.6	106,619	36.6	(129)	(0.1)
	<u>194,077</u>	<u>27.7</u>	<u>191,321</u>	<u>33.2</u>	<u>2,756</u>	<u>1.4</u>

The amount of gross profit during the year ended 31 December 2020 amounted to HK\$194.1 million, representing an increase of 1.4% from HK\$191.3 million during the year ended 31 December 2019. Our gross profit margin was 27.7% during the year ended 31 December 2020, as compared with 33.2% during the year ended 31 December 2019. The gross profit margin for our business operations in Mainland China recorded a decrease to 29.6% from 36.6% primarily due to the lower gross profit margins in new hospitals in Shanghai and Kunming and the adverse impact of COVID-19. The gross profit margin for our business operations in Hong Kong also recorded a decrease from 29.7% to 25.8% primarily due to the adverse impact of COVID-19 during the year ended 31 December 2020.

## Selling expenses

Our selling expenses increased by 50.9% from HK\$46.3 million for the year ended 31 December 2019 to HK\$69.9 million for the year ended 31 December 2020, primarily due to an increase in promotional expenses in Mainland China. The amount of selling expenses, as a percentage of our total revenue, increased from 8.0% for the year ended 31 December 2019 to 10.0% for the year ended 31 December 2020. 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 2020 amounted to HK\$139.3 million and had an increase of 41.5% as compared with HK\$98.4 million during the year ended 31 December 2019. The increase in our other administrative expenses during the year was primarily driven by the increase in our staff salaries and allowances and depreciation of right-of-use assets as a result of business expansion.

**Other income**

Our other income during the year ended 31 December 2020 increased to HK\$12.9 million from HK\$1.8 million during the year ended 31 December 2019. The increase was primarily due to the increase in government grants and rent concessions.

**Other gains/(losses), net**

Our other gains/(losses), net during the year ended 31 December 2020 amounted to HK\$10.2 million and mainly consisted of foreign exchange gains.

**Finance (cost)/income, net**

Our finance (cost)/income, net during the year ended 31 December 2020 amounted to HK\$5.3 million and mainly consisted of bank interest income netted off by interest expenses on leases.

**Income tax expense**

Our income tax expense during the year ended 31 December 2020 amounted to HK\$10.9 million, representing a decrease by 22.5% from HK\$14.1 million during the year ended 31 December 2019. The decrease was primarily due to the decrease of the profit before tax in Mainland China.

**(Loss)/profit for the year**

As a result of the foregoing, our loss for the year ended 31 December 2020 amounted to HK\$8.4 million (2019: profit of HK\$39.1 million), primarily due to adverse impact of COVID-19 and the losses of the new eye hospitals in Kunming and Shanghai which were at their development stages.

If excluding the loss recorded by the eye hospital in Beijing amounted to HK\$23.5 million, the eye hospital in Baoan amounted to HK\$3.1 million, the hospital in Kunming amounted to HK\$9.3 million, the hospital in Zhuhai amounted to HK\$5.7 million and the hospital and three clinics in Shanghai amounted to HK\$18.7 million, the “profit” or “net profit” of the Group for the year ended 31 December 2020 would amount to HK\$52.3 million.

**Capital expenditure and commitments**

For the year ended 31 December 2020, the Group incurred capital expenditures of HK\$337.4 million, primarily due to acquisition of land use rights over the parcel of the land in Pingshan District, Shenzhen, the premises for the new hospital in Guangzhou, medical equipment and leasehold improvements.

As at 31 December 2020, the Group had a total capital commitment of approximately HK\$7.0 million (2019: HK\$188.7 million), mainly comprising the related contracts of capital expenditure for medical equipment.

### **Borrowings**

As at 31 December 2020, the Group had no borrowings.

### **Contingent liabilities**

The Group had no material contingent liability as at 31 December 2020.

### **Pledge of assets**

The Group had no pledge of assets as at 31 December 2020.

### **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 2020, the gearing ratio is not applicable due to net cash position (2019: same).

### **Foreign exchange risk**

Our subsidiaries mainly operate in Hong Kong and 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 2020, the financial assets and liabilities of our subsidiaries in Hong Kong and 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 and cash and cash equivalents. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

The credit risk of cash and cash equivalents are limited because the counterparties are state-owned or reputable commercial banks which are high-credit-quality financial institutions located in Hong Kong or 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 2020, the Group employed a total of 1,058 employees (2019: 851). 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 selected employees to reward their contributions under the share option scheme of the Company, details of which will be set forth in the Company's 2020 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 date of statement of financial position**

On 9 February 2021, the Group acquired 90% equity interest of Health Hope International Medical Laboratory Limited from Dr. LAM Shun Chiu Dennis and Ms. LI Xiaoting, directors of the Company, at a total consideration of HK\$9,000,000 in cash for the development of medical laboratory business. Health Hope International Medical Laboratory Limited has been

accredited by the Hong Kong Laboratory Accreditation Scheme (HOKLAS) of the Hong Kong Accreditation Service (HKAS) and is a local COVID-19 nucleic acid testing institution recognised by the Hong Kong government.

On 10 February 2021, the Group entered into an agreement to acquire 60% equity interest of CAD/CAM Restorative Dental Centre Limited, which is principally engaged in the provision of dental services at Causeway Bay, Hong Kong, at a consideration of HK\$13,123,000 of which HK\$6,216,000 to be settled in cash and the remaining HK\$6,907,000 to be settled by allotment of 1,137,235 shares of the Company. Up to date of this announcement, the acquisition has not been completed.

## OUTLOOK AND STRATEGIES

The implementation of the favorable policies to the medical industry in 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 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;
- establish or acquire dental clinics and other medical clinics in Hong Kong;
- 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 2020, the Company has applied the principles as set forth in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) which are applicable to the Company.

In the opinion of the Board, during the year ended 31 December 2020, 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 six 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.

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 2020.

## **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 2020, we had cash and cash equivalents of HK\$553.9 million.

The current ratio (calculated as current assets over current liabilities) was 4.01 times as at 31 December 2020 compared with 4.48 times as at 31 December 2019.

Net cash generated from operating activities was HK\$109.6 million during the year ended 31 December 2020 (2019: HK\$136.8 million). The decrease was mainly attributed to decrease in cash generated from operations during the year ended 31 December 2020.

Net cash used in investing activities amounted to HK\$164.0 million during the year ended 31 December 2020 as compared to HK\$259.4 million during the year ended 31 December 2019. The Group invested approximately HK\$50.2 million for acquisitions of subsidiaries, net of cash acquired and approximately HK\$187.4 million for acquisition of land use right.

During the year ended 31 December 2020, net cash generated from financing activities amounted to HK\$322.9 million, as compared to net cash used in financing activities amounted to HK\$66.6 million during the year ended 31 December 2019. The cash generated from financing activities for the year ended 31 December 2020 was mainly from the proceeds from issuance of shares amounted to HK\$398.5 million.

## SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2020, save as disclosed in note 13 to the consolidated financial statement and the acquisitions as mentioned in “Financial Review – Capital expenditure and commitments” in this announcement, the Group did not have any other significant investments, acquisitions or disposals.

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Stock Exchange since 15 January 2019 (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 2020, net proceeds in the amount of approximately HK\$184.8 million were used, consisting of (1) HK\$7.5 million for the final payment of the acquisition of an eye hospital and three clinics in Shanghai, 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 31 December 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 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.

## **CHANGE IN USE OF PROCEEDS FROM THE SUBSCRIPTION**

In order to strengthen the financial position of the Group and provide working capital for the Group and/or possible acquisition and/or establish eye hospital(s) in the PRC, 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, as the placing agent, in respect of the placing of an aggregate amount of 68,000,000 existing ordinary shares of the Company (the “**Placing Shares**”) at the price of HK\$5.80 per Placing Share to not less than six independent professional, institutional and/or individual investors (the “**Placing**”). To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the places and their respective ultimate beneficial owners were independent of and not connected with the Company and its connected persons or any of its respective associates. The aggregate nominal or par value of the Placing Shares is HK\$6,800,000, and the closing price of the Company as stated in the daily quotation sheet issued by the Stock Exchange on 19 June 2020, being the date of the placing agreement, was HK\$6.28 per Placing Share. The Seller then subscribed (the “**Subscription**”) for 68,000,000 Shares (the “**Subscription Shares**”) that were subsequently issued by the Company at the placing price of HK\$5.80 per Placing Share (collectively, “**the Placing and the Subscription**”). The Placing and the Subscription was completed on 23 June 2020 and 30 June 2020, respectively. The net subscription price (after deduction of the expenses incurred by the Seller in relation to the Placing and the Subscription) of each Subscription Share was approximately HK\$5.70.

The net proceeds from the Subscription (after deducting relevant expenses borne or incurred by the Company) were approximately HK\$387.6 million. To capture potential acquisition opportunities of medical and dental clinics, which may complement the Group’s existing practice areas, the Board has resolved to expand the use of the net proceeds from the Subscription towards possible acquisition(s) and/or establishment of dental clinics and other medical clinics in Hong Kong, the acquisition(s) and/or establishment of eye hospital(s) in



Mainland China and/or as working capital for the Group. The table below sets out the planned applications of the net proceeds and their actual usage up to 31 December 2020:

Use of proceeds	Planned applications <i>HK\$'000</i>	Percentage of total net proceeds	Actual usage up to 31 December 2020 <i>HK\$'000</i>	Net proceeds brought forward <i>HK\$'000</i>	Unutilised net proceeds as at 31 December 2020 <i>HK\$'000</i>	Expected timeline for utilising the remaining unutilised net proceeds <sup>(1)</sup>
For possible acquisition(s) and/or establishment of dental clinics and other medical clinics in Hong Kong, the 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:*

- <sup>(1)</sup> 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.

Save as mentioned above, the Directors expect that the net proceeds from the Subscription will be used in accordance with that disclosed in the announcement of the Company dated 19 June 2020.

## 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 2020.

### Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 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 2020. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the year ended 31 December 2020.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Save for the shares sold pursuant to the Placing and the Subscription, 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 2020.

## **FINAL DIVIDEND**

The Board has resolved to propose a final dividend of HK2.0 cents per share for the year ended 31 December 2020.

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 Wednesday, 26 May 2021. If approved by shareholders, the proposed final dividend is expected to be paid on or about Monday, 28 June 2021 to shareholders whose names appear on the register of members of the Company on Friday, 4 June 2021.

## **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 our Company on 26 May 2021 are entitled to attend and vote at the AGM. The register of members of our Company will be closed from Friday, 21 May 2021 to Wednesday, 26 May 2021, both days inclusive. In order to qualify for attending and voting at the AGM, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 20 May 2021.

- (b) For the purpose of ascertaining shareholders' entitlement for the final dividend, the register of members of the Company will be closed from Wednesday, 2 June 2021 to Friday, 4 June 2021, 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 Tuesday, 1 June 2021.

## **ANNUAL GENERAL MEETING**

The AGM will be held on Wednesday, 26 May 2021. 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](http://www.hkexnews.hk) and the Company's website at [www.cmereye.com](http://www.cmereye.com). The 2020 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**

*Chairman and Chief Executive Officer and Executive Director*

Hong Kong, 31 March 2021

*As at the date of this announcement, the Board comprises four executive Directors, namely, Dr. LAM Shun Chiu Dennis, Ms. LI Xiaoting, Dr. LEE Yau Wing Vincent and Mr. LI Chunshan; and six independent non-executive Directors, namely, Dr. LI Kwok Tung Donald, Mr. MA Andrew Chiu Cheung, Mr. CHAN Chi Leong, Ms. BENTLEY Annie Liang, Dr. AU YEUNG Rex Pak-kuen and Mr. IP Shu Kwan Stephen.*