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EuroEyes International Eye Clinic Limited
德視佳國際眼科有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1846)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

KEY FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”, and each a “**Director**”) of EuroEyes International Eye Clinic Limited (the “**Company**”) hereby announces the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021. The annual results have been reviewed by the audit committee of the Board (the “**Audit Committee**”) and agreed by the external auditors of the Group.

The key financial highlights are as follows:

| | Year ended 31 December | | |
|---|------------------------|-----------------|----------|
| | 2021 | 2020 | Change |
| | <i>HK\$’000</i> | <i>HK\$’000</i> | <i>%</i> |
| Revenue | 632,931 | 473,818 | 33.6 |
| Gross profit | 312,545 | 214,100 | 46.0 |
| Adjusted gross profit ⁽¹⁾ | 317,393 | 214,100 | 48.2 |
| Profit for the year | 132,384 | 64,073 | 106.6 |
| Adjusted net profit after tax for the year ⁽²⁾ | 137,278 | 70,614 | 94.4 |

Notes:

- (1) Adjusted gross profit is derived from adding share-based compensation expenses to the gross profit.
- (2) Adjusted net profit after tax for the year is derived from adding pre-operating expenses for two new clinics in PRC in 2021 and one new clinic in the PRC in 2020, share-based compensation and foreign exchange (gain)/loss in relation to the proceeds from the Company’s global offering to the profit for the year.

NON-IFRS FINANCIAL MEASURES

To supplement the Group's consolidated financial statements which are prepared in accordance with the International Financial Reporting Standards ("IFRS"), the Group has provided adjusted gross profit and adjusted net profit after tax ("Adjusted Net Profit After Tax") for the years ended 31 December 2021 and 2020 (excluding effects from non-cash related items and one-off events which include, but are not limited to, share-based compensation expenses, pre-operating expenses of new clinics, and net exchange gain/(loss)), as additional financial measures, which are not required by, or presented in accordance with, IFRS. The Company believes that the non-IFRS financial measures are useful for understanding and assessing the Group's underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these non-IFRS financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. Shareholders and investors should not view the non-IFRS financial results on a stand-alone basis or as a substitute for results prepared in accordance with IFRS, or as being comparable to results reported or forecasted by other companies.

Non-IFRS adjusted gross profit and Adjusted Net Profit After Tax for the years ended 31 December 2021 and 2020

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| Gross profit | 312,545 | 214,100 |
| Add: | | |
| Share-based compensation expenses | 4,848 | — |
| Adjusted gross profit | 317,393 | 214,100 |
| Profit for the year | 132,384 | 64,073 |
| Add: | | |
| Pre-operating expenses | 1,326 | 532 |
| Share-based compensation expenses | 11,325 | — |
| Foreign exchange (gain)/loss in relation to the proceeds from the global offering | (7,757) | 6,009 |
| Adjusted Net Profit After Tax | 137,278 | 70,614 |

Notes:

- (1) The Company presents the unaudited non-IFRS financial measures to supplement the Group's consolidated statement of comprehensive income for the year ended 31 December 2021 that are prepared in accordance with IFRS to provide additional information about the Group's operating performance. The Company believes that the non-IFRS financial measures are useful for its management and investors to assess the Group's financial performance and financial condition as: (i) these are non-IFRS financial measures which are used by our management to evaluate the Group's financial performance by eliminating the impact of non-recurring items which are considered not indicative for evaluating the actual performance of the Group's business; and (ii) the Company recorded share-based compensation expenses during the year; and (iii) foreign exchange gain in relation to the proceeds from the global offering.
- (2) None of the unaudited non-IFRS financial measures is a recognised term under IFRS. They do not have a standardised meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, and they should not be construed as an alternative to other financial measures determined in accordance with IFRS. You should not consider the Company's definition of adjusted gross profit and Adjusted Net Profit After Tax in isolation or construe it as an alternative to gross profit and profit for the year indicated or as an indicator of operating performance or any other standard measure under IFRS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | Notes | 2021 <u>HK\$'000</u> | 2020 <u>HK\$'000</u> |
|--|-------|-------------------------|-------------------------|
| Revenue | 4 | 632,931 | 473,818 |
| Cost of sales | 5 | <u>(320,386)</u> | <u>(259,718)</u> |
| Gross profit | | 312,545 | 214,100 |
| Selling expenses | 5 | (53,767) | (46,044) |
| Administrative expenses | 5 | (68,978) | (60,491) |
| Net impairment losses on financial assets | | (110) | (27) |
| Other gains, net | 6 | <u>1,572</u> | <u>3,519</u> |
| Operating profit | | 191,262 | 111,057 |
| Finance income | 7 | 12,876 | 2,517 |
| Finance expenses | 7 | <u>(8,465)</u> | <u>(14,926)</u> |
| Finance income/(expenses), net | 7 | <u>4,411</u> | <u>(12,409)</u> |
| Profit before tax | | 195,673 | 98,648 |
| Income tax expense | 8 | <u>(63,289)</u> | <u>(34,575)</u> |
| Profit for the year | | 132,384 | 64,073 |
| Other comprehensive (loss)/income | | | |
| <i>Items that may be subsequently reclassified to profit or loss</i> | | | |
| Exchange differences on translation of foreign operations | | (16,829) | 23,209 |
| <i>Items that will not be reclassified to profit or loss</i> | | | |
| Exchange differences on translation to presentation currency | | <u>(50,829)</u> | <u>58,724</u> |
| Other comprehensive (loss)/income for the year | | <u>(67,658)</u> | <u>81,933</u> |
| Total comprehensive income for the year | | <u>64,726</u> | <u>146,006</u> |
| Profit/(loss) attributable to: | | | |
| – Owners of the Company | | 133,560 | 65,580 |
| – Non-controlling interests | | <u>(1,176)</u> | <u>(1,507)</u> |
| | | <u>132,384</u> | <u>64,073</u> |
| Total comprehensive income/(loss) attributable to: | | | |
| – Owners of the Company | | 66,121 | 147,276 |
| – Non-controlling interests | | <u>(1,395)</u> | <u>(1,270)</u> |
| | | <u>64,726</u> | <u>146,006</u> |
| Earnings per share attributable to owners of the Company for the year | | | |
| – Basic earnings per share (HK cents) | 9 | 40.673 | 19.935 |
| – Diluted earnings per share (HK cents) | 9 | <u>40.577</u> | <u>17.458</u> |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | As at 31 December 2021 <i>HK\$'000</i> | As at 31 December 2020 <i>HK\$'000</i> |
|---|-------|---|---|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 355,636 | 365,410 |
| Intangible assets | | 4,539 | 5,101 |
| Goodwill | | 7,568 | 7,352 |
| Deferred tax assets | | 26,438 | 26,402 |
| Deposits and other receivables | | 18,005 | 12,186 |
| Total non-current assets | | 412,186 | 416,451 |
| Current assets | | | |
| Inventories | | 23,657 | 36,243 |
| Prepayments | | 24,204 | 27,995 |
| Income tax recoverable | | 32,575 | 35,213 |
| Deposits and other receivables | | 11,736 | 31,742 |
| Trade receivables | 10 | 3,082 | 4,577 |
| Financial assets at fair value through profit or loss | | 15,944 | - |
| Restricted cash | | 2 | 66 |
| Cash and cash equivalents | | 845,636 | 761,894 |
| Total current assets | | 956,836 | 897,730 |
| Total assets | | 1,369,022 | 1,314,181 |
| Equity | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 25,826 | 25,826 |
| Shares held for share scheme | 11 | (11,344) | (4,284) |
| Share premium | | 626,302 | 625,422 |
| Other reserves | | 116,655 | 181,584 |
| Retained earnings | | 248,113 | 124,744 |
| Total equity attributable to owners of the Company | | 1,005,552 | 953,292 |
| Non-controlling interests | | 34,925 | 36,320 |
| Total equity | | 1,040,477 | 989,612 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

| | Notes | As at 31 December 2021 <i>HK\$'000</i> | As at 31 December 2020 <i>HK\$'000</i> |
|--------------------------------------|-------|---|---|
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings | | 2,729 | 5,101 |
| Lease liabilities | | 173,332 | 183,139 |
| Put options | | 1,042 | 1,125 |
| Deferred tax liabilities | | 8,963 | 8,667 |
| | | <u>186,066</u> | <u>198,032</u> |
| Total non-current liabilities | | | |
| Current liabilities | | | |
| Trade payables | 13 | 21,537 | 21,053 |
| Contract liabilities | | 8,115 | 7,952 |
| Income tax liabilities | | 41,309 | 15,180 |
| Accruals and other payables | | 26,103 | 31,045 |
| Borrowings | | 1,916 | 2,021 |
| Lease liabilities | | 43,499 | 49,286 |
| | | <u>142,479</u> | <u>126,537</u> |
| Total current liabilities | | | |
| | | <u>328,545</u> | <u>324,569</u> |
| Total liabilities | | | |
| | | <u>1,369,022</u> | <u>1,314,181</u> |
| Total equity and liabilities | | | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

EuroEyes International Eye Clinic Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) are principally engaged in the provision of vision correction services in Germany, Denmark and the People’s Republic of China (the “**PRC**” or “**China**”). The Company was incorporated in the Cayman Islands on 13 August 2018 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961, as consolidated and revised, formerly known as Companies Law) of the Cayman Islands. The address of its registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). These financial statements are presented in Hong Kong Dollars (“**HK\$**”), unless otherwise stated (Note 2(i)).

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities measured at fair value. Except as disclosed below, there are no significant changes in accounting policies.

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2021:

- Covid-19-Related Rent Concessions – amendments to IFRS 16, and
- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The group also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018-2020
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12, and
- Covid-19-Related Rent Concessions beyond 30 June 2021.

Except the amendments to IAS 12, the amendments listed above did not have any impact on the amounts recognised in prior years and are not expected to significantly affect the current or future years.

The amendments to IAS 12 require the Group to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

(ii) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors of the Company that are used to make strategic decisions.

Description of segments and principal activities

The Company's executive directors examine the Group's performance from geographical perspective and have identified three reportable segments of its business: Germany, China and Denmark.

The executive directors of the Company assess performance of the operating segments based on review of their revenue, cost of sales, gross profit and earnings before finance income, finance expenses, tax, and depreciation and amortisation ("EBITDA").

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2021 is as follows:

| | Germany segment | China segment | Denmark segment | Inter- segment elimination | Unallocated items (i) | Total |
|----------------------------------|----------------------------|--------------------------|----------------------------|---|----------------------------------|-----------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment total revenue | 407,249 | 149,012 | 79,887 | (3,217) | - | 632,931 |
| Cost of sales | (184,792) | (97,139) | (41,276) | 2,821 | - | (320,386) |
| Gross profit | <u>222,457</u> | <u>51,873</u> | <u>38,611</u> | <u>(396)</u> | <u>-</u> | <u>312,545</u> |
| EBITDA | <u>202,788</u> | <u>54,199</u> | <u>30,698</u> | <u>-</u> | <u>(21,765)</u> | <u>265,920</u> |
| Unallocated | | | | | | |
| Finance income | | | | | | 12,876 |
| Finance expenses | | | | | | (8,465) |
| Depreciation and amortisation | | | | | | <u>(74,658)</u> |
| Profit before tax | | | | | | 195,673 |
| Income tax expense | | | | | | <u>(63,289)</u> |
| Profit for the year | | | | | | <u>132,384</u> |

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2020 is as follows:

| | Germany segment | China segment | Denmark segment | Inter- segment elimination | Unallocated items (i) | Total |
|----------------------------------|----------------------------|--------------------------|----------------------------|---|----------------------------------|-----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment total revenue | 307,377 | 108,114 | 61,031 | (2,704) | - | 473,818 |
| Cost of sales | (151,640) | (74,823) | (34,983) | 1,728 | - | (259,718) |
| Gross profit | 155,737 | 33,291 | 26,048 | (976) | - | 214,100 |
| EBITDA | 135,226 | 37,599 | 16,424 | - | (10,858) | 178,391 |
| Unallocated | | | | | | |
| Finance income | | | | | | 2,517 |
| Finance expenses | | | | | | (14,926) |
| Depreciation and amortisation | | | | | | (67,334) |
| Profit before tax | | | | | | 98,648 |
| Income tax expense | | | | | | (34,575) |
| Profit for the year | | | | | | 64,073 |

- (i) Unallocated items are cost of revenues and operating expenses which could not be categorized into a segment, including share-based compensation expenses and other consulting fees at group level.

4 REVENUE

Revenue from external customers are mainly derived from provision of vision correction services and rental of ophthalmic equipment and operating spaces.

Breakdown of revenue by product category is as follows:

| | 2021 | 2020 |
|---|-----------------|-----------------|
| | HK\$'000 | HK\$'000 |
| Revenue from contracts with customers (a) | | |
| Provision of vision correction services | 630,808 | 469,165 |
| Sales of pharmaceutical products | 28 | 346 |
| Others | 1,360 | 2,144 |
| | 632,196 | 471,655 |
| Rental of ophthalmic equipment and operating spaces | 735 | 2,163 |
| | 632,931 | 473,818 |

Revenues were all from external customers, places where revenue was derived from are set as below:

| | 2021 | 2020 |
|---------|-----------------|-----------------|
| | HK\$'000 | HK\$'000 |
| Germany | 404,032 | 304,788 |
| China | 149,012 | 108,114 |
| Denmark | 79,887 | 60,916 |
| | 632,931 | 473,818 |

There is no single external customer that contributes to more than 10% of the Group's revenue for the years ended 31 December 2021 and 2020.

The Group has no revenue contract that has an original expected duration of more than one year, thus management applied practical expedient under IFRS 15 and is not disclosing the aggregate amount of the transaction price allocated to the performance obligation that is unsatisfied or partially satisfied as of the end of the reporting year.

(a) Disaggregation of revenue from contracts with customer

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major business segments and geographical regions for the year ended 31 December 2021:

| | Provision of vision correction services | | | Sales of pharmaceutical products | | | Others | | | Total |
|---------------------------------|---|----------------|---------------|----------------------------------|----------|----------|--------------|----------|----------|----------------|
| | Germany | China | Denmark | Germany | China | Denmark | Germany | China | Denmark | HK\$'000 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Segment revenue | 401,991 | 149,012 | 79,805 | 28 | - | - | 4,577 | - | - | 635,413 |
| Inter-segment revenue | - | - | - | - | - | - | (3,217) | - | - | (3,217) |
| Revenue from external customers | 401,991 | 149,012 | 79,805 | 28 | - | - | 1,360 | - | - | 632,196 |
| Timing of revenue recognition | | | | | | | | | | |
| - At a point in time | - | - | - | 28 | - | - | 1,360 | - | - | 1,388 |
| - Over time | 401,991 | 149,012 | 79,805 | - | - | - | - | - | - | 630,808 |
| | 401,991 | 149,012 | 79,805 | 28 | - | - | 1,360 | - | - | 632,196 |

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major business segments and geographical regions for the year ended 31 December 2020:

| | Provision of vision correction services | | | Sales of pharmaceutical products | | | Others | | | Total |
|---------------------------------|---|-----------------|-----------------|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Germany | China | Denmark | Germany | China | Denmark | Germany | China | Denmark | |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Segment revenue | 300,214 | 108,114 | 60,837 | 267 | - | 79 | 4,733 | - | 115 | 474,359 |
| Inter-segment revenue | - | - | - | - | - | - | (2,589) | - | (115) | (2,704) |
| Revenue from external customers | <u>300,214</u> | <u>108,114</u> | <u>60,837</u> | <u>267</u> | <u>-</u> | <u>79</u> | <u>2,144</u> | <u>-</u> | <u>-</u> | <u>471,655</u> |
| Timing of revenue recognition | | | | | | | | | | |
| - At a point in time | - | - | - | 267 | - | 79 | 2,144 | - | - | 2,490 |
| - Over time | <u>300,214</u> | <u>108,114</u> | <u>60,837</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>469,165</u> |
| | <u>300,214</u> | <u>108,114</u> | <u>60,837</u> | <u>267</u> | <u>-</u> | <u>79</u> | <u>2,144</u> | <u>-</u> | <u>-</u> | <u>471,655</u> |

(b) Contract liabilities movement

Contract liability represents collection from customers in advance for vision correction services that are going to be provided in the future. The table below shows the movement of contract liabilities for the year:

| | <u>2021</u> | <u>2020</u> |
|---|------------------|------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Balance at beginning of the year | 7,952 | 6,971 |
| Advance collected from customers during the year | 536,666 | 421,773 |
| Revenue recognised from contract liabilities existed at the beginning of the year | (7,952) | (6,971) |
| Revenue recognised from contract liabilities occurred during the year | <u>(528,551)</u> | <u>(413,821)</u> |
| Balance at end of the year | <u>8,115</u> | <u>7,952</u> |

No significant cost was incurred for obtaining revenue contract for the years ended 31 December 2021 and 2020.

5 EXPENSES BY NATURE

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Employee benefit expenses | 153,323 | 117,012 |
| Raw materials and consumables | 94,308 | 77,925 |
| Depreciation of property, plant and equipment | 73,895 | 66,571 |
| Advertising and marketing expenditure | 35,137 | 33,077 |
| Electricity and other utility expenses | 16,102 | 13,524 |
| Doctors' fee | 16,085 | 13,986 |
| Legal and other consulting services fee | 15,035 | 15,355 |
| Clinic, office and consumption expenses | 12,545 | 9,919 |
| Repair and maintenance | 9,512 | 7,897 |
| Transportation costs | 7,739 | 6,001 |
| Auditors' remuneration | | |
| – PricewaterhouseCoopers | 2,895 | 3,054 |
| – Other auditors | 112 | 80 |
| Amortisation of intangible assets | 763 | 763 |
| Rent on short-term leases | 414 | 115 |
| Rent concession related to COVID-19 | – | (2,020) |
| Others | 5,266 | 2,994 |
| | <u>443,131</u> | <u>366,253</u> |
| Total | <u>443,131</u> | <u>366,253</u> |

6 OTHER GAINS, NET

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Value added tax refund | 1,140 | 1,613 |
| Net gains/(losses) on financial assets | | |
| at fair value through profit or loss | 505 | – |
| Government compensation for employee welfare | 304 | 904 |
| Government compensation for COVID-19 | – | 674 |
| (Loss)/gain on disposal of property, plant, and equipment | (294) | 177 |
| Others | (83) | 151 |
| | <u>1,572</u> | <u>3,519</u> |
| | <u>1,572</u> | <u>3,519</u> |

7 **FINANCE INCOME AND EXPENSES, NET**

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Finance income | | |
| Interest income | (138) | (2,517) |
| Foreign exchange gains, net | (12,738) | – |
| | <u>(12,876)</u> | <u>(2,517)</u> |
| Finance expenses | | |
| Foreign exchange losses, net | – | 7,286 |
| Interest expenses on leases | 7,151 | 6,559 |
| Interest expenses on borrowings | 340 | 443 |
| Other finance expenses | 974 | 638 |
| | <u>8,465</u> | <u>14,926</u> |
| Net finance (income)/expenses | <u>(4,411)</u> | <u>12,409</u> |

8 **INCOME TAX EXPENSE**

The Group was subject to different tax jurisdiction mainly in Germany, Denmark, the PRC and Hong Kong with tax rates ranging from 16.5% to 32% during the year (2020: 16.5% to 32%).

Taxation on profits has been calculated on the estimated assessable profit or loss for the year at the rates of taxation prevailing in the countries/areas in which the group entities operate.

The amount of income tax expense charged to the consolidated statement of comprehensive income represents:

| | <u>2021</u> | <u>2020</u> |
|---------------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current income tax | 62,434 | 37,660 |
| Deferred income tax | 855 | (3,085) |
| Income tax expense | <u>63,289</u> | <u>34,575</u> |

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

| | <u>2021</u> | <u>2020</u> |
|---|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit before tax | 195,673 | 98,648 |
| Tax calculated at the domestic tax rate applicable to profits in the respective jurisdictions | 56,947 | 30,277 |
| Preferential tax rates on income of certain group entities | (965) | (425) |
| Expenses not deductible for tax purposes | 3,741 | 3,421 |
| Income not subject to tax | - | (9) |
| Utilisation of tax losses not previously recognised | - | (496) |
| Recognition of deferred tax assets not previously recognised | - | (2,047) |
| Reversal of deferred tax assets previously recognised | 1,903 | - |
| Tax losses of certain group entities for which no deferred income tax assets were recognised | 1,773 | 4,005 |
| Others | (110) | (151) |
| Income tax expense | <u>63,289</u> | <u>34,575</u> |

9 EARNINGS PER SHARE

(a) Basic earnings per share

For the years ended 31 December 2021 and 2020, basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

| | <u>2021</u> | <u>2020</u> |
|--|---------------|---------------|
| Profit attributable to owners of the Company (HK\$'000) | 133,560 | 65,580 |
| Weighted average number of ordinary shares in issue ('000) | 328,378 | 328,965 |
| Earnings per share (basic) (HK cents) | <u>40.673</u> | <u>19.935</u> |

(b) Diluted earnings per share

For the years ended 31 December 2021 and 2020, diluted earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares and potential ordinary shares during the year.

| | <u>2021</u> | <u>2020</u> |
|--|---------------|---------------|
| Profit attributable to owners of the Company (HK\$'000) | 133,560 | 65,580 |
| Weighted average number of ordinary shares and potential ordinary shares in issue ('000) | 329,156 | 375,643 |
| Earnings per share (diluted) (HK cents) | <u>40.577</u> | <u>17.458</u> |

(c) Weighted average number of shares used as the denominator

| | <u>2021</u> | <u>2020</u> |
|---|----------------|----------------|
| | <i>Number</i> | <i>Number</i> |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share ('000) | <u>328,378</u> | <u>328,965</u> |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share ('000) | <u>329,156</u> | <u>375,643</u> |

Potential ordinary share are number of shares considered under Restricted Share Award Scheme in Note 11.

10 TRADE RECEIVABLES

| | <u>2021</u> | <u>2020</u> |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Trade receivables due from third parties | 3,250 | 4,625 |
| Trade receivables due from related parties | <u>44</u> | <u>105</u> |
| Total trade receivables | 3,294 | 4,730 |
| Less: provision for impairment | <u>(212)</u> | <u>(153)</u> |
| Total trade receivables, net | <u>3,082</u> | <u>4,577</u> |

The majority of the Group's sales required advance payments from customers. The remaining amounts are mainly due from insurance companies who pay the Group on a regular basis. As at 31 December 2021 and 2020, the ageing analysis of the trade receivables based on the invoice date was as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Within 6 months | <u>3,294</u> | <u>4,730</u> |

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

| | <u>2021</u> | <u>2020</u> |
|-------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| – RMB | 1,121 | 2,393 |
| – EUR | 1,723 | 1,297 |
| – DKK | <u>450</u> | <u>1,040</u> |
| | <u>3,294</u> | <u>4,730</u> |

(i) Fair value of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(ii) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Given that majority of the Group's sales are paid by customers in advance, the credit loss from trade receivable is considered very low by management.

Movements in the provision for impairment of trade receivables are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Balance at beginning of the year | 153 | 175 |
| Provision for impairment recognised during the year | 110 | 27 |
| Receivables written off during the year as uncollectible | (51) | (49) |
| Balance at end of the year | <u>212</u> | <u>153</u> |

The maximum exposure to credit risk as at 31 December 2021 were HK\$3,294,000 (2020: HK\$4,730,000).

11 SHARES HELD FOR SHARE SCHEME

| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
|------------------------------|----------------|----------------|-----------------|-----------------|
| | <i>Shares</i> | <i>Shares</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Shares held for share scheme | <u>848,357</u> | <u>750,000</u> | <u>11,344</u> | <u>4,284</u> |

These shares are shares of the Company that are held by an independent professional trustee (the "Trustee") for the purpose of issuing shares under the Restricted Share Award Scheme and other equity-based incentive schemes adopted by the Company (see Note 12 for further information). Total amount of HK\$15,284,000 was paid to the Trustee during the year ended 31 December 2021, including the restricted cash of HK\$2,000 (2020: Total amount of HK\$4,350,000 was paid to the Trustee, including the restricted cash of HK\$66,000) being reserved in the Trustee.

| | Number of shares | Amount HK\$'000 |
|---|-----------------------------|----------------------------|
| As at 1 January 2021 | 750,000 | 4,284 |
| Acquisition of shares by the Trustee | 1,219,000 | 15,348 |
| Issue of shares under employee share scheme | (1,120,643) | (8,288) |
| As at 31 December 2021 | <u>848,357</u> | <u>11,344</u> |

12 SHARE-BASED PAYMENT

On 19 March 2020, the Company adopted a share scheme with a term of 10 years to incentivise skilled and experienced personnel, and to recognise the contributions of the participants, to the Group (the “**Restricted Share Award Scheme**”).

Under the scheme the grantees receive the shares of the Company with a vesting period within 2 years.

The following table shows the restricted shares granted and outstanding at the beginning and end of the reporting year:

| | <u>Number of shares 2021</u> | <u>Number of shares 2020</u> |
|--|----------------------------------|----------------------------------|
| As at 1 January | 433,570 | – |
| Granted during the year | 1,167,484 | 433,570 |
| Vested during the year | (1,120,643) | – |
| | <u>480,411</u> | <u>433,570</u> |
| As at 31 December | <u>480,411</u> | <u>433,570</u> |
| | <u>2021</u> | <u>2020</u> |
| Expenses arising from share-based payment | <i>HK\$’000</i> | <i>HK\$’000</i> |
| Shares issued under employee share scheme | <u>11,325</u> | <u>877</u> |

The fair value of the awards at grant date was estimated by the market price of the Company’s shares on that date.

13 TRADE PAYABLES

As at 31 December 2021 and 2020, the ageing analysis of trade payables based on invoice dates is as follows:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|------------------------|------------------------|
| | <i>HK\$’000</i> | <i>HK\$’000</i> |
| Within 3 months | 16,398 | 11,204 |
| Over 3 months but within 6 months | 3,983 | 4,672 |
| Over 6 months but within 1 year | 256 | 2,946 |
| Over 1 year but within 2 years | 406 | 2,231 |
| Over 2 years | 494 | – |
| | <u>21,537</u> | <u>21,053</u> |

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

| | <u>2021</u> | <u>2020</u> |
|-------|------------------------|------------------------|
| | <i>HK\$’000</i> | <i>HK\$’000</i> |
| – RMB | 6,376 | 13,778 |
| – EUR | 9,483 | 6,941 |
| – DKK | 5,678 | 334 |
| | <u>21,537</u> | <u>21,053</u> |

Trade payables are unsecured and are usually paid within 90 days of recognition.

The carrying amounts of trade payables are considered to be approximate as their fair values.

14 DIVIDENDS

On 16 March 2021, the Board of Directors of the Company declared a dividend of HK\$0.02988 per ordinary share totalling HK\$9,837,512 (year ended 31 December 2020: nil) to the shareholders of the Company in respect of the year ended 31 December 2020. The dividend was approved at the Annual General Meeting on 21 May 2021 and was fully paid during the year ended 31 December 2021.

During the board meeting held on 23 March 2022, the Board proposed a final dividend of HK\$0.09932 per ordinary share totalling HK\$33,097,397 to the shareholders of the Company in respect of the year ended 31 December 2021. Subject to the approval of the shareholders at the forthcoming Annual General Meeting and subject to further announcement in respect to the book closure date, record date and payment date, the proposed 2021 final dividend is expected to be distributed to shareholders on or around in the middle of June 2022.

As the final dividend is proposed after 31 December 2021, such dividend is not recognised as a liability as at 31 December 2021.

15 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Acquisition of London Vision Clinic Partners Limited

On 20 January 2022, EuroEyes UK Holding Limited, a wholly-owned subsidiary of the Company, has entered into a share purchase agreement (the “SPA”) to acquire the entire issued shares in London Vision Clinic Partners Limited for a consideration of GBP13,130,000 (equivalent to HK\$138,211,632) in allotment of cash consideration of GBP10,010,000 (equivalent to HK\$105,369,264) and share consideration of GBP3,120,000 (equivalent to HK\$32,842,368, in number of 4,006,000 shares of the Company, representing 1.2% of total shares of the Company after the acquisition). The maximum consideration shall be approximately GBP34,327,985 (equivalent to HK\$361,350,101), subject to the consideration adjustment and earn out terms set out in the SPA. The acquisition completed on 20 January 2022. Based on the unaudited annual results of London Vision Clinic Partners Limited as at the Completion date, net asset of London Vision Clinic Partners Limited was approximately GBP1,830,467 (equivalent to HK\$19,268,228).

The Group is currently in the process of performing the valuation and purchase price allocation on the acquisition of London Vision Clinic Partners Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year of 2021 marked a year of meaningful milestones in the development of the Group. Despite multiple waves of COVID-19 outbreaks in Europe and China, the Group entered a stage of rapid development and delivered strong organic growth. The strategy of focusing on lens surgeries drove the Group's revenue and margin increase and will be the foundation of the consistent growth in the future. The Group also accomplished the first acquisition since the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), successfully accessing to refractive market in London, the United Kingdom (the "UK"), injecting new dynamism to the future development.

The total revenue of the Group achieved approximately HK\$632.9 million, representing an increase of approximately 33.6% as compared to the year ended 31 December 2020.

The Group's gross profit increased approximately 46.0% to approximately HK\$312.5 million for the year ended 31 December of 2021, representing a gross profit margin of approximately 49.4%. The adjusted gross profit increased approximately 48.2% to approximately HK\$317.4 million, representing an adjusted gross profit margin of approximately 50.1%.

The Group recorded a net profit after tax of approximately HK\$132.4 million for the year ended 31 December 2021, representing an increase of approximately 106.6% as compared to the year of 2020. The adjusted net profit after tax rose approximately 94.4% to approximately HK\$137.3 million, representing an adjusted net profit margin of approximately 21.7%.

REVENUE BY GEOGRAPHICAL REGIONS

Revenue in Europe

Despite the lingering pandemic in Europe during 2021, the Group's business was merely affected due to the implementation of normalized COVID-19 prevention and control measures, and has kept up the momentum.

The Group's revenue in Germany for the year ended 31 December 2021 was approximately HK\$404.0 million, which marked an increase of approximately 32.6% as compared to 2020, representing approximately 63.8% of the total revenue.

The Group's revenue in Denmark for the year ended 31 December 2021 was approximately HK\$79.9 million, which marked an increase of approximately 31.1% as compared to 2020, representing approximately 12.6% of the total revenue.

Revenue in PRC

For the year ended 31 December 2021, the Group's revenue in the PRC was approximately HK\$149.0 million, which marked an increase of approximately 37.8% as compared to 2020, representing approximately 23.6% of the total revenue.

Revenue by Types of Surgeries

The Group's momentum was accelerating in 2021 as the Group was successfully addressing the unique and large market opportunity for lens surgeries, including phakic lens (ICL) surgery and advanced lens exchange surgery, which remained the main sources of income of the Group, representing an aggregate of approximately 65.3% (2020: approximately 62.4%) of the total revenue for the year ended 31 December 2021.

The Group's revenue from performing lens exchange surgery, which included monofocal and trifocal lens exchange surgeries, was approximately HK\$323.8 million, marked an increase of approximately 42.4% compared to 2020. The Group's revenue from performing lens exchange surgery accounted for approximately 51.2% (2020: approximately 48.0%) of the total revenue for the year ended 31 December 2021.

The revenue of lens exchange surgery in 2021 performed in Germany, PRC and Denmark was approximately HK\$189.8 million, HK\$63.9 million, and HK\$70.0 million respectively, achieving an increase of approximately 42.7%, 52.3%, and 33.8% compared with 2020.

The revenue from performing phakic lens (ICL) surgery was approximately HK\$89.4 million, marked an increase of approximately 30.9% compared to 2020. The Group's revenue from performing ICL surgery accounted for approximately 14.1% (2020: approximately 14.4%) of the total revenue 2021.

The revenue of ICL surgery performed in Germany and PRC was approximately HK\$49.2 million and HK\$38.3 million respectively, achieving an increase of approximately 37.4% and an increase of 27.7%.

Gross Profit and Net Profit

For the year ended 31 December 2021, the Group's gross profit was approximately HK\$312.5 million, representing an increase of approximately HK\$98.4 million as compared to 2020. The Group's adjusted gross profit was approximately HK\$317.4 million, marked an increase of approximately 48.2% as compared to 2020, representing an adjusted gross profit margin of approximately 50.1% (2020: approximately 45.2%).

The Group recorded a net profit after tax of approximately HK\$132.4 million for the year ended 31 December 2021, representing an increase of approximately 106.6% as compared to 2020. After adjusting for non-recurring item, the Group's Adjusted Net Profit After Tax was approximately HK\$137.3 million, marked an increase of approximately 94.4% as compared to 2020, representing an adjusted net profit margin of approximately 21.7% (2020: approximately 14.9%).

IMPORTANT EVENTS AFTER THE END OF 31 DECEMBER 2021

In the announcements of the Company dated 20 January 2022 and 28 January 2022, the Group entered into a share purchase agreement with an independent third party to acquire the entire issued shares in London Vision Clinic Partners Limited (the “**Acquisition**”) for a completion consideration of GBP13,130,000 (equivalent to approximately HK\$138,211,632). The maximum consideration shall be approximately GBP34,327,985 (equivalent to approximately HK\$361,350,101), subject to the consideration adjustment and earn out terms. Under the earn out terms, the revenue and EBIT of London Vision Clinic are expected to grow at a high speed.

London Vision Clinic, currently located in London, the UK, is one of the leading brands in the vision correction industry worldwide, whose founder, Professor Dan Zoltan Reinstein (“**Professor Reinstein**”), is a top-rated expert in laser surgery, and garnered worldwide reputation for his inventions and major contributions to the refractive surgery field. Professor Reinstein pioneered and introduced PRESBYOND® Laser Blended Vision, a treatment designed for patients from the age of 40 years old who have developed presbyopia, which makes it the perfect addition to the Group’s trifocal lens exchange surgery.

The Group believes that the Acquisition will enable it to get access to the high-end refractive and presbyopia surgery markets in London, the UK and expand its business. By implementing PRESBYOND® Laser Blended Vision treatment into the Group, it will be able to treat a larger group of patients who are suffering from presbyopia at an early stage. Moreover, Professor Reinstein has been serving as a medical director of the international medical advisory board of the Group, which delivered tremendous value to the expert team of the Group.

FINANCIAL REVIEW

1. Revenue

The Group is a high-end vision correction service provider in Germany, Denmark and the PRC. The Group’s vision correction services include refractive laser surgery (which includes ReLEx SMILE and FemtoLASIK), phakic lens (ICL) surgery, lens exchange surgery (which includes monofocal and trifocal lens exchange surgery) and others (which includes PRK/LASEK and ICRS implantation). The following table sets forth the Group’s revenue by product category for the years indicated:

| | Year ended 31 December | | | | | |
|---|------------------------|--------------------------|----------------|--------------------------|----------------|-------------|
| | 2021 | 2021 | 2020 | 2020 | change | change |
| | HK\$’000 | % of total revenue | HK\$’000 | % of total revenue | HK\$’000 | % |
| Provision of vision correction services | 630,808 | 99.7 | 469,165 | 99.0 | 161,643 | 34.5 |
| Rental of ophthalmic equipment and operating spaces | 735 | 0.1 | 2,163 | 0.5 | (1,428) | (66.0) |
| Sales of pharmaceutical products | 28 | 0.1 | 346 | 0.1 | (318) | (91.9) |
| Other | 1,360 | 0.1 | 2,144 | 0.4 | (784) | (36.6) |
| Total | <u>632,931</u> | <u>100.0</u> | <u>473,818</u> | <u>100.0</u> | <u>159,113</u> | <u>33.6</u> |

The Group's total revenue increased by approximately 33.6% from approximately HK\$473.8 million for the year ended 31 December 2020 to approximately HK\$632.9 million for the year ended 31 December 2021, which was mainly attributable to the increase in the total number of surgeries performed by the Group, especially the strong growth in the Group's specialized lens surgeries, including phakic lens (ICL) surgery and lens exchange surgery.

The Group's revenue was generated in Germany, the PRC and Denmark. As at 31 December 2021, the Group had a total of 27 clinics and consultation centres worldwide. The following table sets forth the Group's revenue by geographical location for the years indicated:

| | Year ended 31 December | | | | | |
|---------|------------------------|--------------------------|----------------|--------------------------|----------------|-------------|
| | 2021 | 2021 | 2020 | 2020 | change | change |
| | HK\$'000 | % of total revenue | HK\$'000 | % of total revenue | HK\$'000 | % |
| Germany | 404,032 | 63.8 | 304,788 | 64.3 | 99,244 | 32.6 |
| The PRC | 149,012 | 23.6 | 108,114 | 22.8 | 40,898 | 37.8 |
| Denmark | 79,887 | 12.6 | 60,916 | 12.9 | 18,971 | 31.1 |
| Total | <u>632,931</u> | <u>100.0</u> | <u>473,818</u> | <u>100.0</u> | <u>159,113</u> | <u>33.6</u> |

For the year ended 31 December 2021, the Group generated approximately 63.8% (2020: approximately 64.3%) of its revenue in Germany, approximately 23.6% (2020: approximately 22.8%) in the PRC and approximately 12.6% (2020: approximately 12.9%) in Denmark. As compared to the year ended 31 December 2020, the Group's revenue increased by approximately 32.6% in Germany, approximately 37.8% in the PRC and approximately 31.1% in Denmark.

2. Cost of Revenue

For the year ended 31 December 2021, the largest component of the Group's cost of sales was employee benefits expenses, representing approximately 34.1% (2020: approximately 31.5%) of the total cost of sales, followed by raw materials and consumables used, accounting for approximately 29.4% (2020: approximately 31.1%) of the total cost of sales.

| Cost of sales | Year ended 31 December | | |
|---|------------------------|----------------|-------------|
| | 2021 | 2020 | change |
| | HK\$'000 | HK\$'000 | % |
| Employee benefit expenses | 109,179 | 81,896 | 33.3 |
| Raw materials and consumables used | 94,308 | 77,925 | 21.0 |
| Depreciation of property, plant and equipment | 60,844 | 54,526 | 11.6 |
| Doctor's fee | 16,085 | 13,986 | 15.0 |
| Others ⁽¹⁾ | 39,970 | 31,385 | 27.4 |
| Total | <u>320,386</u> | <u>259,718</u> | <u>23.4</u> |

Note:

- (1) Others mainly included transportation, repair and maintenance of equipment, electricity, utility, clinic, office, and consumption expenses.

The Group's cost of revenue increased by approximately HK\$60.7 million, or 23.4%, from approximately HK\$259.7 million for the year ended 31 December 2020 to approximately HK\$320.4 million for the year ended 31 December 2021. The increase was primarily attributable to the increase in the total number of surgeries performed by the Group, which resulted in (i) the increase of employee surgery-based payment along with the improvement of capacity utilization rate of the Group's clinics; and (ii) the increase of consumption of raw materials and consumables; and (iii) the increase of the employee share-based payment for the Group's key surgeons.

3. Gross Profit and Gross Profit Margin

The following table sets forth the Group's gross profit and gross profit margin for the years indicated:

| | Year ended 31 December | | |
|---|-------------------------------|-----------------|---------------|
| | 2021 | 2020 | change |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>%</i> |
| Revenue | 632,931 | 473,818 | 33.6 |
| Cost of sales | (320,386) | (259,718) | 23.4 |
| Gross profit | <u>312,545</u> | <u>214,100</u> | <u>46.0</u> |
| Gross profit margin | <u>49.4%</u> | <u>45.2%</u> | |
| Adjusted gross profit (see "Non-IFRS Financial Measures" section) | <u>317,393</u> | <u>214,100</u> | <u>48.2</u> |
| Adjusted gross profit margin | <u>50.1%</u> | <u>45.2%</u> | |

The adjusted gross profit increased by approximately HK\$103.3 million, or 48.2%, from approximately HK\$214.1 million for the year ended 31 December 2020 to approximately HK\$317.4 million for the year ended 31 December 2021. The adjusted gross profit margin for the year ended 31 December 2021 was approximately 50.1% (2020: approximately 45.2%), which represented an increase of 4.9 percentage points as compared to the year ended 31 December 2020.

The increase in the gross profit margin was primarily attributable to the increase of number of surgeries performed by the Group, and the improvement of capacity utilization rate.

4. Selling Expenses

The Group's selling expenses for the year ended 31 December 2021 amounted to approximately HK\$53.8 million, representing an increase of approximately HK\$7.7 million, or 16.8% as compared to the year ended 31 December 2020, which was primarily attributable to the increase of employee benefit expenses by approximately HK\$5.2 million.

For the year ended 31 December 2021, the selling expenses amounted to 8.5% of the Group's total revenue (2020: 9.7%), which represented a decrease of 1.2 percentage points, as a result of the Group's further optimized operation efficiency.

The increase of employee benefit expenses was mainly attributable to the increase in the number of marketing employees in Germany along with the growth of the Group's business.

| | Year ended 31 December | | |
|---|------------------------|---------------|-------------|
| | 2021 | 2020 | change |
| | HK\$'000 | HK\$'000 | % |
| Advertising and marketing expenditure | 35,137 | 33,077 | 6.2 |
| Employee benefit expenses | 12,932 | 7,773 | 66.4 |
| Depreciation of property, plant and equipment | 3,741 | 3,279 | 14.1 |
| Others | 1,957 | 1,915 | 2.2 |
| Total | <u>53,767</u> | <u>46,044</u> | <u>16.8</u> |

5. Administrative Expenses

For the year ended 31 December 2021, the Group's administrative expenses amounted to approximately HK\$69.0 million, representing an increase of approximately HK\$8.5 million or 14.0% as compared to the year ended 31 December 2020, which was primarily attributable to the increase of employee shared-based payment along with the growth of the Group's business.

| | Year ended 31 December | | |
|---|------------------------|---------------|-------------|
| | 2021 | 2020 | change |
| | HK\$'000 | HK\$'000 | % |
| Employee benefit expenses | 31,212 | 27,343 | 14.1 |
| Legal, consulting and other service fee | 14,779 | 14,217 | 4.0 |
| Depreciation of property, plant and equipment | 9,310 | 8,766 | 6.2 |
| Office and consumption expenses | 4,154 | 3,262 | 27.3 |
| Others | 9,523 | 6,903 | 38.0 |
| Total | <u>68,978</u> | <u>60,491</u> | <u>14.0</u> |

6. Finance Income and Expenses, Net

The Group's finance income increased by approximately HK\$10.4 million, or 411.6%, from approximately HK\$2.52 million for the year ended 31 December 2020 to approximately HK\$12.9 million for the year ended 31 December 2021. The Group's finance expenses decreased by approximately HK\$6.5 million, or 43.3%, from approximately HK\$14.9 million for the year ended 31 December 2020 to approximately HK\$8.5 million for the year ended 31 December 2021. The increase in net finance income was primarily attributable to the increase in foreign exchange gains arising from the Group's HK\$ denominated listing proceeds deposited with banks in Hong Kong.

7. Borrowings

As at 31 December 2021, the Group had outstanding borrowings of approximately HK\$4.6 million (2020: approximately HK\$7.1 million), of which approximately HK\$1.9 million (2020: approximately HK\$2.0 million) was repayable within one year and approximately HK\$2.7 million (2020: approximately HK\$5.1 million) was repayable within two to five years. The borrowings were related to the property, plant and equipment financed from a financial leasing company. The decrease in the Group's borrowings for the year ended 31 December 2021 was mainly due to the payment of regular rent to the financial leasing company.

As at 31 December 2021, the borrowings were denominated in EUR. Approximately HK\$4.6 million (2020: approximately HK\$7.1 million) of the borrowings held by the Group were at fixed rates which ranged from 5.71% to 6.12% per annum (2020: 1.77% to 6.12% per annum).

8. Foreign Exchange Risk

The subsidiaries of the Company mainly operate in Germany, Denmark and the PRC with most of the transactions being settled in Euro ("EUR" or "€"), Danish Krone ("DKK"), and Renminbi ("RMB"), respectively. Foreign exchange risk arises when recognised financial assets and liabilities are denominated in a currency that is not the group entities' functional currency. As at 31 December 2021 and 2020, the financial assets and liabilities of the subsidiaries of the Group in Germany, Denmark and the PRC were primarily denominated in EUR, DKK and RMB, respectively, which were their respective functional currencies.

Management believes that the foreign exchange risk mainly arises from the Group's HK\$ denominated listing proceeds deposited with banks in Hong Kong. As at 31 December 2021, if HK\$ had weakened/strengthened by 5% against EUR with all other variables being held constant, the total net asset of the Group would have been approximately HK\$6.8 million (2020: approximately HK\$4.0 million) lower/higher; post-tax profit for the year ended 31 December 2021 would have been approximately HK\$6.8 million lower/higher (2020: post-tax profit for the year would have been approximately HK\$4.0 million higher/lower).

The Group has not hedged its foreign exchange risks, but will closely monitor the exposure and will take measures when necessary to ensure that the foreign exchange risks are manageable.

9. Charges on Group Assets

As at 31 December 2021, borrowings of approximately HK\$4.6 million (2020: approximately HK\$7.1 million) were secured by property, plant and equipment with net book value of approximately HK\$5.7 million (2020: approximately HK\$7.1 million) for the finance lease.

10. Capital Commitments

Save for the capital commitment of approximately HK\$0.3 million (2020: approximately HK\$0.4 million) in relation to the addition of property, plant and equipment as at 31 December 2021, the Group had no significant capital commitments.

11. Contingent Liabilities

As at 31 December 2021, the Group did not have any significant contingent liabilities (2020: Nil).

12. Significant Investments, Material Acquisitions and Disposals

There were no significant investments held, material acquisitions or disposals of subsidiaries associates and joint ventures by the Group during the year ended 31 December 2021.

13. Plans for Material Investments or Capital Assets

Save as disclosed in the prospectus dated 30 September 2019 (the “**Prospectus**”) and the capital commitment in relation to the addition of property, plant and equipment as mentioned above which will be funded by the proceeds from the Company’s global offering as announced by the Prospectus (the “**Global Offering**”), the Group did not have other plans for material investments or capital assets as at 31 December 2021.

OUTLOOK AND FUTURE STRATEGIES

Looking ahead, there are still uncertainties from the COVID-19 situation and other headwinds from the external environment. In order to maintain rapid and sustainable growth, the Group will be persistent in its long-term mentality and business development strategy to maintain organic growth at high speed while proactively seeking opportunities in mergers and acquisitions.

New Clinic Pipeline

In Germany, the Group is constructing three new clinics in Baden-Baden, Wiesbaden and Kiel, respectively. Baden-Baden is a world-famous spa town in southwest Germany with a top-class reputation for healthcare. Wiesbaden is the second-largest city in the state of Hesse, and Kiel is the capital and the most populous city in the northern state of Schleswig-Holstein of Germany. These three clinics are anticipated to commence trial operation in the second half of 2022.

In the PRC, the new clinic in Chengdu commenced operation in March 2022. Located along the main street of Taikoo Li, the high-end commercial area of Chengdu, the clinic is expected to attract huge traffic. Chengdu is an emerging city in Southwest China with a sizeable population and large consumption capacity, and the Group is confident about the Chengdu market and the performance of this new clinic. Moreover, the Group is selecting locations for consultation centres in Beijing and Shanghai, which after construction, would be the third clinic in Beijing and the second clinic in Shanghai, respectively. As outpatient clinics providing examination and non-surgical treatment, consultation centres are expected to increase the utilization rate of the Group's existing surgical centres, enabling the Group to penetrate further into the cities with large potential.

In Denmark, the new flagship clinic in Copenhagen has commenced operation in substitution of the Group's former clinic. It is located in a prominent location in the city centre and larger in scale, supporting the continuous growth of the Group's business in Denmark.

Access to New Markets

Through the Acquisition, the Group is equipped with an established premium brand, two experienced surgeons with excellent reputation and a sizeable team in the UK, which enable the Group to establish new clinics in the UK.

Mergers & Acquisitions

The Group is implementing its strategy of mergers and acquisitions at a fast pace and intends to seek such targets of famous privately-owned eye clinics in Europe. Through acquisitions, the Group expects to include leading brands of eye clinic or engage reputable and excellent surgeons to expand the clinic network and extend its reach into new geographic regions with a particular interest in emerging markets. With a more extensive and stronger surgeon network, the Group will improve its ophthalmic level and strengthen its leading position in the industry.

Surgeons and Ophthalmologists Training

The Group places great emphasis on the improvement of internal training system. During 2021, the Group has trained three new Chinese surgeons to perform laser surgeries in the PRC, which will increase the utilization rate and support the Group's development in a long run. Looking ahead, the Group will keep training new surgeons, supporting them to obtain additional qualification certification, and providing further training to the current team across the Group.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the mandatory disclosure requirements and the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the financial year ended 31 December 2021, save for the deviations from code provision C.2.1 as follows:

Under code provision C.2.1 of the Corporate Governance Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Jørn Slot Jørgensen (“**Dr. Jørgensen**”) is both the chairman and the chief executive officer of the Company because of his considerable experience in the business of providing ophthalmic services in Germany, Denmark and the PRC. Dr. Jørgensen is also the founder of the Group and has been managing the business and overall strategic development since the establishment of the Group. The Directors consider that vesting the roles of both the chairman and the chief executive officer of the Company in Dr. Jørgensen is beneficial to the business prospects and management of the Group by ensuring consistent leadership with the Group and enabling more effective and efficient overall strategic development for the Group.

Having considered the corporate governance measures that the Company has implemented, the Directors consider that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. Accordingly, the Company has not segregated the roles of the chairman and the chief executive officer of the Company since the establishment of the Group. The Board will continue to review and consider the separation of the roles of the chairman of the Board and the chief executive officer of the Company at an appropriate time, taking into consideration the business development of the Group as a whole.

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 2021.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2021.

LIQUIDITY AND CAPITAL RESOURCES

The liquidity requirements of the Company are primarily attributable to the working capital for the Group’s business operations. For the year ended 31 December 2021, the principal source of liquidity of the Company was cash generated from the business operations of the Company and proceeds from the Global Offering. As at 31 December 2021, the Group had cash and cash equivalents of approximately HK\$845.6 million.

The Group’s current ratio (calculated as current assets over current liabilities) was approximately 6.7 as at 31 December 2021 (2020: approximately 7.1).

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as long-term borrowings divided by the total capital. The total capital is calculated as “equity” as shown in the consolidated statement of financial position plus long-term borrowings. The Group’s gearing ratio as at 31 December 2021 was approximately 0.26% (2020: approximately 0.51%).

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

Since 15 October 2019, the shares of the Company have been listed on the Main Board of the Stock Exchange. In connection with the listing, the Company issued 91,234,000 shares at a price of HKD7.50. The aggregate net proceeds from the Global Offering (after deducting underwriting fees and expenses) amounted to approximately HK\$660.66 million, which will be used for (i) establishing clinics in major cities in the PRC, including Chengdu and Chongqing, (ii) potential acquisition of clinic groups in Europe, (iii) expansion of marketing efforts, and (iv) working capital and general corporate purposes.

The net proceeds from the Global Offering (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilised in the same manner, proportion and expected timeframe as set out under the section headed “Future Plans and Use of Proceeds” of the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to 31 December 2021:

| | Percentage of the net proceeds (%) | Planned application (HK\$'000) | Actual usage up to 31 December 2021 (HK\$'000) | Unutilised net proceeds as at 31 December 2021 (HK\$'000) | Expected timeline for fully utilising the unutilised amount (Note 1) |
|---|--|--------------------------------------|--|---|--|
| Use of net proceeds | | | | | |
| For establishing clinics in major cities in the PRC | 40.0 | 264,266 | 29,988 | 234,278 | By 31 December 2025 |
| For potential acquisition of clinic groups in Europe | 33.0 | 218,019 | – | 218,019 | By 31 December 2024 |
| For the expansion of marketing efforts | 17.0 | 112,313 | 2,703 | 109,610 | By 31 December 2024 |
| Working capital and general corporate purposes | 10.0 | 66,066 | 1,503 | 64,563 | By 31 December 2024 |
| | <u>100.0</u> | <u>660,664</u> | <u>34,194</u> | <u>626,470</u> | |

Note: 1. The expected timeline for utilisation of the unutilised proceeds disclosed above is based on the best estimation from the Board with latest information as at the date of this announcement.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors, namely Mr. Philip Duncan Wright (chairman of the Audit Committee), Mr. Hans Helmuth Hennig and a non-executive Director, namely Mr. Marcus Huascar Bracklo. The Audit Committee provided supervision and reviewed the Group's financial reporting process, internal controls and risk management. The Audit Committee has considered and reviewed the Group's consolidated annual results for the year ended 31 December 2021, the accounting principles and practices adopted by the Group, and discussed matters in relation to internal control and reporting with the management of the Company. The Audit Committee considers that the consolidated annual results for the year ended 31 December 2021 are in compliance with the relevant accounting standards, rules and regulations and the Listing Rules, and that adequate disclosures have been duly made.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2021, the trustee of the Restricted Share Award Scheme purchased 1,219,000 shares at a total consideration of approximately HK\$15,348,000 on the Stock Exchange pursuant to the rules and the trust deed of the Restricted Share Award Scheme. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

FINAL DIVIDEND

The directors recommended a final dividend of HK\$0.09932 per ordinary share for the year ended 31 December 2021, totally amounting to approximately HK\$33,097,397, the payment of which is subject to approval by the shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting of the Company.

Further announcement will be made in respect of the date of closure of register of members and the date of the forthcoming annual general meeting and final dividend distribution.

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 2021 as set out in this announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2021. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by the Company's auditors on this announcement.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business, financial condition and results of operations could be materially and adversely affected by certain risks and uncertainties. For details, please see the section headed "Report of the Directors" of the annual report of the Company for the year ended 31 December 2021.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company's website at www.euroeyes.hk. The Company's annual report for the year ended 31 December 2021 containing all the information required under the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Company for their support and contribution to the Group.

By order of the Board
EuroEyes International Eye Clinic Limited
Dr. Jørn Slot Jørgensen
Chairman and Executive Director

Hong Kong, 23 March 2022

As at the date of this announcement, the Board comprises Dr. Jørn Slot Jørgensen, Dr. Markus Braun, Dr. Ralf-Christian Lerche, Mr. Jannik Jonas Slot Jørgensen as executive Directors; Mr. Marcus Huascar Bracklo as non-executive Director; Mr. Hans Helmuth Hennig, Ms. Katherine Rong Xin and Mr. Philip Duncan Wright as independent non-executive Directors.

For the purpose of this announcement, unless otherwise indicated, conversion of pound sterling into Hong Kong dollar is calculated at the approximate exchange rate of GBP1 to HK\$10.5264. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or other rate at all.