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## CLARITY MEDICAL GROUP HOLDING LIMITED

### 清晰醫療集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1406)

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

### FINANCIAL HIGHLIGHT

	Six months ended 30 September		Change
	2022 HK\$'000	2021 HK\$'000	
Revenue	107,691	117,509	(8.4%)
Profit for the period	7,912	10,482	(24.5%)
Adjusted net profit for the period <sup>(1)&amp;(2)</sup>	7,912	19,744	(59.9%)
Net profit margin (%)	7.3%	8.9%	N/A
Adjusted net profit margin (%) <sup>(1)&amp;(2)</sup>	7.3%	16.8%	N/A

Notes:

- (1) Adjusted net profit is derived by taking out the effect of the listing expenses incurred during the six months ended 30 September 2021.
- (2) This non-GAAP financial data is a supplemental financial measure that is not required by, or presented in accordance with, HKFRSs and is therefore referred to as a “non-GAAP” financial measure. It is not a measurement of the Group’s financial performance under HKFRSs and should not be considered as an alternative to profit from operations or any other performance measures derived in accordance with HKFRSs or as an alternative to cash flows from operating activities or as a measure of the Group’s liquidity.

The board (the “**Board**”) of directors (the “**Directors**”) of Clarity Medical Group Holding Limited (the “**Company**”) announces the unaudited interim consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2022, together with the comparative figures for the six months ended 30 September 2021, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 September 2022*

		<b>Six months ended</b>	
		<b>30 September</b>	
	Notes	<b>2022</b>	2021
		<b>(unaudited)</b>	<b>(unaudited)</b>
		<b>HK\$’000</b>	<b>HK\$’000</b>
Revenue	3	<b>107,691</b>	117,509
Other income	4	<b>2,755</b>	956
Inventories used		<b>(19,443)</b>	(18,951)
Consultancy fee		<b>(31,074)</b>	(32,923)
Employee benefit expenses		<b>(23,693)</b>	(19,174)
Depreciation for plant and equipment		<b>(2,526)</b>	(3,945)
Depreciation of right-of-use assets		<b>(7,263)</b>	(7,794)
Expenses incurred in connection with the Company’s listing		—	(9,262)
Other expenses	5	<b>(15,816)</b>	(11,753)
<b>Operating profit</b>		<b>10,631</b>	14,663
Finance costs	6	<b>(419)</b>	(340)
<b>Profit before income tax</b>		<b>10,212</b>	14,323
Income tax expense	7	<b>(2,300)</b>	(3,841)
<b>Profit and total comprehensive income for the period attributable to owners of the Company</b>		<b>7,912</b>	10,482
Earnings per share for profit attributable to owners of the Company during the period (expressed in HK\$ per share)			
— Basic	9	<b>0.015</b>	0.028
— Diluted	9	<b>0.015</b>	0.028

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2022 (unaudited) <i>HK\$'000</i>	31 March 2022 (Audited) <i>HK\$'000</i>
<b>Non-current assets</b>			
Plant and equipment		18,176	17,696
Right-of-use assets		37,698	20,118
Deferred tax assets		277	594
Rental and other deposits	11	12,442	2,144
<b>Total non-current assets</b>		68,593	40,552
<b>Current assets</b>			
Inventories		2,898	3,746
Trade receivables	10	2,822	1,105
Deposits, prepayments and other receivables	11	16,941	2,629
Tax recoverable		—	842
Cash and cash equivalents		233,634	241,270
<b>Total current assets</b>		256,295	249,592
<b>Current liabilities</b>			
Trade payables	12	6,344	5,877
Accruals and other payables		7,286	7,391
Provisions		850	—
Lease liabilities		17,482	10,928
Tax payables		1,141	—
<b>Total current liabilities</b>		33,103	24,196
<b>Net current assets</b>		223,192	225,396
<b>Total assets less current liabilities</b>		291,785	265,948

	<b>30 September 2022 (unaudited) HK\$'000</b>	31 March 2022 (Audited) HK\$'000
<b>Non-current liabilities</b>		
Provisions	1,625	1,250
Lease liabilities	<u>19,924</u>	<u>9,247</u>
<b>Total non-current liabilities</b>	<u>21,549</u>	<u>10,497</u>
<b>Net assets</b>	<u>270,236</u>	<u>255,451</u>
<b>Equity</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	5,218	5,097
Share premium	301,734	292,898
Reserves	<u>(36,716)</u>	<u>(42,544)</u>
<b>Total equity</b>	<u>270,236</u>	<u>255,451</u>

## NOTES

### 1 GENERAL INFORMATION

Clarity Medical Group Holding Limited (the “**Company**”) was incorporated in the Cayman Islands on 19 February 2019 as an exempted company with limited liability under the Company Act of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company together with its subsidiaries now comprising the Group (together, the “**Group**”) are principally engaged in provision of ophthalmic services in Hong Kong.

The interim financial information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (“**HK\$’000**”), unless otherwise stated.

The Company has listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 18 February 2022 (the “**Listing**”). In connection with the share offering completed on 18 February 2022, the Company issued a total of 125,000,000 ordinary shares at an issue price of HK\$1.6 per share for total proceeds (before related fees and expenses) of HK\$200,000,000.

### 2 ACCOUNTING POLICIES AND BASIS OF PREPARATION

#### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 September 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2022.

#### 2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018–2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The amendments are not expected to have any significant impact on the Group’s interim condensed consolidated financial information.

### 3 REVENUE AND SEGMENT INFORMATION

Revenue recognised during the six months ended 30 September 2022 and 2021 is analysed by the chief operating decision-maker. For the purposes of resources allocation and performance assessment, the executive directors, reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no discrete operating segment financial information is available.

All of the Group's activities are carried out in Hong Kong and all of the Group's assets and liabilities are located in Hong Kong.

No information about major customers is presented as there is no single customer which individually contributed more than 10% of the Group's total revenue for the six months ended 30 September 2022 and 2021.

The Group's derived revenue from the transfer of goods and services at a point in time in the ordinary course of business. Revenue is recognised in the following major revenue streams:

	Six months ended 30 September	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Ophthalmic service income	104,169	113,538
Sales of prescriptions	3,522	3,971
	<u>107,691</u>	<u>117,509</u>

### 4 OTHER INCOME

	Six months ended 30 September	
	2022 (unaudited) HK\$'000	2021 (unaudited) HK\$'000
Rent concessions ( <i>Note i</i> )	—	919
Government subsidies ( <i>Note ii</i> )	2,072	—
Interest income	671	11
Miscellaneous income	12	26
	<u>2,755</u>	<u>956</u>

*Notes:*

- (i) Rent concessions represent the change in lease payment directly related to COVID-19.
- (ii) For the six months ended 30 September 2022, government subsidies represent the subsidy from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China.

There were no unfulfilled conditions relating to these subsidies.

## 5 EXPENSES BY NATURE

Included in “other expenses” are the expenses related to:

	Six months ended 30 September	
	2022 (unaudited) <i>HK\$'000</i>	2021 (unaudited) <i>HK\$'000</i>
Business development	3,490	3,765
Repair and maintenance	1,685	1,229
Professional fees	3,222	419
Bank charges	2,800	3,187
	<u>          </u>	<u>          </u>

## 6 FINANCE COSTS

	Six months ended 30 September	
	2022 (unaudited) <i>HK\$'000</i>	2021 (unaudited) <i>HK\$'000</i>
Interest expenses on lease liabilities	419	340
	<u>          </u>	<u>          </u>

## 7 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

	Six months ended 30 September	
	2022 (unaudited) <i>HK\$'000</i>	2021 (unaudited) <i>HK\$'000</i>
Hong Kong profits tax:		
Current income tax	1,983	4,322
Deferred income tax	317	(481)
	<u>          </u>	<u>          </u>
	<u>2,300</u>	<u>3,841</u>

## 8 DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

## 9 BASIC AND DILUTED EARNINGS PER SHARE

### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2022 and 2021.

The weighted average number of shares in issue for the six months ended 30 September 2021 for the purpose of earnings per share computation has been retrospectively adjusted for the effect of the 374,993,633.68 shares issued under the capitalisation issue on 18 February 2022.

	Six months ended 30 September	
	2022 (unaudited)	2021 (unaudited)
Profit attributable to owners of the Company during the period (HK\$'000)	7,912	10,482
Weighted average number of ordinary shares in issue	<u>520,502,992</u>	<u>375,000,000</u>
Basic earnings per share (expressed in HK\$ per share)	<u>0.015</u>	<u>0.028</u>

### Diluted

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to Company, adjusted for the effect of dilutive potential ordinary shares on exercise of share options. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

	Six months ended 30 September	
	2022 (unaudited)	2021 (unaudited)
Profit attributable to owners of the Company during the period (HK\$'000)	7,912	10,482
Weighted average number of ordinary shares in issue	<u>520,502,992</u>	<u>375,000,000</u>
Effect of dilutive potential ordinary shares on exercise of share options	4,039,582	—
Weighted average number of ordinary shares after assuming dilution	<u>524,542,574</u>	<u>375,000,000</u>
Diluted earnings per share (expressed in HK\$ per share)	<u>0.015</u>	<u>0.028</u>



## 10 TRADE RECEIVABLES

As at 30 September 2022 and 31 March 2022, the carrying amount of trade receivables approximated its fair values and is denominated in HK\$.

The ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	As at	
	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
0–30 days	1,947	791
31–60 days	—	191
61–90 days	441	32
Over 90 days	434	91
	<u>2,822</u>	<u>1,105</u>

The Group applies the simplified approach permitted by HKFRS 9 to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at 30 September 2022 and 31 March 2022, the Group has assessed that the expected loss allowance for trade receivables was immaterial. Thus no loss allowance provision for trade receivables was recognised during the six months ended 30 September 2022 and 2021.

The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables mentioned above. The Group does not hold any collateral as security.

## 11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at	
	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Rental and other deposits	5,747	4,112
Deposits paid for purchase of plant and equipment	8,876	—
Prepayments	560	661
Other receivables	14,200	—
	<u>29,383</u>	<u>4,773</u>
Less: non-current portion	<u>(12,442)</u>	<u>(2,144)</u>
Current portion	<u>16,941</u>	<u>2,629</u>

## 12 TRADE PAYABLES

The ageing analysis of the trade payables to third parties as at the end of the reporting period based on invoice date is as follows:

	As at	
	30 September 2022 (Unaudited) <i>HK\$'000</i>	31 March 2022 (Audited) <i>HK\$'000</i>
0–30 days	2,504	1,999
31–60 days	2,010	1,320
61–90 days	1,354	1,710
Over 90 days	476	848
	<u>6,344</u>	<u>5,877</u>

As at 30 September 2022 and 31 March 2022, all trade payables of the Group were denominated in HK\$, and their fair value approximated to their carrying amounts.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the provision of private ophthalmic healthcare services in Hong Kong. With the continuing impact of COVID-19, the business environment for the six months ended 30 September 2022 (“**2022 Interim Period**”) was challenging. However, the Group are committed to maintaining proactive business development in Hong Kong since the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

In June 2022, the Group entered into a non-binding memorandum of understanding (the “**MOU**”) with Union Medical Centre Limited (“**Union**”), under which Union and the Group intend to cooperate with respect to the ophthalmology and ancillary services in Hong Kong. Pursuant to the MOU, the Group shall assign its medical practitioners specialised in ophthalmology to provide regular consultation sessions to clinics operated by Union in Tsim Sha Tsui (the “**UM Clinics**”) or Union Hospital and provide non-refractive treatment services and subsequent care for patients at the UM Clinics or Union Hospital from time to time. For patients who require refractive treatment services when they visit UM Clinics or Union Hospital, UM Clinic or Union Hospital shall refer such patients to the Group to receive the relevant refractive treatment services at the medical centres operated by the Group. For details of the MOU, please refer to the announcement of the Company dated 21 June 2022.

In July 2022, the Group entered into a tenancy agreement with an independent third party for a term of three years to expand the scale of its existing medical centre located at Wai Fung Plaza, Mong Kok (the “**New Mong Kok Centre**”). The New Mong Kok Centre has a gross floor area of approximately 5,966 sq.ft. which shall mainly focus on the provision of refractive treatment services and other treatment services. The New Mong Kok Centre together with the existing medical centre at Wai Fung Plaza will provide a better environment and experience for the Group’s customer. The Group expects the New Mong Kok Centre will commence operations by end of this year. The Company expects to fund the expansion with its internal resources.

Furthermore, on 29 August 2022, the Group entered into another tenancy agreement with an independent third party for a term of three years to establish a new medical centre in Tsim Sha Tsui for the provision of a full range of ophthalmic consultation and examination services and treatment services (the “**New Tsim Sha Tsui Centre**”). The New Tsim Sha Tsui Centre will be located at The ONE, a premium shopping mall in Hong Kong, and has a gross floor area of approximately 13,674 sq.ft. The Group expects the New Tsim Sha Tsui Centre will commence operations in or around the first or second quarter of 2023. The Company expects to fund the establishment of the New Tsim Sha Tsui Centre with the proceeds from the initial public offering by the Company.

The expansion of the New Mong Kok Centre together with the establishment of the New Tsim Sha Tsui Centre will increase the gross floor area of the medical centres of the Group from approximately 16,936 sq. ft. to approximately 36,576 sq. ft. We believe the expansion and the establishment of the new medical centres will strengthen our service networks in Hong Kong and further solidifies our leading position in the ophthalmology sector in Hong Kong.

## REVENUE OVERVIEW

We generate revenue from the provision of private ophthalmic services in Hong Kong, including refractive treatments, treatments for other eye problems, consultation and examination services, and sales of prescriptions and others. For the six months ended 30 September 2022, our revenue amounted to approximately HK\$107.7 million, representing a decrease of approximately HK\$9.8 million or 8.4% from approximately HK\$117.5 million for the six months ended 30 September 2021. The table below sets out (i) the breakdown of revenue by the types of treatments and services and their respective percentage of revenue; (ii) number of refractive treatment by types conducted; and (iii) average prices of the refractive treatment services during the six months ended 30 September 2022 and 2021 respectively.

### (i) Breakdown of revenue by the types of treatments and services and their respective percentage of revenue

	For the six months ended 30 September 2022		2021		Change HK\$'000
	HK\$'000	% of revenue	HK\$'000	% of revenue	
<b>Refractive Treatments</b>	<b>71,096</b>	<b>66.0%</b>	77,182	65.7%	(6,086)
SMILE surgeries	46,802	43.4%	41,883	35.7%	4,919
LASIK surgeries	1,923	1.8%	1,580	1.3%	343
Multifocal IOL replacements	18,911	17.6%	27,577	23.5%	(8,666)
ICL implantations	3,460	3.2%	6,142	5.2%	(2,682)
<b>Treatment for other eye problems</b>	<b>27,855</b>	<b>25.9%</b>	30,711	26.1%	(2,856)
Standard cataract surgeries	14,041	13.1%	11,572	9.8%	2,469
Laser procedures	6,355	5.9%	7,655	6.5%	(1,300)
PPV surgeries	5,199	4.8%	8,343	7.1%	(3,144)
Other treatments/surgeries	2,260	2.1%	3,141	2.7%	(881)
<b>Consultation and examination services</b>	<b>5,218</b>	<b>4.8%</b>	5,645	4.8%	(427)
<b>Sales of prescriptions and others</b>	<b>3,522</b>	<b>3.3%</b>	3,971	3.4%	(449)
<b>Revenue</b>	<b>107,691</b>	<b>100.0%</b>	117,509	100.0%	(9,818)

(ii) Number of refractive treatment by types conducted

	For the six months ended 30 September			
	2022		2021	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
SMILE surgeries	2,073	79.0%	1,749	69.0%
LASIK surgeries	97	3.7%	82	3.2%
Multifocal IOL replacements	413	15.7%	628	24.8%
ICL implantations	41	1.6%	75	3.0%
Total	<u>2,624</u>	<u>100.0%</u>	<u>2,534</u>	<u>100.0%</u>

(iii) Average prices of the refractive treatment services

	For the six months ended 30 September	
	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
SMILE surgeries	22,600	24,000
LASIK surgeries	19,800	19,300
Multifocal IOL replacements	45,800	43,900
ICL implantations	84,400	81,900

## REFRACTIVE TREATMENT

Refractive treatments were our largest source of revenue during the 2022 Interim Period, representing approximately 66.0% of our revenue. Refractive treatments include SMILE surgery, LASIK surgery, multifocal IOL replacement and ICL implantation. SMILE is a refractive surgery that uses femtosecond laser to carve a refractive lenticule within the cornea and remove it through a small incision. LASIK is a surgery that uses surgical blade and excimer laser to correct myopia, hyperopia and/or astigmatism by modifying the curvature of cornea. Multifocal IOL replacement is a procedure that corrects cataract and/or other refractive errors by extracting lens from the eye, followed by the replacement of multifocal IOL. ICL implantation is a surgery which places intraocular contact lens in front of the natural lens to correct myopia, hyperopia and astigmatism.

Our revenue generated from refractive treatments decreased by approximately HK\$6.1 million or 7.9% from approximately HK\$77.2 million for the six months ended 30 September 2021 to approximately HK\$71.1 million for the six months ended 30 September 2022. The decrease in revenue was mainly due to economic downturn and increase in competition from other industry player.

During the 2022 Interim Period, the revenue generated from SMILE surgery increased by approximately HK\$4.9 million, or 11.7%, from approximately HK\$41.9 million for six months ended 30 September 2021 to approximately HK\$46.8 million for six months ended 30 September 2022 as the number of SMILE surgery conducted increased from 1,749 for the six months ended 30 September 2021 to 2,073 for the six months ended 30 September 2022. On the other hand, the revenue generated from multifocal IOL replacements and ICL implantations decreased by approximately HK\$11.3 million, or 33.5%, from approximately HK\$33.7 million for the six months ended 30 September 2021 to approximately HK\$22.4 million for the six months ended 30 September 2022 was mainly due to the decrease in the number of treatments conducted for both services as compared to the same corresponding period in 2021.

### **TREATMENT FOR OTHER EYE PROBLEMS**

Treatment for other eye problems include standard cataract surgery, laser procedure, PPV surgery, and other treatments and surgeries. For the six months ended 30 September 2021 and 2022, revenue generated from treatments for other eye problems amounted to approximately HK\$30.7 million and HK\$27.9 million, representing approximately 26.1% and 25.9% of our revenue, respectively. Revenue generated from treatment for other eye problems decreased by approximately HK\$2.8 million, or 9.1%, from approximately HK\$30.7 million for the six months ended 30 September 2021 to approximately HK\$27.9 million for the six months ended 30 September 2022. The decrease in revenue generated from treatment of other eye problems was mainly due to the decrease in revenue recorded for our laser procedures and PPV surgery of approximately HK\$1.3 million and HK\$3.1 million, respectively, as compared to the six months ended 30 September 2021.

### **CONSULTATION AND EXAMINATION SERVICES**

Consultation and examination services mainly include assessments of eye conditions, such as visual acuity, refraction, anterior segment examination, fundal examination and intraocular pressure measurement. Our revenue generated from consultation and examination services decreased by approximately HK\$0.4 million or 7.1% from approximately HK\$5.6 million for the six months ended 30 September 2021 to approximately HK\$5.2 million for the six months ended 30 September 2022. The decrease in revenue generated from consultation and examination services was mainly due to the drop in the number of patient visits during the 2022 Interim Period.

## **SALES OF PRESCRIPTIONS AND OTHERS**

Sales of prescriptions and others are mainly sales of medication prescribed by our medical practitioners to our patients following diagnosis after consultation and examination or treatment services. For the six months ended 30 September 2021 and 2022, our revenue generated from sales of prescriptions and others was approximately HK\$4.0 million and HK\$3.5 million, representing approximately 3.4% and 3.3% of our revenue, respectively. The decrease in revenue generated from sales of prescriptions and others was generally in line with our overall decrease in consultation and examination services provided during the 2022 Interim Period.

## **OTHER INCOME**

The Group recorded other income in the amount of approximately HK\$2.8 million for the six months ended 30 September 2022 as compare to other income in the amount of approximately HK\$1.0 million for the six months ended 30 September 2021 as (i) the Group received government subsidies of approximately HK\$2.1 million under the employment support scheme of the Government's anti-epidemic fund; and (ii) we received interest income from bank deposits in the amount of HK\$0.7 million during the six months ended 30 September 2022.

On the other hand, the Group received rent concessions from landlords due to COVID-19 in the amount of HK\$0.9 million and nil during the six months ended 30 September 2021 and 2022 respectively.

## **INVENTORIES USED**

Inventories used mainly represent the costs of medical device licences, IOLs and drugs and dispensary supplies. Our medical device licences are procedure packs, which comprised of medical consumables required for the operation of our medical devices. The procedure packs enable our Medical Practitioners to perform treatments and surgeries using the respective medical devices. IOLs primarily consist of intraocular lens used in treatments and surgeries. Our drugs and dispensary supplies are drugs which our Medical Practitioners prescribed to our patients following diagnosis after consultation and supplies are materials used during surgeries. For the six months ended 30 September 2021 and 2022, the inventories used amounted to approximately HK\$19.0 million and HK\$19.4 million, representing approximately 16.1% and 18.0% of our revenue, respectively. The inventories used as a percentage of revenue remained relatively stable, and the fluctuations in inventories used was generally in line with the increase in the number of treatments conducted during the 2022 Interim Period.

## **CONSULTANCY FEES**

Consultancy fees represent professional fees paid to our medical practitioners, and consist of a fixed fees and/or a variable amount based on, among others, the revenue generated by the respective medical practitioners, net of the relevant costs. For the six months ended 30 September 2021 and 2022, consultancy fees amounted to approximately HK\$32.9 million and HK\$31.1 million, representing approximately 28.0% and 28.9% of our total revenue, respectively. The consultancy fee as a percentage of revenue remained relatively stable, and the fluctuation in consultancy fees was generally in line with the fluctuation in revenue.

## **EMPLOYEE BENEFIT EXPENSES**

Our employee benefit expenses include wages, salaries, pension scheme contributions and other related expenses for our staff. For the six months ended 30 September 2021 and 2022, our employee benefit expenses amounted to approximately HK\$19.2 million and HK\$23.7 million, representing approximately 16.3% and 22.0% of our revenue, respectively. The increase in employee benefit expenses during the 2022 Interim Period was primarily due to an increase in wages, salaries and bonuses paid to our employees and an increase in the number of employees in order to support the Group's expansion and to maintain the Group's competitiveness through retraining our employees and recruiting new talents. The Group's total number of employees increased from 97 as at 30 September 2021 to 111 as at 30 September 2022.

## **DEPRECIATION OF RIGHT-OF-USE ASSETS**

Depreciation expenses for right-of-use assets mainly comprise depreciation expenses for leased equipment and properties. For the six months ended 30 September 2021 and 2022, our depreciation expenses for right-of-use assets amounted to approximately HK\$7.8 million and HK\$7.3 million, representing approximately 6.6% and 6.8% of our revenue, respectively. We recorded a decrease of depreciation of right-of-use assets during the 2022 Interim Period as a result of the decrease in rental fee of our leased properties in Mong Kok and Central upon renewal in May 2021 and August 2021, respectively.

## **EXPENSES INCURRED IN CONNECTION WITH THE LISTING**

The Company has been listed on the Stock Exchange since 18 February 2022. In relation to the Listing, listing expenses of approximately HK\$9.3 million and nil were charged to the Group's consolidated statement of comprehensive income during the six months ended 30 September 2021 and 2022 respectively.



## OTHER EXPENSES

Other expenses mainly comprise other general and administration expenses, management fees, business development expenses and bank charges. For the six months ended 30 September 2021 and 2022, other expenses were approximately HK\$11.8 million and HK\$15.8 million, representing approximately 10.0% and 14.7% of our revenue, respectively. The table below sets forth the breakdown of other expenses for the six months ended 30 September 2021 and 2022 respectively:

	For the six months ended 30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Business development	3,490	3,765
Repair and maintenance	1,685	1,229
Professional fees	3,222	419
Bank charges	2,800	3,187
Other general and administrative expenses	<u>4,619</u>	<u>3,153</u>
Other expenses	<u><u>15,816</u></u>	<u><u>11,753</u></u>

Our business development expenses include the cost of organising eye care educational talks and the related costs of printing leaflets and designing website. For the six months ended 30 September 2021 and 2022, our business development expenses amounted to approximately HK\$3.8 million and HK\$3.5 million respectively.

Bank charges are expenses related to credit card transfers. For the six months ended 30 September 2021 and 2022, our bank charges amounted to approximately HK\$3.2 million and HK\$2.8 million, respectively.

Other general and administrative expenses mainly includes, but not limited to, utilities charges, insurance payments and other telecommunication charges. For the six months ended 30 September 2021 and 2022, our other general and administrative expenses amounted to approximately HK\$3.2 million and HK\$4.6 million, respectively.

## **FINANCE COSTS**

Finance costs mainly comprise interest expenses on lease liabilities. The Group's finance costs remained stable at approximately HK\$0.3 million and HK\$0.4 million for the six months ended 30 September 2021 and 2022, respectively.

## **INCOME TAX EXPENSES**

The Group recognised taxation for profit at the rate of 16.5% in Hong Kong with reference to the estimated assessable profits during the period. For the six months ended 30 September 2021 and 2022, our income tax expenses amounted to approximately HK\$3.8 million and HK\$2.3 million, and our effective tax rates were 26.8% and 22.5%, respectively. Our effective tax rates for the six months ended 30 September 2021 and 2022 were higher than Hong Kong's statutory corporate tax mainly due to certain non-deductible expenses incurred by our Group during the respective periods, which mainly comprised of listing expenses incurred in preparation of the Listing.

## **PROFIT FOR THE PERIOD AND NET PROFIT MARGIN**

As a result of the foregoing, our net profit for the 2022 Interim Period decreased from HK\$10.5 million for the six months ended 30 September 2021 to approximately HK\$7.9 million for the six months ended 30 September 2022, representing a decrease of HK\$2.6 million or 24.8%. The net profit margin for 2022 Interim Period decreased from 8.9% for the six months ended 30 September 2021 to 7.3% for the six months ended 30 September 2022.

After excluding the effect of the listing expenses incurred during the six months ended 30 September 2021, the adjusted net profit of the Group amounted to approximately HK\$19.7 million and HK\$7.9 million for the six months ended 30 September 2021 and 2022 respectively, representing a period-on-period decrease of HK\$11.8 million or 59.9%. The adjusted net profit margin decreased from 16.8% for the six months ended 30 September 2021 to 7.3% for the six months ended 30 September 2022.

## **CAPITAL EXPENDITURE AND COMMITMENTS**

For the six months ended 30 September 2021 and 2022, the Group incurred capital expenditures of HK\$206,000 and HK\$3,005,000, respectively, primarily due to the purchase of equipment and leasehold improvements for our medical centres.

As at 30 September 2022, capital expenditure contracted for but not yet recognised amounted to HK\$20.8 million which mainly represents capital expenditure commitments for the establishment of the New Mong Kok Centre and New Tsim Sha Tsui Centre (31 March 2022: Nil).

## **GEARING RATIO**

As at 30 September 2022, the gearing ratio, which is calculated as net debt divided by total capital, is not applicable due to net cash position (31 March 2022: same).

## **CONTINGENT LIABILITIES**

The Group had no material contingent liability as at 30 September 2022.

## **PLEDGE OF ASSETS**

The Group had not pledged any assets as at 30 September 2022.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISKS**

### **Exposure to Fluctuation in Exchange Rates**

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not our functional currency. We mainly operates in Hong Kong with the majority of the transactions settled in HK\$. We closely monitor and manage foreign exchange risk exposures to ensure the exposures do not have significant impact on the operation of the Group. As the Group does not have any significant transactions, assets or liabilities which are settled in currencies other than HK\$ during the six months ended 30 September 2021 and 2022, our income and operating cash flows are substantially independent of changes in market foreign exchange rate. We have not used any derivative financial instrument to hedge against our exposure to foreign exchange risk but will closely monitor such risk on an ongoing basis.

### **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.

## **LIQUIDITY RISK**

We adopt prudent liquidity risk management by maintaining sufficient cash balances to meet our financial commitments when they become due. Accordingly, we believe that we do not have significant liquidity risk.

## **CAPITAL RISK MANAGEMENT**

Our capital structure consists of shareholders' equity and borrowings. In order to maintain or adjust our capital structure, we may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. We monitor capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total equity. The net debt includes the total borrowings including lease liabilities less cash and cash equivalents. As of 31 March 2022 and 30 September 2022, we maintained at net cash position.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2022, the Group employed a total of 111 employees (31 March 2022: 99). The Group ensures that its remuneration packages are comprehensive and competitive from time to time. When determining the emolument payable to the Directors (including the executive Directors), we take into account the experience of the Directors, their level of responsibility and general market conditions. Any discretionary bonus and other merit payments of the Directors are linked to the profit performance of the Group and the individual performance of the Directors. Employees are remunerated with a fixed monthly income plus annual discretionary performance-related bonus.

## **EVENTS AFTER THE REPORTING PERIOD**

With reference to the circular of the Company dated 7 November 2022, and announcements of the Company dated 28 October 2022 and 23 November 2022, the Company adopted a share award plan (the "**Share Award Plan**") pursuant to the extraordinary general meeting on 23 November 2022.

The purposes of the Share Award Plan are to recognise and reward the contribution of certain eligible participants to the growth and development of the Group, to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. For the details of the Share Award Plan, please refer to the circular of the Company dated 7 November 2022.

Except for the adoption of Share Award Plan on 23 November 2022, there was no other material subsequent event undertaken by the Company or by the Group after 30 September 2022 and up to the date of this announcement.

## **OUTLOOK AND STRATEGIES**

Our principal business objective is to achieve sustainable growth, further strengthen our position in the ophthalmic services market and create long-term value for our Shareholders by executing the following strategies:

- We will continue to strengthen our market position in Hong Kong by establishing new medical centres and acquisition.
- We plan to acquire equity interests in eye-related clinics, outpatient department or hospitals in the PRC to expand our presence into the PRC under our brand of “Clarity”.
- We plan to identify suitable collaboration partners for collaboration in setting up an eye-related clinic for the provision of ophthalmic medical services in the PRC.
- We plan to acquire interests in ophthalmic-related businesses.

## **FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed above and under the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 31 January 2022 (the “**Prospectus**”), the Group did not have any other plans for material investments or capital assets during the reporting period and up to the date of this announcement.

## **LIQUIDITY AND CAPITAL STRUCTURE**

During the six months ended 30 September 2021 and 2022, our operations were generally financed from internally generated cash flows. The Directors believe that in the long term, our operations will be funded by internally generated cash flows and, if necessary, additional equity financing and bank borrowings. As at 30 September 2022, we had cash and cash equivalents (including time deposits) of HK\$233.6 million (31 March 2022: HK\$241.3 million), all of which were denominated in Hong Kong dollars.

During the six months ended 30 September 2021 and 2022, the Group did not use any financial instruments, currency borrowings or other hedging instruments for hedging purposes.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. As at 30 September 2022, the gearing ratio is not applicable due to net cash position (31 March 2022: not applicable).

The current ratio (calculated as current assets over current liabilities) was 7.7 times as at 30 September 2022 compared with 10.3 times as at 31 March 2022.

As at 30 September 2022, the Group reported net current assets of HK\$223.2 million, as compared with HK\$225.4 million as at 31 March 2022.

Net cash generated from operating activities was HK\$17.7 million during the six months ended 30 September 2022 (30 September 2021: HK\$25.4 million). The decrease was mainly attributed to the decrease in profit before income tax during the six months ended 30 September 2022.

Net cash used in investing activities amounted to HK\$205.4 million during the six months ended 30 September 2022 as compared to HK\$0.2 million during the six months ended 30 September 2021. During the six months ended 30 September 2022, the net cash used in investing activities was mainly from (i) additions and deposits paid for the purchases of plant and equipment of approximately HK\$11.9 million; (ii) increase in time deposits of approximately HK\$180 million which was mainly the proceeds from the initial public offering of the Company and (iii) advance of a loan to a medical practitioner of approximately HK\$14.2 million.

During the six months ended 30 September 2022, net cash generated from financing activities amounted to HK\$67,000, as compared to net cash used in financing activities of HK\$25.4 million during the six months ended 30 September 2021. The cash generated from financing activities for the six months ended 30 September 2022 was mainly from (i) proceeds from issuance of ordinary shares upon exercise of share options of approximately HK\$6.9 million, netted off; and (ii) lease payments of approximately HK\$6.8 million.

## **SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSALS**

Except for investment in subsidiaries, there were no significant investments held by the Group during the 2022 Interim Period.

The Group had no other material acquisitions or disposal of subsidiaries, associates and joint ventures during the reporting period.

## **OTHER INFORMATION**

### **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022.

## **CORPORATE GOVERNANCE**

The Board is committed to maintaining high corporate governance standards.

In the opinion of the Board, during the six months ended 30 September 2022 and up to the date of this interim results announcement, the Company has complied with all applicable code provisions as set forth in the in the Corporate Governance Code (the “CG code”) contained in Appendix 14 to the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its code of conduct in respect of the securities dealing by the Directors. Following specific enquiry of all Directors, each of the Directors confirmed that they have complied with the Model Code throughout the 2022 Interim Period.

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

Neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the 2022 Interim Period.

## **USE OF PROCEEDS FROM THE LISTING**

The Company has been listed on the Stock Exchange since 18 February 2022 (the “**Listing Date**”) following the completion of the global offering (the “**Global Offering**”) of 125,000,000 new ordinary shares issued by the Company (the “**Shares**”) (the “**Listing**”). The amount of net proceeds from the Global Offering amounted to approximately HK\$181.9 million, after deduction of the underwriting commission and other expenses. The Company applied the proceeds from the Listing in accordance with the proposed applications as set out in the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in the Prospectus which is also set out below.

During the 2022 Interim Period, net proceeds in the amount of approximately HK\$3.9 million were used for the establishment of the New Tsim Sha Tsui Centre. The details of the establishment of the New Tsim Sha Tsui Centre are set out in the section headed “Management Discussion and Analysis”.

The following table sets out the breakdown of the use of proceeds from the IPO:

Use of net proceeds	Percentage of net proceeds	Estimated net proceeds allocated as disclosed in the Prospectus (Note) (HK\$ million)	Allocated net proceeds from IPO (HK\$ million)	Net proceeds utilized during the six months ended 30 September 2022 (HK\$ million)	Estimated time for utilising the remaining allocated net proceeds	Remaining amount (HK\$ million)
Establishing two new medical centres in Hong Kong for the provision of ophthalmic services	44.8%	110.0	81.5	3.9	Second half of 2022–2023	77.6
Acquiring majority and/or minority equity interests in one to two eye-related clinics, outpatient department or hospitals in selected cities in the Greater Bay Area	30.5%	75.0	55.5	—	12–24 months after the Listing	55.5
Setting up an eye-related clinic for the provision of ophthalmic medical services in the PRC with suitable collaboration partners	14.7%	36.0	26.7	—	12–24 months after the Listing	26.7
Working capital and other general corporate purposes	10.0%	24.6	18.2	—	N/A	18.2
<b>Total</b>	<b>100%</b>	<b>245.6</b>	<b>181.9</b>	<b>3.9</b>		<b>178.0</b>

*Note:* The net proceeds from IPO, after deducting the underwriting commission and other expenses of approximately HK\$18.1 million, amounted to approximately HK\$181.9 million, which is lower than the estimated net proceeds of approximately HK\$245.6 million as disclosed in the Prospectus. The difference of approximately HK\$63.7 million has been adjusted in the same manner and in the same proportion to the use of proceeds as disclosed in the section headed “Future Plans And Use Of Proceeds” in the Prospectus.



## **AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS**

The audit committee of the Board comprises three independent non-executive Directors, namely, Mr. Li Michael Hankin (Chairman of the audit committee), Mr. Ma Wai Hung Vincent and Professor Lau Wan Yee Joseph.

The audit committee of the Board has reviewed with the management the accounting principles as well as practices adopted by the Group and discussed risk management and internal control as well as financial reporting matters including the review of the unaudited condensed consolidated interim financial information for the 2022 Interim Period with the Directors. The Group's condensed consolidated interim financial statements have not been audited, but the Group's independent auditor has carried out a review of the unaudited interim results in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This interim 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.claritymedic.com](http://www.claritymedic.com). The interim report of the Company for the six months ended 30 September 2022 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  
**CLARITY MEDICAL GROUP HOLDING LIMITED**  
**WU Ting Yuk Anthony**  
*Non-Executive Director and Chairman*

Hong Kong, 28 November 2022

*As at the date of this announcement, the Board comprises Mr. HUI Yung Chris, Dr. TSE Wai Ip and Mr. LO Tsz Hong as executive Directors, Mr. WU Ting Yuk Anthony as Chairman and non-executive Director, Mr. NG Roy and Ms. ZHAO Wei as non-executive Directors and Mr. LI Michael Hankin, Mr. MA Wai Hung Vincent and Professor LAU Wan Yee Joseph as independent non-executive Directors.*