

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2022

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 2022. 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		
	2022	2021	Change
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>%</i>
Revenue	610,291	632,931	(3.6)
Gross profit	270,844	312,545	(13.3)
Adjusted gross profit ⁽¹⁾	275,595	317,393	(13.2)
Profit for the year	83,518	132,384	(36.9)
Adjusted net profit after tax for the year ⁽²⁾	101,232	137,278	(26.3)

Notes:

- (1) Adjusted gross profit is derived from adding share-based compensation expenses and per-operating expenses for four new clinics in Germany and the United Kingdom in 2022 to the gross profit.
- (2) Adjusted net profit after tax for the year is derived from adding pre-operating expenses for four new clinics in Germany and the United Kingdom in 2022 and two new clinics in the PRC in 2021, share-based compensation and foreign exchange loss/(gain) in relation to the proceeds from the Company’s global offering, acquisition-related costs, and loss on fair value change of contingent consideration payable 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 2022 and 2021 (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 loss/(gain) in relation to the proceeds from the Company's global offering, acquisition-related costs, and loss on fair value change of contingent consideration payable, 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 2022 and 2021

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Gross profit	270,844	312,545
Add:		
Share-based compensation expenses	1,765	4,848
Pre-operating expenses	2,986	–
Adjusted gross profit	<u>275,595</u>	<u>317,393</u>
Profit for the year	83,518	132,384
Add:		
Pre-operating expenses	5,779	1,326
Share-based compensation expenses	2,682	11,325
Acquisition-related costs	3,176	–
Loss on fair value change of contingent consideration payable	4,849	–
Foreign exchange loss/(gain) in relation to the proceeds from the global offering	1,228	(7,757)
Adjusted Net Profit After Tax	<u>101,232</u>	<u>137,278</u>

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 2022 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; (ii) the Company recorded share-based compensation expenses during the year; (iii) foreign exchange loss/(gain) in relation to the proceeds from the global offering; (iv) acquisition-related costs; and (v) loss on fair value change of contingent consideration payable.
- (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 2022

	Notes	2022 <u>HK\$'000</u>	2021 <u>HK\$'000</u>
Revenue	4	610,291	632,931
Cost of sales	5	(339,447)	(320,386)
Gross profit		270,844	312,545
Selling expenses	5	(56,661)	(53,767)
Administrative expenses	5	(80,642)	(68,978)
Net impairment losses on financial assets		(33)	(110)
Other (losses)/gains, net	6	(701)	1,572
Operating profit		132,807	191,262
Finance income	7	6,910	12,876
Finance expenses	7	(10,737)	(8,465)
Finance (expenses)/income, net	7	(3,827)	4,411
Profit before tax		128,980	195,673
Income tax expense	8	(45,462)	(63,289)
Profit for the year		83,518	132,384
Other comprehensive loss			
<i>Items that may be subsequently reclassified to profit or loss</i>			
– Exchange differences on translation of foreign operations		(42,801)	(16,829)
<i>Items that will not be reclassified to profit or loss</i>			
– Exchange differences on translation to presentation currency		(37,431)	(50,829)
Other comprehensive loss for the year		(80,232)	(67,658)
Total comprehensive income for the year		3,286	64,726
Profit attributable to:			
– Owners of the Company		89,472	133,560
– Non-controlling interests		(5,954)	(1,176)
		83,518	132,384
Total comprehensive income attributable to:			
– Owners of the Company		9,384	66,121
– Non-controlling interests		(6,098)	(1,395)
		3,286	64,726
Earnings per share			
– Basic earnings per share (HK cents)	9	26.958	40.673
– Diluted earnings per share (HK cents)	9	26.927	40.577

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 2022 <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>
Assets			
Non-current assets			
Property, plant and equipment		452,169	355,636
Intangible assets		33,422	4,539
Goodwill		186,279	7,568
Deferred tax assets		27,505	26,438
Deposits and other receivables		3,357	18,005
		702,732	412,186
Total non-current assets			
Current assets			
Inventories		16,379	23,657
Prepayments		12,656	24,204
Income tax recoverable		366	32,575
Deposits and other receivables		21,398	11,736
Trade receivables	10	5,568	3,082
Financial assets at fair value through profit or loss		–	15,944
Restricted cash	11	2,374	2
Cash and cash equivalents		779,567	845,636
		838,308	956,836
Total current assets			
		1,541,040	1,369,022
Total assets			
Equity			
Equity attributable to owners of the Company			
Share capital		26,138	25,826
Shares held for share scheme	11	(11,020)	(11,344)
Share premium		659,505	626,302
Other reserves		35,155	116,655
Retained earnings		304,488	248,113
		1,014,266	1,005,552
Total equity attributable to owners of the Company			
Non-controlling interests		28,827	34,925
		1,043,093	1,040,477
Total equity			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Note</i>	As at 31 December 2022	As at 31 December 2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Liabilities			
Non-current liabilities			
Borrowings		–	2,729
Lease liabilities		242,646	173,332
Contingent consideration payable		77,039	–
Put options		981	1,042
Deferred tax liabilities		13,570	8,963
Total non-current liabilities		334,236	186,066
Current liabilities			
Trade payables	<i>13</i>	20,043	21,537
Contract liabilities		11,800	8,115
Income tax liabilities		41,050	41,309
Accruals and other payables		25,470	26,103
Borrowings		283	1,916
Contingent consideration payable		17,583	–
Lease liabilities		47,482	43,499
Total current liabilities		163,711	142,479
Total liabilities		497,947	328,545
Total equity and liabilities		1,541,040	1,369,022

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 7 to 18 were approved by the Board of Directors on 28 March 2023 and were signed on its behalf.

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, the United Kingdom of Great Britain and Northern Ireland (the “**UK**”) 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.

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 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to IFRS 3, and
- Covid-19 Related Rent Concessions beyond 30 June 2021 – Amendment to HKFRS 16 (March 2021) (the “**HKFRS 16 Amendment (March 2021)**”)

The Group also elected to adopt the following amendments early:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12

Except the amendments to IAS 12, the amendments listed above did not have any material 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 2022 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:

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- IFRS 17 Insurance Contracts
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1, and
- Definition of Accounting Estimates – Amendments to IAS 8

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 examined the Group's performance from geographical perspective and have identified four reportable segments of its business: Germany, the UK, China and Denmark. The UK is a new segment arising from a business combination during the year ended 31 December 2022.

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 2022 is as follows:

	<u>Germany segment</u>	<u>China segment</u>	<u>Denmark segment</u>	<u>UK segment</u>	<u>Inter- segment elimination</u>	<u>Unallocated items (i)</u>	<u>Total</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Segment total revenue	337,598	98,437	65,114	111,203	(2,061)	–	610,291
Cost of sales	<u>(169,571)</u>	<u>(81,565)</u>	<u>(39,492)</u>	<u>(49,256)</u>	<u>437</u>	<u>–</u>	<u>(339,447)</u>
Gross profit	<u>168,027</u>	<u>16,872</u>	<u>25,622</u>	<u>61,947</u>	<u>(1,624)</u>	<u>–</u>	<u>270,844</u>
EBITDA	<u>155,832</u>	<u>21,366</u>	<u>17,177</u>	<u>33,266</u>	<u>–</u>	<u>(14,111)</u>	<u>213,530</u>
Unallocated							
Finance income							6,910
Finance expenses							(10,737)
Depreciation and amortisation							<u>(80,723)</u>
Profit before tax							128,980
Income tax expense							<u>(45,462)</u>
Profit for the year							<u>83,518</u>

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
	<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 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						(74,658)
Profit before tax						195,673
Income tax expense						<u>(63,289)</u>
Profit for the year						<u>132,384</u>

- (i) Unallocated items are cost of revenues and operating expenses which could not be categorised 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:

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers (a)		
Provision of vision correction services	604,766	630,808
Sales of pharmaceutical products	116	28
Others service income	<u>4,124</u>	<u>1,360</u>
	609,006	632,196
Rental of ophthalmic equipment and operating spaces	<u>1,285</u>	<u>735</u>
	<u>610,291</u>	<u>632,931</u>

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

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Germany	335,570	404,032
The UK	111,170	–
China	98,437	149,012
Denmark	65,114	79,887
	<u>610,291</u>	<u>632,931</u>

There is no single external customer that contributes to more than 10% of the Group's revenue for the years ended 31 December 2022 and 2021.

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 2022:

	<u>Provision of vision correction services</u>				<u>Sales of pharmaceutical products</u>				<u>Others</u>				<u>Total</u>
	<u>Germany</u>	<u>China</u>	<u>Denmark</u>	<u>The UK</u>	<u>Germany</u>	<u>China</u>	<u>Denmark</u>	<u>The UK</u>	<u>Germany</u>	<u>China</u>	<u>Denmark</u>	<u>The UK</u>	
	<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>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Segment revenue	333,732	98,437	65,031	107,566	33	–	83	–	3,216	–	–	2,969	611,067
Inter-segment revenue	–	–	–	–	–	–	–	–	(2,029)	–	–	(32)	(2,061)
Revenue from external customers	<u>333,732</u>	<u>98,437</u>	<u>65,031</u>	<u>107,566</u>	<u>33</u>	<u>–</u>	<u>83</u>	<u>–</u>	<u>1,187</u>	<u>–</u>	<u>–</u>	<u>2,937</u>	<u>609,006</u>
Timing of revenue recognition													
– At a point in time	–	–	–	–	33	–	83	–	–	–	–	–	116
– Over time	<u>333,732</u>	<u>98,437</u>	<u>65,031</u>	<u>107,566</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,187</u>	<u>–</u>	<u>–</u>	<u>2,937</u>	<u>608,890</u>
	<u>333,732</u>	<u>98,437</u>	<u>65,031</u>	<u>107,566</u>	<u>33</u>	<u>–</u>	<u>83</u>	<u>–</u>	<u>1,187</u>	<u>–</u>	<u>–</u>	<u>2,937</u>	<u>609,006</u>

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	
	<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	401,991	149,012	79,805	28	-	-	4,577	-	-	635,413
Inter-segment revenue	-	-	-	-	-	-	(3,217)	-	-	(3,217)
Revenue from external customers	<u>401,991</u>	<u>149,012</u>	<u>79,805</u>	<u>28</u>	<u>-</u>	<u>-</u>	<u>1,360</u>	<u>-</u>	<u>-</u>	<u>632,196</u>
Timing of revenue recognition										
- At a point in time	-	-	-	28	-	-	1,360	-	-	1,388
- Over time	<u>401,991</u>	<u>149,012</u>	<u>79,805</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>630,808</u>
	<u>401,991</u>	<u>149,012</u>	<u>79,805</u>	<u>28</u>	<u>-</u>	<u>-</u>	<u>1,360</u>	<u>-</u>	<u>-</u>	<u>632,196</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>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the year	8,115	7,952
Acquisition of a subsidiary	7,397	-
Advance collected from customers during the year	560,054	536,666
Revenue recognised from contract liabilities existed at the beginning of the year	(8,115)	(7,952)
Revenue recognised from contract liabilities occurred during the year	<u>(555,651)</u>	<u>(528,551)</u>
Balance at end of the year	<u>11,800</u>	<u>8,115</u>

No significant cost was incurred for obtaining revenue contract for the years ended 31 December 2022 and 2021.

5 EXPENSES BY NATURE

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Employee benefit expenses	186,319	153,323
Raw materials and consumables	78,333	94,308
Depreciation of property, plant and equipment	76,691	73,895
Advertising and marketing expenditure	37,661	35,137
Electricity and other utility expenses	24,278	16,102
Legal and other consulting services fee	17,334	15,035
Clinic, office and consumption expenses	16,212	12,545
Repair and maintenance	9,574	9,512
Doctors' fee	8,889	16,085
Transportation costs	7,092	7,739
Amortisation of intangible assets	4,032	763
Auditors' remuneration		
– PricewaterhouseCoopers	3,653	2,895
– other auditors	808	112
Rent on short-term leases	3,110	414
Rent concession related to COVID-19	(833)	–
Others	3,597	5,266
	<hr/>	<hr/>
Total	476,750	443,131
	<hr/> <hr/>	<hr/> <hr/>

6 OTHER (LOSSES)/GAINS, NET

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Value added tax refund	–	1,140
Net gains on financial assets at fair value through profit or loss	140	505
Government compensation for employee welfare	3,183	304
Gain/(loss) on disposal of property, plant, and equipment	206	(294)
Loss on fair value change of contingent consideration payable	(4,852)	–
Others	622	(83)
	<hr/>	<hr/>
	(701)	1,572
	<hr/> <hr/>	<hr/> <hr/>

7 FINANCE INCOME AND EXPENSES, NET

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		
Interest income	1,138	138
Foreign exchange gains, net	5,772	12,738
	<u>6,910</u>	<u>12,876</u>
Finance expenses		
Interest expenses on leases	(6,960)	(7,151)
Interest expenses on borrowings	(157)	(340)
Other finance expenses	(3,620)	(974)
	<u>(10,737)</u>	<u>(8,465)</u>
Net finance (expenses)/income	<u>(3,827)</u>	<u>4,411</u>

8 INCOME TAX EXPENSE

Taxation on profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries/areas in which the group entities operate. The Group was subject to different tax jurisdiction mainly in Germany, Denmark, the UK, mainland China and Hong Kong with tax rates ranging from 8.25% to 32% during the year (2021: 8.25% to 32%).

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

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax	50,744	62,434
Deferred tax	(5,282)	855
Income tax expense	<u>45,462</u>	<u>63,289</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>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	128,980	195,673
Tax calculated at the domestic tax rate applicable to profits in the respective jurisdictions	42,180	56,947
Preferential tax rates on income of certain group entities	(924)	(965)
Expenses not deductible for tax purposes	445	3,741
Reversal of deferred tax assets previously recognised	2,317	1,903
Tax losses of certain group entities for which no deferred tax assets were recognised	1,444	1,773
Others	–	(110)
Income tax expense	<u>45,462</u>	<u>63,289</u>

9 EARNINGS PER SHARE

(a) Basic earnings per share

For the years ended 31 December 2022 and 2021, 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>2022</u>	<u>2021</u>
Profit attributable to owners of the Company (HK\$'000)	89,472	133,560
Weighted average number of ordinary shares in issue ('000)	<u>331,895</u>	<u>328,378</u>
Earnings per share (basic) (HK cents)	<u>26.958</u>	<u>40.673</u>

(b) Diluted earnings per share

For the years ended 31 December 2022 and 2021, 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>2022</u>	<u>2021</u>
Profit attributable to owners of the Company (HK\$'000)	89,472	133,560
Weighted average number of ordinary shares and potential ordinary shares in issue ('000)	<u>332,276</u>	<u>329,156</u>
Earnings per share (diluted) (HK cents)	<u>26.927</u>	<u>40.577</u>

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

	<u>2022</u>	<u>2021</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>331,895</u>	<u>328,378</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share ('000)	<u>332,276</u>	<u>329,156</u>

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

10 TRADE RECEIVABLES

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables due from third parties	5,676	3,250
Trade receivables due from related parties	91	44
Total trade receivables, gross	5,767	3,294
Less: provision for impairment	(199)	(212)
Total trade receivables, net	<u><u>5,568</u></u>	<u><u>3,082</u></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 2022 and 2021, the ageing analysis of the trade receivables based on the invoice date was as follows:

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 6 months	<u><u>5,767</u></u>	<u><u>3,294</u></u>

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

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
– RMB	1,612	1,121
– EUR	1,097	1,723
– GBP	2,144	–
– DKK	914	450
	<u><u>5,767</u></u>	<u><u>3,294</u></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>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the year	212	153
Provision for impairment recognised during the year	33	110
Receivables written off during the year as uncollectible	(46)	(51)
	<u> </u>	<u> </u>
Balance at end of the year	<u>199</u>	<u>212</u>

The maximum exposure to credit risk as at 31 December 2022 were HK\$5,767,000 (2021: HK\$3,294,000).

11 SHARES HELD FOR SHARE SCHEME

	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	<i>Shares</i>	<i>Shares</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Shares held for share scheme	<u>1,170,116</u>	<u>848,357</u>	<u>11,020</u>	<u>11,344</u>

These shares of the Company were acquired and held by an independent professional trustee (the “Trustee”) for the purpose of granting shares under the Restricted Share Award Scheme and other equity-based incentive schemes adopted by the Company (see Note 12 for further information). During the year ended 31 December 2022, total amount of HK\$8,360,000 (2021: HK\$15,284,000) was paid to the Trustee with a balance of unutilised cash of HK\$2,374,000 as restricted cash as at 31 December 2022 (2021: HK\$2,000).

	Number of shares	Amount HK\$'000
As at 1 January 2022	848,357	11,344
Acquisition of shares by the Trustee	807,000	5,988
Issue of shares under employee share scheme	<u>(485,241)</u>	<u>(6,312)</u>
	<u> </u>	<u> </u>
As at 31 December 2022	<u>1,170,116</u>	<u>11,020</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:

	2022	2021
	Number of shares	Number of shares
As at 1 January	480,411	433,570
Granted during the year	215,428	1,167,484
Vested during the year	(485,241)	(1,120,643)
As at 31 December	<u>210,598</u>	<u>480,411</u>
	2022	2021
Expenses arising from share-based payment	HK\$'000	HK\$'000
Shares issued under employee share scheme	<u>2,682</u>	<u>11,325</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 2022 and 2021, the ageing analysis of trade payables based on invoice dates is as follows:

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	16,437	16,398
Over 3 months but within 6 months	2,559	3,983
Over 6 months but within 1 year	1,047	256
Over 1 year but within 2 years	–	406
Over 2 years	–	494
	<u>20,043</u>	<u>21,537</u>

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

	<u>2022</u>	<u>2021</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
– RMB	3,507	6,376
– EUR	9,772	9,483
– GBP	3,365	–
– DKK	3,399	5,678
	<u>20,043</u>	<u>21,537</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 23 March 2022, the Board of Directors of the Company declared a dividend of HK\$0.09932 per ordinary share totalling HK\$33,097,397 (year ended 31 December 2021: HK\$0.02988 per ordinary share totalling HK\$9,837,512) to the shareholders of the Company in respect of the year ended 31 December 2021. The dividend was approved at the Annual General Meeting on 2 June 2022 and was fully paid during the year ended 31 December 2022.

During the board meeting held on 28 March 2023, the Board proposed a final dividend of HK\$0.06266 per ordinary share totalling HK\$20,880,818 to the shareholders of the Company in respect of the year ended 31 December 2022. 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 2022 final dividend is expected to be distributed to shareholders on or around in the middle of June 2023.

As the final dividend is proposed after 31 December 2022, such dividend is not recognised as a liability as at 31 December 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The year 2022 was a challenging year to EuroEyes. The global pandemic and COVID-19 control policy remain to be the most critical factors that affect the Group's business.

In the year 2022, Euro ("EUR") depreciation against Hong Kong Dollar ("HKD" or "HK\$") resulted in a decrease in profit contribution in HKD terms, affecting the Group's financial position and performance. The average exchange rate of EUR to HKD during the year 2022 declined by approximately 10.3% compared to 2021. However, the unfavorable currency fluctuation had no material operational effect to the Group.

Business and Operation in the PRC

Multiple waves of Omicron variant outbreaks emerged in the PRC during the first half of 2022, spreading to some major cities in the PRC where the Group operates its business, including Shanghai, Shenzhen, Beijing, and Hangzhou. Subsequently, Shanghai experienced a two-month citywide static management, which caused the Group's business in Shanghai to be suspended from the end of March 2022, and only resumed operation in early June 2022; Beijing imposed strict control measures, including intracity and intercity traffic restrictions and partial static management during May and June 2022. The outbreak of COVID-19 cases in the last quarter of the year temporarily affected normal social activities in the PRC, resulting in a negative impact on the number of outpatient consultation and surgery reservations in the PRC.

However, in view of the zero-Covid control measures being dismantled in December 2022 by the PRC government, the Group's business gradually returned to normality. The number of outpatient consultation has been gradually getting back to pre-Covid levels in 2023.

Business and Operation in Europe

The lifting of the two-year pandemic inter-country travel restrictions across Europe has shifted consumer interests into vacation travel, delaying the patients' operation schedules. However, this is seen as a one-time seasonal effect. The surgery demand in Europe is expected to rebound when the vacation season ends.

In Denmark, the construction period of the new Copenhagen clinic was prolonged in early 2022 due to COVID-19 control policy in Denmark which resulted an around 60-day vacancy for surgery operation. The clinic has operated the first surgery in March 2022.

On 20 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. In 2022, London Vision Clinic Partners Limited outperformed the agreed revenue and EBIT targets stated in the share purchase agreement under the Acquisition (as defined below).

Business Performance of the Group

Despite the continued operational headwind induced by the pandemic, the Group is confident that its business model and adaptability will facilitate the Group to thrive during recovery from the unfavourable environment.

For the year ended 31 December 2022, the total revenue of the Group was approximately HK\$610.3 million, representing a decrease of approximately 3.6% (EUR equivalent: an increase of approximately 7.5%) compared to 2021. The strict control measures in the PRC have been eased gradually and the intracity and intercity travel is allowed, the business in China has resumed to normal. The new Copenhagen clinic in Denmark has been opened for business. The Group is gradually getting back on track and getting close to the pre-Covid levels.

For the year ended 31 December 2022, the Group's gross profit was approximately HK\$270.8 million, decreased by 13.3% (EUR equivalent: approximately 3.4%) as compared to 2021. The Group's adjusted gross profit was approximately HK\$275.6 million, decreased by approximately 13.2% (EUR equivalent: approximately 3.3%) as compared to 2021, representing an adjusted gross profit margin of approximately 45.2%.

The Group's net profit after tax of approximately HK\$83.5 million for the year ended 31 December 2022, decreased by approximately 36.9% (EUR equivalent: approximately 29.7%) compared to 2021. The adjusted net profit after tax was approximately HK\$101.2 million, decreased by approximately 26.3% (EUR equivalent: approximately 17.2%), representing an adjusted net profit margin of approximately 16.6%.

REVENUE BY GEOGRAPHICAL REGIONS

Revenue in the PRC

For the year ended 31 December 2022, the Group's revenue in the PRC was approximately HK\$98.4 million, which decreased by approximately 33.9% (EUR equivalent: approximately 26.4%) compared to 2021, representing approximately 16.1% of the total revenue.

Revenue in Europe

The Group's revenue in Germany for the year ended 31 December 2022 was approximately HK\$335.6 million, decreased by approximately 16.9% (EUR equivalent: approximately 7.4%) compared to 2021, representing approximately 55.0% of the total revenue.

The Group's revenue in the UK for the year ended 31 December 2022 was approximately HK\$111.2 million, representing approximately 18.2% of the total revenue.

The Group's revenue in Denmark for the year ended 31 December 2022 was approximately HK\$65.1 million, decreased by approximately 18.5% (EUR equivalent: approximately 9.2%) compared to 2021, representing approximately 10.7% of the total revenue.

Revenue by Types of Surgeries

Lens surgeries continue to form an integral and essential part of the Group's business, including phakic lens (ICL) surgery and advanced lens exchange surgery, and constituted an aggregate of approximately 57.3% (2021: approximately 65.3%) of the total surgery revenue for the year ended 31 December 2022. The decrease in the percentage of revenue from lens surgery is mainly attributable to the first consolidation of London Vision Clinic, which focuses on refractive laser surgeries.

Lens exchange surgery

For the year ended 31 December 2022, the Group's revenue from performing lens exchange surgery, which included monofocal and trifocal lens exchange surgeries, was approximately HK\$271.2 million, marking a decrease of approximately 16.2% (EUR equivalent: approximately 6.6%) compared to 2021. The revenue from lens exchange surgery accounted for approximately 45.3% (2021: approximately 51.2%) of the total surgery revenue.

The revenue of lens exchange surgery for the year ended 31 December 2022 performed by Germany, the PRC and Denmark was approximately HK\$172.1 million, HK\$39.8 million and HK\$57.3 million respectively, which decreased by approximately 9.3%, 37.8%, and 18.2% (EUR equivalent: increase by approximately 1.0%, decreased by approximately 30.7%, decreased by approximately 8.8%) compared to 2021. The revenue of lens exchange surgery performed in the UK was approximately HK\$2.1 million for the year ended 31 December 2022.

Phakic lens (ICL) surgery

The revenue from performing phakic lens (ICL) surgery was approximately HK\$71.8 million, decreased by approximately 19.7% (EUR equivalent: approximately 10.5%) compared to 2021. The revenue from ICL surgery accounted for approximately 12.0% (2021: approximately 14.1%) of the total surgery revenue for the year ended 31 December 2022.

The revenue of ICL surgery performed by Germany, the PRC, and Denmark was approximately HK\$42.1 million, HK\$24.9 million and HK\$0.7 million respectively, which decreased by approximately 14.4%, 35.0%, and 64.0% (EUR equivalent: approximately 4.6%, 27.6%, and 59.9%) compared to 2021. The revenue of ICL surgery performed by the UK was HK\$4.1 million for the year ended 31 December 2022.

Refractive Laser Surgery

The revenue from performing refractive laser surgery was approximately HK\$246.4 million, which increased by approximately 19.1% (EUR equivalent: approximately 32.8%) compared to 2021. The revenue from refractive laser surgery accounted for approximately 41.1% (2021: approximately 32.8%) of the total surgery revenue for the year ended 31 December 2022. This was mainly attributable to the first consolidation of London Vision Clinic, which focuses on refractive laser surgeries. Its specialized surgery type, Presbyond®, is included in the refractive laser surgery.

The revenue of refractive laser surgery performed by Germany, the PRC and Denmark was approximately HK\$116.8 million, HK\$30.1 million, and HK\$4.8 million respectively, which decreased by approximately 27.5%, 25.7%, and 9.5% (EUR equivalent: decreased by approximately 19.2%, decreased approximately 17.2%, and increased by approximately 0.9%) compared to 2021. The revenue of refractive laser surgery performed by the UK was HK\$94.7 million for the year ended 31 December 2022.

ACQUISITION OF LONDON VISION CLINIC

As announced by the announcements dated 20 January 2022 and 28 January 2022, EuroEyes acquired 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\$322,580,000, subject to the consideration adjustment and earn out terms. Under the earn out terms, the revenue and EBIT of London Vision Clinic Partners Limited (“**LVCP**”) are expected to grow at a high speed.

LVCP, currently located London, the UK, is one of the leading brands in the vision correction industry worldwide, whose founder, Professor Dan Zoltan 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 EuroEyes’ trifocal lens exchange surgery.

For the first earn out period, during 2022, LVCP outperformed the agreed revenue and EBIT targets stated in the share purchase agreement under the Acquisition. The Group believes that the acquisition of London Vision Clinic will enable it to get access to London’s high-end refractive and presbyopia surgery markets and expand its business. By implementing PRESBYOND® Laser Blended Vision treatment into EuroEyes, the Group is 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 member of the International Medical Advisory Board of the Group, which delivered tremendous value to EuroEyes’ expert team and has been nominated as an executive Director.

IMPORTANT EVENTS AFTER THE END OF 31 DECEMBER 2022

As announced in the announcement dated 3 January 2023, Dr. Ralf-Christian Lerche has resigned as an executive Director due to his own plan of career development with effect from 3 January 2023.

Save as disclosed above, to the best knowledge of Directors, no important events affecting the Group have occurred since the end of 31 December 2022.

FINANCIAL REVIEW

1. Revenue

The Group is a high-end vision correction service provider in Germany, the PRC, Denmark and the UK. The Group's vision correction services include refractive laser surgery (which includes ReLEx SMILE, FemtoLASIK and Presbyond®), 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					
	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2021</u>	<u>change</u>	<u>change</u>
	<i>HK\$'000</i>	% of total revenue	<i>HK\$'000</i>	% of total revenue	<i>HK\$'000</i>	%
Provision of vision correction services	604,766	99.1	630,808	99.7	(26,042)	(4.1)
Rental of ophthalmic equipment and operating spaces	1,286	0.2	735	0.1	551	75.0
Sales of pharmaceutical products	115	0.1	28	0.1	87	310.7
Other	4,124	0.6	1,360	0.1	2,764	203.2
Total	<u>610,291</u>	<u>100.0</u>	<u>632,931</u>	<u>100.0</u>	<u>(22,640)</u>	<u>(3.6)</u>

The Group's total revenue decreased by approximately 3.6% from approximately HK\$632.9 million for the year ended 31 December 2021 to approximately HK\$610.3 million for the year ended 31 December 2022, which was mainly due to the (i) the continuous outbreak of the COVID-19 pandemic in the first half of the year and the strict control measures carried out in the PRC; (ii) the outbreak of COVID-19 cases in the last quarter of the year temporarily affected normal social activities in the PRC; (iii) prolonged construction period of new Copenhagen clinic due to COVID-19 control policy in Denmark which resulted an around 60-day vacancy for surgery operation; (iv) the lifting of the two-year pandemic inter-country travel restrictions across Europe has shifted consumer interests into vacation travel, delaying operation schedules; and (v) Euro depreciation against Hong Kong Dollar resulted in a decrease in profit contribution in HKD terms, affecting the Company's financial position and performance.

The Group's revenue was generated in Germany, the PRC, Denmark and the UK. As at 31 December 2022, the Group had a total of 30 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					
	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2021</u>	<u>change</u>	<u>change</u>
	<i>HK\$'000</i>	% of total revenue	<i>HK\$'000</i>	% of total revenue	<i>HK\$'000</i>	%
Germany	335,570	55.0	404,032	63.8	(68,462)	(16.9)
UK	111,170	18.2	–	–	111,170	–
PRC	98,437	16.1	149,012	23.6	(50,575)	(33.9)
Denmark	65,114	10.7	79,887	12.6	(14,773)	(18.5)
Total	<u>610,291</u>	<u>100.0</u>	<u>632,931</u>	<u>100.0</u>	<u>(22,640)</u>	<u>(3.6)</u>

For the year ended 31 December 2022, the Group generated approximately 55.0% (2021: approximately 63.8%) of its revenue in Germany, approximately 18.2% in the UK, approximately 16.1% (2021: approximately 23.6%) in the PRC, approximately 10.7% (2021: approximately 12.6%) in Denmark. As compared to the year ended 31 December 2021, the Group's revenue decreased by approximately 16.9% in Germany, approximately 33.9% in the PRC and approximately 18.5% in Denmark.

2. Cost of Revenue

For the year ended 31 December 2022, the largest component of the Group's cost of sales was employee benefits expenses, representing approximately 41.5% (2021: approximately 34.1%) of the total cost of sales, followed by raw materials and consumables used, accounting for approximately 23.1% (2021: approximately 29.4%) of the total cost of sales.

	Year ended 31 December		
	2022	2021	change
Cost of sales	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Employee benefit expenses	140,898	109,179	29.1
Raw materials and consumables used	78,333	94,308	(16.9)
Depreciation of property, plant and equipment	62,696	60,844	3.0
Doctor's fee	8,543	16,085	(46.9)
Others ⁽¹⁾	48,977	39,970	22.5
Total	<u>339,447</u>	<u>320,386</u>	<u>5.9</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\$19.1 million, or 5.9%, from approximately HK\$320.4 million for the year ended 31 December 2021 to approximately HK\$339.4 million for the year ended 31 December 2022. The increase was primarily attributable to the increase in the number of surgeries performed by the clinic in the UK, which resulted in (i) the increase of employee benefit expenses; and (ii) the increase of depreciation of property, plant and equipment. The consumption of raw materials and consumables decreased by approximately 16.9% compared to 2021, which was primarily attributable to the decrease of the number of surgeries, and the fact that the Group obtained more favourable purchase prices for raw materials and consumables from its major suppliers.

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		
	2022	2021	change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Revenue	610,291	632,931	(3.6)
Cost of sales	<u>(339,447)</u>	<u>(320,386)</u>	<u>5.9</u>
Gross profit	<u>270,844</u>	<u>312,545</u>	<u>(13.3)</u>
Gross profit margin	<u>44.4%</u>	<u>49.4%</u>	
Adjusted gross profit (see "Non-IFRS Financial Measures" section)	<u>275,595</u>	<u>317,393</u>	<u>(13.2)</u>
Adjusted gross profit margin	<u>45.2%</u>	<u>50.1%</u>	

The adjusted gross profit decreased by approximately HK\$41.8 million, or 13.2%, from approximately HK\$317.4 million for the year ended 31 December 2021 to approximately HK\$275.6 million for the year ended 31 December 2022. The adjusted gross profit margin for the year ended 31 December 2022 was approximately 45.2% (2021: approximately 50.1%), which represented a decrease of 4.9 percentage points as compared to the year ended 31 December 2021.

4. Selling Expenses

The Group's selling expenses for the year ended 31 December 2022 amounted to approximately HK\$56.7 million, representing an increase of approximately HK\$2.9 million, or 5.4% as compared to the year ended 31 December 2021, which was primarily attributable to the increase in the advertising and marketing expenditure in the UK.

For the year ended 31 December 2022, the selling expenses amounted to 9.3% of the Group's total revenue (2021: 8.5%), which represented an increase of 0.8 percentage points.

	Year ended 31 December		
	2022	2021	change
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Advertising and marketing expenditure	37,117	35,137	5.6
Employee benefit expenses	11,108	12,932	(14.1)
Depreciation of property, plant and equipment	4,841	3,741	29.4
Others	3,595	1,957	83.7
Total	<u>56,661</u>	<u>53,767</u>	<u>5.4</u>

5. Administrative Expenses

For the year ended 31 December 2022, the Group's administrative expenses amounted to approximately HK\$80.6 million, representing an increase of approximately HK\$11.7 million or 16.9% as compared to the year ended 31 December 2021, which was primarily attributable to the increase of the administrative expenses in the UK.

	Year ended 31 December		
	2022	2021	change
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Employee benefit expenses	34,313	31,212	9.9
Legal, consulting and other service fee	16,361	14,779	10.7
Depreciation of property, plant and equipment	9,154	9,310	(1.7)
Office and consumption expenses	7,578	4,154	82.4
Others	13,236	9,523	39.0
Total	<u>80,642</u>	<u>68,978</u>	<u>16.9</u>

6. Finance Income and Expenses, Net

The Group's finance income decreased by approximately HK\$6.0 million, or 46.3%, from approximately HK\$12.9 million for the year ended 31 December 2021 to approximately HK\$6.9 million for the year ended 31 December 2022. The decrease in net finance income was primarily due to the decrease in foreign exchange gains which arose from the Group's HK\$ denominated listing proceeds deposited with banks in Hong Kong.

The Group's finance expenses increased by approximately HK\$2.3 million, or 26.8%, from approximately HK\$8.5 million for the year ended 31 December 2021 to approximately HK\$10.7 million for the year ended 31 December 2022, which was primarily due to the increase in the finance costs in the UK after the acquisition in 2022.

7. Borrowings

As at 31 December 2022, the Group had outstanding borrowings of approximately HK\$0.3 million (2021: approximately HK\$4.6 million), which shall be repaid within one year. The borrowings are related to the overdraft cash in bank. The decrease in the Group's borrowings for the year ended 31 December 2022 was mainly due to the payment of all of the remaining rent to a financial leasing company.

As at 31 December 2022, the borrowings were denominated in Great British Pound ("GBP" or "£").

8. Foreign Exchange Risk

The subsidiaries of the Company mainly operate in Germany, Denmark, the UK and the PRC with most of the transactions being settled in EUR, Danish Krone ("DKK"), GBP 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 2022 and 2021, the financial assets and liabilities of the subsidiaries of the Group in Germany, Denmark, the UK and the PRC were primarily denominated in EUR, DKK, GBP 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 2022, 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\$81,000 (2021: approximately HK\$6.8 million) lower/higher; post-tax profit for the year ended 31 December 2022 would have been approximately HK\$81,000 lower/higher (2021: post-tax profit for the year would have been approximately HK\$6.8 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 2022, the Group had no charges on Group assets (as at 31 December 2021, borrowings of approximately HK\$4.6 million were secured by property, plant and equipment with net book value of approximately HK\$5.7 million for the finance lease).

10. Capital Commitments

The Group had no capital commitment (as at 31 December 2021: approximately HK\$0.3 million) in relation to the addition of property, plant and equipment as at 31 December 2022.

11. Contingent Liabilities

According to the share purchase agreement under the Acquisition (as defined below), the contingent consideration requires the Group to pay the former owners of London Vision Clinic Partners Limited. As at 31 December 2022, the Group had contingent consideration payable of approximately HK\$94.6 million, of which approximately HK\$17.6 million shall be paid within one year (as at 31 December 2021: Nil).

12. Significant Investments, Material Acquisitions and Disposals

As disclosed in the announcements of the Company dated 20 January 2022 and 28 January 2022, the Group acquired 100% of the issued shares in London Vision Clinic Partners Limited, one of the leading companies in the vision correction industry in the UK for maximum consideration of £34,327,985 (equivalent to HK\$322,580,000) (the “**Acquisition**”).

The Directors consider that the Acquisition represented a good opportunity for the Group to tap into London’s high-end refractive and presbyopia surgery markets and expand its business. Details of the material acquisitions of the Group during the reporting period will be set out in the annual report of the Company for the year ended 31 December 2022.

Save as disclosed above, there were no other material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2022.

13. Plans for Material Investments or Capital Assets

Save as disclosed in the prospectus dated 30 September 2019 (the “**Prospectus**”), the capital commitment in relation to the addition of property, plant and equipment, and the Acquisition which will be funded by the proceeds from the Company’s global offering (the “**Global Offering**”), the Group did not have other plans for material investments or capital assets as at 31 December 2022.

OUTLOOK AND FUTURE STRATEGIES

Looking ahead, the Group's still feeling the headwind from the unfavourable environment with the Ukraine war, looming inflation and consumer sentiment. In order to maintain 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.

Entry to the Hong Kong market

In Hong Kong, the Group has signed a lease contract for its first clinic in the renowned Russell Street, Causeway Bay. The Group will bring the unique EuroEyes experience to Hong Kong for the first time. It is expected that the clinic will commence trail operation in the second half of 2023.

New Clinic Pipeline

In the UK market, Euroeyes almost finished construction of its second clinic in London, located on Brompton Road, Knightsbridge. The new clinic will commence trail operation in the second quarter of 2023.

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 trail operation in the second half of 2023.

In the PRC, the new clinic in Chengdu has commenced operation in March 2022. Located along the main street of Taikoo Li, the high-end commercial area in 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 looking for suitable premises 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 cities with large potential.

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 acquire 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.

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 2022, 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 2022.

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 2022.

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 2022, the principal source of liquidity of the Company was cash generated from the business operations of the Group and proceeds from the Global Offering. As at 31 December 2022, the Group had cash and cash equivalents of approximately HK\$779.6 million.

The Group’s current ratio (calculated as current assets over current liabilities) was approximately 5.1 as at 31 December 2022 (2021: approximately 6.7).

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 did not have long-term borrowing as at 31 December 2022 (2021: The Group’s gearing ratio was approximately 0.26%).

There were no material changes in the funding and treasury policy of the Group for the year ended 31 December 2022.

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 would be used for (i) establishing clinics in major cities in the PRC, including Chengdu and Chongqing; (ii) the potential acquisition of clinic groups in Europe; (iii) the 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 in 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 2022:

Use of net proceeds	Percentage of the net proceeds (%)	Planned application (HK\$'000)	Actual usage up to 31 December 2022 (HK\$'000)	Unutilised net proceeds as at 31 December 2021 (HK\$'000)	Expected timeline for fully utilising the unutilised amount (Note 1)
For establishing clinics in major cities in the PRC	40.0	264,266	34,219	230,047	By 31 December 2025
For the potential acquisition of clinic groups in Europe	33.0	218,019	91,453	126,566	By 31 December 2024
For the expansion of marketing efforts	17.0	112,313	3,998	108,315	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>131,173</u>	<u>529,491</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 2022, 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 2022 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 2022, the Trustee of the Restricted Share Award Scheme purchased 807,000 shares at a total consideration of approximately HK\$5,988,000 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 2022.

FINAL DIVIDEND

The Directors recommended a final dividend of HK\$0.06266 per ordinary share for the year ended 31 December 2022, totally amounting to approximately HK\$20,880,818, 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 2022 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 2022. 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 2022.

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 2022 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, 28 March 2023

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