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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)

(I) ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023; AND (II) TERMINATION OF SHARE OPTION SCHEME

(I) ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2023

FINANCIAL HIGHLIGHT

	For the year ended 31 March		Change
	2023 HK\$'000	2022 HK\$'000	
Revenue	213,847	225,237	(5.1%)
(Loss)/profit for the year	(3,191)	13,491	N/A
Adjusted net (loss)/profit for the year ^{(1)&(2)}	(3,191)	30,885	N/A
Net profit margin (%)	N/A	6.0%	N/A
Adjusted net profit margin (%) ^{(1)&(2)}	N/A	13.7%	N/A

Notes:

- (1) Adjusted net profit is derived by taking out the effect of the listing expenses incurred during the year ended 31 March 2022. No such expenses were incurred during the year ended 31 March 2023.
- (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 annual consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2023, together with the comparative figures for the year ended 31 March 2022, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	Year ended 31 March	
		2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	3	213,847	225,237
Other income, net	4	6,330	1,731
Inventories used		(37,508)	(38,492)
Consultancy fee		(74,843)	(62,978)
Employee benefit expenses		(52,555)	(42,023)
Depreciation for plant and equipment		(6,179)	(7,706)
Depreciation of right-of-use assets		(18,727)	(14,387)
Expenses incurred in connection with the Company’s listing		—	(17,394)
Other expenses	5	<u>(31,757)</u>	<u>(24,165)</u>
Operating (loss)/profit		(1,392)	19,823
Finance costs	6	<u>(1,525)</u>	<u>(777)</u>
(Loss)/profit before income tax		(2,917)	19,046
Income tax expense	7	<u>(274)</u>	<u>(5,555)</u>
(Loss)/profit and total comprehensive (loss)/income for the years attributable to owners of the Company		<u>(3,191)</u>	<u>13,491</u>
(Loss)/earnings per share attributable to owners of the Company (expressed in HK cents per share)			
— Basic	9	<u>(0.6)</u>	<u>3.5</u>
— Diluted	9	<u>(0.6)</u>	<u>3.5</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	As at 31 March	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Plant and equipment		33,813	17,696
Right-of-use assets		44,433	20,118
Deferred tax assets		331	594
Rental and other deposits	11	15,020	2,144
Total non-current assets		93,597	40,552
Current assets			
Inventories		3,682	3,746
Trade receivables	10	1,960	1,105
Deposits, prepayments and other receivables	11	19,470	2,629
Tax recoverable		1,054	842
Cash and cash equivalents		207,496	241,270
Total current assets		233,662	249,592
Current liabilities			
Trade payables	12	7,166	5,877
Accruals and other payables		11,075	7,391
Lease liabilities		21,958	10,928
Total current liabilities		40,199	24,196
Net current assets		193,463	225,396
Total assets less current liabilities		287,060	265,948
Non-current liabilities			
Provisions		2,475	1,250
Lease liabilities		25,301	9,247
Total non-current liabilities		27,776	10,497
Net assets		259,284	255,451

	As at 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity		
Equity attributable to owners of the Company		
Share capital	5,281	5,097
Share premium	306,388	292,898
Shares held under the Share Award Plan	(3,468)	—
Reserves	(48,917)	(42,544)
	<u>259,284</u>	<u>255,451</u>
Total equity	<u>259,284</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 Companies 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 principal place of business of the Group is Room 1302, 13/F, 9 Queen’s Road Central, Hong Kong.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The consolidated financial information is presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Changes in accounting policies

The Group has adopted the following revised HKFRSs for the first time for the current year’s consolidated financial statements.

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 above amendments did not have any significant impact on the financial position and performance of the Group.

3 REVENUE AND SEGMENT INFORMATION

Revenue recognised during the years ended 31 March 2023 and 2022 is analysed by the chief operating decision-maker. For the purposes of resources allocation and performance assessment, the executive Directors have reviewed the overall results and financial position of the Group as a whole prepared based on the same set of accounting policies. 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 10% or more of the total revenue for each of the years ended 31 March 2023 and 2022.

The Group 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:

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Ophthalmic service income	206,519	217,887
Sales of prescriptions	7,328	7,350
	<u>213,847</u>	<u>225,237</u>

4 OTHER INCOME, NET

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Other income		
Rent concessions (<i>Note i</i>)	—	1,532
Government subsidies (<i>Note ii</i>)	2,303	—
Interest income	3,852	47
Miscellaneous income	322	152
	<u>6,477</u>	<u>1,731</u>
Other losses		
Write-off of plant and equipment	(147)	—
	<u>6,330</u>	<u>1,731</u>

Notes:

- (i) Rent concessions represent the change in lease payments directly related to COVID-19.

- (ii) For the year ended 31 March 2023, 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 (“**HKSAR Government**”). There were no unfulfilled conditions related to these subsidies.

5 EXPENSES BY NATURE

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

	Year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration		
— Audit services	950	1,000
— Non-audit service	300	53
Bank charges	5,552	6,190
Business development	7,497	6,033
Repair and maintenance	3,026	2,514
Professional fees	5,295	1,098
Expenses relation to short-term leases	842	596
	<u> </u>	<u> </u>

6 FINANCE COSTS

	Year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on lease liabilities	1,525	777
	<u> </u>	<u> </u>

7 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. In the prior year, Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which was a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary were taxed at 8.25% and the remaining assessable profits were taxed at 16.5%.

	Year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current — Hong Kong		
Charge for the year	—	7,242
Under/(over) provision in prior years	11	(631)
Deferred	263	(1,056)
	<u> </u>	<u> </u>
Total tax charge for the year	274	5,555
	<u> </u>	<u> </u>

8 DIVIDENDS

	Year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Dividends	—	26,000

The board of directors of the Company does not recommend the payment of any dividend in respect of the year ended 31 March 2023.

9 BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less shares held under the Share Award Plan during the years ended 31 March 2023 and 2022.

The weighted average number of shares in issue for the year ended 31 March 2022 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.

	Year ended 31 March	
	2023	2022
(Loss)/profit attributable to owners of the Company during the year (HK\$'000)	(3,191)	13,491
Weighted average number of ordinary shares in issue less shares held under the Share Award Plan	<u>522,404,554</u>	<u>390,270,986</u>
Basic (loss)/earnings per share (expressed in HK cents per share)	<u>(0.6)</u>	<u>3.5</u>

Diluted

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2023 in respect of a dilution as the impact of the potential ordinary shares on exercise of share options had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of the diluted earnings per share amount for the year ended 31 March 2022 is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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.

	Year ended 31 March 2022
Profit attributable to owners of the Company during the year (HK\$'000)	13,491
Weighted average number of ordinary shares in issue	<u>390,270,986</u>
Effect of dilutive potential ordinary shares on exercise of share options	279,703
Weighted average number of ordinary shares after assuming dilution	<u>390,550,689</u>
Diluted earnings per share (expressed in HK cents per share)	<u><u>3.5</u></u>

10 TRADE RECEIVABLES

As at 31 March 2023 and 2022, the carrying amounts of trade receivables approximated to their fair values and are denominated in HK\$.

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

	As at 31 March	
	2023	2022
	HK\$'000	HK\$'000
0–30 days	1,152	791
31–60 days	505	191
61–90 days	91	32
Over 90 days	<u>212</u>	<u>91</u>
	<u><u>1,960</u></u>	<u><u>1,105</u></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 31 March 2023 and 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 years ended 31 March 2023 and 2022.

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 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental and other deposits	8,644	4,112
Deposits paid for purchase of plant and equipment	7,758	—
Prepayments	1,120	598
Other receivables (<i>Note</i>)	<u>16,968</u>	<u>63</u>
	34,490	4,773
Less: non-current portion	<u>(15,020)</u>	<u>(2,144)</u>
Current portion	<u><u>19,470</u></u>	<u><u>2,629</u></u>

Note: A loan advanced to a medical practitioner of HK\$14,413,000 (2022: Nil) was included in the other receivables which is unsecured, bears interest at 3% per annum and repayable within 12 months.

12 TRADE PAYABLES

The ageing analysis of the trade payables to third parties as at 31 March 2023 and 2022 based on invoice date is as follows:

	As at 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	1,745	1,999
31–60 days	3,539	1,320
61–90 days	1,230	1,710
Over 90 days	<u>652</u>	<u>848</u>
	<u><u>7,166</u></u>	<u><u>5,877</u></u>

As at 31 March 2023 and 2022, all trade payables of the Group were denominated in HK\$, and their fair value approximated to their carrying amounts.

13 EVENT AFTER REPORTING PERIOD

The Group adopted a share option scheme on 26 January 2022 to provide incentives and rewards to eligible participants, including selected employees, for their contributions to the Group and to align the corporate objectives and interests between the Group and its key talents. On 27 June 2023, the Board has resolved to terminate the share option scheme with immediate effect.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the provision of private ophthalmic healthcare services in Hong Kong. Despite the negative impacts on the economy of Hong Kong caused by COVID-19 pandemic and increased competition from other industry players, the Group is 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 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 New Mong Kok Centre commenced operations since the end of 2022.

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 is 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 early July 2023.

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 OVERVIEWS

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 year ended 31 March 2023, our revenue amounted to approximately HK\$213.8 million, representing a decrease of approximately HK\$11.4 million or 5.1% from approximately HK\$225.2 million for the year ended 31 March 2022. 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 years ended 31 March 2023 and 2022 respectively.

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

	For the year ended 31 March 2023		2022		Change HK\$'000
	HK\$'000	% of revenue	HK\$'000	% of revenue	
Refractive Treatments	137,758	64.4%	152,611	67.8%	(14,853)
SMILE surgeries	87,483	40.9%	87,686	38.9%	(203)
LASIK surgeries	2,849	1.3%	3,091	1.4%	(242)
Multifocal IOL replacements	40,273	18.8%	50,730	22.6%	(10,457)
ICL implantations	7,153	3.4%	11,104	4.9%	(3,951)
Treatment for other eye problems	58,449	27.4%	55,066	24.4%	3,383
Standard cataract surgeries	29,134	13.6%	21,081	9.3%	8,053
Laser procedures	11,991	5.6%	14,447	6.4%	(2,456)
PPV surgeries	11,619	5.5%	13,521	6.0%	(1,902)
Other treatments/surgeries	5,705	2.7%	6,017	2.7%	(312)
Consultation and examination services	10,312	4.8%	10,210	4.5%	102
Sales of prescriptions and others	7,328	3.4%	7,350	3.3%	(22)
Revenue	213,847	100.0%	225,237	100.0%	(11,390)

(ii) Number of refractive treatment by types conducted

	For the year ended 31 March			
	2023		2022	
	Number	%	Number	%
SMILE surgeries	3,944	77.5%	3,802	72.7%
LASIK surgeries	146	2.9%	159	3.0%
Multifocal IOL replacements	906	17.8%	1,132	21.6%
ICL implantations	90	1.8%	141	2.7%
Total	5,086	100.0%	5,234	100.0%

(iii) Average prices of the refractive treatment services

	For the year ended 31 March	
	2023	2022
	HK\$	HK\$
SMILE surgeries	22,200	23,100
LASIK surgeries	19,500	19,400
Multifocal IOL replacements	44,500	44,800
ICL implantations	79,500	78,800

REFRACTIVE TREATMENT

Refractive treatments were our largest source of revenue during the year, representing approximately 64.4% of our revenue during the year ended 31 March 2023. 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\$14.8 million, or 9.7%, from approximately HK\$152.6 million for the year ended 31 March 2022 to approximately HK\$137.8 million for the year ended 31 March 2023. The decrease in revenue from refractive treatments was mainly due to a decline in revenue generated from multifocal IOL replacements, which decreased from approximately HK\$50.7 million for the year ended 31 March 2022 to approximately HK\$40.3 million for the year ended 31 March 2023. This decline in revenue was due to a decrease in the number of treatments conducted during the year.

In addition, the revenue generated from ICL implantations also decreased from approximately HK\$11.1 million for the year ended 31 March 2022 to approximately HK\$7.2 million for the year ended 31 March 2023, which was also a result of a decrease in the number of treatments conducted during the year.

TREATMENT FOR OTHER EYE PROBLEMS

Treatment for other eye problems include standard cataract surgery, laser procedure, PPV surgery, and other treatments and surgeries. Revenue generated from these treatments for the years ended 31 March 2022 and 2023 amounted to approximately HK\$55.1 million and HK\$58.4 million, respectively. This represented approximately 24.4% and 27.4% of our total revenue for the respective years. The revenue from treatment for other eye problems increased by approximately HK\$3.3 million or 6.0% from approximately HK\$55.1 million for the year ended 31 March 2022, to approximately HK\$58.4 million for the year ended 31 March 2023. The increase was primarily due to the higher revenue recorded for standard cataract surgeries, which rose by approximately HK\$8.1 million. This increase offset the decreases in revenue generated by laser procedures and PPV surgeries, which decreased by approximately HK\$2.5 million and HK\$1.9 million, respectively, compared to the year ended 31 March 2022.

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 slightly increased by approximately HK\$0.1 million or 1% from approximately HK\$10.2 million for the year ended 31 March 2022 to approximately HK\$10.3 million for the year ended 31 March 2023.

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 years ended 31 March 2022 and 2023, our revenue generated from sales of prescriptions and others was approximately HK\$7.4 million and HK\$7.3 million, representing approximately 3.3% and 3.4% of our revenue, respectively. The fluctuation in revenue generated from sales of prescriptions and others was generally in line with the overall revenue generated from consultation and examination services provided during the year.

OTHER INCOME, NET

Our net other income for the year ended 31 March 2023, mainly consisted of (i) interest income from bank deposits of approximately HK\$3.9 million and (ii) government subsidies of approximately HK\$2.3 million under the employment support scheme of the Government's anti-epidemic fund. Our net other income for the year ended 31 March 2023, increased by approximately HK\$4.6 million, or 270.6%, compared to the year ended 31 March 2022. The increase was mainly due to the absence of government subsidies under the employment support scheme during the year ended 31 March 2022, and an increase in interest income from bank deposits resulting from an increase in the bank balance during the year ended 31 March 2023.

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 prescribed by our medical practitioners to our patients following diagnosis after consultation and supplies are materials used during surgeries. For the years ended 31 March 2022 and 2023, the inventories used amounted to approximately HK\$38.5 million and HK\$37.5 million, representing approximately 17.1% and 17.5% of our revenue, respectively. The percentage of inventories used as compared to revenue remained relatively stable, and fluctuations in inventories used were generally in line with the decrease in the number of treatments conducted during the year.

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 years ended 31 March 2022 and 2023, consultancy fees amounted to approximately HK\$63.0 million and HK\$74.8 million, representing approximately 28.0% and 35.0% of our total revenue, respectively. The increase in consultancy fees paid to the medical practitioners during the year was a result of the increase in the number of medical practitioners from 11 as of 31 March 2022 to 13 as of 31 March 2023.

EMPLOYEE BENEFIT EXPENSES

Our employee benefit expenses include wages, salaries, pension scheme contributions and other related expenses for our staff. For the years ended 31 March 2022 and 2023, our employee benefit expenses amounted to approximately HK\$42.0 million and HK\$52.6 million, representing approximately 18.7% and 24.6% of our revenue, respectively. The increase in employee benefit expenses during the year was mainly due to an increase in the number of employees from 99 as of 31 March 2022, to 123 as of 31 March 2023, to cope with the expansion needs of the Group.

DEPRECIATION OF RIGHT-OF-USE ASSETS

Depreciation expenses for right-of-use assets mainly comprise depreciation expenses for leased equipment and properties. For the years ended 31 March 2022 and 2023, our depreciation expenses for right-of-use assets amounted to approximately HK\$14.4 million and HK\$18.7 million, representing approximately 6.4% and 8.7% of our revenue, respectively. We recorded an increase of depreciation of right-of-use assets during the year as due to our additional leased properties in Mong Kok and Tsim Sha Tsui a result of our expansion of our medical centre network during the year ended 31 March 2023.

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\$17.4 million were charged to the Group's consolidated statement of comprehensive income during the year ended 31 March 2022. No such expenses were incurred during the year ended 31 March 2023.

OTHER EXPENSES

Other expenses mainly comprise other general and administration expenses, management fees, business development expenses and bank charges. For the years ended 31 March 2022 and 2023, other expenses were approximately HK\$24.2 million and HK\$31.8 million, representing approximately 10.7% and 14.9% of our revenue, respectively. The table below sets forth the breakdown of other expenses for the years ended 31 March 2022 and 2023 respectively:

	For the year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Business development	7,497	6,033
Repair and maintenance	3,026	2,514
Professional fees	5,295	1,098
Auditor's remuneration		
— Audit services	950	1,000
— Non-audit services	300	53
Bank charges	5,552	6,190
Other general and administrative expenses	9,137	7,277
Other expenses	<u>31,757</u>	<u>24,165</u>

Our business development expenses include the cost of organizing educational talks on eye care, as well as the related costs of printing leaflets and designing a website. The business development expenses increased by approximately HK\$1.5 million or 25.0% from approximately HK\$6.0 million for the year ended 31 March 2022, to approximately HK\$7.5 million for the year ended 31 March 2023. This increase reflects our Group's efforts to build our brand, particularly in relation to the expansion of our existing medical centre in Mong Kok and the development of a new medical centre in Tsim Sha Tsui.

Professional fees mainly comprise fees paid to various professional parties, including legal counsels, compliance advisor, internal auditor, share registry, and a professional investor relations firm. These fees increased by approximately HK\$4.2 million or 381.8% from approximately HK\$1.1 million for the year ended 31 March 2022, to approximately HK\$5.3 million for the year ended 31 March 2023. The Group incurred higher professional fees following its Listing on 18 February 2022.

Bank charges are expenses related to credit card transfers. For the years ended 31 March 2022 and 2023, our bank charges amounted to approximately HK\$6.2 million and HK\$5.6 million, respectively.

Other general and administrative expenses mainly includes, but not limited to, utilities charges, insurance payments and other telecommunication charges. For the years ended 31 March 2022 and 2023, our other general and administrative expenses amounted to approximately HK\$7.3 million and HK\$9.1 million, respectively.

FINANCE COSTS

Finance costs mainly comprise interest expenses on lease liabilities. These costs increased by approximately HK\$0.7 million, or 87.5%, from approximately HK\$0.8 million for the year ended 31 March 2022, to approximately HK\$1.5 million for the year ended 31 March 2023. This increase was primarily due to higher interest expenses on lease liabilities resulting from the increase in rental fees for our leased properties in Mong Kok and Tsim Sha Tsui. This increase in rental fees was driven by the expansion of our medical space.

INCOME TAX EXPENSES

We recognised taxation for profit at the rate of 16.5% in Hong Kong with reference to the estimated assessable profits during the year. For the years ended 31 March 2022 and 2023, our income tax expenses amounted to approximately HK\$5.6 million and HK\$0.3 million, our effective tax rates for the year ended 31 March 2022 was 29.2% (2023: not applicable). Our effective tax rate for the year ended 31 March 2022 was higher than Hong Kong's statutory corporate tax rate mainly due to certain non-deductible expenses incurred by our Group during the respective period. These expenses mainly comprised listing expenses incurred in preparation for the listing. The decrease in income tax expenses was primarily due to the decrease in profit recognised during the year, as the Group recorded a loss before tax of approximately HK\$2.9 million for the year ended 31 March 2023.

(LOSS)/PROFIT FOR THE YEAR

As a result of the foregoing, the Group recorded a loss of approximately HK\$3.2 million for the year ended 31 March 2023, compared to a profit after tax of HK\$13.5 million for the year ended 31 March 2022.

Excluding the effect of Listing expenses incurred during the year ended 31 March 2022, the Group recorded an adjusted profit after tax of HK\$30.9 million for the year ended 31 March 2022, as compared to a loss of approximately HK\$3.2 million for the year ended 31 March 2023.

CAPITAL EXPENDITURE AND COMMITMENTS

For the years ended 31 March 2022 and 2023, the Group incurred capital expenditures of approximately HK\$0.2 million and HK\$22.4 million, respectively, primarily due to the purchase of equipment and leasehold improvements for our medical centres and the expansion of our medical centres network.

As at 31 March 2023, capital expenditure contracted for but not yet recognised amounted to approximately HK\$36.0 million which mainly represents capital expenditure commitments for the establishment of the New Mong Kok Centre and New Tsim Sha Tsui Centre (2022: Nil).

GEARING RATIO

As at 31 March 2023, the gearing ratio, which is calculated as net debt divided by total capital, is not applicable due to net cash position (2022: not applicable).

CONTINGENT LIABILITIES

The Group had no material contingent liability as at 31 March 2023.

PLEDGE OF ASSETS

The Group had not pledged any assets as at 31 March 2023.

FINANCIAL INSTRUMENTS

Our major financial instruments include trade receivables, deposits and other receivables, cash and cash equivalents, lease liabilities, trade payables, accruals and other payables. Our management manages such exposure to ensure appropriate measures are implemented on a timely and effective manner.

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 years ended 31 March 2022 and 2023, 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.

Credit Risk

Our credit risk mainly arises from trade receivables, deposits and other receivables, amount due from a related party and cash and bank balances. Our maximum exposure to credit risk is the carrying amounts of these financial assets.

The credit risk of cash and bank balances are limited because they are deposited in medium or large listed banks. We do not expect that there will be any significant losses from non-performance of these counterparties.

We have assessed that the expected loss rate for trade receivables was immaterial during the year ended 31 March 2023. We have a highly diversified source of patients, without any single patient contributing to revenue in a material way. We also have procedures in place to ensure that follow-up action is taken to recover overdue debts. Our management determines the expected credit losses on trade receivables based on Group's historical observed default rates, existing market conditions as well as forward-looking estimates at the end of the reporting period. Our management reviews patients' billing and payment status at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In addition, we have appropriate measures in place to ensure credit sales made to customers with an appropriate credit history. During the year ended 31 March 2023, we had not identified specific concentrations of credit risk related to trade receivables, as the amounts recognised mainly represent receivables from credit card companies due to a large number of customers who choose to pay by credit card.

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. 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. 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 2023, we maintained at net cash position.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2023, the Group employed a total of 123 employees (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.

The Group adopted a share option scheme (the “**Share Option Scheme**”) on 26 January 2022 and a share award plan (the “**Share Award Plan**”) on 23 November 2022. These schemes were established to provide incentives and rewards to eligible participants, including selected employees, for their contributions to the Group and to align the corporate objectives and interests between the Group and its key talents. On 27 June 2023, the Board has resolved to terminate the Share Option Scheme with immediate effect. Please refer to the section headed “(II) Termination of Share Option Scheme” in this announcement for details. Details of the Share Award Plan will be set out in the Directors’ Report contained in the Company’s 2023 annual report to be issued in due course. The Group also sponsors selected employees to attend external training courses that suit the needs of the Group’s business. We believe that investing in our employees’ development and skills not only benefits them personally but also enhances the Group’s overall capabilities and competitiveness.

EVENTS AFTER THE REPORTING PERIOD

On 27 June 2023, the Board has resolved to terminate the Share Option Scheme with immediate effect. Please refer to the section headed “(II) Termination of Share Option Scheme” in this announcement for details. Except for the Termination of Share Option Scheme, there was no material subsequent event undertaken by the Company or by the Group after 31 March 2023 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 maintaining our market-leading position in SMILE surgery and promoting ICL implantation; while exploring new opportunities for growth and expansion, like exploring tapping into children myopia prevention and control business.

- 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 and expansion.
- We plan to acquire interests in ophthalmic-related businesses.

LIQUIDITY AND CAPITAL STRUCTURE

During the year ended 31 March 2023 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 31 March 2023, we had cash and cash equivalents of HK\$207.5 million (2022: HK\$241.3 million), all of which were denominated in Hong Kong dollars.

During the year ended 31 March 2022 and 2023, 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 31 March 2023, the gearing ratio is not applicable due to net cash position (2022: not applicable).

The current ratio (calculated as current assets over current liabilities) was 5.8 times as at 31 March 2023 compared with 10.3 times as at 31 March 2022.

As at 31 March 2023, the Group reported net current assets of HK\$193.5 million, as compared with HK\$225.4 million as at 31 March 2022.

Net cash generated from operating activities was HK\$16.2 million during the year ended 31 March 2023 (2022: HK\$27.6 million). The decrease was mainly attributed to the loss before income tax of approximately HK\$2.9 million during the year ended 31 March 2023, as compared to a profit before income tax of approximately HK\$19.0 million for the year ended 31 March 2022.

Net cash used in investing activities amounted to HK\$143.8 million during the year ended 31 March 2023 as compared to HK\$0.2 million during the year ended 31 March 2022.

During the year ended 31 March 2023, the net cash used in investing activities was mainly from (i) purchase and deposits paid for the purchases of plant and equipment of approximately HK\$30.2 million; (ii) increase in time deposits with maturity of more than three months of approximately HK\$103.0 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; which are partially offset by interest received of approximately HK\$3.6 million during the year ended 31 March 2023.

During the year ended 31 March 2023, net cash used in financing activities amounted to HK\$9.2 million, compared to net cash from financing activities of HK\$149.0 million during the year ended 31 March 2022. The cash used in financing activities for the year ended 31 March 2023 was mainly from (i) lease payments of approximately HK\$16.3 million; and (ii) payment for share purchase for Share Award Plan under the trust of approximately HK\$3.5 million which are partially offset by (iii) proceeds from the issuance of share options upon the exercise of share options of approximately HK\$10.5 million.

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSALS

Except for investment in subsidiaries, there were no significant investments held by the Group as at 31 March 2023.

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

CORPORATE GOVERNANCE PRACTICE

The corporate governance principles of the Company emphasise an effective Board, sound internal control, appropriate independence policy, transparency and accountability so as to safeguard the interests of our shareholders. The Board is committed to maintaining high corporate governance standards.

During the year ended 31 March 2023 and up to the date of this announcement, the Company has applied the principles as set forth in the Corporate Governance Code (the “**CG code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) which are applicable to the Company.

Code provision C.5.1 provides that board meetings should be held at least four times a year at approximately quarterly intervals with a majority of Directors being present. In addition, code provision D.3.3 provides that the audit committee of the Company (the “**Audit Committee**”) must meet at least twice a year with the issuer’s auditors.

During the year ended 31 March 2023, the Board has convened four meetings for the purpose of discussing of Company's business and affairs, approving the annual results of the Company for year ended 31 March 2022 and approving the interim results of the Company for the six months ended 30 September 2022 and approved the change of auditor of the Company. And the Audit Committee has convened four meetings with the auditors of the Company for the purpose of discussing of audit strategy, approving the annual results of the Company for the year ended 31 March 2022 and approving the interim results of the Company for the six months ended 30 September 2022.

The Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code. The Board will continue to monitor and review the Company's corporate governance practices in order to ensure that such practices may meet the general rules and standards as required by the Listing Rules. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for benefit of the Group and the shareholders as a whole.

In the opinion of the Board, during the year ended 31 March 2023 and up to the date of this announcement, the Company has complied with all applicable code provisions as set forth in the CG Code.

USE OF PROCEEDS FROM THE LISTING

The Shares of HK\$0.01 each of the Company were listed on the Stock Exchange on 18 February 2022 with 125,000,000 new ordinary shares issued at an issue price of HK\$1.6 per share. The net proceeds from the initial public offering (the "IPO") 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 of the Company dated 31 January 2022 (the "Prospectus").

The remaining unused net proceeds as at 31 March 2023 were held in bank and it is intended that they will be applied in the manner consistent with the proposed allocations as set out in the Prospectus.

As at 31 March 2023, the Company utilised proceeds from the IPO of approximately HK\$8.9 million. 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 utilised during the year ended 31 March 2023 (HK\$ million)	Estimated time for utilising the 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	8.9	Second half of 2022–2023	72.6
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
Total	100%	245.6	181.9	8.9		173.0

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 FINANCIAL STATEMENTS

The Audit Committee of the Board comprises three independent non-executive Directors, namely, Mr. Li Michael Hankin (Chairman of the Audit Committee), Professor Lau Wan Yee Joseph and Mr. Ma Wai Hung Vincent. The Audit Committee of the Board has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the consolidated financial statements and annual results for the year ended 31 March 2023.

Scope of Work of Ernst & Young

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 March 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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. All Directors confirmed that they have complied with the Model Code throughout the year ended 31 March 2023 and up to the date of this announcement.

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 for the year ended 31 March 2023 and up to date of this announcement.

DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 March 2023 (2022: nil). No dividend as paid or declared by the Company or other members of the Group during the year ended 31 March 2023.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT ANNUAL GENERAL MEETING

Shareholders whose names appear on the register of members of our Company on 20 September 2023 are entitled to attend and vote at the annual general meeting of our Company (the “**AGM**”). The register of members of our Company will be closed from Friday, 15 September 2023 to Wednesday, 20 September 2023, both days inclusive. In order to qualify for attending and voting at the AGM, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 14 September 2023.

ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 20 September 2023. Notice of the AGM will be sent to the shareholders of the Company in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.claritymedic.com. The 2023 annual report and the notice of the AGM will be dispatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company in due course.

(II) TERMINATION OF SHARE OPTION SCHEME

Reference is made to the Prospectus. The Company has adopted the Share Option Scheme on 26 January 2022, which is valid and effective for a period of 10 years from the date of adoption. As at the date of this announcement, no share options have been granted under the Share Option Scheme.

According to the terms of the Share Option Scheme, the Board may at any time terminate the operation of the Share Option Scheme before expiry of its life and in such event, no further options will be offered.

The Board has resolved on 27 June 2023 to terminate the Share Option Scheme with immediate effect, for better allocation of the Company's resources in view of the followings: (i) the Company has adopted a new share scheme (i.e. the Share Award Plan) effective from 23 November 2022, which can recognize and reward the contributions of eligible participants and provide enough incentives for their long-term commitment thereby fostering the sustainable development of the Company; and (ii) no share options have been granted and further unexercised under the Share Option Scheme.

The Share Award Plan shall continue to be in full force and effect.

By order of the Board
CLARITY MEDICAL GROUP HOLDING LIMITED
WU Ting Yuk Anthony
Non-Executive Director and Chairman

Hong Kong, 27 June 2023

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.