

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.



CLARITY MEDICAL GROUP HOLDING LIMITED

清晰醫療集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1406)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

FINANCIAL HIGHLIGHT

| | Six months ended 30 September | | Change |
|------------------------------|--|-----------------|---------------|
| | 2023 | 2022 | |
| | HK\$'000 | HK\$'000 | |
| Revenue | 101,610 | 107,691 | (5.6%) |
| (Loss)/profit for the period | (20,019) | 7,912 | N/A |
| Net profit margin (%) | N/A | 7.3% | N/A |

The board (the “**Board**”) of directors (the “**Directors**”, and each a “**Director**”) of Clarity Medical Group Holding Limited (the “**Company**”) announces the unaudited interim consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2023, together with the comparative figures for the six months ended 30 September 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2023

| | Notes | Six months ended 30 September | |
|---|-------|----------------------------------|---------------------|
| | | 2023 | 2022 |
| | | (Unaudited) | (Unaudited) |
| | | HK\$'000 | HK\$'000 |
| Revenue | 3 | 101,610 | 107,691 |
| Other income | 4 | 3,253 | 2,755 |
| Inventories used | | (19,059) | (19,443) |
| Consultancy fee | | (41,058) | (31,074) |
| Employee benefit expenses | | (29,181) | (23,693) |
| Depreciation of plant and equipment | | (6,162) | (2,526) |
| Depreciation of right-of-use assets | | (10,871) | (7,263) |
| Other expenses | 5 | <u>(20,616)</u> | <u>(15,816)</u> |
| Operating (loss)/profit | | (22,084) | 10,631 |
| Finance costs | 6 | <u>(1,211)</u> | <u>(419)</u> |
| (Loss)/profit before income tax | | (23,295) | 10,212 |
| Income tax credit/(expense) | 7 | <u>3,276</u> | <u>(2,300)</u> |
| (Loss)/profit and total comprehensive (loss)/income for the period attributable to owners of the Company | | <u>(20,019)</u> | <u>7,912</u> |
| (Loss)/earnings per share attributable to owners of the Company during the period (expressed in HK cents per share) | | | |
| — Basic | 9 | <u>(3.8)</u> | <u>1.5</u> |
| — Diluted | 9 | <u>(3.8)</u> | <u>1.5</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | 30 September 2023 (Unaudited) <i>HK\$'000</i> | 31 March 2023 (Audited) <i>HK\$'000</i> |
|--|----|--|--|
| Non-current assets | | | |
| Plant and equipment | | 63,650 | 33,813 |
| Right-of-use assets | | 33,562 | 44,433 |
| Deferred tax assets | | 3,607 | 331 |
| Deposits, prepayments and other receivables | 11 | 4,318 | 15,020 |
| Total non-current assets | | 105,137 | 93,597 |
| Current assets | | | |
| Inventories | | 5,677 | 3,682 |
| Trade receivables | 10 | 1,929 | 1,960 |
| Deposits, prepayments and other receivables | 11 | 21,928 | 19,470 |
| Tax recoverable | | 1,405 | 1,054 |
| Cash and cash equivalents | | 160,825 | 207,496 |
| Total current assets | | 191,764 | 233,662 |
| Current liabilities | | | |
| Trade payables | 12 | 4,616 | 7,166 |
| Accruals and other payables | | 12,358 | 11,075 |
| Lease liabilities | | 20,881 | 21,958 |
| Total current liabilities | | 37,855 | 40,199 |
| Net current assets | | 153,909 | 193,463 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 259,046 | 287,060 |
| Non-current liabilities | | | |
| Provisions | | 2,075 | 2,475 |
| Lease liabilities | | 15,719 | 25,301 |
| Total non-current liabilities | | 17,794 | 27,776 |
| Net assets | | 241,252 | 259,284 |

| | 30 September 2023 (Unaudited) HK\$'000 | 31 March 2023 (Audited) HK\$'000 |
|---|---|---|
| Equity | | |
| Equity attributable to owners of the Company | | |
| Share capital | 5,281 | 5,281 |
| Share premium | 306,388 | 306,388 |
| Shares held under the Share Award Plan | (3,468) | (3,468) |
| Reserves | <u>(66,949)</u> | <u>(48,917)</u> |
| Total equity | <u><u>241,252</u></u> | <u><u>259,284</u></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 (together, the “**Group**”) are principally engaged in provision of ophthalmic services in Hong Kong.

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

2 ACCOUNTING POLICIES AND BASIS OF PREPARATION

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 September 2023 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2023.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2023, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

| | |
|--|---|
| HKFRS 17 | <i>Insurance Contracts</i> |
| Amendments to HKFRS 17 | <i>Insurance Contracts</i> |
| Amendment to HKFRS 17 | <i>Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information</i> |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i> |
| Amendments to HKAS 8 | <i>Definition of Accounting Estimates</i> |
| Amendments to HKAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> |
| Amendments to HKAS 12 | <i>International Tax Reform — Pillar Two Model Rules</i> |

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

3 REVENUE AND SEGMENT INFORMATION

Revenue recognised during the six months ended 30 September 2023 and 2022 is analysed by the chief operating decision-maker. For the purposes of resources allocation and performance assessment, the executive directors review the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no discrete operating segment financial information is available.

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

No information about major customers is presented as there is no single customer which individually contributed 10% or more of the total revenue for the six months ended 30 September 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:

| | Six months ended 30 September | |
|---------------------------|---------------------------------|---------------------------------|
| | 2023 (Unaudited) HK\$'000 | 2022 (Unaudited) HK\$'000 |
| Ophthalmic service income | 95,832 | 104,169 |
| Sales of prescriptions | 4,419 | 3,522 |
| Sales of vision products | 1,359 | — |
| | <u>101,610</u> | <u>107,691</u> |

4 OTHER INCOME

| | Six months ended 30 September | |
|--------------------------------------|---------------------------------|---------------------------------|
| | 2023 (Unaudited) HK\$'000 | 2022 (Unaudited) HK\$'000 |
| Government subsidies (<i>Note</i>) | — | 2,072 |
| Interest income | 2,990 | 671 |
| Miscellaneous income | 263 | 12 |
| | <u>3,253</u> | <u>2,755</u> |

Note: For the six months ended 30 September 2022, government subsidies represented the subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China. There were no unfulfilled conditions relating to these subsidies.

5 EXPENSES BY NATURE

Included in “Other expenses” are expenses related to:

| | Six months ended 30 September | |
|------------------------|-------------------------------|-------------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Business development | 8,870 | 3,490 |
| Repair and maintenance | 1,653 | 1,685 |
| Professional fees | 821 | 3,222 |
| Bank charges | 2,281 | 2,800 |
| | <u> </u> | <u> </u> |

6 FINANCE COSTS

| | Six months ended 30 September | |
|--|-------------------------------|-------------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest expenses on lease liabilities | 1,211 | 419 |
| | <u> </u> | <u> </u> |

7 INCOME TAX

No provision for Hong Kong profit tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period. In the corresponding period in 2022, Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary were taxed at 8.25% and the remaining assessable profits were taxed at 16.5%.

| | Six months ended 30 September | |
|--|-------------------------------|-------------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current — Hong Kong | | |
| Charge for the period | — | 1,983 |
| Deferred | (3,276) | 317 |
| | <u> </u> | <u> </u> |
| Total tax (credit)/charge for the period | (3,276) | 2,300 |
| | <u> </u> | <u> </u> |

8 DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

9 BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

Basic

The calculation of basic loss per share (2022: earnings per share) is based on the loss attributable to owners of the Company of HK\$20,019,000 (2022: profits attributable to owners of the Company of HK\$7,912,000) and the weighted average number of ordinary shares in issue less shares held under the Share Award Plan of 525,025,000 (2022: weighted average number of ordinary shares of 520,502,992) shares in issue during the six months ended 30 September 2023 and 2022.

Diluted

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 September 2023 as the Group had no potentially dilutive ordinary shares in issue.

The calculation of the diluted earnings per share amount for the six months ended 30 September 2022 is based on the profit for the period attributable to the 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 period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

| | Six months ended 30 September 2022 (Unaudited) |
|--|---|
| Profit attributable to owners of the Company during the period (<i>HK\$'000</i>) | 7,912 |
| Weighted average number of ordinary shares in issue | <u>520,502,992</u> |
| Effect of dilutive potential ordinary shares on exercise of share options | 4,039,582 |
| Weighted average number of ordinary shares after assuming dilution | <u>524,542,574</u> |
| Diluted earnings per share (expressed in HK cents per share) | <u><u>1.5</u></u> |

10 TRADE RECEIVABLES

As at 30 September 2023 and 31 March 2023, the carrying amounts of trade receivables approximated their fair values and are denominated in HK\$.

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

| | As at | |
|--------------|---|---|
| | 30 September 2023 (Unaudited) HK\$'000 | 31 March 2023 (Audited) HK\$'000 |
| 0–30 days | 1,349 | 1,152 |
| 31–60 days | — | 505 |
| 61–90 days | 356 | 91 |
| Over 90 days | 224 | 212 |
| | <u>1,929</u> | <u>1,960</u> |

The Group applies the simplified approach permitted by HKFRS 9 to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at 30 September 2023 and 31 March 2023, the Group has assessed that the expected loss allowance for trade receivables was immaterial. Thus no loss allowance provision for trade receivables was recognised during the six months ended 30 September 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 | |
|--|---|---|
| | 30 September 2023 (Unaudited) HK\$'000 | 31 March 2023 (Audited) HK\$'000 |
| Rental and other deposits | 7,070 | 8,644 |
| Deposits paid for purchases of plant and equipment | 1,912 | 7,758 |
| Prepayments | 1,523 | 1,120 |
| Other receivables (<i>Note</i>) | 15,741 | 16,968 |
| | <u>26,246</u> | <u>34,490</u> |
| Less: non-current portion | <u>(4,318)</u> | <u>(15,020)</u> |
| Current portion | <u>21,928</u> | <u>19,470</u> |

Note: A loan advanced to a medical practitioner of HK\$14,200,000 (31 March 2023: HK\$14,413,000) 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 the end of the reporting period based on invoice date is as follows:

| | As at | |
|--------------|--|--|
| | 30 September 2023 (Unaudited) <i>HK\$'000</i> | 31 March 2023 (Audited) <i>HK\$'000</i> |
| 0–30 days | 2,928 | 1,745 |
| 31–60 days | 1,032 | 3,539 |
| 61–90 days | 209 | 1,230 |
| Over 90 days | 447 | 652 |
| | <u>4,616</u> | <u>7,166</u> |

As at 30 September 2023 and 31 March 2023, all trade payables of the Group were denominated in HK\$, and their fair values approximated to their carrying amounts.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the provision of private ophthalmic healthcare services in Hong Kong. The prolonged uncertainty in the local economic environment presents challenges to the Group's operating environment during the six months period ended 30 September 2023 ("**2023 Interim Period**").

Despite the significant challenges faced during the 2023 Interim Period, the Group maintains a confident long-term outlook for the industry. This confidence is based on several factors, including the aging population and the increased usage of electronic devices, both of which contribute to the sustained demand for private ophthalmic healthcare services in long term.

In view of these factors, the Group has taken proactive measures to drive its long term growth. During the 2023 Interim Period, the Group successfully opened and commenced operations of a new medical center located at The ONE, a premium shopping mall in Hong Kong, known as the "**New Tsim Sha Tsui Centre**". Spanning 13,674 square feet and equipped with the latest models of medical devices, the New Tsim Sha Tsui Centre offers a comprehensive range of ophthalmic consultation, examination, and treatment services. It provides the Group with enhanced resources and a conducive environment to focus on the development of new business segments, such as children's myopia control services.

As a result of the Group's expansion and the opening of the New Tsim Sha Tsui Centre, its operating expenses had inevitably increased during the 2023 Interim Period. An analysis of the fluctuation in operating expenses is discussed separately in the Management Discussion and Analysis section below.

While the Group acknowledges the unavoidable increase in operating expenses, it remains committed to maintaining financial discipline and optimizing its cost structure. By carefully managing expenses and implementing efficiency measures, the Group aims to ensure sustainable growth while delivering exceptional ophthalmic healthcare services to its patients.

REVENUE OVERVIEW

We generate revenue from the provision of private ophthalmic services in Hong Kong, including refractive treatments, treatments for other eye problems, consultation and examination services, and sales of prescriptions and others. For the six months ended 30 September 2023, our revenue amounted to approximately HK\$101.6 million, representing a decrease of approximately HK\$6.1 million or 5.6% from approximately HK\$107.7 million for the six months ended 30 September 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 six months ended 30 September 2023 and 2022 respectively.

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

| | For the six months ended 30 September 2023 | | 2022 | | Change HK\$'000 |
|---|--|-----------------|----------|-----------------|--------------------|
| | HK\$'000 | % of revenue | HK\$'000 | % of revenue | |
| Refractive Treatments | 57,992 | 57.1% | 71,096 | 66.0% | (13,104) |
| SMILE surgeries | 30,987 | 30.5% | 46,802 | 43.4% | (15,815) |
| LASIK surgeries | 1,191 | 1.2% | 1,923 | 1.8% | (732) |
| Multifocal IOL replacements | 17,982 | 17.7% | 18,911 | 17.6% | (929) |
| ICL implantations | 7,832 | 7.7% | 3,460 | 3.2% | 4,372 |
| Treatment for other eye problems | 30,060 | 29.6% | 27,855 | 25.9% | 2,205 |
| Standard cataract surgeries | 14,723 | 14.5% | 14,041 | 13.1% | 682 |
| Laser procedures | 6,009 | 5.9% | 6,355 | 5.9% | (346) |
| PPV surgeries | 6,295 | 6.2% | 5,199 | 4.8% | 1,096 |
| Other treatments/surgeries | 3,033 | 3.0% | 2,260 | 2.1% | 773 |
| Consultation and examination services | 6,059 | 6.0% | 5,218 | 4.8% | 841 |
| Sales of prescriptions and others | 4,419 | 4.3% | 3,522 | 3.3% | 897 |
| Children myopia prevention and control | 3,080 | 3.0% | — | — | 3,080 |
| Revenue | 101,610 | 100.0% | 107,691 | 100.0% | (6,081) |

(ii) Number of refractive treatment by types conducted

| | For the six months ended 30 September | | | |
|-----------------------------|---------------------------------------|---------------|---------------|---------------|
| | 2023 | | 2022 | |
| | <i>Number</i> | <i>%</i> | <i>Number</i> | <i>%</i> |
| SMILE surgeries | 1,404 | 71.5% | 2,073 | 79.0% |
| LASIK surgeries | 64 | 3.3% | 97 | 3.7% |
| Multifocal IOL replacements | 383 | 19.5% | 413 | 15.7% |
| ICL implantations | 111 | 5.7% | 41 | 1.6% |
| Total | <u>1,962</u> | <u>100.0%</u> | <u>2,624</u> | <u>100.0%</u> |

(iii) Average prices of the refractive treatment services

| | For the six months ended 30 September | |
|-----------------------------|--|-------------|
| | 2023 | 2022 |
| | <i>HK\$</i> | <i>HK\$</i> |
| SMILE surgeries | 22,100 | 22,600 |
| LASIK surgeries | 18,600 | 19,800 |
| Multifocal IOL replacements | 47,000 | 45,800 |
| ICL implantations | 70,600 | 84,400 |

REFRACTIVE TREATMENT

Refractive treatments were our largest source of revenue during the 2023 Interim Period, representing approximately 57.1% of our revenue. Refractive treatments include SMILE surgery, LASIK surgery, multifocal IOL replacement and ICL implantation. SMILE is a refractive surgery that uses femtosecond laser to carve a refractive lenticule within the cornea and remove it through a small incision. LASIK is a surgery that uses surgical blade and excimer laser to correct myopia, hyperopia and/or astigmatism by modifying the curvature of cornea. Multifocal IOL replacement is a procedure that corrects cataract and/or other refractive errors by extracting lens from the eye, followed by the replacement of multifocal IOL. ICL implantation is a surgery which places intraocular contact lens in front of the natural lens to correct myopia, hyperopia and astigmatism.

Our revenue generated from refractive treatments decreased by approximately HK\$13.1 million or 18.4% from approximately HK\$71.1 million for the six months ended 30 September 2022 to approximately HK\$58.0 million for the six months ended 30 September 2023. The decrease in revenue was mainly due to economic downturn and increase in competition from other industry player.

During the 2023 Interim Period, the revenue generated from SMILE surgery decreased by approximately HK\$15.8 million, or 33.8%, from approximately HK\$46.8 million for six months ended 30 September 2022 to approximately HK\$31.0 million for six months ended 30 September 2023 as the number of SMILE surgery conducted decreased from 2,073 for the six months ended 30 September 2022 to 1,404 for the six months ended 30 September 2023. On the other hand, the revenue generated from multifocal IOL replacements and ICL implantations increased by approximately HK\$3.4 million, or 15.2%, from approximately HK\$22.4 million for the six months ended 30 September 2022 to approximately HK\$25.8 million for the six months ended 30 September 2023 was mainly due to the increase in the number of treatments conducted for ICL implantations to the same corresponding period in 2022.

TREATMENT FOR OTHER EYE PROBLEMS

Treatment for other eye problems include standard cataract surgery, laser procedure, PPV surgery, and other treatments and surgeries. For the six months ended 30 September 2022 and 2023, revenue generated from treatments for other eye problems amounted to approximately HK\$27.9 million and HK\$30.1 million, representing approximately 25.9% and 29.6% of our revenue, respectively. Revenue generated from treatment for other eye problems increased by approximately HK\$2.2 million, or 7.9%, from approximately HK\$27.9 million for the six months ended 30 September 2022 to approximately HK\$30.1 million for the six months ended 30 September 2023. The increase in revenue generated from treatment of other eye problems was mainly due to the increase in revenue recorded for PPV surgery and other treatments/surgeries of approximately HK\$1.1 million and HK\$0.8 million, respectively, as compared to the six months ended 30 September 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 increased by approximately HK\$0.9 million or 17.3% from approximately HK\$5.2 million for the six months ended 30 September 2022 to approximately HK\$6.1 million for the six months ended 30 September 2023. The increase in revenue generated from consultation and examination services was mainly due to the increase in standard rate of consultation and examination services fees prescribed by the Group during the 2023 Interim Period.

SALES OF PRESCRIPTIONS AND OTHERS

Sales of prescriptions and others are mainly sales of medication prescribed by our medical practitioners to our patients following diagnosis after consultation and examination or treatment services. For the six months ended 30 September 2022 and 2023, our revenue generated from sales of prescriptions and others was approximately HK\$3.5 million and HK\$4.4 million, representing approximately 3.3% and 4.3% of our revenue, respectively. The increase in revenue generated from sales of prescriptions and others was generally in line with our overall increase in consultation and examination services provided during the 2023 Interim Period.

CHILDREN MYOPIA PREVENTION AND CONTROL

Children myopia prevention and control aims to manage and slow down myopia progression in children. The services provided by our Group include comprehensive eye examinations to assess visual acuity, refractive error, and overall eye health. Based on the examination results, personalized consultations are offered to parents and children, including suggestions for managing myopia. During the 2023 Interim Period, the Group launched its children myopia prevention and control business at the New Tsim Sha Tsui Centre. The Group generated approximately HK\$1.7 million from children myopia consultation and examination services, as well as approximately HK\$1.4 million from sales of vision products aimed at managing myopia during the 2023 Interim Period. The launching of this new service aims to expand our revenue stream for the Group in the future.

OTHER INCOME

The Group recorded other income of approximately HK\$3.3 million for the six months ended 30 September 2023, compared to approximately HK\$2.8 million for the same period in 2022. This increase was primarily due to an increase in interest income from bank deposits, amounting to approximately HK\$2.3 million during the 2023 Interim Period compared to the corresponding period in 2022. However, this increase was offset by the absence of government subsidies of approximately HK\$2.1 million received for the six months period ended 30 September 2022, under the COVID-19 Anti-epidemic Fund's Employment Support Scheme.

INVENTORIES USED

Inventories used mainly represent the costs of medical device licences, IOLs and drugs and dispensary supplies. Our medical device licences are procedure packs, which comprised of medical consumables required for the operation of our medical devices. The procedure packs enable our Medical Practitioners to perform treatments and surgeries using the respective medical devices. IOLs primarily consist of intraocular lens used in treatments and surgeries. Our drugs and dispensary supplies are drugs which our Medical Practitioners prescribed to our patients following diagnosis after consultation and supplies are materials used during surgeries. For the six months ended 30 September 2022 and 2023, the inventories used amounted to approximately HK\$19.4 million and HK\$19.1 million, representing approximately 18.0% and 18.8% of our revenue, respectively. The inventories used as a percentage of revenue have remained relatively stable. However, due to a decrease in the price charged for certain refractive treatments during the 2023 interim period, the inventories used as a percentage of revenue increased from 18.0% to 18.8% compared to the corresponding period in 2022.

CONSULTANCY FEES

Consultancy fees represent professional fees paid to our medical practitioners, and consist of a fixed fees and/or a variable amount based on, among others, the revenue generated by the respective medical practitioners, net of the relevant costs. For the six months ended 30 September 2022 and 2023, consultancy fees amounted to approximately HK\$31.1 million and HK\$41.1 million, representing approximately 28.9% and 40.5% of our total revenue, respectively. The increase in the consultancy fee as a percentage of revenue, from 28.9% for the six months ended 30 September 2022 to 40.5% for the six months ended 30 September 2023, can be attributed mainly to the expansion of our medical practitioner team. The number of medical practitioners increased from 12 as of 30 September 2022, to 14 as of 30 September 2023. This increase in personnel was primarily driven by the Group's expansion plan and our growing focus on providing children myopia control services.

EMPLOYEE BENEFIT EXPENSES

Our employee benefit expenses include wages, salaries, pension scheme contributions and other related expenses for our staff. For the six months ended 30 September 2022 and 2023, our employee benefit expenses amounted to approximately HK\$23.7 million and HK\$29.2 million, representing approximately 22.0% and 28.7% of our revenue, respectively. This expansion was mainly to support the commencement of operations at the New Tsim Sha Tsui Centre. As a result, the total number of employees increased from 111 as of 30 September 2022, to 135 as of 30 September 2023.

Additionally on 4 July 2023, the Board approved the grant of a total of 9,367,500 awarded shares to 34 employees and 2 Directors. As a result, a share-based compensation expense of approximately HK\$1.0 million was recognized during the period ended 30 September 2023.

DEPRECIATION OF RIGHT-OF-USE ASSETS

Depreciation expenses for right-of-use assets mainly comprise depreciation expenses for leased equipment and properties. For the six months ended 30 September 2022 and 2023, our depreciation expenses for right-of-use assets amounted to approximately HK\$7.3 million and HK\$10.9 million, representing approximately 6.8% and 10.7% of our revenue, respectively. We recorded an increase of depreciation of right-of-use assets mainly due to the additional leased properties in Mong Kok and Tsim Sha Tsui as a result of our expansion of medical centre network during the 2023 Interim Period as compared to the corresponding period in 2022.

OTHER EXPENSES

Other expenses mainly comprise other general and administration expenses, management fees, business development expenses and bank charges. For the six months ended 30 September 2022 and 2023, other expenses were approximately HK\$15.8 million and HK\$20.6 million, representing approximately 14.7% and 20.3% of our revenue, respectively. The table below sets forth the breakdown of other expenses for the six months ended 30 September 2022 and 2023 respectively:

| | For the six months ended | |
|---|---------------------------------|-----------------|
| | 30 September | |
| | 2023 | 2022 |
| | HK\$'000 | HK\$'000 |
| Business development | 8,870 | 3,490 |
| Repair and maintenance | 1,653 | 1,685 |
| Professional fees | 821 | 3,222 |
| Bank charges | 2,281 | 2,800 |
| Other general and administrative expenses | 6,991 | 4,619 |
| | <hr/> | <hr/> |
| Other expenses | 20,616 | 15,816 |
| | <hr/> <hr/> | <hr/> <hr/> |

Our business development expenses include various activities aimed at promoting eye care and raising awareness of related topics. These activities comprise organising eye care educational talks, producing videos related to eye care, designing websites, organising events for promoting eye care awareness, and printing leaflets.

For the six months ended 30 September 2022, and 2023, our business development expenses amounted to approximately HK\$3.5 million and HK\$8.9 million, respectively. The significant increase in business development expenses is primarily attributed to our promotion efforts focusing on the importance of children myopia control following the grand opening of the New Tsim Sha Tsui Centre. Additionally, expenses related to ICL implantation also contributed to the higher expenditure.

Bank charges are expenses related to credit card transfers. For the six months ended 30 September 2022 and 2023, our bank charges amounted to approximately HK\$2.8 million and HK\$2.3 million, respectively.

Other general and administrative expenses mainly includes, but not limited to, utilities charges, insurance payments, other telecommunication charges, travelling expenses and entertainment expenses. For the six months ended 30 September 2022 and 2023, our other general and administrative expenses amounted to approximately HK\$4.6 million and HK\$7.0 million, respectively. The increase in other general and administrative expenses during the 2023 Interim Period is primarily attributed to the expansion of the Group's business.

FINANCE COSTS

Finance costs mainly comprise interest expenses on lease liabilities. These costs increased by approximately HK\$0.8 million, or 200.0%, from approximately HK\$0.4 million for the six months ended 30 September 2022, to approximately HK\$1.2 million for the six months ended 30 September 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 CREDIT/(EXPENSES)

The Group recognised taxation for profit at the rate of 16.5% in Hong Kong with reference to the estimated assessable profits during the period.

For the six months ended 30 September 2022, our income tax expenses amounted to approximately HK\$2.3 million, and our effective tax rate was 22.5%. The effective tax rate for this period was higher than Hong Kong's statutory corporate tax rate primarily due to certain non-deductible expenses incurred by our Group.

On the other hand, the Group recorded a tax credit of approximately HK\$3.3 million for the six months ended 30 September 2023. This was the result of an estimated loss before income tax of approximately HK\$23.5 million during that period.

(LOSS)/PROFIT FOR THE PERIOD

As a result of the foregoing, the Group recorded a loss of approximately HK\$20.0 million for the six months period ended 30 September 2023. This is in contrast to a profit after tax of HK\$7.9 million for the corresponding period in 2022.

CAPITAL EXPENDITURE AND COMMITMENTS

For the six months ended 30 September 2022 and 2023, the Group incurred capital expenditures of approximately HK\$3.0 million and HK\$36.0 million, respectively, primarily due to the purchase of equipment and leasehold improvements for our medical centres.

As at 30 September 2023, capital expenditure contracted for but not yet recognised amounted to approximately HK\$1.3 million which mainly represents capital expenditure commitments for the establishment of the New Mong Kok Centre and New Tsim Sha Tsui Centre (31 March 2023: HK\$36.0 million).

GEARING RATIO

As at 30 September 2023, the gearing ratio, which is calculated as net debt divided by total capital, is not applicable due to net cash position (31 March 2023: not applicable).

CONTINGENT LIABILITIES

The Group had no material contingent liability as at 30 September 2023 (31 March 2023: nil).

PLEDGE OF ASSETS

The Group had not pledged any assets as at 30 September 2023 (31 March 2023: nil).

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISKS

Exposure to Fluctuation in Exchange Rates

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not our functional currency. We mainly operates in Hong Kong with the majority of the transactions settled in HK\$. We closely monitor and manage foreign exchange risk exposures to ensure the exposures do not have significant impact on the operation of the Group. As the Group does not have any significant transactions, assets or liabilities which are settled in currencies other than HK\$ during the six months ended 30 September 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.

LIQUIDITY RISK

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

CAPITAL RISK MANAGEMENT

Our capital structure consists of shareholders' equity and borrowings. In order to maintain or adjust our capital structure, we may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. We monitor capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total equity. The net debt includes the total borrowings including lease liabilities less cash and cash equivalents. As of 31 March 2023 and 30 September 2023, we maintained at net cash position.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2023, the Group employed a total of 135 employees (31 March 2023: 123). The Group ensures that its remuneration packages are comprehensive and competitive from time to time. When determining the emolument payable to the Directors (including the executive Directors), we take into account the experience of the Directors, their level of responsibility and general market conditions. Any discretionary bonus and other merit payments of the Directors are linked to the profit performance of the Group and the individual performance of the Directors. Employees are remunerated with a fixed monthly income plus annual discretionary performance-related bonus.

EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Company or by the Group after 30 September 2023 and up to the date of this report.

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.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

LIQUIDITY AND CAPITAL STRUCTURE

During the six months ended 30 September 2022 and 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 30 September 2023, we had cash and cash equivalents (including time deposits) of HK\$160.8 million (31 March 2023: HK\$207.5 million), all of which were denominated in Hong Kong dollars.

During the six months ended 30 September 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 30 September 2023, the gearing ratio is not applicable due to net cash position (31 March 2023: not applicable).

The current ratio (calculated as current assets over current liabilities) was 5.1 times as at 30 September 2023 compared with 5.8 times as at 31 March 2023.

As at 30 September 2023, the Group reported net current assets of HK\$153.9 million, as compared with HK\$193.5 million as at 31 March 2023.

During the six months ended 30 September 2023, the net cash flows used in operating activities amounted to HK\$7.6 million. This is a contrast to the net cash flows generated from operating activities of approximately HK\$17.7 million during the six months ended 30 September 2022. The shift from positive to negative operating cash flows was mainly attributed to the loss before income tax incurred during the six months ended 30 September 2023.

Net cash used in investing activities amounted to HK\$34.3 million during the six months ended 30 September 2023 as compared to HK\$205.4 million during the six months ended 30 September 2022. During the six months ended 30 September 2023, the net cash used in investing activities was mainly from (i) purchases of plant and equipment of approximately HK\$30.2 million; (ii) increase in time deposits of approximately HK\$7.2 million; and (iii) netted off cash received from interest generated from time deposits of approximately HK\$3.0 million.

During the six months ended 30 September 2023, net cash used in financing activities amounted to HK\$11.9 million as compared to net cash generated from financing activities of HK\$67,000 during the six months ended 30 September 2022. The cash used in financing activities for the six months ended 30 September 2023 was mainly from lease payments of approximately HK\$11.9 million.

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSALS

Except for investment in subsidiaries, there were no significant investments held by the Group during the 2023 Interim Period.

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

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2023 (six months ended 30 September 2022: nil).

CORPORATE GOVERNANCE

The Board is committed to maintaining high corporate governance standards.

In the opinion of the Board, during the six months ended 30 September 2023 and up to the date of this interim results announcement, the Company has complied with all applicable code provisions as set forth in the in the Corporate Governance Code (the “**CG code**”) contained in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its code of conduct in respect of the securities dealing by the Directors. Following specific enquiry of all Directors, each of the Directors confirmed that they have complied with the Model Code throughout the 2023 Interim Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the 2023 Interim Period.

USE OF PROCEEDS FROM THE LISTING

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

During the 2023 Interim Period, net proceeds in the amount of approximately HK\$34.2 million were used for the establishment of the New Tsim Sha Tsui Centre. The details of the establishment of the New Tsim Sha Tsui Centre are set out in the section headed “Management Discussion and Analysis”.

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

| Use of net proceeds | Percentage of net proceeds | Estimated net proceeds allocated as disclosed in the Prospectus | Allocated net proceeds from IPO | Net proceeds utilized during the year ended 31 March 2023 | Net proceeds utilized during the six months ended 30 September 2023 | Estimated time for utilising the remaining allocated net proceeds | Remaining amount |
|--|----------------------------|---|---------------------------------|---|---|---|------------------|
| | | (Note) | (HK\$ million) | (HK\$ million) | (HK\$ million) | (HK\$ million) | (HK\$ million) |
| Establishing two new medical centres in Hong Kong for the provision of ophthalmic services | 44.8% | 110.0 | 81.5 | 8.9 | 34.2 | Second half of 2022–2023 | 38.4 |
| 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 | 34.2 | | 138.8 |

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

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

The audit committee of the Board has reviewed with the management the accounting principles as well as practices adopted by the Group and discussed risk management and internal control as well as financial reporting matters including the review of the unaudited condensed consolidated interim financial information for the 2023 Interim Period with the Directors. The Group's condensed consolidated interim financial statements have not been audited, but the Group's independent auditor has carried out a review of the unaudited interim results in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company's website at www.claritymedic.com. The interim report of the Company for the six months ended 30 September 2023 will be dispatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 November 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.