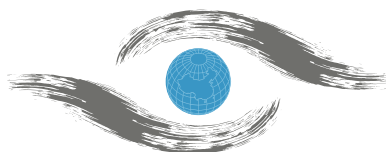


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C-MER 希瑪

C-MER EYE CARE HOLDINGS LIMITED

希瑪眼科醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3309)

**ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021
AND
CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING**

FINANCIAL HIGHLIGHTS

	<i>Note</i>	Year ended 31 December		Change
		2021	2020	
		HK\$'000	HK\$'000	
Revenue		1,112,577	699,545	59.0%
Gross profit		358,228	194,077	84.6%
Profit before income tax		26,875	2,504	973.3%
Profit/(loss) for the year		16,230	(8,412)	N/A
Profit/(loss) for the year attributable to equity holders of the Company		21,861	(6,246)	N/A
Earnings before interest, taxes, depreciation and amortisation	1	183,976	121,362	51.6%
Gross profit margin (%)		32.2%	27.7%	4.5 pp
Net profit margin (%)		1.5%	N/A	N/A

Note:

- 1 This is not a measure of performance under Hong Kong Financial Reporting Standards (“HKFRS”), but is widely used by management for monitoring business performance of a company from operational perspective. It may not be comparable to similar measures presented by other companies.

The board (the “**Board**”) of directors (the “**Directors**”) of C-MER Eye Care Holdings Limited (the “**Company**”) announces the annual consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December	
		2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	1,112,577	699,545
Cost of revenue	6	<u>(754,349)</u>	<u>(505,468)</u>
Gross profit		358,228	194,077
Other income	4	10,580	12,913
Selling expenses	6	(126,442)	(69,885)
Administrative expenses	6	(234,115)	(139,276)
Other gains, net	5	<u>16,492</u>	<u>10,247</u>
Operating profit		<u>24,743</u>	<u>8,076</u>
Finance income	7	4,475	5,056
Finance costs	7	<u>(12,995)</u>	<u>(10,352)</u>
Finance costs, net		<u>(8,520)</u>	<u>(5,296)</u>
Share of profit/(loss) of associates		<u>10,652</u>	<u>(276)</u>
Profit before income tax		26,875	2,504
Income tax expense	8	<u>(10,645)</u>	<u>(10,916)</u>
Profit/(loss) for the year		<u>16,230</u>	<u>(8,412)</u>
Profit/(loss) for the year attributable to:			
– Equity holders of the Company		21,861	(6,246)
– Non-controlling interests		<u>(5,631)</u>	<u>(2,166)</u>
		<u>16,230</u>	<u>(8,412)</u>

		Year ended 31 December	
	<i>Note</i>	2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Currency translation differences		<u>19,069</u>	<u>32,944</u>
Other comprehensive income for the year		<u>19,069</u>	<u>32,944</u>
Total comprehensive income for the year		<u>35,299</u>	<u>24,532</u>
Total comprehensive income for the year attributable to:			
– Equity holders of the Company		<u>40,286</u>	26,209
– Non-controlling interests		<u>(4,987)</u>	<u>(1,677)</u>
		<u>35,299</u>	<u>24,532</u>
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company during the year (expressed in HK cents per share)			
– Basic	9	<u>1.90</u>	<u>(0.57)</u>
– Diluted	9	<u>1.90</u>	<u>(0.57)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at 31 December	
		2021	2020
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		301,961	218,150
Right-of-use assets		599,325	566,033
Intangible assets		203,961	144,934
Interest in associates		24,814	1,928
Financial assets at fair value through other comprehensive income		52,575	52,575
Deferred income tax assets		10,971	3,127
Deposits and prepayments		15,881	31,236
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		1,209,488	1,017,983
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Inventories		33,444	20,443
Trade receivables	11	17,980	14,749
Deposits, prepayments and other receivables		240,489	22,102
Amounts due from associates		12,113	–
Financial assets at fair value through profit or loss		55,704	–
Cash and cash equivalents		386,659	553,934
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		746,389	611,228
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		1,955,877	1,629,211
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		115,034	114,725
Reserves		1,216,196	1,179,600
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		1,331,230	1,294,325
Non-controlling interests		6,013	2,906
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Total equity		1,337,243	1,297,231
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

		As at 31 December	
	<i>Note</i>	2021	2020
		HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Other payables		3,657	2,303
Loan from a non-controlling interest		7,595	–
Lease liabilities		198,616	177,373
Deferred income tax liabilities		518	–
		<hr/> 210,386	<hr/> 179,676
		<hr/> 210,386	<hr/> 179,676
Current liabilities			
Trade payables	12	39,866	19,023
Accruals and other payables		79,643	51,627
Contract liabilities		10,728	8,603
Borrowings		179,406	–
Amounts due to non-controlling interests		3,961	–
Amount due to a related party		33	23
Current income tax liabilities		8,537	5,436
Lease liabilities		86,074	67,592
		<hr/> 408,248	<hr/> 152,304
		<hr/> 408,248	<hr/> 152,304
Total liabilities		<hr/> 618,634	<hr/> 331,980
		<hr/> 618,634	<hr/> 331,980
Total equity and liabilities		<hr/> 1,955,877	<hr/> 1,629,211
		<hr/> 1,955,877	<hr/> 1,629,211

NOTES

1 GENERAL INFORMATION

C-MER Eye Care Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 1 February 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (the “**Group**”) are principally engaged in the provision of ophthalmic and other medical services and sales of vision aid products in Hong Kong (“**HK**”) and Mainland China. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 15 January 2018.

The consolidated financial statements are presented in Hong Kong Dollar (“**HK\$**”) and all values are rounded to nearest thousand (HK\$’000) except when otherwise indicated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

(a) New and amended standards adopted by the Group

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
--	--

The adoption of the above revised new and amended to standards did not have any significant financial impact on the consolidated financial statements.

(b) *New standards and amendments to standards not yet adopted*

There are certain new accounting standards and interpretations which have been published that are not mandatory for the year ended 31 December 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
Annual Improvements Projects	Annual Improvements to HKFRSs 2018–2020 (amendments)	1 January 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments	1 January 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HK Interpretation 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will apply the above new standard and amendments to standards when they become effective. No new standard and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group.

3 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Provision of ophthalmic services	920,049	605,607
Sales of vision aid products	140,342	93,938
Provision of other medical services	52,186	–
	<u>1,112,577</u>	<u>699,545</u>
Timing of revenue recognition		
Over time	972,235	605,607
At a point in time	140,342	93,938
	<u>1,112,577</u>	<u>699,545</u>

(b) Liabilities related to contract with customers

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Contract liabilities – advanced payments received from clients	<u>10,728</u>	<u>8,603</u>

Revenue recognised during the year ended 31 December 2021 that was included in the contract liabilities balance at the beginning of the year amounted to HK\$8,603,000 (2020: HK\$7,897,000).

(c) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to making strategic decisions. The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from a client perspective and assess the performance of the operating segments based on segment revenue and segment results for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as the consolidated financial statements.

Management considers the business is mainly located in HK and Mainland China, which the revenue and segment results are determined by the geographical location in which the client is operated. Management has therefore identified the reportable segment based on the Group's geographic perspective, namely HK and Mainland China.

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets and intangible assets.

Other income, other gains/losses, net, finance income/costs, net, share of profit/loss of associates and income tax expense are not included in segment results.

The segment results for the year ended 31 December 2021 are as follows:

	Year ended 31 December 2021		
	HK	Mainland	Total
	HK\$'000	China	Total
	HK\$'000	HK\$'000	HK\$'000
Segment revenue	543,909	568,668	1,112,577
Gross profit	154,383	203,845	358,228
Selling expenses	(9,330)	(117,112)	(126,442)
Administrative expenses	(72,421)	(161,694)	(234,115)
Segment results	72,632	(74,961)	(2,329)
Other income			10,580
Other gains, net			16,492
Finance income			4,475
Finance costs			(12,995)
Share of profit of associates			10,652
Profit before income tax			26,875
Income tax expense			(10,645)
Profit for the year			<u>16,230</u>
Other segment information			
Additions to non-current assets	67,743	149,148	216,891
Depreciation and amortisation	(49,042)	(99,539)	(148,581)
Losses on disposal of property, plant and equipment, net	(607)	(9)	(616)

The segment results for the year ended 31 December 2020 are as follows:

	Year ended 31 December 2020		
	HK HK\$'000	Mainland China HK\$'000	Total HK\$'000
Segment revenue	339,928	359,617	699,545
Gross profit	87,587	106,490	194,077
Selling expenses	(7,513)	(62,372)	(69,885)
Administrative expenses	(36,199)	(103,077)	(139,276)
Segment results	43,875	(58,959)	(15,084)
Other income			12,913
Other gains, net			10,247
Finance income			5,056
Finance costs			(10,352)
Share of loss of an associate			(276)
Profit before income tax			2,504
Income tax expense			(10,916)
Loss for the year			(8,412)
Other segment information			
Additions to non-current assets	182,982	344,893	527,875
Depreciation and amortisation	(33,800)	(79,762)	(113,562)
Losses on disposal of property, plant and equipment, net	(3)	(33)	(36)

No analysis of segment assets and liabilities is presented as they are not regularly provided to the executive directors.

There is no single external client contributed more than 10% to the Group's revenue for the year ended 31 December 2021 (2020: same).

4 OTHER INCOME

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Management fee income	5,776	114
Rent concessions	–	3,524
Government grants (<i>Note</i>)	4,468	8,723
Others	336	552
	<u>10,580</u>	<u>12,913</u>

Note: There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

5 OTHER GAINS, NET

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Losses on disposal of property, plant and equipment, net	(616)	(36)
Gain on early termination of lease	452	–
Loss on disposal of a subsidiary	(4,499)	–
Gains on financial assets at fair value through profit or loss	16,711	37
Exchange gains, net	4,444	10,246
	<u>16,492</u>	<u>10,247</u>

6 EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Amortisation of intangible assets	1,187	886
Auditor's remuneration		
– Audit services	2,100	1,800
– Non-audit services	66	96
Depreciation of property, plant and equipment	50,593	41,896
Depreciation of right-of-use assets	96,801	70,780
Write-off on property, plant and equipment	–	1,363
Doctors' consultation fees	204,623	139,456
Cost of inventories and consumables	272,259	163,761
Employee benefit expenses	277,065	170,413
Short-term lease expenses	2,353	1,262
Legal and professional fees	10,132	5,985
Share option expenses to doctors and consultants	25	2,813
Promotion expenses	125,660	69,411
Bank service charges	8,877	5,660
Repair and maintenance fees	8,856	4,970
Subcontracting fees	4,997	–
Others	49,312	34,077
	<u>1,114,906</u>	<u>714,629</u>
Total cost of revenue, selling and administrative expenses		

7 FINANCE COSTS, NET

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Finance income		
Bank interest income	<u>4,475</u>	<u>5,056</u>
	<u>4,475</u>	<u>5,056</u>
Finance costs		
Interest expense on leases	(12,533)	(10,352)
Interest expenses on loan from a non-controlling interest	(270)	–
Interest expense on bank loan	<u>(192)</u>	<u>–</u>
	<u>(12,995)</u>	<u>(10,352)</u>
Finance costs, net	<u>(8,520)</u>	<u>(5,296)</u>

8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the year ended 31 December 2021.

The applicable tax rate for the subsidiaries in Mainland China of the Group was 25% (2020: 25%) for the year ended 31 December 2021.

Under the new Corporate Income Tax Law, corporate withholding income tax is levied on the foreign investor incorporated in Hong Kong for dividend which arises from profit of foreign investment enterprises earned after 1 January 2008 at a tax rate of 5%.

The amount of taxation charged/(credited) to the consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	14,495	8,714
– China enterprise income tax	3,051	2,445
Over-provision in prior years	(852)	(1,154)
Deferred income tax	<u>(6,049)</u>	<u>911</u>
Income tax expense	<u>10,645</u>	<u>10,916</u>

9 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.

	Year ended 31 December	
	2021	2020
Profit/(loss) attributable to equity holders of the Company during the year (<i>HK\$'000</i>)	<u>21,861</u>	<u>(6,246)</u>
Weighted average number of ordinary shares in issue	<u>1,148,202,532</u>	<u>1,104,171,570</u>
Basic earnings/(loss) per share (<i>HK cents</i>)	<u>1.90</u>	<u>(0.57)</u>

Note:

- (i) The earnings/(loss) per share as presented above is calculated using the weighted average number of 1,148,202,532 (2020: 1,104,171,570) ordinary shares deemed to be in issue for the year ended 31 December 2021.

(b) Diluted

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the year ended 31 December 2021, the Group has one (2020: nil) category of dilutive potential ordinary shares.

As at 31 December 2021, 200,000 post-IPO share options (2020: 1,600,000 pre-IPO share options and 6,514,000 post-IPO share options) outstanding are not included in the calculation of diluted earnings (2020: loss) per share because they are antidilutive for the year ended 31 December 2021.

	Year ended 31 December	
	2021	2020
Profit/(loss) attributable to equity holders of the Company during the year (<i>HK\$'000</i>)	<u>21,861</u>	<u>(6,246)</u>
Weighted average number of ordinary shares in issue	<u>1,148,202,532</u>	<u>1,104,171,570</u>
Adjustments for:		
– impact of the share option schemes	<u>2,529,558</u>	<u>–</u>
Weighted average number of ordinary shares for diluted earnings/(loss) per share	<u>1,150,732,090</u>	<u>1,104,171,570</u>
Diluted earnings/(loss) per share (<i>HK cents</i>)	<u>1.90</u>	<u>(0.57)</u>

10 DIVIDENDS

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Final dividend of 2020, declared and paid of HK2.0 cents (2019: HK2.0 cents) per ordinary share (<i>Note (i)</i>)	22,968	21,515
Final dividend of 2021, proposed of HK nil cents, (2020: HK2.0 cents) per ordinary share (<i>Note (ii)</i>)	<u>–</u>	<u>22,945</u>

Notes:

- (i) At a board meeting held on 31 March 2021, the Directors recommended the payment of a final dividend in respect of 2020 of HK2.0 cents per ordinary share, which was estimated to be approximately HK\$22,945,000 at the time calculated on the basis of the ordinary shares in issue as at 31 December 2020. The final dividend was declared and approved at the annual general meeting on 26 May 2021, totalled HK\$22,968,000.
- (ii) At a board meeting held on 29 March 2022, the Directors did not recommend the payment of any final dividend for the year ended 31 December 2021.

11 TRADE RECEIVABLES

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Trade receivables	<u>17,980</u>	<u>14,749</u>

The carrying amounts of trade receivables approximate their fair values.

The trade receivables are due when services are rendered and goods are sold. As at 31 December 2021, the ageing analysis of the trade receivables based on due date and invoice date was as follows:

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
0 – 90 days	16,590	13,663
91 – 180 days	594	584
Over 180 days	<u>796</u>	<u>502</u>
	<u>17,980</u>	<u>14,749</u>

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

As at 31 December 2021, all the trade receivables balances were not impaired (2020: same). These relate to a number of independent clients, commercial companies and local government to which no credit terms were granted.

12 TRADE PAYABLES

Trade payables, based on invoice date, were aged as follows:

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
0 – 30 days	32,377	15,031
31 – 60 days	4,477	886
61 – 90 days	233	184
Over 90 days	2,779	2,922
	<u>39,866</u>	<u>19,023</u>

13 ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

To expand the Group's healthcare services network in Hong Kong, the Group entered into the following transactions during the year ended 31 December 2021:

Business combinations

- (i) On 9 February 2021, the Group completed the acquisition of 90% equity interests in Health Hope International Medical Laboratory Limited (“**Health Hope**”), a company that provides medical laboratory services in Hong Kong, from Dr. Dennis LAM and Ms. LI Xiaoting, directors of the Company, at a consideration of HK\$9,000,000. On 23 July 2021, the Group's interest in Health Hope decreased to 45.9% due to dilution effect from investment from two investors and Health Hope has become an associate company of the Group.
- (ii) On 27 April 2021, the Group completed the acquisition of 60% equity interests in a company that operates a dental clinic in Causeway Bay, Hong Kong (“**Clinic in Causeway Bay**”), from an independent third party and the consideration was paid by allotment and issue of 1,137,235 shares of the Company (their value being approximately equivalent to HK\$6,084,000 based on the published share price on the agreed date, 13 April 2021) and HK\$6,216,000 in cash.
- (iii) During the year ended 31 December 2021, the Group completed the acquisition of several clinics that provide dental, oncology and other medical services in Hong Kong (“**Other clinics**”), from different independent third parties, at a total cash consideration of HK\$39,425,000 with individual consideration not more than HK\$18,000,000.

The following table summarises the consideration paid and the amounts of the assets acquired and liabilities assumed recognised at the acquisition dates during the year ended 31 December 2021.

	Health Hope	Clinic in	Other clinics	Total
	As at	Causeway Bay	acquired	
	9 February	At as	during	
	2021	27 April	the year	
	HK\$'000	2021	HK\$'000	HK\$'000
		HK\$'000		
Consideration				
– Cash	9,000	6,216	39,425	54,641
– Allotment of shares	–	6,084	–	6,084
	<u>9,000</u>	<u>12,300</u>	<u>39,425</u>	<u>60,725</u>

The fair value of the 1,137,235 shares allotted as part of the consideration paid for acquisition of the Clinic in Causeway Bay (HK\$6,084,000) was based on the published share price on the agreed date, 13 April 2021, of the Company of HK\$5.35 per share.

	Health Hope As at 9 February 2021 HK\$'000	Clinic in Causeway Bay As at 27 April 2021 HK\$'000	Other clinics acquired during the year HK\$'000	Total HK\$'000
Recognised amounts of identifiable assets acquired and liabilities assumed				
– Property, plant and equipment	5,221	375	7,825	13,421
– Right-of-use assets	15,034	1,799	22,645	39,478
– Cash and cash equivalents	140	595	1,675	2,410
– Trade receivables	470	64	572	1,106
– Deposits, prepayments and other receivables	2,691	181	10,713	13,585
– Inventories	2,498	56	3,038	5,592
– Deferred income tax assets	1,407	–	–	1,407
– Trade payables	–	(81)	(481)	(562)
– Accruals and other payables	(8,430)	(852)	(14,648)	(23,930)
– Amount due to a director	(916)	–	–	(916)
– Amounts due to related parties and non-controlling interests	–	–	(3,302)	(3,302)
– Lease liabilities	(15,237)	(1,800)	(23,142)	(40,179)
– Borrowings	–	–	(4,956)	(4,956)
– Current income tax liabilities	–	(110)	–	(110)
Total identifiable net assets/(liabilities)	2,878	227	(61)	3,044
Non-controlling interests (<i>Note (i)</i>)	(288)	(91)	(1,183)	(1,562)
Goodwill (<i>Note (ii)</i>)	6,410	12,164	40,669	59,243
Total consideration	9,000	12,300	39,425	60,725
Acquisition-related costs (<i>Note (iii)</i>)	59	54	150	263
Net cash outflow on acquisition				
Cash consideration	9,000	6,216	39,425	54,641
Less: Consideration payable as at 31 December 2021	–	–	(6,367)	(6,367)
Less: Cash and cash equivalents acquired	(140)	(595)	(1,675)	(2,410)
	8,860	5,621	31,383	45,864

Notes:

(i) Non-controlling interests

The non-controlling interests were recognised at their proportionate share of the recognised amounts of identifiable net assets.

(ii) **Goodwill**

The goodwill arises from a number of factors including expected synergies through leveraging the expertise and reputation of the Group, the local knowledge and experience of the acquirees and the established workforce including ophthalmologists, local doctors, dentists and supporting staff. None of the goodwill recognised is expected to be deductible for income tax purposes.

(iii) **Acquisition-related costs**

Acquisition-related costs represent legal and professional fees incurred to effect the business combinations. Total acquisition-related costs amounted to HK\$263,000 which is charged to the consolidated statement of comprehensive income for the year ended 31 December 2021.

(iv) **Revenue and profit/(loss) contribution**

Health Hope contributed revenue of HK\$25,833,000 and net profit of HK\$5,001,000 to the Group since acquisition date up to the date it ceased to be a subsidiary. Clinic in Causeway Bay contributed revenue of HK\$8,568,000 and net profit of HK\$3,400,000 to the Group since acquisition date. Other clinics contributed revenue of HK\$17,623,000 and net profit of HK\$6,002,000 to the Group since each of the acquisition date. Had the business combinations taken place at 1 January 2021, the consolidated statement of comprehensive income would show proforma revenue and net loss of approximately HK\$1,154,653,000 and HK\$8,836,000, respectively.

14 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

The events after the date of statement of financial position are disclosed as follows:

- (a) During the ongoing COVID-19 pandemic, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group continues to pay close attention to the development of the COVID-19 pandemic and evaluates its impact on the financial position and operating results of the Group.
- (b) On 13 January 2022, the Company entered into an agreement with a placing agent pursuant to which the placing agent agreed to place 76,500,000 new shares of the Company at a price of HK\$6.48 each (the “**Placing**”) and the net cash proceeds was HK\$490.6 million. The Placing was completed in January 2022.
- (c) On 19 January 2022, the Group completed the acquisition of 100% equity interest of a company that operates ophthalmic clinics in Hong Kong at a total consideration of HK\$56,020,000 by allotment of 8,790,000 shares of the Company under a sale and purchase agreement dated 4 January 2022. Up to the date of this announcement, the acquisition has been completed. However, the calculation of purchase price allocation has not been completed.
- (d) On 19 January 2022, the Group completed the acquisition of 60% equity interest of a company that operates optometry centres in Hong Kong at a total consideration of HK\$13,800,000 in cash under an investment agreement dated 10 November 2021. Up to the date of this announcement, the acquisition has been completed. However, the calculation of purchase price allocation has not been completed.
- (e) On 17 February 2022, the Group completed the investment of 61.5% equity interest of Shenzhen Aikangjian Group Co., Ltd. (“**Shenzhen CKJ**”) at a total consideration of RMB380,500,000 and capital contribution of RMB50,000,000 in cash under an equity investment agreement dated 3 September 2021 (as supplemented by a supplemental agreement dated 24 November 2021) and an equity transfer agreement dated 24 November 2021. Up to the date of this announcement, the investment has been completed. However, the calculation of purchase price allocation has not been completed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview and business development

During the year ended 31 December 2021, although the coronavirus pandemic (“COVID-19”) remained precarious, the Group has resumed the momentum to grow and continues with the plan to expand our service network in the Guangdong-Hong Kong-Macau Greater Bay Area (the “GBA”) (粵港澳大灣區) and other Mainland China regions. Leveraging on our strong reputation in quality medical services, our revenue in Hong Kong and the Mainland China increased by 60.0% and 58.1%, respectively.

Development in Mainland China

We experienced substantial development in the Mainland China with the setting up of clinics, eye centres and hospitals, and we also made acquisitions during the year ended 31 December 2021. Our seventh and eighth eye hospital/centre are located in Huizhou (惠州), Guangdong Province (廣東省) and Fuzhou (福州), Fujian Province (福建省), which commenced operations in March 2021 (with an area of 4,000 square meters with 3 operating theatres and 10 consultation rooms), and had soft opening in December 2021 (with an area of about 3,000 square meters with 3 operating theatres and 12 consultation rooms), respectively.

It is expected that our ninth eye hospital/centre, which is located in Guangzhou, will commence operations by the second half of 2022 (with an area of about 5,400 square meters with 4 operating theatres and 14 consultation rooms).

In addition, the Group is in the progress of setting up three eye hospitals in Dongguan (東莞), Foshan (佛山), and Jieyang (揭陽), of Guangdong Province (廣東省). It is expected that our eye centres in Nanshan, Shenzhen will commence operations in the second half of 2022.

In February 2022, we have started our dental business in Shenzhen through our investment to own a 61.5% equity interest of Shenzhen Aikangjian Group Co., Ltd. (深圳市愛康健齒科集團股份有限公司) (“Shenzhen CKJ”), which became an indirect non-wholly owned subsidiary of the Company upon completion of the investment. Shenzhen CKJ has one dental hospital and 12 dental clinics in Shenzhen. By leveraging our expertise in medical services, our patient base in Shenzhen, and the knowledge and experience of Shenzhen CKJ in dental businesses, we believe Shenzhen CKJ possesses great potential for development in Shenzhen and other parts of the Mainland China, and together with the assistance from our dental partners in Hong Kong and the Group’s management team, we strive and are hopeful to unlock the full potential and value of Shenzhen CKJ’s brand and platform.

Development in Hong Kong

Amid the uncertain market environment due to the spread of COVID-19 in Hong Kong, we are committed to maintaining proactive business development. This was achieved in part due to the Group expanding our service portfolio by leveraging our expertise in quality medical management and the recognition of our brand and our capabilities from our patients. In 2021, mainly through acquisitions, we started our business in dental, optometry, oncology and medical aesthetics in Hong Kong.

For dental business in Hong Kong, we have started to provide our services in Causeway Bay, Tsim Sha Tsui, Diamond Hill and Shatin in 2021, and expect to provide our services in additional locations including but not limited to Central, Kwun Tung, and Wan Chai in 2022.

Further, we acquired an oncology center in Central, and a center providing one-stop premium medical aesthetics, dental and ophthalmic services in Tsim Sha Tsui, in August 2021 and November 2021 respectively with our partners in different specialties to provide a comprehensive coverage on quality medical services.

To expand our services offering in the area of myopia control, optometry assessments and spectacles and contact lens prescriptions in Hong Kong, we have acquired a 60% equity interest in an optometry group with centres located in Sai Wan, North Point, Mong Kok and Tseung Kwan O and the completion took place in January 2022. This will complement the Group's existing business, create patient traffic from these optometry centres to the Group's ophthalmology clinic network, and further expand the Group's service network to additional locations in Hong Kong. The optometry group will further expand into different locations in Hong Kong to serve the customers of the Group.

In January 2022, the Group acquired 100% of the equity interests in one of the leading and well-respected ophthalmology service groups in Hong Kong, Champion Eye Centre Limited, operating under the brand "Champion Eye & Refractive Surgery Centre (嘉賓眼科及激光矯視手術中心)" which has over 20 years of history and operates two clinics in Causeway Bay and Jordan, from independent third parties. This increased the Group's market share, expanded our medical team and further solidified the leadership position of the Group in the ophthalmology sector in Hong Kong.

Revenue Overview

For the year ended 31 December 2021, we generated 48.9% (2020: 48.6%) of our revenue in Hong Kong and 51.1% (2020: 51.4%) of our revenue in Mainland China. Despite COVID-19, our revenue had experienced a rapid growth during the year ended 31 December 2021, generating a total revenue of HK\$1,112.6 million (2020: HK\$699.5 million), representing an increase of 59.0% from the year ended 31 December 2020. With the increasing demand of quality medical services in Hong Kong, the revenue of Hong Kong increased by 60.0% to HK\$543.9 million (2020: HK\$339.9 million). In addition, the revenue of Mainland China operations recorded an increase of 58.1% in Hong Kong dollar terms to HK\$568.7 million (2020: HK\$359.6 million) during the year ended 31 December 2021 primarily as a result of the strong growth in revenue of the eye hospitals in Shenzhen, Beijing, Kunming, Shanghai and Zhuhai. The appreciation of Renminbi ("RMB") has also increased our revenue growth when reporting in Hong Kong dollar terms. In RMB terms, our revenue in Mainland China increased by 47.4% from the year ended 31 December 2020.

The total revenue from the hospitals in Shenzhen (Futian and Baoan) increased by 40.6% and amounted to HK\$311.8 million (2020: HK\$221.8 million) for the year ended 31 December 2021.

The revenue of the eye hospital in Beijing increased significantly by 96.0% and amounted to HK\$97.8 million (2020: HK\$49.9 million). In addition, our Beijing hospital was approved to be a Medical Insurance Designated Medical and Pharmaceutical Institution (醫保定點醫療機構) in Beijing in January 2022 which would broaden our patient base.

The three acquired eye hospitals in Kunming, Shanghai and Zhuhai commenced full operations in June 2019, November 2019 and December 2020, respectively and contributed HK\$61.8 million (2020: HK\$35.0 million), HK\$65.5 million (2020: HK\$50.8 million) and HK\$24.9 million (2020: HK\$2.2 million) to the revenue of the Group, respectively, during the year ended 31 December 2021. Operations of these acquired hospitals have been running smoothly and positively after the acquisitions. The Group will continue to seek expansion opportunities through acquisition as this provides a faster way for expansion.

FINANCIAL REVIEW

Revenue

We are an ophthalmic, dental and other medical service provider in Hong Kong and Mainland China. Our ophthalmologists/physicians are specialised in the fields of cataract, glaucoma, strabismus and refractive surgeries and external eye diseases. Our revenue is derived from our fees charged to our clients on consultation, procedures, surgeries, and other medical services, as well as the sales of vision aid products, including glasses and lens. The following table sets forth our revenue for the years indicated as a percentage of total revenue:

	Year ended 31 December				Change	
	2021		2020			
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Provision of ophthalmic services	920,049	82.7	605,607	86.6	314,442	51.9
Sales of vision aid products	140,342	12.6	93,938	13.4	46,404	49.4
Provision of other medical services	52,186	4.7	–	–	52,186	N/A
	<u>1,112,577</u>	<u>100.0</u>	<u>699,545</u>	<u>100.0</u>	<u>413,032</u>	<u>59.0</u>

Our revenue was generated from Hong Kong and Mainland China. In Hong Kong, our service network included our two day surgery centres and six satellite clinics for our ophthalmic services, three dental clinics, one oncology centre and a one-stop centre for medical aesthetics, dental and ophthalmic services located in a prime location in Tsim Sha Tsui. In Mainland China, our service network included our eye hospitals in Shenzhen (Futian and Baoan), Beijing, Shanghai, Zhuhai, Kunming, Huizhou, our eye centre in Fuzhou and our three satellite eye clinics in Shanghai. The following table sets forth our revenue according to geographical markets as a percentage of total revenue:

	Year ended 31 December		2020		Change	
	2021		2020			
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Hong Kong	543,909	48.9	339,928	48.6	203,981	60.0
Mainland China	568,668	51.1	359,617	51.4	209,051	58.1
	<u>1,112,577</u>	<u>100.0</u>	<u>699,545</u>	<u>100.0</u>	<u>413,032</u>	<u>59.0</u>

Our total revenue during the year ended 31 December 2021 represented a significant increase of 59.0% as compared with our total revenue during the year ended 31 December 2020. In addition to the increase in the sales of visual aid products by 49.4%, the increase was primarily driven by the increase in the revenue generated from the provision of ophthalmic services to HK\$920.0 million during the year ended 31 December 2021 from HK\$605.6 million during the year ended 31 December 2020, representing an increase of 51.9%, which was primarily attributable to the increase in the number of surgeries performed by us and the number of our ophthalmologists and physicians in Hong Kong and Mainland China.

The revenue generated by our business operations in Hong Kong accounted for 48.9% of our total revenue. As a percentage of our total revenue, revenue from Hong Kong increased from 48.6% for the year ended 31 December 2020 due to the quick growth of our revenue in Hong Kong in 2021 by 60.0%, which grew at a faster pace than that in Mainland China, with grew by 58.1% in 2021.

Provision of ophthalmic services

Our revenue generated from the provision of ophthalmic services may be broadly divided into two categories, namely (1) consultation and other medical service fees and (2) surgery fees. The following table sets forth our revenue by category for the years indicated as a percentage of total revenue generated from the provision of ophthalmic services:

	Year ended 31 December				Change	
	2021		2020			
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Consultation and other medical service fees						
– Hong Kong	181,356	19.7	111,890	18.5	69,466	62.1
– Mainland China	124,361	13.5	86,581	14.3	37,780	43.6
	305,717	33.2	198,471	32.8	107,246	54.0
Surgery fees						
– Hong Kong	307,457	33.4	226,573	37.4	80,884	35.7
– Mainland China	306,875	33.4	180,563	29.8	126,312	70.0
	614,332	66.8	407,136	67.2	207,196	50.9
Total	920,049	100.0	605,607	100.0	314,442	51.9

The ophthalmic services provided by us focused on surgeries for the treatment of not only cataract, glaucoma and strabismus, but also eye diseases including corneal and vitreoretinal diseases. Generally speaking, ophthalmic services provided by us are outpatient or day care procedures, performed under local anaesthesia. Hence, unlike other hospitals, clinics or nursing homes, we are not constrained by bed capacity and do not focus on providing large inpatient facilities at our eye centres, hospitals or clinics.

The following table sets forth the total surgery fees, the total number of surgeries performed by us and the average fee per surgery:

	Year ended 31 December		Change %
	2021	2020	
For Hong Kong			
Total surgery fee (<i>in HK\$'000</i>)	307,457	226,573	35.7
Number of surgeries performed by us	11,478	7,205	59.3
Average surgery fee (<i>HK\$</i>)	26,787	31,447	-14.8
For Mainland China			
Total surgery fee (<i>in HK\$'000</i>)	306,875	180,563	70.0
Number of surgeries performed by us	23,661	14,520	63.0
Average surgery fee (<i>HK\$</i>)	12,970	12,435	4.3

In Hong Kong, the average surgery fee decreased by 14.8% due to the change of the type of surgery mix. However, the surgery volume increased during the year ended 31 December 2021 as a result of the increasing number of our Hong Kong ophthalmologists and the demand of quality medical services.

In Mainland China, the average surgery fee increased by 4.3% due to the change of the type of surgery mix during the year ended 31 December 2021. The number of surgeries increased by 63.0% to 23,661 during the year ended 31 December 2021 mainly due to the strong growth in the number of patients who had surgeries performed in the eye hospitals in Beijing, Kunming and Shenzhen.

Sales of vision aid products

We also generate revenue from the sales of vision aid products including glasses and lens. The sales were conducted by us through the assessment of the optometrists employed by us in Hong Kong and Mainland China. During the year ended 31 December 2021, our revenue generated from the sales of vision aid products amounted to HK\$140.3 million, representing an increase of 49.4% from that of last year.

Provision of other medical services

We started our dental, oncology, medical aesthetics and laboratory services during the year ended 31 December 2021 and our revenue generated from these services amounted to approximately HK\$52.2 million, representing approximately 4.7% (2020: nil) of our total revenue for the year.

Cost of revenue

The following table sets forth an analysis of our cost of revenue for the years indicated, both in terms of Hong Kong dollars and as a percentage of total revenue:

	Year ended 31 December					
	2021		2020		Change	
	<i>HK\$'000</i>	<i>% to revenue</i>	<i>HK\$'000</i>	<i>% to revenue</i>	<i>HK\$'000</i>	<i>%</i>
Doctors' consultation fees	204,623	18.4	139,456	19.9	65,167	46.7
Cost of inventories and consumables	272,259	24.5	163,761	23.4	108,498	66.3
Staff salaries and allowance	140,088	12.6	101,806	14.6	38,282	37.6
Depreciation of right-of-use assets	60,820	5.5	49,317	7.0	11,503	23.3
Depreciation of property, plant and equipment	38,226	3.4	33,527	4.8	4,699	14.0
Others	38,333	3.4	17,601	2.5	20,732	117.8
Total	<u>754,349</u>	<u>67.8</u>	<u>505,468</u>	<u>72.3</u>	<u>248,881</u>	49.2

Compared with the year ended 31 December 2020, in Mainland China, there were three new service locations that commenced operations to meet the increased demand of ophthalmic services, including the eye hospitals in Zhuhai and Huizhou which commenced operation in December 2020 and March 2021, respectively, and the eye centre in Fuzhou which commenced operation in December 2021. In Hong Kong, the new locations included three dental clinics, an oncology centre and a one-stop centre for medical aesthetics, dental and ophthalmic services located in a prime location in Tsim Sha Tsui.

Accordingly, our cost of revenue increased by 49.2% from HK\$505.5 million for the year ended 31 December 2020 to HK\$ 754.3 million for the year 31 December 2021, primarily as a result of (i) an increase in cost of inventories and consumables of HK\$108.5 million, (ii) an increase in doctors' consultation fees of HK\$65.2 million, and (iii) an increase in staff salaries and allowance of HK\$38.3 million.

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin according to geographical markets for the years indicated:

	Year ended 31 December				Change	
	2021		2020			
	<i>HK\$'000</i>	<i>GP %</i>	<i>HK\$'000</i>	<i>GP %</i>	<i>HK\$'000</i>	<i>%</i>
Hong Kong	154,383	28.4	87,587	25.8	66,796	76.3
Mainland China	203,845	35.8	106,490	29.6	97,355	91.4
	<u>358,228</u>	32.2	<u>194,077</u>	27.7	<u>164,151</u>	84.6

The amount of gross profit during the year ended 31 December 2021 amounted to HK\$358.2 million, representing an increase of 84.6% from HK\$194.1 million during the year ended 31 December 2020. Our gross profit margin was 32.2% during the year ended 31 December 2021, as compared with 27.7% during the year ended 31 December 2020. The gross profit margin for our business operations in Mainland China recorded an increase to 35.8% from 29.6%, and the gross profit margin for our business operations in Hong Kong also recorded an increase from 25.8% to 28.4% primarily due to the economy of scale.

Selling expenses

Our selling expenses increased by 80.9% from HK\$69.9 million for the year ended 31 December 2020 to HK\$126.4 million for the year ended 31 December 2021, primarily due to an increase in promotional expenses in Mainland China for the eye hospitals. The amount of selling expenses, as a percentage of our total revenue, increased slightly from 10.0% for the year ended 31 December 2020 to 11.4% for the year ended 31 December 2021. The fees paid to online platforms represented the major component of our selling expenses.

Administrative expenses

Our total administrative expenses during the year ended 31 December 2021 amounted to HK\$234.1 million and had an increase of 68.1% as compared with HK\$139.3 million during the year ended 31 December 2020. The increase in our administrative expenses during the year was primarily driven by the increase in our staff salaries and allowances and depreciation of right-of-use assets as a result of business expansion.

Other income

Our other income during the year ended 31 December 2021 consisted primarily of the management fee income from an associate and government grants, and decreased to HK\$10.6 million from HK\$12.9 million during the year ended 31 December 2020. The decrease was primarily due to the decrease in government grants and rent concessions.

Other gains, net

Our other gains, net during the year ended 31 December 2021 amounted to HK\$16.5 million and mainly consisted of gain on financial assets at fair value through profit or loss and foreign exchange gains.

Finance costs, net

Our finance costs, net during the year ended 31 December 2021 amounted to HK\$8.5 million and mainly consisted of interest expenses on leases netted off by bank interest income.

Income tax expense

Our income tax expense during the year ended 31 December 2021 amounted to HK\$10.6 million, representing a decrease of 2.5% from HK\$10.9 million during the year ended 31 December 2020. The decrease was primarily due to the recognition of deferred tax assets in relation to tax losses in Hong Kong.

Profit/(loss) for the year

As a result of the foregoing, our profit for the year ended 31 December 2021 amounted to HK\$16.2 million (2020: loss of HK\$8.4 million), primarily due to recovery from COVID-19 and increase in profit in Hong Kong despite the losses incurred by the hospitals and eye centre in Mainland China in the investment stages.

Capital expenditure and commitments

For the year ended 31 December 2021, the Group incurred capital expenditures of HK\$216.9 million, primarily due to purchase of equipment and leasehold improvements for our new hospitals, centres and clinics.

As at 31 December 2021, the Group had a total capital commitment of approximately HK\$312.4 million (2020: HK\$7.0 million), mainly comprising the related contracts of capital expenditure for medical equipment, and the remaining consideration of the investment into Shenzhen CKJ.

Gearing ratio

As at 31 December 2021, the gearing ratio is not applicable due to net cash position (2020: same).

Contingent liabilities

The Group had no material contingent liability as at 31 December 2021.

Pledge of assets

The Group had no pledge of assets as at 31 December 2021.

Financial instruments

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

Foreign exchange risk

Our subsidiaries mainly operate in Hong Kong and Mainland China with most of the transactions settled in HK\$ and RMB, respectively. Foreign exchange rate risk arises when recognised financial assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at 31 December 2021, the financial assets and liabilities of our subsidiaries in Hong Kong and Mainland China were primarily denominated in HK\$ and RMB, respectively. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group's foreign exchange rate risks. Any material fluctuation in the exchange rates of HK\$ or RMB may have an impact on the operating results of the Group. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

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 and cash and cash equivalents. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

The credit risk of cash and cash equivalents are limited because the counterparties are state-owned or reputable commercial banks which are high-credit-quality financial institutions located in Hong Kong or Mainland China.

We have a highly diversified source of patients, without any single patient contributing material revenue. Moreover, some of our revenue is settled by reputable commercial companies and local government on behalf of patients. We have controls to closely monitor the patients' billing and payment status by communication with commercial companies and local government to minimize the credit risk.

Employees and remuneration policies

As at 31 December 2021, the Group employed a total of 1,461 employees (2020: 1,058). The increase in the number of employees was mainly due to the increase in the scale of the Group's business.

The Group ensures that its remuneration packages are comprehensive and competitive from time to time. Employees are remunerated with a fixed monthly income plus annual performance related bonus. Share options are granted to selected employees to reward their contributions under the share option scheme of the Company, details of which will be set forth in the Company's 2021 annual report. The Group also sponsors selected employees to attend external training courses that suit the needs of the Group's business.

Events after the date of statement of financial position

The events after the date of statement of financial position are disclosed as follows:

- (a) During the ongoing COVID-19 pandemic, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group continues to pay close attention to the development of the COVID-19 pandemic and evaluates its impact on the financial position and operating results of the Group.
- (b) On 13 January 2022, the Company entered into an agreement with a placing agent pursuant to which the placing agent agreed to place 76,500,000 new shares of the Company at a price of HK\$6.48 each (the "**Placing**") and the net cash proceeds received by the Company was HK\$490.6 million. The Placing was completed in January 2022. Further details of the Placing can be found in the announcements of the Company dated 13 January and 20 January 2022.

- (c) On 19 January 2022, the Group completed its acquisition of the 100% equity interest of a company that operates ophthalmic clinics in Hong Kong at a total consideration of HK\$56,020,000 by allotment of 8,790,000 shares of the Company under a sale and purchase agreement dated 4 January 2022. Up to the date of this announcement, the acquisition has been completed. Further details of the acquisition can be found in the announcements of the Company dated 4 January and 10 January 2022.
- (d) On 19 January 2022, the Group completed its acquisition of the 60% equity interest of a company that operates optometry centres in Hong Kong at a total consideration of HK\$13,800,000 in cash under an investment agreement dated 10 November 2021. Up to the date of this announcement, the acquisition has been completed. Further details can be found in the announcement of the Company dated 10 November 2021.
- (e) On 17 February 2022, the Group completed its investment to own an 61.5% equity interest of Shenzhen Aikangjian Group Co., Ltd. (“**Shenzhen CKJ**”) at a total consideration of RMB380,500,000 and capital contribution of RMB50,000,000 in cash under an equity investment agreement dated 3 September 2021 (as supplemented by a supplemental agreement dated 24 November 2021) and an equity transfer agreement dated 24 November 2021. Up to the date of this announcement, the acquisition has been completed. Further details of the Shenzhen CKJ investment can be found in the announcements of the Company dated 3 September 2021, 24 November 2021 and 17 February 2022.

OUTLOOK AND STRATEGIES

The implementation of the favorable policies to the medical industry in Mainland China, the development of the GBA and the increasing urbanisation and living standards of the middle-class population in Mainland China are expected to stimulate the demand for high-quality ophthalmic and other medical services. The Group is prepared to exploit the business opportunities by implementing the following strategies:

- establish or acquire eye hospitals, eye centres and clinics in Hong Kong and selected Mainland China cities including cities in the GBA and Eastern China;
- establish or acquire dental clinics and other speciality medical clinics in Hong Kong;
- continue to improve our operational capacity and service capability; and
- identify suitable strategic partners for collaboration.

CORPORATE GOVERNANCE

The Board is committed to maintaining high corporate governance standards.

During the year ended 31 December 2021, 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 of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) which are applicable to the Company.

In the opinion of the Board, during the year ended 31 December 2021, the Company has complied with all applicable code provisions as set forth in the CG Code, save and except for a deviation from the code provision C.2.1 (previously code provision A.2.1), which states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. LAM Shun Chiu Dennis is both our Chairman and Chief Executive Officer and is responsible for the overall management of the Group and directing the strategic development and business plans of the Group.

The Board believes that vesting the roles of the Chairman and Chief Executive Officer in the same individual would enable the Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises four executive Directors (including Dr. LAM Shun Chiu Dennis) and six independent non-executive Directors and therefore has a fairly strong independence element in its composition. The Board will nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, in order to maintain a high standard of corporate governance practices of the Company.

Further information of the corporate governance practice of the Company will be set forth in the corporate governance report in the annual report of the Company for the year ended 31 December 2021.

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity requirements are primarily used to satisfy to our working capital needs for our business operations. Our principal sources of liquidity are cash generated from our business operations, our bank deposits and bank borrowings. As at 31 December 2021, we had cash and cash equivalents of HK\$386.7 million and bank borrowings of HK\$179.4 million.

The current ratio (calculated as current assets over current liabilities) was 1.83 times as at 31 December 2021 compared with 4.01 times as at 31 December 2020.

As at 31 December 2021, the Group reported net current assets of HK\$338.1 million, as compared with HK\$458.9 million as at 31 December 2020.

Net cash generated from operating activities was HK\$144.4 million during the year ended 31 December 2021 (2020: HK\$109.6 million). The increase was mainly attributed to increase in business scale during the year ended 31 December 2021.

Net cash used in investing activities amounted to HK\$395.7 million during the year ended 31 December 2021 as compared to HK\$153.1 million during the year ended 31 December 2020. The Group invested approximately HK\$45.9 million for acquisitions of subsidiaries, net of cash acquired, approximately HK\$190.8 million for prepayment of acquisition of a subsidiary and approximately HK\$118.1 million for acquisition of property, plant and equipment.

During the year ended 31 December 2021, net cash generated from financing activities amounted to HK\$85.1 million, as compared to net cash generated from financing activities of HK\$312.0 million during the year ended 31 December 2020. The cash generated from financing activities for the year ended 31 December 2021 was mainly from the proceeds from drawdown of bank borrowings of HK\$175.1 million netted off by lease payments of HK\$88.6 million.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 9 February 2021, the Group acquired 90% equity interests in Health Hope, a company that provides medical laboratory services in Hong Kong, from Dr. Dennis LAM and Ms. LI Xiaoting, our Directors, at a cash consideration of HK\$9,000,000. On 23 July 2021, the Group's interest in Health Hope decreased to 45.9% due to dilution effect from investment from two investors and Health Hope has become an associate company of the Group.

On 10 February 2021, the Group entered into an agreement with an independent third party to acquire 60% of the equity interests in CAD/CAM Restorative Dental Centre Limited ("CAD/CAM"), a company that operates a dental clinic in Causeway Bay, Hong Kong, and the consideration was paid by allotment and issue of 1,137,235 shares of the Company (their value being approximately equivalent to HK\$6,084,000 based on the published share price on the agreed date, 13 April 2021) and HK\$6,216,000 in cash. The completion took place on 27 April 2021. On a pro-rata basis, the dentist met the revenue guarantee from the date after closing up to 31 December 2021.

On 3 September 2021 and 24 November 2021, the Group entered into agreements with independent third parties to invest and own a total of 61.5% equity interest of Shenzhen CKJ by way of equity transfer and capital contribution. The total investment amount was RMB430.5 million, including the consideration of RMB380.5 million and the capital contribution of RMB50 million, of which the consideration and capital contribution of RMB134 million and RMB35 million respectively would be settled within 12 months after the completion. The completion took place on 17 February 2022. For the details of the transaction, please refer the announcements dated 3 September 2021, 24 November 2021 and 17 February 2022.

On 10 November 2021, the Group entered into an agreement with independent third parties to acquire 60% equity interest in The Optometry (OPT) Centre Limited, a company that operates four optometry centres in Sai Wan, North Point, Mong Kok and Tseung Kwan O, Hong Kong. The total invested amount was HK\$34.5 million which included a consideration of HK\$13.8 million and the contribution of a shareholder's loan of HK\$20.7 million. The completion took place on 19 January 2022.

Save as disclosed in this announcement, the Group did not have any other significant investments, acquisitions or disposals for the year ended 31 December 2021.

CHANGE IN USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed (the “**Listing**”) on the Stock Exchange since 15 January 2018 (the “**Listing Date**”), and the net proceeds from the global offering (the “**Global Offering**”) amounted to HK\$609.8 million.

During the year ended 31 December 2021, no proceeds from the Global Offering were used.

Set out below is the intended use of proceeds as set out in the prospectus of the Company dated 29 December 2017 (the “**Prospectus**”), utilised amount and unutilised amount of net proceeds as at 31 December 2021.

Use of net proceeds	Percentage of net proceeds %	Net proceeds HK\$'000	Amount utilised HK\$'000	Amount remaining HK\$'000
For possible acquisition of three operating eye hospitals in selected Mainland China cities	42.5%	259,200	(123,679)	135,521
For establishing three eye hospitals in selected Mainland China cities	40.4%	246,400	(246,400)	–
For establishing two satellite clinics in Shenzhen	4.2%	25,600	(10,000)	15,600
For upgrading our medical equipment and enhancing our information technology system in Hong Kong and Mainland China	8.5%	51,800	(51,800)	–
For our working capital and general corporate purpose	4.4%	26,800	(26,800)	–
Total	100.0%	609,800	(458,679)	151,121

The Directors have carefully considered the Group's past investments and future development trends, especially the available potential investment opportunities of eye clinics, eye centers and eye hospitals within Mainland China and in Hong Kong. Taking into account the Group's strategies to develop the Group's ophthalmic, dental and other specialty medical practices within Mainland China and Hong Kong, and to maximise the flexibility of the Group in capturing potential acquisition opportunities as and when such opportunities arise, the Board has resolved to expand the use of the unutilised net proceeds from the Global Offering towards possible acquisition(s), and/or establishment of eye clinic(s), eye centre(s) and eye hospital(s) in Hong Kong and Mainland China. The Directors expect that the amount remaining will be used by the end of 2023.

USE OF PROCEEDS FROM THE 2020 SUBSCRIPTION

On 19 June 2020, the Company entered into a placing agreement with C-MER Group Limited (the "Seller") and the Hong Kong and Shanghai Banking Corporation Limited, as the placing agent, in respect of the placing of an aggregate amount of 68,000,000 existing ordinary shares of the Company (the "**Placing Shares**") at the price of HK\$5.80 per Placing Share to not less than six independent professional, institutional and/or individual investors (the "**2020 Placing**"). The aggregate nominal or par value of the Placing Shares is HK\$6,800,000, and the closing price of the Company as stated in the daily quotation sheet issued by the Stock Exchange on 19 June 2020, being the date of the placing agreement, was HK\$6.28 per Placing Share. The Seller then subscribed (the "**2020 Subscription**") for 68,000,000 Shares (the "**Subscription Shares**") that were subsequently issued by the Company at the placing price of HK\$5.80 per Placing Share (collectively, "**the 2020 Placing and the 2020 Subscription**"). The 2020 Placing and the 2020 Subscription was completed on 23 June 2020 and 30 June 2020, respectively. The net subscription price (after deduction of the expenses incurred by the Seller in relation to the 2020 Placing and the 2020 Subscription) of each Subscription Share was approximately HK\$5.70. The net proceeds from the 2020 Subscription (after deducting relevant expenses borne or incurred by the Company) were approximately HK\$387.6 million. To capture potential acquisition opportunities of medical and dental clinics, which may complement the Group's existing practice areas, the Board has resolved on 31 March 2021 to expand the use of the net proceeds from the 2020 Subscription towards possible acquisition(s) and/or establishment of dental clinics and other medical clinics in Hong Kong, the acquisition(s) and/or establishment of eye hospital(s) in Mainland China and/or as working capital for the Group. The table below sets out the planned applications of the net proceeds as per the announcement of the Company dated 31 March 2021 and their actual usage up to 31 December 2021:

Use of proceeds	Planned applications <i>HK\$'000</i>	Percentage of total net proceeds	Net proceeds brought forward	Actual usage up to	Unutilised net proceeds as at	Expected timeline for utilising the remaining unutilised net proceeds
			as at 31 December 2020 <i>HK\$'000</i>	31 December 2021 <i>HK\$'000</i>	31 December 2021 <i>HK\$'000</i>	
For possible acquisition(s) and/or establishment of dental clinics and other medical clinics in Hong Kong, the acquisition(s) and/or establishment of eye hospital(s) and dental business in Mainland China and/or as working capital for the Group	387,600	100%	387,600	387,600	-	Not applicable

During the year ended 31 December 2021, all of the net proceeds from the 2020 Subscription in the amount of approximately HK\$387.6 million were used, consisting of (1) a total of HK\$39.2 million for the payment of the acquisition of dental clinics, an oncology centre and a medical centre in Hong Kong, (2) HK\$157.6 million for the establishment of the eye centre/hospitals in Guangzhou, Fuzhou, Foshan, Jieyang and working capital to our hospitals at investment stage, and (3) HK\$190.8 million for the payment of the investment in Shenzhen CKJ, which operates a dental business in Shenzhen.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board comprises three independent non-executive Directors, namely, Mr. MA Andrew Chiu Cheung (Chairman of the audit committee), Dr. LI Kwok Tung Donald *SBS JP* and Ms. BENTLEY Annie Liang. 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 December 2021.

Scope of Work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on the preliminary announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set forth in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors. Employees of the Group (the “**Relevant Employees**”) who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities, are also subject to compliance with the Model Code. Following specific enquiry, each of the Directors has confirmed compliance with the Model Code throughout the year ended 31 December 2021. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities for the year ended 31 December 2021.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the register of members of our Company on 24 May 2022 are entitled to attend and vote at the Annual General Meeting (the “**AGM**”). The register of members of our Company will be closed from Thursday, 19 May 2022 to Tuesday, 24 May 2022, 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, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 18 May 2022.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 24 May 2022. 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's website at www.cmereye.com. The 2021 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.

By order of the Board

C-MER EYE CARE HOLDINGS LIMITED

Dr. LAM Shun Chiu Dennis

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 29 March 2022

As at the date of this announcement, the Board comprises four executive Directors, namely, Dr. LAM Shun Chiu Dennis, Ms. LI Xiaoting, Dr. LEE Yau Wing Vincent and Mr. LI Chunshan; and six independent non-executive Directors, namely, Dr. AU YEUNG Rex Pak-ken, Dr. LI Kwok Tung Donald, Mr. MA Andrew Chiu Cheung, Mr. CHAN Chi Leong, Ms. BENTLEY Annie Liang, and Mr. IP Shu Kwan Stephen.