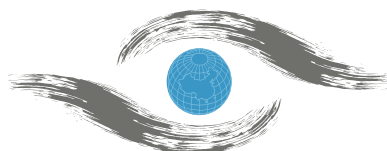


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**C-MER 希瑪**

**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)**

**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

**FINANCIAL HIGHLIGHTS**

	Note	Six months ended		Change (%)
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	
Revenue		<b>881,564</b>	521,444	69.1%
Gross profit		<b>246,044</b>	178,858	37.6%
Profit for the period		<b>3,545</b>	12,563	(71.8)%
Profit for the period attributable to equity holders of the Company		<b>14,815</b>	13,712	8.0%
Earnings before interest, taxes, depreciation and amortisation	1	<b>143,915</b>	95,505	50.7%
Gross profit margin (%)		<b>27.9%</b>	34.3%	(6.4) pp
Net profit margin (%)		<b>0.4%</b>	2.4%	(2.0) pp

*Note:*

- 1 This is not a measure of performance under Hong Kong Financial Reporting Standards (“**HKFRSs**”), but is widely used by management for monitoring business performance of a company from an 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 unaudited interim consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the six months ended 30 June 2021, as follows:

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>
Revenue	4	<b>881,564</b>	521,444
Cost of revenue	7	<b>(635,520)</b>	(342,586)
Gross profit		<b>246,044</b>	178,858
Other income	5	<b>12,710</b>	1,756
Selling expenses	7	<b>(54,450)</b>	(51,677)
Administrative expenses	7	<b>(159,227)</b>	(104,570)
Other (losses)/gains, net	6	<b>(27,870)</b>	1,565
<b>Operating profit</b>		<b>17,207</b>	25,932
Finance income	8	<b>1,352</b>	2,676
Finance costs	8	<b>(9,687)</b>	(6,148)
Finance costs, net		<b>(8,335)</b>	(3,472)
Share of profits/(losses) of associates		<b>16,243</b>	(247)
<b>Profit before income tax</b>		<b>25,115</b>	22,213
Income tax expense	9	<b>(21,570)</b>	(9,650)
<b>Profit for the period</b>		<b>3,545</b>	12,563
<b>Profit/(loss) for the period attributable to:</b>			
– Equity holders of the Company		<b>14,815</b>	13,712
– Non-controlling interests		<b>(11,270)</b>	(1,149)
		<b>3,545</b>	12,563
<b>Earnings per share for profit attributable to equity holders of the Company during the period (expressed in HK cents per share)</b>			
– basic	10	<b>1.21</b>	1.19
– diluted	10	<b>1.21</b>	1.19

	<b>Six months ended 30 June</b>	
	<i>Note</i> <b>2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>
<b>Profit for the period</b>	<b>3,545</b>	12,563
<b>Other comprehensive (loss)/income</b>		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	<u>(47,195)</u>	<u>6,347</u>
<b>Other comprehensive (loss)/income for the period</b>	<u>(47,195)</u>	<u>6,347</u>
<b>Total comprehensive (loss)/income for the period</b>	<u><b>(43,650)</b></u>	<u><b>18,910</b></u>
<b>Total comprehensive (loss)/income for the period attributable to:</b>		
– Equity holders of the Company	(30,689)	19,490
– Non-controlling interests	<u>(12,961)</u>	<u>(580)</u>
	<u><b>(43,650)</b></u>	<u><b>18,910</b></u>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	As at	
<i>Note</i>	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	399,403	301,961
Investment property	13,760	–
Right-of-use assets	716,721	599,325
Intangible assets	824,852	203,961
Interests in associates	20,406	24,814
Financial assets at fair value through other comprehensive income	52,575	52,575
Deferred income tax assets	4,615	10,971
Deposits and prepayments	29,928	15,881
	2,062,260	1,209,488
	2,062,260	1,209,488
<b>Current assets</b>		
Inventories	64,094	33,444
Trade receivables	33,000	17,980
Deposits, prepayments and other receivables	58,612	240,489
Amounts due from associates	6,814	12,113
Financial asset at fair value though profit or loss	31,701	55,704
Current income tax recoverable	1,064	–
Cash and cash equivalents	631,699	386,659
	826,984	746,389
	826,984	746,389
<b>Total assets</b>	<b>2,889,244</b>	<b>1,955,877</b>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	123,650	115,034
Reserves	1,720,118	1,216,196
	1,843,768	1,331,230
Non-controlling interests	143,958	6,013
	1,987,726	1,337,243
	1,987,726	1,337,243

		As at	
	<i>Note</i>	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		290,597	198,616
Other payables		2,620	3,657
Loan from a non-controlling interest		7,475	7,595
Deferred income tax liabilities		71,036	518
		<u>371,728</u>	<u>210,386</u>
<b>Current liabilities</b>			
Trade payables	13	35,580	39,866
Accruals and other payables		105,338	79,643
Contract liabilities		38,735	10,728
Borrowings		15,425	179,406
Amounts due to non-controlling interests		169,927	3,961
Amount due to a related party		2,556	33
Current income tax liabilities		25,858	8,537
Lease liabilities		136,371	86,074
		<u>529,790</u>	<u>408,248</u>
<b>Total liabilities</b>		<u>901,518</u>	<u>618,634</u>
<b>Total equity and liabilities</b>		<u><u>2,889,244</u></u>	<u><u>1,955,877</u></u>

## NOTES

### 1 GENERAL INFORMATION

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 together with its subsidiaries are principally engaged in the provision of ophthalmic, dental and other medical services, sales of vision aid products and sales of medical consumables in Hong Kong (“**HK**”) and Mainland China (the “**Business**”). The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 15 January 2018.

This condensed consolidated interim financial information is presented in Hong Kong Dollar (“**HK\$**”) and all values are rounded to nearest thousand (HK\$'000) except when otherwise indicated.

This condensed consolidated interim financial information has not been audited.

### 2 BASIS OF PREPARATION

This condensed consolidated interim financial information of the Group for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “**Interim Financial Reporting**” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

This condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2021, which have been prepared in accordance with HKFRSs.

### 3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those as described in the annual consolidated financial statements for the year ended 31 December 2021, except for estimation of income tax, investment properties and the adoption of new and amended standards and framework as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### **Investment properties**

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields, and that are not occupied by the Group.

Investment properties are initially measured at cost, including related transaction costs.

Subsequent expenditure is charged to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Investment properties are stated at historical cost less accumulated depreciation and impairment loss, if any. They are depreciated using the straight-line method over their estimated useful lives or over the unexpired periods of the leases, whichever is shorter.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

**(a) New standards and amendments adopted by the Group**

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2022:

Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments
Amendments to HKAS 37	Onerous Contracts – Cost Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to Improvements Projects	Annual Improvements to HKFRSs 2018–2020 (amendments)

The adoption of the amendments listed above did not have material impact on the Group’s accounting policies and financial statements.

**(b) New and amended standards not yet adopted**

The following new standards and amendments to standards which have been issued, but are effective for the financial year beginning on or after 1 January 2023 and have not been early adopted by the Group:

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17 and Amendments to HKFRS17	Insurance Contracts	1 January 2023
HK Interpretation 5 (2020)	Presentation of Financial Statements – 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

Management is in the process of assessing the financial impact of the above new and amended standards but is not yet in a position to state whether they will result in substantial changes to the Group’s significant accounting policies and the presentation of its financial statements.

#### 4 REVENUE AND SEGMENT INFORMATION

##### (a) Revenue

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Provision of ophthalmic services	510,871	435,922
Sales of medical consumables	220,725	–
Provision of dental and other medical services	83,872	26,540
Sales of vision aid products	66,096	58,982
	<u>881,564</u>	<u>521,444</u>
	<u><u>881,564</u></u>	<u><u>521,444</u></u>

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Timing of revenue recognition		
Over time	594,743	462,462
At a point in time	286,821	58,982
	<u>881,564</u>	<u>521,444</u>
	<u><u>881,564</u></u>	<u><u>521,444</u></u>

##### (b) Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make 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 this condensed consolidated interim financial information.

The reportable segment of the Group is a component that is engaged either in providing a particular type of service or goods, or in providing services or goods within a particular geographical region.

Since 1 January 2022, in view of more diversified businesses of the Group currently operates, the chief operating decision-maker assessed the performance of the Group by reviewing the results of four reportable segments, namely HK medical business, sales of medical consumables, Mainland China ophthalmic business and Mainland China dental business as follows:

- (i) HK medical business – provision of ophthalmic, dental, oncology, medical aesthetics and other services and sales of vision aid products in Hong Kong
- (ii) Sales of medical consumables – sales of medical consumables in Hong Kong
- (iii) Mainland China ophthalmic business – provision of ophthalmic services and sales of vision aid products in Mainland China
- (iv) Mainland China dental business – provision of dental services in Mainland China



Such a change is to align with the updated internal management and reporting structure. The segment information of the comparative period has been restated to conform to the current period categorisation and presentation.

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

Other income, other (losses)/gains, net, finance costs, net and income tax expense are not included in segment results.

The segment results for the six months ended 30 June 2022 are as follows:

	(Unaudited)				Total HK\$'000
	Six months ended 30 June 2022				
	HK medical business HK\$'000	Sales of medical consumables HK\$'000	Mainland China ophthalmic business HK\$'000	Mainland China dental business HK\$'000	
Segment revenue	363,099	220,725	249,174	48,566	881,564
Gross profit	83,149	96,147	62,605	4,143	246,044
Selling expenses	(6,869)	(141)	(39,389)	(8,051)	(54,450)
Administrative expenses	(56,149)	(739)	(91,401)	(10,938)	(159,227)
Share of profits of associates	16,243	–	–	–	16,243
Segment results	36,374	95,267	(68,185)	(14,846)	48,610
Other income					12,710
Other losses, net					(27,870)
Finance costs, net					(8,335)
Profit before income tax					25,115
Income tax expense					(21,570)
Profit for the period					<u>3,545</u>
<b>Other segment information</b>					
Additions to non-current assets	32,736	–	128,318	76	161,130
Depreciation and amortisation	(36,445)	–	(64,556)	(9,464)	(110,465)
Losses on disposal of non-current assets, net	–	–	(68)	(956)	(1,024)
Losses on disposal of right-of-use assets	(63)	–	–	–	(63)

The segment results for the six months ended 30 June 2021 are as follows:

	(Unaudited)				Total HK\$'000
	Six months ended 30 June 2021				
	HK medical business HK\$'000	Sales of medical consumables HK\$'000	Mainland China ophthalmic business HK\$'000	Mainland China dental business HK\$'000	
Segment revenue	255,088	–	266,356	–	521,444
Gross profit	78,751	–	100,107	–	178,858
Selling expenses	(3,981)	–	(47,696)	–	(51,677)
Administrative expenses	(30,541)	–	(74,029)	–	(104,570)
Share of loss of an associate	(247)	–	–	–	(247)
Segment results	43,982	–	(21,618)	–	22,364
Other income					1,756
Other gains, net					1,565
Finance costs, net					(3,472)
Profit before income tax					22,213
Income tax expense					(9,650)
Profit for the period					<u>12,563</u>
<b>Other segment information</b>					
Additions to non-current assets	38,732	–	56,840	–	95,572
Depreciation and amortisation	(26,018)	–	(43,802)	–	(69,820)
Loss on disposal of non-current assets, net	(607)	–	(3)	–	(610)
Gain on early termination of lease	452	–	–	–	452

During the six months ended 30 June 2022, approximately HK\$105,112,000 or 11.9% of the Group's revenue was derived from a single external customer from the segment of sales of medical consumables (six months ended 30 June 2021: no single customer contributed over 10% of the Group's revenue).

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

**5 OTHER INCOME**

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Management fee income	8,071	116
Rent concessions	383	–
Government grants ( <i>Note</i> )	3,938	1,532
Others	318	108
	<u>12,710</u>	<u>1,756</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.

**6 OTHER (LOSSES)/GAINS, NET**

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Losses on disposal of property, plant and equipment, net	(1,024)	(610)
Losses on disposal of right-of-use assets	(63)	–
Gain on early termination of lease	–	452
Fair value loss on a financial asset at fair value through profit or loss	(24,003)	–
Exchange (losses)/gains, net	<u>(2,780)</u>	<u>1,723</u>
	<u>(27,870)</u>	<u>1,565</u>

## 7 EXPENSES BY NATURE

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Amortisation of intangible assets	692	567
Auditor's remuneration		
– Audit services	–	–
– Non-audit services	1,154	1,050
Depreciation of property, plant and equipment	43,659	23,403
Depreciation of investment property	122	–
Depreciation of right-of-use assets	65,992	45,850
Doctors' consultation fees	150,559	93,815
Cost of inventories and consumables	275,610	120,724
Employee benefit expenses	201,222	124,240
Expenses relating to short-term leases	1,938	1,134
Legal and professional fees	2,887	3,166
Share option expenses to doctors and consultants	844	909
Office supplies	936	391
Bank service charges	5,474	4,268
Promotion expenses	53,932	51,409
Repair and maintenance fees	5,074	4,218
Subcontracting fees	–	3,455
Others	39,102	20,234
	<hr/>	<hr/>
Total cost of revenue, selling and administrative expenses	<b>849,197</b>	<b>498,833</b>

## 8 FINANCE COSTS, NET

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Finance income		
Bank interest income	1,352	2,676
	<hr/>	<hr/>
Finance costs		
Interest expense on lease liabilities	(9,077)	(6,092)
Interest expense on loan from a non-controlling interest	(216)	(56)
Interest expense on bank loan	(394)	–
	<hr/>	<hr/>
	<b>(9,687)</b>	<b>(6,148)</b>
	<hr/>	<hr/>
Finance costs, net	<b>(8,335)</b>	<b>(3,472)</b>

## 9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2021: 16.5%) on the estimated assessable profits for the period.

The applicable tax rate for the subsidiaries in Mainland China of the Group is 25% (six months ended 30 June 2021: 25%) for the period.

The amount of taxation charged to the condensed consolidated interim statement of comprehensive income represents:

	Six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Current income tax		
– Hong Kong profits tax	13,985	7,040
– China enterprise income tax	620	764
Under-provision in prior years	587	818
Deferred income tax	6,378	1,028
	<hr/>	<hr/>
Income tax expense	<b>21,570</b>	9,650
	<hr/> <hr/>	<hr/> <hr/>

## 10 EARNINGS PER SHARE

### (a) Basic

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

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to equity holders of the Company during the period ( <i>HK\$'000</i> )	<b>14,815</b>	13,712
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue	<b>1,226,788,583</b>	1,147,748,604
	<hr/>	<hr/>
Basic earnings per share ( <i>HK cents</i> )	<b>1.21</b>	1.19
	<hr/> <hr/>	<hr/> <hr/>

**(b) Diluted**

Diluted earnings 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 period, the Group has one (six months ended 30 June 2021: one) category of dilutive potential ordinary shares.

For the Pre-IPO Share Option and Post-IPO Share Option Schemes, the number of shares included as below is the number of shares that are dilutive and would have been outstanding assuming the completion of the share issue to the grantees.

	<b>Six months ended 30 June</b>	
	<b>2022</b> <b>(Unaudited)</b>	2021 <b>(Unaudited)</b>
Profit attributable to equity holders of the Company during the period ( <i>HK\$'000</i> )	<b>14,815</b>	13,712
Weighted average number of ordinary shares in issue	<b>1,226,788,583</b>	1,147,748,604
Adjustments for:		
– impact of the share option schemes	<b>831,676</b>	1,925,663
Weighted average number of ordinary shares for diluted earnings per share	<b>1,227,620,259</b>	1,149,674,267
Diluted earnings per share ( <i>HK cents</i> )	<b>1.21</b>	1.19

**11 DIVIDENDS**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

**12 TRADE RECEIVABLES**

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

	<b>As at</b>	
	<b>30 June 2022</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31 December 2021 <i>HK\$'000</i> <b>(Audited)</b>
0 – 90 days	<b>25,577</b>	16,590
91 – 180 days	<b>4,587</b>	594
Over 180 days	<b>2,836</b>	796
	<b>33,000</b>	17,980

### 13 TRADE PAYABLES

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

	As at	
	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 – 30 days	27,294	32,377
31 – 60 days	2,560	4,477
61 – 90 days	1,899	233
Over 90 days	3,827	2,779
	<u>35,580</u>	<u>39,866</u>

### 14 BUSINESS COMBINATION

- (i) On 19 January 2022, the Group completed the acquisition of 100% of the equity interests in Champion Eye Centre Limited (“**Champion Eye**”), a company that operates ophthalmic clinics in Hong Kong, from independent third parties and the consideration was paid by allotment and issue of 8,790,000 shares of the Company (their value being approximately equivalent to HK\$50,367,000).
- (ii) On 19 January 2022, the Group completed the acquisition of 60% of the equity interests in The Optometry (OPT) Centre Limited (“**OPT**”), a company that operates optometry centres in Hong Kong, from an independent third party, for a total consideration of HK\$34,500,000 (comprising of an acquisition price of HK\$13,800,000 and a shareholder’s loan of HK\$20,700,000 provided to OPT).
- (iii) On 17 February 2022, the Group completed the investment of 61.5% of the equity interests of Shenzhen C-MER Aikangjian Dental Group Co., Ltd. (previously known as Shenzhen Aikangjian Group Co., Ltd.) (“**Shenzhen CKJ**”), a company that operates dental clinics in the PRC, at a total consideration of RMB430,500,000 (equivalent to HK\$517,590,000) (comprising of a consideration of RMB380,500,000 and capital contribution of RMB50,000,000 in cash).
- (iv) During the six months ended 30 June 2022, the Group completed the acquisition of several clinics that provide dental and other medical services in Hong Kong (“**Other clinics**”), from different independent third parties, at a total cash consideration of HK\$7,772,000 with individual consideration not more than HK\$6,972,000.

The following table summarises the consideration paid and the amounts of the assets acquired and liabilities assumed recognised at the relevant acquisition dates.

	Champion Eye	OPT	Shenzhen CKJ	Other clinics
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Consideration				
– Cash	–	34,500	517,590	7,772
– Allotment of shares ( <i>Note</i> )	50,367	–	–	–
	<u>50,367</u>	<u>34,500</u>	<u>517,590</u>	<u>7,772</u>

*Note:* The fair value of the 8,790,000 shares allotted as the consideration paid for acquisition of Champion Eye (HK\$50,367,000) was based on the published share price of the Company of approximately HK\$5.73 per share.

	Champion Eye <i>Note</i>	OPT OPT	Shenzhen CKJ	Other clinics
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	As at	As at	As at	
Date of completion of the acquisition	19 January	19 January	17 February	
	2022	2022	2022	
Recognised amounts of identifiable assets acquired and liabilities assumed				
– Property, plant and equipment	2,485	278	116,450	604
– Right-of-use assets	7,609	2,609	70,110	2,114
– Investment property	–	–	14,298	–
– Intangible assets	–	–	79	–
– Brand name (i)	–	–	289,911	–
– Cash and cash equivalents	18,969	1,945	27,087	404
– Trade receivables	817	762	875	129
– Deposits, prepayments and other receivables	2,268	21,395	58,650	399
– Inventories	4,684	1,360	4,831	57
– Trade payables	(967)	(755)	(5,092)	–
– Accruals and other payables	(10,477)	(1,625)	(42,711)	(363)
– Borrowings	–	–	(16,832)	–
– Lease liabilities	(7,839)	(2,629)	(74,912)	(2,166)
– Deferred income tax liabilities	–	–	(72,478)	–
– Current income tax liabilities	(2,801)	(41)	(666)	–
Total identifiable net assets	14,748	23,299	369,600	1,178
Non-controlling interests (ii)	–	(9,320)	(142,296)	(410)
Goodwill (iii)	35,619	20,521	290,286	7,004
Total consideration	<u>50,367</u>	<u>34,500</u>	<u>517,590</u>	<u>7,772</u>
Acquisition-related costs (iv)	<u>149</u>	<u>83</u>	<u>60</u>	<u>9</u>
Net cash outflow on acquisition				
Cash paid ( <i>Note</i> )	–	–	299,135	6,972
Less: Prepayment for acquisition	–	–	(190,808)	–
Less: Cash and cash equivalents acquired	<u>(18,969)</u>	<u>(1,945)</u>	<u>(27,087)</u>	<u>(404)</u>
	<u>(18,969)</u>	<u>(1,945)</u>	<u>81,240</u>	<u>6,568</u>

*Note:* During the six months ended 30 June 2022, the Company has settled the consideration payable for prior year acquisition of approximately HK\$7,170,000 and the net cash paid for acquisition of subsidiaries, net of cash acquired, during the period was approximately HK\$74,064,000.



*Notes:*

(i) Brand name

The brand name arising from business combination represents the reputable and established brand that is widely recognised by public in the dental industry. None of the brand name recognised is expected to be deductible for income tax purposes.

(ii) Non-controlling interests

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

(iii) 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 local dentists, ophthalmologists, optometrists and supporting staff. None of the goodwill recognised is expected to be deductible for income tax purposes.

(iv) Acquisition-related costs

Acquisition-related costs represent legal and professional fees incurred to effect the business combinations. Total acquisition-related costs amounted to HK\$301,000 is charged to the condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2022.

(v) Revenue and profit/(loss) contribution

Champion Eye contributed revenue of approximately HK\$64,965,000 and net profit of approximately HK\$2,117,000 to the Group since acquisition date. OPT contributed revenue of approximately HK\$9,216,000 and net profit of approximately HK\$1,589,000 to the Group since acquisition date. Shenzhen CKJ contributed revenue of approximately HK\$48,566,000 and net loss of approximately HK\$15,786,000 to the Group since acquisition date. Other clinics contributed revenue of approximately HK\$2,907,000 and net loss of approximately HK\$31,000 to the Group since acquisition date. Had the business combinations taken place at 1 January 2022, the condensed consolidated interim statement of comprehensive income would show pro-forma revenue and net loss of approximately HK\$898,911,000 and HK\$5,912,000, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Overview and business development

With the continuing impact of COVID-19, the business environment for the six months ended 30 June 2022 (the “**2022 Interim Period**”) was challenging. However, the Group maintained 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. Despite the challenges we faced, our diverse portfolio of businesses was resilient. Leveraging on our strong reputation in quality medical services, our consolidated revenue increased by 69.1%, reaching HK\$881.6 million for the 2022 Interim Period.

#### Development in Hong Kong

Although the COVID-19 situation remained precarious, 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, we started our business in dental, optometry, oncology, and medical aesthetics in Hong Kong. In 2022, we continue to expand our business scope.

In January 2022, the Group acquired 100% of the equity interests in Champion Eye Centre Limited (“**Champion Eye**”) (嘉賓眼科中心有限公司), which has over 20 years of history and operates two clinics in Causeway Bay and Jordan. 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.

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 60% of the equity interest in The Optometry (OPT) Centre Limited (“**OPT**”), an optometry group with centres located in Sai Wan, North Point, Mong Kok and Tseung Kwan O, and completion of the acquisition took place in January 2022. This complemented the Group’s existing business, created patient traffic from these optometry centres to the Group’s ophthalmology clinic network, and further expanded the Group’s service network to additional locations in Hong Kong. It is expected that OPT will further expand into different locations in Hong Kong to serve the customers of the Group.

For dental business in Hong Kong, we started to provide our services in Causeway Bay, Tsim Sha Tsui, Diamond Hill and Shatin in 2021, and we expanded our service locations to Central, Kwun Tong, and Wan Chai in 2022.

Further, we started our clinical research business in July 2022 which may bring us opportunities for collaboration with different biotech companies for, among others, research and clinical work. We expanded our general practice clinic network to Tai Wai and Olympic (Tai Kok Tsui) in April 2022 and July 2022 respectively.

In addition, the Group has been a distributor of COVID-19 related medical consumables in Hong Kong since February 2022. In view of the severe outbreak of the fifth wave of COVID-19 in Hong Kong in the first quarter of 2022, the revenue from the sales of COVID-19 related medical consumables amounted to HK\$220.7 million during the 2022 Interim Period, which neutralized the adverse impact to our medical business from COVID-19.

### **Development in Mainland China**

We experienced substantial development in Mainland China with the setting up of eye clinics, centres and hospitals during the 2022 Interim Period. Our ninth and tenth eye hospital/centre are located in Guangzhou (廣州) and Jieyang (揭陽) of Guangdong Province (廣東省), which commenced operations in April 2022 (with an area of about 5,400 square meters with four operating theatres and twelve consultation rooms), and in August 2022 (with an area of about 5,500 square meters with three operating theatres and three consultation rooms), respectively. Furthermore, our eye clinic in Nanshan, Shenzhen commenced operations in June 2022. This further strengthened our service network in Shenzhen and the GBA.

In February 2022, we completed our investment of 61.5% equity interest of Shenzhen C-MER Aikangjian Dental Group Co., Ltd. (previously known as Shenzhen Aikangjian Group Co., Ltd.) (深圳市希瑪愛康健口腔集團有限公司, previously known as 深圳市愛康健齒科集團股份有限公司) (“**Shenzhen CKJ**”), which became a non-wholly owned subsidiary of the Company. Shenzhen CKJ has one dental hospital and twelve dental clinics in Shenzhen. We are in the process of integrating the business of Shenzhen CKJ with the Group to leverage 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 Mainland China, and we strive to unlock the full potential and value of Shenzhen CKJ’s brand and platform.

## Revenue Overview

Our revenue had experienced a rapid growth during the 2022 Interim Period, generating a total revenue of HK\$881.6 million (six months ended 30 June 2021: HK\$521.4 million), representing a significant increase of 69.1% from the corresponding period in 2021. The increase was due to (i) the revenue from sales of medical consumables in Hong Kong starting from February 2022, which amounted to HK\$220.7 million during the 2022 Interim Period; (ii) the increase in revenue during the 2022 Interim Period from our medical services in Hong Kong by 42.3% to HK\$363.1 million (six months ended 30 June 2021: HK\$255.1 million); and (iii) the revenue from the our newly acquired dental business in Shenzhen, Shenzhen CKJ, which amounted to HK\$48.6 million after the completion in February 2022 and up to 30 June 2022.

For the 2022 Interim Period, we generated 66.2% (six months ended 30 June 2021: 48.9%) of our revenue in Hong Kong and 33.8% (six months ended 30 June 2021: 51.1%) of our revenue in Mainland China.

With the increasing demand of quality medical services and the sizeable and expanding network of our clinics in Hong Kong, our revenue derived from our operation in Hong Kong increased by 128.9% to HK\$583.8 million (six months ended 30 June 2021: HK\$255.1 million) due to the new business segment of the sales of medical consumables, the integration of our newly acquired businesses of Champion Eye and OPT, and the organic growth from our core medical services.

Our revenue derived from our operation in the Mainland China recorded an increase of 11.8% during the 2022 Interim Period as a result of the integration of our newly acquired business of Shenzhen CKJ.

In the midst of COVID-19, the total revenue from the hospitals in Futian and Baoan, Shenzhen decreased slightly by 7.2% and amounted to HK\$135.0 million (six months ended 30 June 2021: HK\$145.4 million) for the 2022 Interim Period, despite the health growth demonstrated by our hospital in Baoan, Shenzhen, which recorded revenue of HK\$32.2 million for the 2022 Interim Period (six months ended 30 June 2021: HK\$30.6 million), representing an increase of 5.2%.

Our eye hospital in Beijing was adversely affected by the outbreak of COVID-19 in the region in April 2022, and the revenue of the eye hospital in Beijing decreased by 38.8% and amounted to HK\$29.4 million (six months ended 30 June 2021: HK\$48.0 million).

Our eye hospital in Shanghai had a challenging first half of 2022 due to the stringent COVID-19 restrictions imposed across the city. From March onwards, there was a serious deterioration in business as various lockdowns commenced. The revenue of the eye hospital in Shanghai decreased by 31.7% and amounted to HK\$20.9 million (six months ended 30 June 2021: HK\$30.6 million).

The other two acquired eye hospitals in Kunming and Zhuhai contributed HK\$30.9 million (six months ended 30 June 2021: HK\$30.4 million), and HK\$17.5 million (six months ended 30 June 2021: HK\$10.9 million) to the revenue of the Group, respectively, during the 2022 Interim Period. Operations have been running smoothly and positively after the acquisitions.

The eye hospitals in Huizhou and Guangzhou, and eye centre in Fuzhou commenced full operations in March 2021, April 2022 and December 2021 and contributed HK\$7.3 million (six months ended 30 June 2021: HK\$1.2 million), HK\$5.3 million (six months ended 30 June 2021: Nil) and HK\$2.9 million (six months ended 30 June 2021: Nil) to the revenue of the Group, respectively, during the 2022 Interim Period.

## 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 dentists have expertise and qualifications across a wide range of specialty areas, covering general dentistry, orthodontics and implantology. Our revenue is derived from our fees charged to our clients on consultations, procedures, surgeries and other medical services as well as the sales of vision aid products, including glasses and lens, and medical consumables. In particular, we are a distributor of medical consumables in Hong Kong. The following table sets forth a breakdown of our revenue for the periods indicated as a percentage of total revenue:

	Six months ended 30 June					
	2022		2021		Change	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Provision of ophthalmic services	510,871	58.0	435,922	83.6	74,949	17.2
Sales of medical consumables	220,725	25.0	–	–	220,725	N/A
Provision of dental and other medical services	83,872	9.5	26,540	5.1	57,332	216.0
Sales of vision aid products	66,096	7.5	58,982	11.3	7,114	12.1
	<b>881,564</b>	<b>100.0</b>	<b>521,444</b>	<b>100.0</b>	<b>360,120</b>	<b>69.1</b>

Our revenue was generated from Hong Kong and Mainland China. In Hong Kong, during the 2022 Interim Period, our service network mainly included our three day surgery centres and seven satellite clinics for our ophthalmic services, six dental clinics, six optometry centres, 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, during the 2022 Interim Period, our service network included eight eye hospitals in Shenzhen (Futian and Baoan), Beijing, Shanghai, Guangzhou, Zhuhai, Kunming, Huizhou, our two eye centres in Fuzhou and Nanshan and our three satellite eye clinics in Shanghai, and one dental hospital and twelve dental clinics in Shenzhen. The following table sets forth our revenue according to geographical markets as a percentage of total revenue:

	Six months ended 30 June					
	2022		2021		Change	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Hong Kong	<b>583,824</b>	<b>66.2</b>	255,088	48.9	328,736	128.9
Mainland China	<b>297,740</b>	<b>33.8</b>	266,356	51.1	31,384	11.8
	<b>881,564</b>	<b>100.0</b>	521,444	100.0	360,120	69.1

Our total revenue during the 2022 Interim Period recorded a significant increase of 69.1% as compared with our total revenue during the six months ended 30 June 2021. In addition to the new business segment of the sales of medical consumables which recorded revenue of HK\$220.7 million, the increase was primarily driven by (i) the increase in the revenue generated from the provision of ophthalmic services to HK\$510.9 million during the 2022 Interim Period from HK\$435.9 million during the six months ended 30 June 2021, representing an increase of 17.2%, 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 (ii) the increase in the revenue generated from the provision of dental and other medical services to HK\$83.9 million during the 2022 Interim Period from HK\$26.5 million during the six months ended 30 June 2021, representing an increase of 216.0%, which was primarily attributable to the integration of our newly acquired business of Shenzhen CKJ.

The revenue generated by our business operations in Hong Kong accounted for 66.2% of our total revenue. As a percentage of our total revenue, revenue from Hong Kong increased from 48.9% for the six months ended 30 June 2021 due to the quick growth of our revenue in Hong Kong in 2022 by 128.9%, which grew at a faster pace than that in Mainland China, which grew by 11.8% for the 2022 Interim Period.

## 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 categories for the periods indicated as a percentage of total revenue generated from the provision of ophthalmic services:

	Six months ended 30 June					
	2022		2021		Change	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Consultation and other medical service fees						
– Hong Kong	<b>117,661</b>	23.0	87,051	20.0	30,610	35.2
– Mainland China	<b>53,367</b>	10.5	54,533	12.5	(1,166)	(2.1)
	<b>171,028</b>	33.5	141,584	32.5	29,444	20.8
Surgery fees						
– Hong Kong	<b>196,909</b>	38.5	140,899	32.3	56,010	39.8
– Mainland China	<b>142,934</b>	28.0	153,439	35.2	(10,505)	(6.8)
	<b>339,843</b>	66.5	294,338	67.5	45,505	15.5
	<b>510,871</b>	100.0	435,922	100.0	74,949	17.2

The ophthalmic services provided by us included surgeries for the treatment of not only cataract, glaucoma and strabismus, but also eye diseases, including corneal and vitreoretinal diseases. Generally speaking, ophthalmic services 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 for the 2022 Interim Period:

	<b>Six months ended 30 June</b>		Change (%)
	<b>2022</b>	2021	
<b>For Hong Kong</b>			
Total surgery fee ( <i>in HK\$'000</i> )	<b>196,909</b>	140,899	39.8
Number of surgeries performed by us	<b>7,375</b>	5,267	40.0
Average surgery fee ( <i>HK\$</i> )	<b>26,700</b>	26,751	(0.2)
<b>For Mainland China</b>			
Total surgery fee ( <i>in HK\$'000</i> )	<b>142,934</b>	153,439	(6.8)
Number of surgeries performed by us	<b>10,172</b>	9,537	6.7
Average surgery fee ( <i>HK\$</i> )	<b>14,052</b>	16,089	(12.7)

In Hong Kong, the average surgery fee was stable. However, the surgery volume increased by 40.0% to 7,375 during the 2022 Interim Period 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 decreased by 12.7% due to the change of surgery mix. The number of surgeries increased by 6.7% to 10,172 during the 2022 Interim Period, which was mainly attributable to the new eye hospitals/centre in Huizhou, Guangzhou and Fuzhou.

### **Sales of medical consumables**

The Group has been a distributor of COVID-19 related medical consumable in Hong Kong since February 2022, and the revenue from their sales amounted to HK\$220.7 million, representing approximately 25.0% (six months ended 30 June 2021: Nil) of our total revenue for the 2022 Interim Period, which neutralized the adverse impact to our medical business from COVID-19.

### **Provision of dental and other medical services**

We started our dental, oncology, medical aesthetics and laboratory services in 2021 and our revenue generated from these services during the 2022 Interim Period amounted to approximately HK\$83.9 million, representing approximately 9.5% (six months ended 30 June 2021: 5.1%) of our total revenue.



## 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 2022 Interim Period, our revenue generated from the sales of vision aid products amounted to HK\$66.1 million, representing an increase of 12.1% as compared to that during the six months ended 30 June 2021.

## Cost of revenue

The following table sets forth an analysis of our cost of revenue for the periods indicated, presented as a percentage of total revenue:

	Six months ended 30 June				Change	
	2022		2021		HK\$'000	%
	HK\$'000	% to revenue	HK\$'000	% to revenue		
Doctors' consultation fees	150,559	17.1	93,815	18.0	56,744	60.5
Cost of inventories and consumables	275,610	31.3	120,724	23.2	154,886	128.3
Staff salaries and allowance	109,834	12.5	63,352	12.1	46,482	73.4
Depreciation of right-of-use assets	47,671	5.4	30,427	5.8	17,244	56.7
Depreciation of property, plant and equipment	30,404	3.4	19,269	3.7	11,135	57.8
Others	21,442	2.4	14,999	2.9	6,443	43.0
Total	<u>635,520</u>	<u>72.1</u>	<u>342,586</u>	<u>65.7</u>	<u>292,934</u>	85.5

As compared with the six months ended 30 June 2021, during the 2022 Interim Period, in Mainland China, apart from Shenzhen CKJ with one dental hospital and twelve dental clinics in Shenzhen, there were two new service locations that commenced operations to meet the increased demand of ophthalmic services, including the eye hospital in Guangzhou and the eye centre in Fuzhou which commenced operation in April 2022 and December 2021 respectively, which made primary contributions to the increase of cost of revenue. In Hong Kong, as compared with the six months ended 30 June 2021, during the 2022 Interim Period, there were two newly acquired clinics of Champion Eye, the four centres of OPT, four 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, which made primary contributions to the increase of cost of revenue.

Accordingly, our cost of revenue increased by 85.5% from HK\$342.6 million for the six months ended 30 June 2021 to HK\$635.5 million for the 2022 Interim Period, primarily as a result of (i) an increase in cost of inventories and consumables of HK\$154.9 million, (ii) an increase in doctors' consultation fees of HK\$56.7 million, and (iii) an increase in staff salaries and allowance of HK\$46.5 million.

## Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin according to particular type of service or goods, or services or goods within a particular geographical region for the periods indicated:

	2022		2021		Change	
	Gross profit HK\$'000 (Unaudited)	GP %	Gross profit HK\$'000 (Unaudited)	GP %	Gross profit HK\$'000	%
HK medical business	83,149	22.9	78,751	30.9	4,398	5.6
Sales of medical consumables	96,147	43.6	–	–	96,147	N/A
Mainland China ophthalmic business	62,605	25.1	100,107	37.6	(37,502)	(37.5)
Mainland China dental business	4,143	8.5	–	–	4,143	N/A
	<b>246,044</b>	<b>27.9</b>	<b>178,858</b>	<b>34.3</b>	<b>67,186</b>	<b>37.6</b>

With the expanded scope of our operations, our gross profit for the 2022 Interim Period amounted to HK\$246.0 million, representing an increase of 37.6% from HK\$178.9 million during the six months ended 30 June 2021. Our gross profit margin was 27.9% during the 2022 Interim Period, as compared with 34.3% during the six months ended 30 June 2021. The gross profit margin for our business segment of Mainland China ophthalmic business decreased to 25.1% from 37.6%, primarily due to the COVID-19 restrictions imposed in certain Mainland China cities that the Group operates during the 2022 Interim Period, and the gross profit margin for our business segment of HK medical business recorded a decrease to 22.9% from 30.9% due to the adverse impact of COVID-19. Our new business segments of sales of medical consumables and Mainland China dental business recorded a gross profit margin of 43.6% and 8.5%, respectively.

## Selling expenses

Our selling expenses increased by 5.4% from HK\$51.7 million for the six months ended 30 June 2021 to HK\$54.5 million for the 2022 Interim Period, primarily due to an increase in promotional expenses in Mainland China for the increased number of the eye hospitals and centres. The amount of selling expenses, as a percentage of our total revenue, decreased from 9.9% for the six months ended 30 June 2021 to 6.2% for the 2022 Interim Period. The fees paid to online platforms represented the major component of our selling expenses.

## Administrative expenses

Our total administrative expenses had an increase of 52.3% as compared with HK\$104.6 million during the six months ended 30 June 2021. The increase in our administrative expenses during the period was primarily driven by the increase in our staff salaries and allowances as a result of business expansion.

**Other income**

Our other income during the 2022 Interim Period consisted primarily of the management fee income from an associate and government grants, and increased to HK\$12.7 million from HK\$1.8 million during the six months ended 30 June 2021. The increase was primarily contributed by the increase in management fee income from an associate.

**Other losses, net**

Our other losses, net during the 2022 Interim Period amounted to HK\$27.9 million and mainly consisted of fair value loss on a financial asset at fair value through profit or loss and foreign exchange losses.

**Finance costs, net**

Our finance costs, net increased from HK\$3.5 million for the six months ended 30 June 2021 to HK\$8.3 million for the 2022 Interim Period, primarily due to the increase in interest expenses on lease liabilities as a result of business expansion.

**Income tax expense**

Our income tax expense during the 2022 Interim Period amounted to HK\$21.6 million, representing an increase by 123.5% from HK\$9.7 million during the six months ended 30 June 2021. The increase was primarily due to the increase in the profit before tax for the operations in Hong Kong.

**Profit for the period**

As a result of the foregoing, our profit for the 2022 Interim Period amounted to HK\$3.5 million (six months ended 30 June 2021: HK\$12.6 million), the decrease was primarily due to the adverse impact of COVID-19 and the losses incurred by the operations in Mainland China, which was partially offset by profits derived from the sales of medical consumables in Hong Kong.

**Events after the date of statement of financial position**

There were no material subsequent events occurred to the Group after 30 June 2022 and up to date of this announcement.

## OUTLOOK AND STRATEGIES

The implementation of the favorable policies to the medical industry in the Mainland China, the development of the GBA and the increasing urbanisation and living standards of the middle-class population in the Mainland China are expected to drive the demand for quality ophthalmic, dental 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 specialty medical clinics in Hong Kong;
- continue to improve our operational capacity and service quality; and
- identify suitable strategic partners for collaboration.

## OTHER INFORMATION

### INTERIM DIVIDEND

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

### SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 19 January 2022, the Group completed the acquisition of 100% of the equity interests in Champion Eye, at a consideration settled by allotment and issue of 8,790,000 shares of the Company (their value being approximately equivalent to HK\$50,367,000 based on the published share price on the agreed date, 20 January 2022), under the sale and purchase agreements dated 4 January 2022. Further details of the acquisition of Champion Eye can be found in the announcement of the Company dated 4 January 2022.

On 19 January 2022, the Group completed the acquisition of 60% of the equity interests in OPT, at a total consideration of HK\$34,500,000 (comprising of an acquisition price of HK\$13,800,000 and a shareholder's loan of HK\$20,700,000 provided to OPT), under an investment agreement dated 10 November 2021. Further details of the acquisition of OPT can be found in the announcement of the Company dated 10 November 2021.

On 17 February 2022, the Group completed its investment to own an 61.5% equity interest of Shenzhen CKJ at a total consideration of RMB430,500,000 (comprising of a 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 (collectively, the “**Equity Investment Agreement**”)) and an equity transfer agreement dated 24 November 2021. Under the Equity Investment Agreement, the Group will give security against its payment obligations under the Equity Investment

Agreement, and interests representing approximately RMB34.6 million, or 55.0%, of Shenzhen CKJ's registered capital had been pledged under this arrangement. 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.

## **UPDATES ON THE RESULT OF REVENUE GUARANTEE AFTER ACQUISITION**

Reference is made to the Company's announcement on 28 August 2020 and page 8 of the Company's 2020 annual report in relation to acquisition (the "**Acquisition**") of a satellite clinic (the "**Acquired Practice**") in Central from a reputable ophthalmologist.

The Company prepared the management accounts of the Acquired Practice for the first twelve months after the closing of the Acquisition (i.e. from September 2020 to August 2021) and the Board is pleased to confirm that the revenue guarantee of not less than HK\$12.0 million for the same period had been met.

## **CORPORATE GOVERNANCE**

The Board is committed to maintaining high corporate governance standards.

In the opinion of the Board, during the 2022 Interim Period, the Company has complied with all applicable code provisions as set forth in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, 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 (the "**Chairman**") and chief executive officer (the "**CEO**") should be separate and should not be performed by the same individual. Dr. LAM Shun Chiu Dennis *JP* ("**Dr. Lam**") is both our Chairman and CEO and is responsible for the overall management of our Group and directing the strategic development and business plans of our Group.

The Board believes that vesting the roles of the Chairman and CEO 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) 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.

## **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 his or her compliance with the Model Code throughout the 2022 Interim Period. No incident of non-compliance of the Model Code by the Relevant Employees was noted by the Company during the 2022 Interim Period.

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

Save for the issue of the Subscription Shares (as defined below) under the 2022 Subscription (as defined below) as disclosed in this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the 2022 Interim Period.

## **USE OF PROCEEDS FROM THE GLOBAL OFFERING**

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

To maximise the flexibility of the Group in capturing potential acquisition opportunities as and when such opportunities arise, the Board has resolved and announced on 29 March 2022 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.

During the 2022 Interim Period, net proceeds in the amount of approximately HK\$13.9 million were used, consisting of (1) HK\$8.2 million for establishing the eye clinic in Nanshan (Shenzhen) and the eye centre in Fuzhou, and (2) HK\$5.7 million for establishing the eye hospitals in Jieyang and Foshan.

The table below sets out the actual use of unutilised net proceeds from the Global Offering during the 2022 Interim Period:

Use of net proceeds from the Global Offering	Planned	Net proceeds brought forward as	Actual	Unutilised	Expected
	application of net proceeds	at 1 January 2022	usage up to 30 June 2022	net proceeds as at 30 June 2022	timeline for utilizing the remaining unutilised net proceeds
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Possible acquisition(s), and/or establishment of eye clinic(s), eye centre(s) and eye hospital(s) in Hong Kong and Mainland China	151,121	151,121	13,852	137,269	By the end of 2023

#### USE OF PROCEEDS FROM THE 2022 SUBSCRIPTION

On 13 January 2022, the Company entered into a placing and subscription agreement with C-MER Group Limited (the “**Seller**”), Dr. Lam and UBS AG Hong Kong Branch, as the placing agent, in respect of the placing of an aggregate amount of 90,000,000 existing ordinary shares of the Company (the “**Placing Shares**”) at the price of HK\$6.48 per Placing Share to not less than six independent professional, institutional and/or individual investors (the “**2022 Placing**”). The aggregate nominal or par value of the Placing Shares is HK\$9,000,000, and the closing price of the Company as stated in the daily quotation sheet issued by the Stock Exchange on 12 January 2022, being the last full trading date prior to the date of the placing and subscription agreement, was HK\$7.18 per Placing Share. The Seller then subscribed (the “**2022 Subscription**”) for 76,500,000 Shares (the “**Subscription Shares**”) that were subsequently issued by the Company at the subscription price of HK\$6.48 per Subscription Share (collectively, “**the 2022 Placing and the 2022 Subscription**”). The 2022 Placing and the 2022 Subscription were completed on 17 January 2022 and 20 January 2022, respectively. The net subscription price (after deduction of the expenses incurred by the Seller in relation to the 2022 Placing and the 2022 Subscription) of each Subscription Share was approximately

HK\$6.41. The net proceeds from the 2022 Subscription (after deducting relevant fees and expenses borne or incurred by the Company) were approximately HK\$490.6 million. The table below sets out the planned applications of the net proceeds and their actual usage up to 30 June 2022:

	Planned applications of net proceeds	Percentage of total net proceeds	Net proceeds brought forward	Actual usage up to	Unutilised net proceeds as at	Expected timeline for utilising the remaining net proceeds
			as at 1 January 2022			
Use of proceeds from the 2022 Subscription	HK\$'000		HK\$'000	HK\$'000	HK\$'000	
For funding merger and acquisition; expansion of our hospital and service network; and as general working capital for the Group	490,600	100%	Not applicable	144,596	346,004	By the end of 2024

During the period ended 30 June 2022, net proceeds from the 2022 Subscription in the amount of approximately HK\$144.6 million were used, consisting of (1) HK\$4.0 million for the working capital to our hospitals in Mainland China at investment stage, (2) a total of HK\$17.9 million for the payment of the acquisition of a dental clinic and an oncology centre, and establishing two dental clinics and a medical clinic in Hong Kong, and (3) HK\$122.7 million for the payment of the investment in Shenzhen CKJ, which operates a dental business in Shenzhen.

## AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

The Audit Committee has reviewed with the management the accounting principles as well as practices adopted by the Group and discussed risk management and internal control as well as financial reporting matters including the review of the unaudited condensed consolidated interim financial information for the 2022 Interim Period with the Directors. In addition, 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 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.cmereye.com](http://www.cmereye.com). The interim report of the Company for the 2022 Interim Period will be dispatched to the shareholders of the Company and made available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board  
**C-MER Eye Care Holdings Limited**  
**Dr. LAM Shun Chiu Dennis JP**  
*Chairman and Chief Executive Officer*

Hong Kong, 30 August 2022

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