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EuroEyes International Eye Clinic Limited
德視佳國際眼科有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1846)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

KEY FINANCIAL HIGHLIGHTS

The board of directors (the "**Board**") of EuroEyes International Eye Clinic Limited (the "**Company**") hereby announces the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019. The annual results have been reviewed by the Company's audit committee and agreed by the external auditors of the Company.

The key financial highlights are as follows:

	Year ended 31 December		
	2019	**2018**	**Change**
	€'000	***€'000***	***%***
Revenue	48,965	42,961	14.0
Gross profit	20,252	17,416	16.3
Adjusted gross profit (1)	20,621	17,416	18.4
(Loss)/profit for the year	(420)	4,291	(109.8)
Adjusted net profit after tax for the year (2)	5,730	5,501	4.2

Notes:

(1) Adjusted gross profit is derived from adding pre-operating expenses for the two new clinics in the People's Republic of China (the "**PRC**") in 2019 to the gross profit.

(2) Adjusted net profit after tax for the year is derived from adding pre-operating expenses for the two new clinics in the PRC, listing expenses and foreign exchange loss in relation to the proceeds from the Company's global offering to the loss/profit for the year.

NON-IFRS FINANCIAL MEASURES

To supplement the Group's consolidated financial statements which are prepared in accordance with the International Financial Reporting Standards ("**IFRS**"), the Group has provided adjusted gross profit and adjusted net profit after tax ("**Adjusted NPAT**") for the year (excluding effects from non-cash related items and one-off events which include, but are not limited to, pre-operating expenses of new clinics, listing expenses and net exchange losses), as additional financial measures, which are not required by, or presented in accordance with, IFRS. The Company believes that the non-IFRS financial measures are useful for understanding and assessing the Group's underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these non-IFRS financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the Group's business. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. Shareholders and investors should not view the non-IFRS financial results on a stand-alone basis or as a substitute for results prepared in accordance with IFRS, or as being comparable to results reported or forecasted by other companies.

Non-IFRS adjusted gross profit and adjusted net profit after tax for the year

	Year ended 31 December	
	2019	**2018**
	€'000	***€'000***
Gross profit	20,252	17,416
Add:		
Pre-operating expenses	369	–
Adjusted gross profit	**20,621**	**17,416**
(Loss)/profit for the year	(420)	4,291
Add:		
Pre-operating expenses	863	–
Listing expenses	4,811	1,210
Foreign exchange loss in relation to the proceeds from the global offering	476	–
Adjusted NPAT	**5,730**	**5,501**

Notes:

(1) The Company presents the unaudited non-IFRS financial measures to supplement the Group's consolidated statement of comprehensive income for the year ended 31 December 2019 that are prepared in accordance with IFRS to provide additional information about the Group's operating performance. The Company believes that the non-IFRS financial measures are useful for its management and investors to assess the Group's financial performance and financial condition as: (i) these are non-IFRS financial measures which are used by the management of the Company to evaluate the Group's financial performance by eliminating the impact of non-recurring items which are considered not indicative for evaluating the actual performance of the Group's business; and (ii) the Company recorded certain significant one-off expenses during the year. In particular, the Company incurred significant amount of listing expenses relating to the preparation of the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), which had a significant impact on the Group's IFRS net loss/profit for the year. The listing expenses are non-recurring in nature.

(2) None of the unaudited non-IFRS financial measures is a recognised term under IFRS. They do not have a standardised meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, and they should not be construed as an alternative to other financial measures determined in accordance with IFRS. You should not consider the Company's definition of adjusted gross profit and adjusted NPAT in isolation or construe it as an alternative to gross profit and loss/profit for the year indicated or as an indicator of operating performance or any other standard measure under IFRS.

(3) The Company defines adjusted gross profit as gross profit adjusted for the impact of significant one-off items.

(4) The Company defines adjusted NPAT as net loss/profit for the year adjusted for the after-tax impact of significant one-off items.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019	2018
		€'000	*€'000*
Revenue	4	48,965	42,961
Cost of sales	5	(28,713)	(25,545)
Gross profit		**20,252**	**17,416**
Selling expenses	5	(6,861)	(5,529)
Administrative expenses			
– Listing expenses	5	(4,811)	(1,210)
– Other administrative expenses	5	(5,227)	(2,673)
Net impairment losses on financial assets		(48)	(86)
Other gains, net	6	162	238
Operating profit		**3,467**	**8,156**
Finance income	7	281	22
Finance expenses	7	(1,318)	(847)
Finance expenses, net		(1,037)	(825)
Profit before tax		**2,430**	**7,331**
Income tax expense	8	(2,850)	(3,040)
(Loss)/profit for the year		**(420)**	**4,291**
Other comprehensive (loss)/income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		(114)	25
Total comprehensive (loss)/income for the year		**(534)**	**4,316**
(Loss)/profit attributable to:			
– Owners of the Company		(392)	3,833
– Non-controlling interests		(28)	458
		(420)	4,291
Total comprehensive (loss)/income attributable to:			
– Owners of the Company		(474)	3,857
– Non-controlling interests		(60)	459
		(534)	4,316
(Loss)/earnings per share attributable to owners of the Company for the year			
– (Loss)/earnings per share (basic and diluted) (Cents per share)	9	(0.153)	1.645

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019	2018
		€'000	*€'000*
Assets			
Non-current assets			
Property, plant and equipment		38,013	36,772
Intangible assets		608	693
Goodwill		759	759
Deferred tax assets		2,488	2,119
Prepayments		–	247
Deposits and other receivables		1,800	1,444
Total non-current assets		**43,668**	**42,034**
Current assets			
Inventories		3,529	3,458
Prepayments		786	1,760
Income tax recoverable		301	31
Deposits and other receivables		2,734	1,585
Trade receivables	10	286	517
Cash and cash equivalents		90,215	16,558
Total current assets		**97,851**	**23,909**
Total assets		**141,519**	**65,943**
Equity			
Equity attributable to owners of the Company			
Share capital		2,976	30
Share premium		72,107	–
Other reserves		11,119	11,201
Retained earnings		6,265	14,057
Total equity attributable to owners of the Company		**92,467**	**25,288**
Non-controlling interests		5,075	1,387
Total equity		**97,542**	**26,675**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2019

	Note	2019	2018
		€'000	*€'000*
Liabilities			
Non-current liabilities			
Borrowings – non-current		740	5
Lease liabilities – non-current		20,815	21,245
Put options		118	118
Deferred tax liabilities		929	1,038
Total non-current liabilities		**22,602**	**22,406**
Current liabilities			
Trade payables	11	2,863	1,865
Contract liabilities		799	675
Income tax liabilities		1,309	4,493
Accruals and other payables		11,149	4,919
Borrowings – current		217	43
Lease liabilities – current		5,038	4,867
Total current liabilities		**21,375**	**16,862**
Total liabilities		**43,977**	**39,268**
Total equity and liabilities		**141,519**	**65,943**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

EuroEyes International Eye Clinic Limited (the "**Company**") and its subsidiaries (together the "**Group**") are principally engaged in the provision of vision correction services in Germany, Denmark and the People's Republic of China (the "**PRC**"). The Company was incorporated in the Cayman Islands on 13 August 2018 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 its registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). These financial statements are presented in Euro, unless otherwise stated.

2 BASIS OF PREPARATION

(i) Compliance with IFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board and requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

(iii) New and amended standards not yet adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective until the financial year beginning on or after 1 January 2020:

IFRS 17	Insurance contracts[2]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to IAS 1 and IAS 8	Definition of material[1]
Amendments to IFRS 3	Definition of a business[1]
Conceptual Framework for Financial Reporting 2020[1]	

[1] Effective for annual periods beginning on or after 1 January 2020.

[2] Effective for annual periods beginning on or after 1 January 2021.

[3] Effective date to be determined.

The Group's assessment of these new standards did not identify a significant impact on the Group's financial statements.

3 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors of the Company that are used to make strategic decisions.

Description of segments and principal activities

The Company's executive directors examine the Group's performance both from a product and geographical perspective and have identified three reportable segments of its business: Germany, China and Denmark.

The executive directors of the Company assess performance of the operating segments based on review of their revenue, cost of sales, gross profit and earnings before finance expenses, net, tax, depreciation and amortisation ("**EBITDA**").

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2019 is as follows:

	Germany segment	China segment	Denmark segment	Inter-segment elimination	Total
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
Segment total revenue	31,180	12,931	5,810	(956)	48,965
Cost of sales	(16,838)	(8,889)	(3,911)	925	(28,713)
Gross profit	14,342	4,042	1,899	(31)	20,252
Adjusted EBITDA	10,898	2,976	1,558	5	15,437
Unallocated					
Corporate expenses					(4,377)
Finance income					281
Finance expenses					(1,318)
Depreciation and amortisation					(7,593)
Profit before tax					2,430
Income tax expense					(2,850)
Loss for the year					**(420)**

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2018 is as follows:

	Germany segment	China segment	Denmark segment	Inter-segment elimination	Total
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
Segment total revenue	27,473	12,110	3,987	(609)	42,961
Cost of sales	(15,430)	(7,052)	(3,055)	(8)	(25,545)
Gross profit	12,043	5,058	932	(617)	17,416
Adjusted EBITDA	10,525	5,593	911	(1,522)	15,507
Unallocated					
Corporate expenses					(1,309)
Finance income					22
Finance expenses					(847)
Depreciation and amortisation					(6,042)
Profit before tax					7,331
Income tax expense					(3,040)
Profit for the year					**4,291**

4 REVENUE

Revenue from external customers are mainly derived from provision of vision correction services and rental of ophthalmic equipment and operating spaces.

Breakdown of revenue by product category is as follows:

	2019	2018
	€'000	*€'000*
Revenue from contracts with customers (a)		
Provision of vision correction services	48,386	42,386
Sales of pharmaceutical products	45	73
Others	179	98
	48,610	42,557
Rental of ophthalmic equipment and operating spaces	355	404
	48,965	42,961

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

	2019	2018
	€'000	*€'000*
Germany	30,225	26,864
China	12,931	12,110
Denmark	5,809	3,987
	48,965	42,961

There is no single external customer that contributes to more than 10% of the Group's revenue for the years ended 31 December 2019 and 2018.

The Group has no revenue contract that has an original expected duration of more than one year, thus management applied practical expedient under IFRS 15 and is not disclosing the aggregate amount of the transaction price allocated to the performance obligation that is unsatisfied or partially satisfied as of the end of the reporting period.

(a) Disaggregation of revenue from contracts with customer

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major business segments and geographical regions for the year ended 31 December 2019:

	Provision of vision correction services			Sales of pharmaceutical products			Others			Total
	Germany	China	Denmark	Germany	China	Denmark	Germany	China	Denmark	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Segment revenue	29,654	12,931	5,801	37	–	8	1,134	–	1	49,566
Inter-segment revenue	–	–	–	–	–	–	(955)	–	(1)	(956)
Revenue from external customers	29,654	12,931	5,801	37	–	8	179	–	–	48,610
Timing of revenue recognition										
– At a point in time	–	–	–	37	–	8	179	–	–	224
– Over time	29,654	12,931	5,801	–	–	–	–	–	–	48,386
	29,654	12,931	5,801	37	–	8	179	–	–	48,610

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major business segments and geographical regions for the year ended 31 December 2018:

	Provision of vision correction services			Sales of pharmaceutical products			Others			Total
	Germany	China	Denmark	Germany	China	Denmark	Germany	China	Denmark	
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Segment revenue	26,298	12,110	3,978	64	–	9	707	–	–	43,166
Inter-segment revenue	–	–	–	–	–	–	(609)	–	–	(609)
Revenue from external customers	26,298	12,110	3,978	64	–	9	98	–	–	42,557
Timing of revenue recognition										
– At a point in time	–	–	–	64	–	9	98	–	–	171
– Over time	26,298	12,110	3,978	–	–	–	–	–	–	42,386
	26,298	12,110	3,978	64	–	9	98	–	–	42,557

(b) Contract liabilities movement

Contract liability represents collection from customers in advance for vision correction services that are going to be provided in the future. The table below shows the movement of contract liabilities for the year:

	2019	2018
	€'000	*€'000*
Balance at beginning of the year	675	528
Advance collected from customers during the year	46,755	38,164
Revenue recognised from contract liabilities existed at the beginning of the year	(675)	(528)
Revenue recognised from contract liabilities occurred during the year	(45,956)	(37,489)
Balance at end of the year	799	675

No significant cost was incurred for obtaining revenue contract for the years ended 31 December 2019 and 2018.

5 EXPENSES BY NATURE

	2019	2018
	€'000	*€'000*
Employee benefit expenses	11,823	9,539
Raw materials and consumables	8,517	7,407
Depreciation of property, plant and equipment	7,508	5,957
Advertising and marketing expenditure	5,625	4,728
Doctor's fee	1,332	1,182
Electricity and other utility expenses	1,494	1,139
Clinic, office and consumption expenses	1,172	836
Transportation costs	703	755
Legal and other consulting services fee	807	712
Repair and maintenance	975	665
Auditors' remuneration		
– Audit services	330	143
– Non-audit services	–	–
Amortisation of intangible assets	85	85
Rent on short-term leases	8	–
City construction tax and education surcharge	–	1
Listing expenses	4,811	1,210
Others	422	598
Total	45,612	34,957

6 OTHER GAINS, NET

	2019	2018
	€'000	*€'000*
Loss on disposal of property, plant, and equipment	(15)	–
Social security compensation	108	67
Others	69	171
	162	238

7 FINANCE INCOME AND EXPENSES, NET

	2019	2018
	€'000	*€'000*
Finance income		
Interest income	(281)	(22)
Finance expenses		
Foreign exchange losses, net	384	22
Interest expenses on borrowing from a non-controlling shareholder	8	36
Interest expenses on borrowings	29	14
Interest expenses on leases	803	717
Other finance expenses	94	58
	1,318	847
Net finance expenses	1,037	825

8 INCOME TAX EXPENSE

The Group was subject to different tax jurisdiction mainly in Germany, Denmark, the PRC and Hong Kong with tax rates ranging from 16.5% to 32% during the year (2018: 16.5% to 32%).

Taxation on profits has been calculated on the estimated assessable profit or loss for the year at the rates of taxation prevailing in the countries/places in which the group entities operate.

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

	2019	**2018**
	€'000	***€'000***
Current income tax	3,330	3,267
Deferred income tax		
– Increase in deferred tax assets	(368)	(248)
– (Decrease)/increase in deferred tax liabilities	(112)	21
	(480)	(227)
Income tax expense	2,850	3,040

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	2019	**2018**
	€'000	***€'000***
Profit before tax	2,430	7,331
Tax calculated at the domestic tax rate applicable to profits in the respective jurisdictions	1,854	2,616
Expenses not deductible for tax purposes	950	525
Income not subject to tax	(43)	–
Recognition of deferred tax assets not previously recognised	–	(129)
Utilisation of tax losses not previously recognised	(81)	(100)
Tax losses of certain group entities for which no deferred income tax assets were recognised	170	128
Income tax expense	2,850	3,040

9 (LOSS)/EARNINGS PER SHARE

(a) Basic and diluted (loss)/earnings per share

For the years ended 31 December 2019 and 2018, basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

	2019	**2018**
(Loss)/profit attributable to owners of the Company (€' 000)	(392)	3,833
Weighted average number of ordinary shares in issue (' 000)	256,518	233,012
(Loss)/earnings per share (basic and diluted) (Cents)	(0.153)	1.645

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

	2019	**2018**
	Number	*Number*
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted (loss)/earnings per share (' 000)	256,518	233,012

10 TRADE RECEIVABLES

	2019	**2018**
	€' 000	***€' 000***
Trade receivables due from third parties	306	475
Trade receivables due from related parties	–	138
Total trade receivables	306	613
Less: provision for impairment	(20)	(96)
Total trade receivables, net	286	517

The majority of the Group's sales required advance payments from customers. The remaining amounts are mainly due from insurance companies who pay the Group on a regular basis. As at 31 December 2019 and 2018, the ageing analysis of the trade receivables based on the invoice date was as follows:

	2019	**2018**
	€' 000	***€' 000***
Within 6 months	306	605
Over 6 months but within 1 year	–	–
Over 1 year but within 2 years	–	–
Over 2 years	–	8
	306	613

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

	2019	2018
	€'000	*€'000*
– EUR	122	428
– RMB	94	84
– DKK	90	101
	306	613

(i) Fair value of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(ii) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Given that majority of the Group's sales are paid by customers in advance, the credit loss from trade receivable is considered very low by management.

Movements in the provision for impairment of trade receivables are as follows:

	2019	2018
	€'000	*€'000*
Balance at beginning of the year	96	15
Provision for impairment recognised during the year	51	88
Receivables written off during the year as uncollectible	(124)	(5)
Unsettled amount reversed	(3)	(2)
Balance at end of the year	20	96

The maximum exposure to credit risk as at 31 December 2019 were €286,000 (2018: €517,000).

11 TRADE PAYABLES

As at 31 December 2019 and 2018, the ageing analysis of trade payables based on invoice dates is as follows:

	2019	2018
	€'000	*€'000*
Within 3 months	2,102	1,588
Over 3 months but within 6 months	312	277
Over 6 months but within 1 year	449	–
	2,863	1,865

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

	2019	2018
	€'000	*€'000*
– EUR	1,579	1,168
– RMB	1,050	538
– DKK	234	159
	2,863	1,865

Trade payables are unsecured and are usually paid within 90 days of recognition.

The carrying amounts of trade payables are considered to be approximate as their fair values.

12 DIVIDENDS

	2019	2018
	€'000	*€'000*
Ordinary shares		
Interim dividend for the year ended 31 December 2019 of €217.65 (2018: nil) per fully paid ordinary share on 23 September 2019	7,400	–

13 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Late in 2019, news first emerged from the PRC about the coronavirus disease 2019 (COVID-19). The situation at year end was that a limited number of cases of an unknown virus infection had been reported to the World Health Organisation. In the first few months of 2020, the virus spreaded globally. Management considers this outbreak to be a non-adjusting event after the reporting period. The Group is currently unable to assess the full impact of COVID-19 on its future financial position and the results of operations. However, depending on future developments, it may have a negative impact on the Group.

As at 31 December 2019, the Group had net cash (being cash and cash equivalents less borrowings, lease liabilities and dividend payable) of approximately €56,005,000. Management believes that with the Group's liquidity position, the Group will remain a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The total revenue of the Group for the year ended 31 December 2019 was approximately €49.0 million, of which, the revenue in Germany was approximately €30.2 million, representing 61.7% of the total revenue; the revenue in Denmark was approximately €5.8 million, representing 11.9% of the total revenue; the revenue in the PRC was approximately €12.9 million, representing 26.4% of the total revenue. The Group's business sustained steady growth during the year ended 31 December 2019, which was represented by an overall 14.0% increase in revenue as compared to the year ended 31 December 2018.

The Group's revenue in Germany for the year ended 31 December 2019 increased by 12.5% as compared to the year ended 31 December 2018, of which approximately €13.4 million (2018: approximately €10.8 million) was contributed by performing lens exchange surgery, which represented an increase of 23.8% compared to the year ended 31 December 2018. The Group's revenue in Germany had continued to grow since 2016. The Group has long been a market leader in Germany.

The Group's revenue in Denmark for the year ended 31 December 2019 increased by 45.7% as compared to the year ended 31 December 2018. The Group achieved high revenue growth in Denmark, mainly as a result of the Group's effective marketing strategies in Denmark. In Denmark, the revenue from performing lens exchange surgery was approximately €4.9 million (2018: approximately €3.5 million), which represented an increase of 39.8% as compared to the year ended 31 December 2018.

The Group's revenue in the PRC for year ended 31 December 2019 increased by 6.8% as compared to the year ended 31 December 2018. The growth rate of the Group's business in the PRC was relatively slow during the year ended 31 December 2019, which was primarily due to the fact that the Group's marketing strategies in relation to refractive laser surgery and phakic lens (ICL) surgery have not met expectations. The Group immediately took action to improve marketing strategies which focused on young myopia patients in the PRC. On the other hand, lens exchange surgery remained a strong growth driver in the PRC; the revenue from performing lens exchange surgery was approximately €4.6 million (2018: approximately €3.6 million), representing an increase of 27.8% as compared to the year ended 31 December 2018.

The Group opened two new clinics in the PRC in 2019; the Hangzhou clinic was opened in June 2019 and the Beijing (East) clinic was opened in September 2019. Furthermore, construction of the Group's Chongqing clinic commenced in December 2019.

The revenue from performing lens exchange surgery, which included monofocal and trifocal lens exchange surgeries, was approximately €22.9 million (2018: approximately €17.9 million) which represented 46.8% (2018: 41.8%) of the total revenue for the year ended 31 December 2019. The revenue from performing trifocal lens surgery reached approximately €21.0 million (2018: approximately €15.8 million) which marked a 33.3% increase as compared to the year ended 31 December 2018. The revenue from phakic lens (ICL) surgery was approximately €6.7 million (2018: approximately €6.7 million) and remained a steady source of income, which represented 13.7% (2018: 15.5%) of the total revenue for the year ended 31 December 2019.

The Group's adjusted gross profit for the year ended 31 December 2019 was approximately €20.6 million compared to approximately €17.4 million for the year ended 31 December 2018. The overall adjusted gross profit margin grew healthily to 42.1% (2018: 40.5%).

The gross profit for the year ended 31 December 2019 was approximately €20.3 million, which represented an increase of approximately €2.8 million or 16.3% as compared to the year ended 31 December 2018. The gross profit margin for the year ended 31 December 2019 was 41.4%, which represented an increase of 0.9 percentage points as compared to the year ended 31 December 2018 (2018: 40.5%).

The net loss for the year ended 31 December 2019 was approximately €0.4 million. After adjusting for non-recurring items such as listing expenses, pre-operating expenses of new clinics, and foreign exchange loss in relation to proceeds from the Company's global offering, the Group's Adjusted NPAT was approximately €5.7 million (2018: approximately €5.5 million). The increase was mainly due to the overall growth in revenue.

FINANCIAL REVIEW

1. REVENUE

The Group is a high-end vision correction service provider in Germany, Denmark and the PRC. The Group's vision correction services include refractive laser surgery (which includes ReLEx SMILE and FemtoLASIK), phakic lens (ICL) surgery, lens exchange surgery (which includes monofocal and trifocal lens exchange surgery and others (which includes PRK/LASEK and ICRS implantation). The following table sets forth the Group's revenue by product category for the years indicated:

	Year Ended 31 December					
	2019	**2019**	**2018**	**2018**	**Change**	**Change**
	€'000	**% of total revenue**	***€'000***	**% of total revenue**	***€'000***	***%***
Provision of vision correction services	48,386	98.8	42,386	98.7	6,000	14.2
Rental of ophthalmic equipment and operating spaces	355	0.7	404	0.9	(49)	(12.1)
Sales of pharmaceutical products	45	0.1	73	0.2	(28)	(38.4)
Other	179	0.4	98	0.2	81	82.7
Total	48,965	100.0	42,961	100.0	6,004	14.0

The Group's total revenue for the year ended 31 December 2019 represented an increase of 14.0% as compared to the year ended 31 December 2018. The Group's revenue was generated from Germany, the PRC and Denmark. As at 31 December 2019, the Group had a total of 26 clinics and consultation centres worldwide. The following table sets forth the Group's revenue by geographical location for the years indicated:

	Year Ended 31 December					
	2019	**2019**	**2018**	**2018**	**Change**	**Change**
	€'000	**% of total revenue**	***€'000***	**% of total revenue**	***€'000***	***%***
Germany	30,225	61.7	26,864	62.5	3,361	12.5
The PRC	12,931	26.4	12,110	28.2	821	6.8
Denmark	5,809	11.9	3,987	9.3	1,822	45.7
Total	48,965	100.0	42,961	100.0	6,004	14.0

For the year ended 31 December 2019, the Group generated 61.7% (2018: 62.5%) of its revenue in Germany, 26.4% (2018: 28.2%) in the PRC and 11.9% (2018: 9.3%) in Denmark. As compared to the year ended 31 December 2018, the Group's revenue increased by 12.5% for Germany, 6.8% for the PRC and 45.7% for Denmark.

2. COST OF SALES

For the year ended 31 December 2019, the largest cost of sales item continued to be employee benefits expenses, representing 31.0% (2018: 33.1%) of the total cost of sales, followed by raw materials and consumables used, representing 29.7% (2018: 29.0%) of the total cost of sales.

	2019	**2018**	**Change**
Cost of Sales	***€'000***	***€'000***	***%***
Employee benefit expenses	8,896	8,457	5.2
Raw materials and consumables used	8,517	7,407	15.0
Depreciation of property, plant and equipment	6,281	5,295	18.6
Doctor's fee	1,332	1,182	12.7
Others(1)	3,687	3,204	15.1
Total	28,713	25,545	12.4

Note:

(1) Others mainly included transportation, repair and maintenance of equipment, electricity, utility, clinic, office, and consumption expenses.

The total cost of sales increased by 12.4% for the year ended 31 December 2019 primarily as a result of (i) the increase in cost of raw materials and consumables used by approximately €1.1 million, and (ii) the increase in depreciation of property, plant and equipment by approximately €1.0 million which were mainly related to the right-of-use assets in relation to the Group's operations and equipment used in providing vision correction services.

3. GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth the Group's gross profit and gross profit margin for the years indicated:

	2019	2018	Change
	€'000	*€'000*	*%*
Revenue	48,965	42,961	14.0
Cost of sales	(28,713)	(25,545)	12.4
Gross profit	20,252	17,416	16.3
Gross profit margin	41.4%	40.5%	
Adjusted gross profit (see "Non-IFRS Financial Measures" section)	20,621	17,416	18.4
Adjusted gross profit margin	42.1%	40.5%	

The adjusted gross profit for the year ended 31 December 2019 increased by approximately €3.2 million or 18.4% as compared to the year ended 31 December 2018. The adjusted gross profit margin for the year ended 31 December 2019 was 42.1% (2018: 40.5%), which represented an increase of 1.6 percentage points as compared to the year ended 31 December 2018.

4. SELLING EXPENSES

The Group's selling expenses increased by 24.1% from approximately €5.5 million for the year ended 31 December 2018 to approximately €6.9 million for the year ended 31 December 2019, primarily due to the increase in advertising and marketing expenditure in the PRC. Selling expenses amounted to 14.0% of the Group's total revenue for the year ended 31 December 2019 (2018: 12.9%).

5. ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by 158.5% from approximately €3.9 million for the year ended 31 December 2018 to approximately €10.0 million for the year ended 31 December 2019. This is primarily due to the increase in listing expenses from approximately €1.2 million to approximately €4.8 million, which was a one-time expense; and the increase in employee benefits expenses from approximately €0.6 million to approximately €2.2 million as a result of the strengthening of the finance and administration functions of the Group during the year ended 31 December 2019.

Administrative Expenses	**2019**	**2018**	**Change**
	€'000	***€'000***	***%***
Listing expenses	4,811	1,210	297.6
Employee benefits expenses	2,168	559	287.8
Depreciation of property, plant and equipment	895	518	72.8
Consulting and other service expenses	753	659	14.3
Office and consumption expenses	439	256	71.5
Others	972	681	42.7
Total	10,038	3,883	158.5

6. FINANCE INCOME AND EXPENSES, NET

The Group's finance income increased by approximately 12 times from approximately €22,000 for the year ended 31 December 2018 to approximately €281,000 for the year ended 31 December 2019. The Group's finance expenses increased by 55.6% from approximately €0.8 million for the year ended 31 December 2018 to approximately €1.3 million for the year ended 31 December 2019. The increase was primarily due to the increase in interest expenses on leases and foreign exchange losses which mainly arose from the re-translation of the proceeds from the Company's global offering from Hong Kong dollars to Euro using the year-end exchange rate.

7. BORROWINGS

As at 31 December 2019, the Group had outstanding borrowings of approximately €957,000 (2018: €48,000), of which approximately €217,000 (2018: €43,000) shall be repaid within one year and approximately €740,000 (2018: €5,000) shall be repaid within two to five years. The increase in the Group's borrowings for the year ended 31 December 2019 was mainly due to new borrowings from a financing company.

As at 31 December 2019, the borrowings were denominated in EUR and DKK. Approximately €947,000 (2018: €36,000) of the borrowings held by the Group were at fixed rates which ranged from 1.77% to 6.12% per annum (2018: 1.77% to 6% per annum).

8. FOREIGN EXCHANGE RISK

The subsidiaries of the Company mainly operate in Germany, Denmark and the PRC with most of the transactions being settled in Euro ("**EUR**" or "**€**"), Danish Krone ("**DKK**"), and Renminbi ("**RMB**"), respectively. Foreign exchange risk arises when recognised financial assets and liabilities are denominated in a currency that is not the group entities' functional currency. As at 31 December 2019 and 2018, the financial assets and liabilities of the subsidiaries of the Company in Germany, Denmark and the PRC were primarily denominated in EUR, DKK and RMB, respectively, which were their respective functional currencies.

The Company believes that the foreign exchange risk is insignificant, except for the Group's certain Hong Kong-dollar ("**HKD**") deposits with banks in Hong Kong. As at 31 December 2019, if HKD had weakened/strengthened by 5% against EUR with all other variables being held constant, the total net assets of the Group would have been approximately €3,749,000 (2018: €4,000) lower/higher; post-tax loss for the year ended 31 December 2019 would have been approximately €3,749,000 higher/lower (2018: post-tax profit for the year would have been approximately €4,000 lower/higher).

The Group has not hedged its foreign exchange risks, but will closely monitor the exposure and will take measures when necessary to ensure that the foreign exchange risks are manageable.

9. CHARGES ON GROUP ASSETS

As at 31 December 2019, borrowings of approximately €947,000 (2018: €36,000) were secured by property, plant and equipment with net book value of approximately €1,170,000 (2018: €112,000).

10. CAPITAL COMMITMENTS

Save for the capital commitment of approximately €957,000 (2018: nil) in relation to the addition of property, plant and equipment as at 31 December 2019, the Group had no significant capital commitments.

11. CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2019 and 2018.

12. SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

There were no significant investments held, acquisitions or disposals of subsidiaries by the Group during the year ended 31 December 2019. Save as disclosed in the prospectus of the Company dated 30 September 2019 (the "**Prospectus**"), the Group did not have other plans for significant investments, acquisitions and disposals as at 31 December 2019.

13. FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus and the capital commitment in relation to the addition of property, plant and equipment as mentioned above of which will both be funded by the proceeds from the Company's global offering, the Group did not have other future plans for material investments or capital assets as at 31 December 2019.

OUTLOOK AND STRATEGIES

In order to promote the rapid and sustainable growth of the Group's business in the future, the Group will focus on the following business strategies:

Increasing the Group's influence and business coverage through external acquisitions, mergers and opening of new clinics

At the moment, the Group is closely monitoring effects of the coronavirus disease 2019 ("**COVID-19**") outbreak. The Group will continue to look for suitable eye clinics in Europe for acquisition, so as to continue to enhance the Group's business influence and expand the geographical coverage of the Group's vision correction service in Europe. In the PRC, the Group expects that it will continue its expansion with the construction of the Chongqing clinic and Fuzhou clinic to increase its service coverage.

Meanwhile, the Group will continue to find suitable partners to open new clinics in other metropolitan locations in the PRC. The Group will also continue to find strategic partners to enhance its global presence in relation to providing quality ophthalmic services.

Offering new lines of services such as eye-screening service for diabetic patients, treatment for young presbyopia patients to extend the Group's reach to different patient groups.

The Group plans to start providing eye-screening service, with a specific focus on diabetic patients, in the PRC in 2020. This service is expected to be provided at the Group's Shanghai clinic first, with the plan to expand this throughout the PRC. This eye-screening service will help diabetic patients detect abnormalities in their fundus, especially on their retina, at an early stage in order to achieve the Group's goal of "early screening, early detection, and early treatment". This service will help expand the Group's patient base, increase the Group's service line and provide more frequent services to its patients. The Group will cooperate with large health examination centers, private hospitals and pharmaceutical companies in the PRC to help with the marketing and promotion of these services in the PRC. Meanwhile, eye-screening service will allow the Group's surgeons and conservative ophthalmologists to detect other diseases, such as cataract, macular degeneration and glaucoma, for which the Group can also provide first-line treatments at the Group's existing clinics in the PRC.

In addition, the Group is ready to offer the Extended Depth of Focus Implantable Contact Lens ("**EDOF ICL**") from Staar Surgical to young presbyopia patients in Germany as soon as viable. The new EDOF ICL will help the Group further establish its strong market position in the treatment of presbyopia whilst leading the industry as the adopter of advanced technology and products.

Adopting new technologies and equipment to provide patients with better medical services

The Group will continue to look for new technology to provide high-end patient care services. In order to continuously offer quality services to patients, the Group began to use the Carl Zeiss Artevo 800 3D digital microscope in Germany. By using this technology, surgeons can achieve exceptional digital visualisation during eye surgery. Digital visualisation assists the Group's surgeons to quickly and clearly identify images which are necessary for conducting eye surgery.

The Group also started to use the new Carl Zeiss OCT-AngioPlex in the PRC to provide patients with the option of a non-invasive angiography. This allows the Group's surgeons and conservative ophthalmologists to more easily detect abnormalities in the retina of diabetic patients, thereafter to help the patients better prevent the progression of diabetic retinopathy, to implement necessary treatment, and to reduce the risks of blindness.

The Group will continuously look for latest products and technology to provide better medical services to its patients.

Improving marketing strategies and cooperation with a large professional marketing agency

The Group is excited to have reached a strategic cooperation agreement with a large marketing agency in the PRC. The Company anticipates the Group to adopt an integrated country-wide marketing strategy in the PRC to make its quality service known to the community.

CORPORATE GOVERNANCE

The Company has been listed on the Main Board of the Stock Exchange since 15 October 2019 (the "**Listing Date**") (the "**Listing**").

The Company has applied and complied with the principles set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") from the Listing Date to 31 December 2019, save for the deviation discussed below.

Under code provision A.2.1 of the Corporate Governance Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Jørn Slot Jørgensen ("**Dr. Jørgensen**") is the chairman and also acts as the chief executive officer of the Company given that he has considerable experience in the business of providing ophthalmic services in Germany, Denmark and the PRC. Dr. Jørgensen is the founder of the Group and has been managing the business and overall strategic development since the establishment of the Group. The directors of the Company (the "**Directors**") consider that vesting the roles of both the chairman and the chief executive officer of the Company in Dr. Jørgensen is beneficial to the business prospects and management of the Group by ensuring consistent leadership with the Group and enabling more effective and efficient overall strategic development for the Group following the Listing.

Having considered the corporate governance measures that the Company has implemented, the Directors consider that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. Accordingly, the Company has not segregated the roles of the chairman and the chief executive officer of the Company. The Board will continue to review and consider the separation of the roles of the chairman of the Board and the chief executive officer of the Company at an appropriate time, taking into consideration the business development of the Group as a whole.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date to 31 December 2019.

LIQUIDITY AND CAPITAL RESOURCES

The liquidity requirements of the Company are primarily attributable to the working capital for the Group's business operations. For the year ended 31 December 2019, the principal source of liquidity of the Company was cash generated from the business operations of the Company and proceeds from the Company's global offering. As at 31 December 2019, the Group had cash and cash equivalents of approximately €90.2 million.

The current ratio (calculated as current assets over current liabilities) was 4.6 times as at 31 December 2019 compared with 1.4 times as at 31 December 2018.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as long-term borrowings divided by the total capital. The total capital is calculated as "equity" as shown in the consolidated statement of financial position plus long-term borrowings. The Group's gearing ratio as at 31 December 2019 was 0.75% (2018: 0.02%).

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On 15 October 2019, the shares of the Company were listed on the Main Board of the Stock Exchange. In connection with the Listing, the Company issued 91,234,000 shares at a price of HKD7.50. The aggregate net proceeds from the Company's global offering (after deducting underwriting fees and expenses) amounted to approximately €69,032,000, which will be used for (i) establishing clinics in major cities in the PRC, including Chengdu and Chongqing, (ii) potential acquisition of clinic groups in Europe, (iii) expansion of marketing efforts, and (iv) working capital and general corporate purposes.

The net proceeds from the Company's global offering (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilised in the same manner, proportion and expected timeframe as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds". The table below sets out the planned applications of the net proceeds and actual usage up to 31 December 2019:

Use of net proceeds	**Percentage of the net proceeds (%)**	**Planned application (€ million)**	**Actual usage up to 31 December 2019 (€ million)**	**Unutilised net proceeds as at 31 December 2019 (€ million)**
For establishing clinics in major cities in the PRC	40.0	27.6	–	27.6
For potential acquisition of clinic groups in Europe	33.0	22.8	–	22.8
For the expansion of marketing efforts	17.0	11.7	–	11.7
Working capital and general corporate purposes	10.0	6.9	0.2	6.7
	100.0	69.0	0.2	68.8

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") comprises two independent non-executive Directors and one non-executive Director, namely, Mr. Philip Duncan Wright (chairman of the Audit Committee), Mr. Hans Helmuth Hennig and Mr. Marcus Huascar Bracklo. The Audit Committee monitored and reviewed the management's periodic internal control, assisted by the testing of the control environment of the Group by independent internal audit consultant. The Audit Committee has considered and reviewed the Group's annual results for the year ended 31 December 2019, the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and reporting with the management of the Company. The Audit Committee considers that the annual results for the year ended 31 December 2019 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

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 2019.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2019.

ANNUAL GENERAL MEETING

A notice convening the 2020 annual general meeting of the Company will be issued and despatched to the shareholders of the Company (the "**Shareholders**") in due course.

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 2019 as set out in this announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2019. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by the Company's auditors on this announcement.

EVENTS AFTER THE END OF 31 DECEMBER 2019

Adoption of restricted share award scheme

On 19 March 2020, the Board approved the adoption of the restricted share award scheme (the "**Scheme**") to incentivise skilled and experienced personnel, and to recognise the contributions of participants of the Scheme to the Group. The Scheme will operate in parallel with the share option scheme approved and adopted by the Company on 23 September 2019 and such other equity-based incentive schemes which may be adopted by the Company from time to time.

For further details, please refer to the announcement of the Company dated 19 March 2020 in relation to the adoption of the Scheme.

COVID-19 outbreak

The beginning of the year was marked by the COVID-19 outbreak. In light of the COVID-19 outbreak, countries where the Group operates have implemented emergency public health measures and have taken various actions to prevent the spread of COVID-19, which include, among other things, imposing conditions and restrictions on travel and resumption of work.

In response to the situation, the Group took proactive measures to both establish a solid foundation for business recovery as well as to minimise contact among the patients and the Group's employees.

For further details, please refer to the voluntary announcement of the Company dated 19 March 2020 in relation to the impact of the COVID-19 outbreak on the business operations of the Group.

Save as disclosed above, the Directors are not aware of any significant events requiring disclosure that have taken place subsequent to 31 December 2019 and up to the date of this announcement.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business, financial condition and results of operations could be materially and adversely affected by certain risks and uncertainties. For details, please see the section headed "Risk Factors" of the Prospectus.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company's website at www.euroeyes.hk. The Company's annual report for the year ended 31 December 2019 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in April 2020.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Company for their support and contribution to the Group.

By order of the Board
EuroEyes International Eye Clinic Limited
Dr. Jørn Slot Jørgensen
Chairman and Executive Director

Hong Kong, 25 March 2020

As at the date of this announcement, the Board comprises Dr. Jørn Slot Jørgensen, Dr. Markus Braun, Dr. Ralf-Christian Lerche, Prof. Dr. Thomas Friedrich Wilhelm Neuhann, Mr. Jannik Jonas Slot Jørgensen as executive Directors; Mr. Marcus Huascar Bracklo as non-executive Director; Mr. Hans Helmuth Hennig, Mr. Zhengzheng Hu and Mr. Philip Duncan Wright as independent non-executive Directors.