

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2020

KEY FINANCIAL HIGHLIGHTS

The board of directors (the “**Board**” or the “**Directors**”) 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 2020. The annual results have been reviewed by the Company’s audit committee and agreed by the external auditors of the Group.

The key financial highlights are as follows:

	Year ended 31 December		
	2020	2019	Change
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>%</i>
	<i>(re-presented)</i>		
Revenue	473,818	429,692	10.3
Gross profit	214,100	177,721	20.5
Adjusted gross profit ⁽¹⁾	214,100	180,959	18.3
Profit/(loss) for the year	64,073	(3,686)	1,838.3
Adjusted net profit after tax for the year ⁽²⁾	70,614	50,283	40.4

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 one new clinic in PRC in 2020 and two new clinics in the PRC in 2019, listing expenses and foreign exchange loss in relation to the proceeds from the Company’s global offering to the profit/(loss) 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 Net Profit After Tax**") 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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(re-presented)</i>
Gross profit	214,100	177,721
Add:		
Pre-operating expenses	–	3,238
Adjusted gross profit	214,100	180,959
Profit/(loss) for the year	64,073	(3,686)
Add:		
Pre-operating expenses	532	7,573
Listing expenses	–	42,219
Foreign exchange loss in relation to the proceeds from the global offering	6,009	4,177
Adjusted Net Profit After Tax	70,614	50,283

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 2020 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 our management 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 shares of the Company to be listed 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 profit/loss 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 Net Profit After Tax in isolation or construe it as an alternative to gross profit and profit/loss 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 Net Profit After Tax as net profit/loss 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 2020

	Notes	<u>2020</u> <i>HK\$'000</i>	<u>2019</u> <i>HK\$'000</i> (re-presented) (Note 2.1(i))
Revenue	4	473,818	429,692
Cost of sales	5	<u>(259,718)</u>	<u>(251,971)</u>
Gross profit		214,100	177,721
Selling expenses	5	(46,044)	(60,209)
Administrative expenses			
– Listing expenses	5	–	(42,219)
– Other administrative expenses	5	(60,491)	(45,870)
Net impairment losses on financial assets		(27)	(421)
Other gains, net	6	<u>3,519</u>	<u>1,422</u>
Operating profit		111,057	30,424
Finance income	7	2,517	2,466
Finance expenses	7	<u>(14,926)</u>	<u>(11,566)</u>
Finance expenses, net	7	<u>(12,409)</u>	<u>(9,100)</u>
Profit before tax		98,648	21,324
Income tax expense	8	<u>(34,575)</u>	<u>(25,010)</u>
Profit/(loss) for the year		64,073	(3,686)
Other comprehensive income/(loss)			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		<u>23,209</u>	<u>(10,251)</u>
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences on translation to presentation currency		58,724	6,112
Other comprehensive income/(loss) for the year		<u>81,933</u>	<u>(4,139)</u>
Total comprehensive income/(loss) for the year		<u>146,006</u>	<u>(7,825)</u>
Profit/(loss) attributable to:			
– Owners of the Company		65,580	(3,440)
– Non-controlling interests		<u>(1,507)</u>	<u>(246)</u>
		<u>64,073</u>	<u>(3,686)</u>
Total comprehensive income/(loss) attributable to:			
– Owners of the Company		147,276	(6,930)
– Non-controlling interests		<u>(1,270)</u>	<u>(895)</u>
		<u>146,006</u>	<u>(7,825)</u>
Earnings/(loss) per share attributable to owners of the Company for the year			
– Basic earnings/(loss) per share (HK cents)	9	19.935	(1.341)
– Diluted earnings/(loss) per share (HK cents)	9	<u>17.458</u>	<u>(1.341)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i> <i>(re-presented)</i> <i>(Note 2.1(i))</i>	As at 1 January 2019 <i>HK\$'000</i> <i>(re-presented)</i> <i>(Note 2.1(i))</i>
Assets				
Non-current assets				
Property, plant and equipment		365,410	331,656	329,334
Intangible assets		5,101	5,305	6,207
Goodwill		7,352	6,622	6,798
Deferred tax assets		26,402	21,707	18,978
Prepayments		–	–	2,212
Deposits and other receivables		12,186	15,705	12,933
Total non-current assets		416,451	380,995	376,462
Current assets				
Inventories		36,243	30,790	30,970
Prepayments		27,995	6,858	15,763
Income tax recoverable		35,213	2,626	278
Deposits and other receivables		31,742	23,854	14,195
Trade receivables	10	4,577	2,495	4,630
Restricted cash	11	66	–	–
Cash and cash equivalents		761,894	787,108	148,295
Total current assets		897,730	853,731	214,131
Total assets		1,314,181	1,234,726	590,593
Equity				
Equity attributable to owners of the Company				
Share capital		25,826	25,826	267
Shares held for share scheme	11	(4,284)	–	–
Share premium		625,422	625,422	–
Other reserves		181,584	101,689	105,179
Retained earnings		124,744	54,320	121,660
Total equity attributable to owners of the Company		953,292	807,257	227,106
Non-controlling interests		36,320	43,778	11,799
Total equity		989,612	851,035	238,905

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	As at 31 December 2020 <i>HK\$'000</i>	As at 31 December 2019 <i>HK\$'000</i> <i>(re-presented)</i> <i>(Note 2.1(i))</i>	As at 1 January 2019 <i>HK\$'000</i> <i>(re-presented)</i> <i>(Note 2.1(i))</i>
Liabilities				
Non-current liabilities				
Borrowings		5,101	6,456	45
Lease liabilities		183,139	181,607	190,272
Put options		1,125	1,030	1,057
Deferred tax liabilities		8,667	8,105	9,296
Total non-current liabilities		198,032	197,198	200,670
Current liabilities				
Trade payables	13	21,053	24,979	16,703
Contract liabilities		7,952	6,971	6,045
Income tax liabilities		15,180	11,421	40,240
Accruals and other payables		31,045	97,273	44,056
Borrowings		2,021	1,893	385
Lease liabilities		49,286	43,956	43,589
Total current liabilities		126,537	186,493	151,018
Total liabilities		324,569	383,691	351,688
Total equity and liabilities		1,314,181	1,234,726	590,593

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 Hong Kong Dollars (“**HK\$**”), unless otherwise stated (Note 2(i)).

2 BASIS OF PREPARATION

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 the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The financial statements have been prepared on a historical cost basis.

(i) Change in presentation currency

During the year, the Group has changed its presentation currency from Euro (“**EUR**”) to Hong Kong dollars (“**HK\$**”) for the preparation of its consolidated financial statements. The directors of the Company consider that this change of presentation currency to HK\$ provides more reliable and relevant information to existing and potential investors of the Company through alignment of the currency used in presenting the Group’s financial position and performance with that used in the Company’s quoted share price in the Stock Exchange. This also enhances comparability of financial information with other market players in the same industry.

Change in presentation currency has been accounted for retrospectively in accordance with IAS 8 “Accounting policies, change in accounting estimates and errors”. Net profit, comprehensive income, total assets and total equity are unaffected by these presentational changes apart from the translation from EUR to HK\$ as further detailed below.

Following the change in presentation currency, the financial information as previously reported has been retranslated in accordance with the provisions in IAS 21 using the procedures outlined below, as if HK\$ had always been the Group’s presentational currency:

- Assets and liabilities of foreign operations where the functional currency is not HK\$ have been translated into HK\$ at the relevant closing rates of exchange. Profit and loss items were translated into HK\$ at the relevant average rates of exchange. Differences arising from the retranslation of the opening net assets and the results for the year are recognised in the foreign currency translation reserve; and
- Share capital, share premium and other reserves were translated at historical rates prevailing at the dates of transactions.

In addition to the comparative information in respect of the previous period provided in these consolidated financial statements, the Group presents an additional statement of financial position as at 1 January 2019 due to the change of presentation currency in accordance with IAS 1 “Presentation of Financial Statements”.

(ii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- Covid-19-Related Rent Concessions – amendments to IFRS 16

The amendments listed above did not have any impact on the amounts recognised in prior years and are not expected to significantly affect the current or future years.

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting year and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting years and on foreseeable future transactions.

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 from 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 2020 is as follows:

	Germany segment	China segment	Denmark segment	Inter- segment elimination	Total
	<i>HK\$' 000</i>	<i>HK\$' 000</i>	<i>HK\$' 000</i>	<i>HK\$' 000</i>	<i>HK\$' 000</i>
Segment total revenue	307,377	108,114	61,031	(2,704)	473,818
Cost of sales	(151,640)	(74,823)	(34,983)	1,728	(259,718)
Gross profit	155,737	33,291	26,048	(976)	214,100
EBITDA	135,226	37,599	16,424	–	189,249
Unallocated					
Corporate expenses					(10,858)
Finance income					2,517
Finance expenses					(14,926)
Depreciation and amortisation					(67,334)
Profit before tax					98,648
Income tax expense					(34,575)
Profit for the year					64,073

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
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(re- presented)</i>	<i>(re- presented)</i>	<i>(re- presented)</i>	<i>(re- presented)</i>	<i>(re- presented)</i>
	<i>(Note 2.1(i))</i>	<i>(Note 2.1(i))</i>	<i>(Note 2.1(i))</i>	<i>(Note 2.1(i))</i>	<i>(Note 2.1(i))</i>
Segment total revenue	273,620	113,475	50,986	(8,389)	429,692
Cost of sales	(147,762)	(78,005)	(34,321)	8,117	(251,971)
Gross profit	<u>125,858</u>	<u>35,470</u>	<u>16,665</u>	<u>(272)</u>	<u>177,721</u>
EBITDA	<u>95,635</u>	<u>26,159</u>	<u>13,672</u>	<u>—</u>	<u>135,466</u>
Unallocated					
Corporate expenses					(38,410)
Finance income					2,466
Finance expenses					(11,566)
Depreciation and amortisation					(66,632)
Profit before tax					21,324
Income tax expense					(25,010)
Loss for the year					<u><u>(3,686)</u></u>

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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(re-presented)</i>
		<i>(Note 2.1(i))</i>
Revenue from contracts with customers (a)		
Provision of vision correction services	469,165	424,611
Sales of pharmaceutical products	346	395
Others	2,144	1,571
	<u>471,655</u>	<u>426,577</u>
Rental of ophthalmic equipment and operating spaces	2,163	3,115
	<u>473,818</u>	<u>429,692</u>

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

	2020	2019
	HK\$'000	HK\$'000 (re-presented) (Note 2.1(i))
Germany	304,788	265,240
China	108,114	113,475
Denmark	60,916	50,977
	473,818	429,692

There is no single external customer that contributes to more than 10% of the Group's revenue for the years ended 31 December 2020 and 2019.

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 year.

(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 2020:

	Provision of vision correction services			Sales of pharmaceutical products			Others			Total
	Germany	China	Denmark	Germany	China	Denmark	Germany	China	Denmark	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue	300,214	108,114	60,837	267	-	79	4,733	-	115	474,359
Inter-segment revenue	-	-	-	-	-	-	(2,589)	-	(115)	(2,704)
Revenue from external customers	300,214	108,114	60,837	267	-	79	2,144	-	-	471,655
Timing of revenue recognition										
- At a point in time	-	-	-	267	-	79	2,144	-	-	2,490
- Over time	300,214	108,114	60,837	-	-	-	-	-	-	469,165
	300,214	108,114	60,837	267	-	79	2,144	-	-	471,655

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	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(re-presented)</i>	<i>(re-presented)</i>	<i>(re-presented)</i>	<i>(re-presented)</i>	<i>(re-presented)</i>	<i>(re-presented)</i>	<i>(re-presented)</i>	<i>(re-presented)</i>	<i>(re-presented)</i>	<i>(re-presented)</i>
	<i>(Note 2.1(i))</i>	<i>(Note 2.1(i))</i>	<i>(Note 2.1(i))</i>	<i>(Note 2.1(i))</i>	<i>(Note 2.1(i))</i>	<i>(Note 2.1(i))</i>	<i>(Note 2.1(i))</i>	<i>(Note 2.1(i))</i>	<i>(Note 2.1(i))</i>	<i>(Note 2.1(i))</i>
Segment revenue	260,229	113,475	50,907	325	-	70	9,951	-	9	434,966
Inter-segment revenue	-	-	-	-	-	-	(8,380)	-	(9)	(8,389)
Revenue from external customers	<u>260,229</u>	<u>113,475</u>	<u>50,907</u>	<u>325</u>	<u>-</u>	<u>70</u>	<u>1,571</u>	<u>-</u>	<u>-</u>	<u>426,577</u>
Timing of revenue recognition										
- At a point in time	-	-	-	325	-	70	1,571	-	-	1,966
- Over time	<u>260,229</u>	<u>113,475</u>	<u>50,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>424,611</u>
	<u>260,229</u>	<u>113,475</u>	<u>50,907</u>	<u>325</u>	<u>-</u>	<u>70</u>	<u>1,571</u>	<u>-</u>	<u>-</u>	<u>426,577</u>

(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:

	<u>2020</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(re-presented)</i>
		<i>(Note 2.1(i))</i>
Balance at beginning of the year	6,971	6,045
Advance collected from customers during the year	421,773	410,299
Revenue recognised from contract liabilities existed at the beginning of the year	(6,971)	(6,045)
Revenue recognised from contract liabilities occurred during the year	<u>(413,821)</u>	<u>(403,328)</u>
Balance at end of the year	<u>7,952</u>	<u>6,971</u>

No significant cost was incurred for obtaining revenue contract for the years ended 31 December 2020 and 2019.

5 EXPENSES BY NATURE

	<u>2020</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(re-presented)</i> <i>(Note 2.1(i))</i>
Employee benefit expenses	117,012	103,753
Raw materials and consumables	77,925	74,741
Depreciation of property, plant and equipment	66,571	65,886
Advertising and marketing expenditure	33,077	49,362
Legal and other consulting service fee	15,564	7,082
Doctor's fee	13,986	11,689
Electricity and other utility expenses	13,524	13,111
Clinic, office and consumption expenses	9,919	10,285
Repair and maintenance	7,897	8,556
Transportation costs	6,001	6,169
Auditors' remuneration		
– Audit services	2,925	2,896
– Non-audit services	–	–
Amortisation of intangible assets	763	746
Rent on short-term leases	115	70
Listing expenses	–	42,219
Rent concession related to COVID-19	(2,020)	–
Others	2,994	3,704
	<hr/>	<hr/>
Total	<u>366,253</u>	<u>400,269</u>

6 OTHER GAINS, NET

	<u>2020</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(re-presented)</i> <i>(Note 2.1(i))</i>
Value added tax refund	1,613	–
Government compensation for employee welfare	904	948
Government compensation for COVID-19	674	–
Gain/(loss) on disposal of property, plant, and equipment	177	(132)
Others	151	606
	<hr/>	<hr/>
	<u>3,519</u>	<u>1,422</u>

7 **FINANCE INCOME AND EXPENSES, NET**

	<u>2020</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(re-presented)</i> <i>(Note 2.1(i))</i>
Finance income		
Interest income	(2,517)	(2,466)
	<u> </u>	<u> </u>
Finance expenses		
Foreign exchange losses, net	7,286	3,370
Interest expenses on leases	6,559	7,047
Interest expenses on borrowings	443	254
Interest expenses on borrowing from a non-controlling shareholder	–	70
Other finance expenses	638	825
	<u> </u>	<u> </u>
	<u>14,926</u>	<u>11,566</u>
Net finance expenses	<u>12,409</u>	<u>9,100</u>

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 (2019: 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:

	<u>2020</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(re-presented)</i> <i>(Note 2.1(i))</i>
Current income tax	37,660	29,222
	<u> </u>	<u> </u>
Deferred income tax		
– Increase in deferred tax assets	(2,908)	(3,229)
– Decrease in deferred tax liabilities	(177)	(983)
	<u> </u>	<u> </u>
	<u>(3,085)</u>	<u>(4,212)</u>
Income tax expense	<u>34,575</u>	<u>25,010</u>

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

	<u>2020</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(re-presented)</i> <i>(Note 2.1(i))</i>
Profit before tax	98,648	21,324
Tax calculated at the domestic tax rate applicable to profits in the respective jurisdictions	30,277	16,270
Preferential tax rates on income of certain group entities	(425)	–
Expenses not deductible for tax purposes	3,421	8,336
Income not subject to tax	(9)	(377)
Utilisation of tax losses not previously recognised	(496)	(711)
Tax losses of certain group entities for which no deferred income tax assets were recognised	1,958	1,492
Others	(151)	–
Income tax expense	<u>34,575</u>	<u>25,010</u>

9 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

For the years ended 31 December 2020 and 2019, basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

	<u>2020</u>	<u>2019</u>
		<i>(re-presented)</i> <i>(Note 2.1(i))</i>
Profit/(loss) attributable to owners of the Company (HK\$'000)	65,580	(3,440)
Weighted average number of ordinary shares in issue ('000)	328,965	256,518
Earnings/(loss) per share (basic) (HK cents)	<u>19.935</u>	<u>(1.341)</u>

(b) Diluted earnings/(loss) per share

For the years ended 31 December 2020 and 2019, diluted earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares and potential ordinary shares during the year.

	<u>2020</u>	<u>2019</u>
		<i>(re-presented)</i> <i>(Note 2.1(i))</i>
Profit/(loss) attributable to owners of the Company (HK\$'000)	65,580	(3,440)
Weighted average number of ordinary shares and potential ordinary shares in issue ('000)	375,643	256,518
Earnings/(loss) per share (diluted) (HK cents)	<u>17.458</u>	<u>(1.341)</u>

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

	<u>2020</u>	<u>2019</u>
	<i>Number</i>	<i>Number</i>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share ('000)	328,965	256,518
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings/(loss) per share ('000)	375,643	256,518

10 TRADE RECEIVABLES

	<u>2020</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(re-presented)</i> <i>(Note 2.1(i))</i>
Trade receivables due from third parties	4,625	2,670
Trade receivables due from related parties	105	–
Total trade receivables	4,730	2,670
Less: provision for impairment	(153)	(175)
Total trade receivables, net	4,577	2,495

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 2020 and 2019, the ageing analysis of the trade receivables based on the invoice date was as follows:

	<u>2020</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(re-presented)</i> <i>(Note 2.1(i))</i>
Within 6 months	4,730	2,670

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

	<u>2020</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(re-presented)</i> <i>(Note 2.1(i))</i>
– RMB	2,393	820
– EUR	1,297	1,065
– DKK	1,040	785
	4,730	2,670

(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:

	<u>2020</u> <i>HK\$'000</i>	<u>2019</u> <i>HK\$'000</i> <i>(re-presented)</i> <i>(Note 2.1(i))</i>
Balance at beginning of the year	175	860
Provision for impairment recognised during the year	27	447
Receivables written off during the year as uncollectible	(49)	(1,106)
Unsettled amount reversed	–	(26)
	<u>153</u>	<u>175</u>

The maximum exposure to credit risk as at 31 December 2020 were HK\$4,577,000 (2019: HK\$2,495,000).

11 SHARES HELD FOR SHARE SCHEME

	<u>2020</u> <i>Shares</i>	<u>2019</u> <i>Shares</i>	<u>2020</u> <i>HK\$'000</i>	<u>2019</u> <i>HK\$'000</i>
Shares held for share scheme	<u>750,000</u>	<u>–</u>	<u>4,284</u>	<u>–</u>

These shares are shares of the Company that are held by an independent professional trustee (the “Trustee”) for the purpose of issuing shares under the Restricted Share Award Scheme and other equity-based incentive schemes adopted by the Company (see Note 12 for further information). Total amount of HK\$4,350,000 was paid to the Trustee during the year ended 31 December 2020, including the restricted cash of HK\$66,000 (2019: nil) being reserved in the Trustee.

	Number of shares	HK\$'000
As at 1 January 2019 and 31 December 2019	–	–
Acquisition of shares by the Trustee	<u>750,000</u>	<u>4,284</u>
As at 31 December 2020	<u>750,000</u>	<u>4,284</u>

12 SHARE-BASED PAYMENT

On 19 March 2020, the Company adopted a share scheme with a term of 10 years to incentivise skilled and experienced personnel, and to recognise the contributions of the participants, to the Group (the “**Restricted Share Award Scheme**”).

Under the scheme the grantees receive the shares of the Company with a vesting period vary from 2.5 months to 2 years.

The following table shows the restricted shares granted and outstanding at the beginning and end of the reporting year:

	Number of Shares 2020	Number of Shares 2019
As at 1 January	–	–
Granted during the year	433,570	–
Vested during the year	–	–
As at 31 December	<u>433,570</u>	<u>–</u>
Expenses arising from share-based payment	2020	2019
	<i>HK\$’000</i>	<i>HK\$’000</i>
Shares issued under employee share scheme	<u>877</u>	<u>–</u>

The fair value of the awards at grant date was estimated by the market price of the Company’s shares on that date.

13 TRADE PAYABLES

As at 31 December 2020 and 2019, the ageing analysis of trade payables based on invoice dates is as follows:

	2020	2019
	<i>HK\$’000</i>	<i>HK\$’000</i> <i>(re-presented)</i> <i>(Note 2.1(i))</i>
Within 3 months	11,204	18,340
Over 3 months but within 6 months	4,672	2,722
Over 6 months but within 1 year	2,946	3,917
Over 1 year but within 2 years	2,231	–
	<u>21,053</u>	<u>24,979</u>

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

	2020	2019
	<i>HK\$’000</i>	<i>HK\$’000</i> <i>(re-presented)</i> <i>(Note 2.1(i))</i>
– RMB	13,778	9,161
– EUR	6,941	13,776
– DKK	334	2,042
	<u>21,053</u>	<u>24,979</u>

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.

14 DIVIDENDS

Pursuant to the resolutions approved by the shareholders, the Company declared an interim dividend of EUR 7,400,000, equivalent to approximately HK\$63,900,000 on 23 September 2019, which were paid on 19 February 2020.

During the board meeting held on 16 March 2021, the Board proposed a final dividend of HK\$0.02988 per ordinary share totalling HK\$9,837,512 to the owners of the Company in respect of the year ended 31 December 2020. Subject to the approval of the shareholders at the forthcoming Annual General Meeting and subject to further announcement in respect to the book closure date, record date and payment date, the proposed 2020 final dividend is expected to be distributed to shareholders on or around in the middle of June 2021.

As the final dividend is proposed after 31 December 2020, such dividend is not recognised as a liability as at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2020, the Group confronted challenges head-on, made timely operational optimization and vigorously seized market opportunities, to achieve remarkable results in terms of minimizing the negative impacts of the coronavirus disease 2019 (“COVID-19”) on its businesses, while further strengthening its differentiated competitive strategy in lens surgeries, and significantly improving profitability. As a result, for the year ended 31 December 2020, the total revenue of the Group amounted to approximately HK\$473.8 million, which represented an increase of approximately 10.3% as compared to the year ended 31 December 2019. The Group’s gross profit increased from approximately HK\$177.7 million for the year ended 31 December 2019 to approximately HK\$214.1 million for the year ended 31 December 2020, represented an increase of approximately 20.5% as compared to the year ended 31 December 2019. The Group has vigorously improved its profitability during 2020. The operating profit of the Group for the year ended 31 December 2020 was approximately HK\$111.1 million, which represented an increase of approximately 2.7 times as compared to HK\$30.4 million for the year ended 31 December 2019. The Group’s net profit after tax increased to approximately HK\$64.1 million for the year ended 31 December 2020, which represented an increase of approximately 18.4 times as compared to the net loss after tax of approximately HK\$3.7 million for the year ended 31 December 2019. After adjusting for non-recurring item, the Group’s Adjusted Net Profit After Tax increased to approximately HK\$70.6 million for the year ended 31 December 2020, which represented an increase of approximately 40.4% as compared to the year ended 31 December 2019. The Group’s adjusted net profit margin was approximately 14.9% for the year ended 31 December 2020, which represented an increase of 3.2 percentage points compared to 11.7% for the year ended 31 December 2019.

REVENUE BY GEOGRAPHICAL REGIONS

Revenue in Europe

With the resurgence of COVID-19 across Europe in 2020, the Group adopted rapid and effective operational measures to prevent the spread of COVID-19. The Group has taken several precautionary measures at its clinics, such as enhancing the level of sterilization standard across all clinics, conducting more frequent nucleic acid testing for our employees, and inquiring patients of their recent travel history and medical condition. These measures ensured a safe clinic environment for both the Group’s employees and patients, which enabled the Group’s business to operate in a safe and orderly manner.

The Group’s revenue in Germany for the year ended 31 December 2020 was approximately HK\$304.8 million, representing approximately 64.3% of the total revenue, and an increase of approximately 14.9% as compared to the year ended 31 December 2019.

The Group’s revenue in Denmark for the year ended 31 December 2020 was approximately HK\$61.0 million, representing approximately 12.9% of the total revenue, and an increase of approximately 19.5% as compared to the year ended 31 December 2019.

The Group’s revenue in Germany increased approximately 21.2% and 26.8% in the third quarter and fourth quarter of 2020, respectively, as compared to the corresponding periods in 2019. The Group’s revenue in Denmark increased by approximately 25.0% and 41.9% in the third quarter and fourth quarter of 2020, respectively, as compared to the corresponding periods in 2019.

Revenue in PRC

In 2020, the Group proactively sought management and operational innovation in the PRC region, strengthened its brand management, restructured marketing department and applied a national wide patient management system to improve the effectiveness of our customer relationship management which helped to optimize the Group's customer acquisition process and reduce customer acquisition cost.

The Group's revenue in the PRC for the year ended 31 December 2020 was approximately HK\$108.1 million, representing approximately 22.8% of the total revenue, with a slight decrease of approximately 4.7% as compared to the year ended 31 December 2019, which was mainly attributable to the interruption of the Group's operation in the PRC caused by the inter-city travel and work restrictions imposed in many provinces and cities in the PRC since the end of January 2020 until mid-May 2020 in response to the COVID-19 outbreak.

After inter-city and work restrictions came to an end, the business operations in the PRC gradually resumed normal after late May 2020, the Group's revenue in the PRC increased by approximately 19.1% to approximately HK\$36.0 million in the third quarter of 2020, and increased by approximately 16.3% to approximately HK\$35.7 million in the fourth quarter of 2020, as compared to the corresponding periods in 2019, respectively.

In September 2019, the Group set up the new clinic in Beijing East and the clinic reached breakeven point in June 2020, whose breakeven period was the shortest among the Group's clinics. This was mainly attributable to the Group's market positioning strategy, market accumulation, high quality medical standard and operation optimization. The aggregate revenue of the Group's clinics in Beijing area was HK\$42.3 million for the year ended 31 December 2020, represented an increase of 28.6% as compared to HK\$32.9 million for the year ended 31 December 2019.

Revenue by Types of Surgeries

In 2020, the Group has further strengthened its differentiated competitive strategy in advanced lens exchange surgery, which brought positive impact to the income of the Group. For the year ended 31 December 2020, the Group's revenue from performing lens exchange surgery, which included monofocal and trifocal lens exchange surgeries, was approximately HK\$227.4 million (2019: approximately HK\$201.1 million), which represented an increase of approximately 13.1% as compared to the year ended 31 December 2019. The Group's revenue from performing lens exchange surgery accounted for approximately 48.0% (2019: approximately 46.8%) of the total revenue for the year ended 31 December 2020.

For the year ended 31 December 2020, the revenue from performing lens exchange surgeries in Germany, Denmark and PRC was approximately HK\$133.1 million (2019: approximately HK\$117.8 million), HK\$52.3 million (2019: approximately HK\$43.3 million), and HK\$42.0 million (2019: approximately HK\$40.0 million), respectively, which represented an increase of approximately 13.0%, 21.1%, and 4.9% as compared to the year ended 31 December 2019, respectively.

For the year ended 31 December 2020, the revenue from performing phakic lens (ICL) surgery was approximately HK\$68.3 million (2019: approximately HK\$58.9 million), which represented an increase of approximately 15.9% as compared to the year ended 31 December 2019. Lens exchange surgery and phakic lens (ICL) surgery remained the main sources of income of the Group, representing an aggregate of approximately 62.4% (2019: approximately 60.5%) of the total revenue for the year ended 31 December 2020.

In the third quarter and fourth quarter of 2020, the lens exchange surgery and ICL surgery performed by the Group recorded strong growth. The Group's revenue from performing lens exchange surgery increased by approximately 15.0% and 29.4% to approximately HK\$54.7 million and HK\$80.2 million in the third quarter and fourth quarter in 2020, respectively. The Group's revenue from ICL surgery increased by approximately 42.7% and 16.9% to approximately HK\$21.8 million and HK\$19.2 million in the third quarter and fourth quarter in 2020, respectively.

Gross Profit and Net Profit

For the year ended 31 December 2020, the Group's gross profit was approximately HK\$214.1 million, which represented an increase of approximately HK\$36.4 million, or 20.5%, as compared to the year ended 31 December 2019. The gross profit margin for the year ended 31 December 2020 was approximately 45.2%, which represented an increase of 3.8 percentage points as compared to the year ended 31 December 2019.

The Group's net profit after tax for the year ended 31 December 2020 was approximately HK\$64.1 million. After adjusting for non-recurring item, the Group's Adjusted Net Profit After Tax increased to approximately HK\$70.6 million, which represented an increase of approximately 40.4% as compared to the year ended 31 December 2019. Such increase was primarily attributable to the growth of lens exchange and ICL surgeries, and the improvement of operational efficiency which significantly reduced the Group's customer acquisition cost.

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					
	2020	2020	2019	2019	Change	Change
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	HK\$'000	%
Provision of vision correction services	469,165	99.0	424,611	98.8	44,554	10.5
Rental of ophthalmic equipment and operating spaces	2,163	0.5	3,115	0.7	(952)	(30.6)
Sales of pharmaceutical products	346	0.1	395	0.1	(49)	(12.4)
Other	2,144	0.4	1,571	0.4	573	36.5
Total	473,818	100.0	429,692	100.0	44,126	10.3

The Group's total revenue increased by approximately 10.3% from approximately HK\$429.7 million for the year ended 31 December 2019 to approximately HK\$473.8 million for the year ended 31 December 2020. The Group's revenue was generated in Germany, the PRC and Denmark. As at 31 December 2020, 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					
	2020	2020	2019	2019	Change	Change
	<i>HK\$'000</i>	% of total revenue	<i>HK\$'000</i>	% of total revenue	<i>HK\$'000</i>	%
Germany	304,788	64.3	265,240	61.7	39,548	14.9
The PRC	108,114	22.8	113,475	26.4	(5,361)	(4.7)
Denmark	60,916	12.9	50,977	11.9	9,939	19.5
Total	<u>473,818</u>	<u>100.0</u>	<u>429,692</u>	<u>100.0</u>	<u>44,126</u>	<u>10.3</u>

For the year ended 31 December 2020, the Group generated approximately 64.3 % (2019: approximately 61.7%) of its revenue in Germany, approximately 22.8% (2019: approximately 26.4%) in the PRC and approximately 12.9% (2019: approximately 11.9%) in Denmark. As compared to the year ended 31 December 2019, the Group's revenue increased by approximately 14.9% in Germany, decreased by approximately 4.7% in the PRC and increased by approximately 19.5% in Denmark.

2. COST OF REVENUE

For the year ended 31 December 2020, the largest component of the Group's cost of sales was employee benefits expenses, representing approximately 31.5% (2019: approximately 31.0%) of the total cost of sales, followed by raw materials and consumables used, representing approximately 30.0% (2019: approximately 29.7%) of the total cost of sales.

Cost of Sales	Year Ended 31 December		
	2020	2019	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Employee benefit expenses	81,896	78,067	4.9
Raw materials and consumables used	77,925	74,741	4.3
Depreciation of property, plant and equipment	54,526	55,119	(1.1)
Doctor's fee	13,986	11,689	19.7
Others ⁽¹⁾	31,385	32,355	(3.0)
Total	<u>259,718</u>	<u>251,971</u>	<u>3.1</u>

Note:

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

The Group's cost of sales increased by approximately HK\$7.7 million, or 3.1%, from approximately HK\$252.0 million for the year ended 31 December 2019 to approximately HK\$259.7 million for the year ended 31 December 2020. The increase was primarily as a result of (i) the increase in the total number of surgeries performed by the Group, which resulted in the increase in raw materials and consumables used by approximately HK\$3.2 million; (ii) a slight increase in doctor's fee by approximately HK\$2.3 million; and (iii) a slight increase in employee benefit expenses by approximately HK\$3.8 million.

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:

	Year ended 31 December		
	2020	2019	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	%
Revenue	473,818	429,692	10.3
Cost of sales	<u>(259,718)</u>	<u>(251,971)</u>	<u>3.1</u>
Gross profit	<u>214,100</u>	<u>177,721</u>	<u>20.5</u>
Gross profit margin	<u>45.2%</u>	<u>41.4%</u>	
Adjusted gross profit (see "Non-IFRS Financial Measures" section)	<u>214,100</u>	<u>180,959</u>	<u>18.3</u>
Adjusted gross profit margin	<u>45.2%</u>	<u>42.1%</u>	

The adjusted gross profit increased by approximately HK\$33.1 million, or 18.3%, from approximately HK\$181.0 million for the year ended 31 December 2019 to approximately HK\$214.1 million for the year ended 31 December 2020. The adjusted gross profit margin for the year ended 31 December 2020 was approximately 45.2% (2019: approximately 42.1%), which represented an increase of 3.1 percentage points as compared to the year ended 31 December 2019.

The increase in the gross profit margin was primarily due to the increase of number of surgeries performed by the Group, and the improvement of capacity utilisation rate.

4. SELLING EXPENSES

The Group's selling expenses decreased by approximately HK\$14.2 million, or 23.5%, from approximately HK\$60.2 million for the year ended 31 December 2019 to approximately HK\$46.0 million for the year ended 31 December 2020. The Group's advertising and marketing expenditure decreased by approximately HK\$15.9 million, or 32.5%, from approximately HK\$49.0 million for the year ended 31 December 2019 to approximately HK\$33.1 million for the year ended 31 December 2020. The decrease in advertising and marketing expenditure was primarily attributable to the effective marketing strategy adopted by the Group which further optimised the customer acquisition cost.

	Year ended 31 December		
	2020	2019	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Advertising and marketing expenditure	33,077	49,011	(32.5)
Employee benefit expenses	7,773	6,661	16.7
Depreciation of property, plant and equipment	3,279	2,913	12.6
Others	1,915	1,624	17.9
Total	<u>46,044</u>	<u>60,209</u>	<u>(23.5)</u>

5. ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased by approximately HK\$27.6 million, or 31.3%, from approximately HK\$88.1 million for the year ended 31 December 2019 to approximately HK\$60.5 million for the year ended 31 December 2020. The decrease was primarily due to the one-time listing expenses of approximately HK\$42.2 million being recognised in 2019.

Among the administrative expenses of the Group for the year ended 31 December 2020, employee benefits expenses amounted to approximately HK\$27.3 million, representing an increase of approximately HK\$8.3 million, or 43.7%, as compared to the year ended 31 December 2019, which was primarily due to the increase in employee salaries and bonuses.

Administrative Expenses	Year ended 31 December		
	2020	2019	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Employee benefits expenses	27,343	19,025	43.7
Legal, consulting and other service fee	14,217	6,608	115.1
Depreciation of property, plant and equipment	8,766	7,854	11.6
Office and consumption expenses	3,262	3,852	(15.3)
Listing expenses	–	42,219	(100.0)
Others	6,903	8,531	(19.1)
Total	<u>60,491</u>	<u>88,089</u>	<u>(31.3)</u>

6. FINANCE INCOME AND EXPENSES, NET

The Group's finance income increased by approximately HK\$51,000, or 2.1%, from approximately HK\$2.5 million for the year ended 31 December 2019 to approximately HK\$2.52 million for the year ended 31 December 2020. The Group's finance expenses increased by approximately HK\$3.4 million, or 29.1%, from approximately HK\$11.6 million for the year ended 31 December 2019 to approximately HK\$14.9 million for the year ended 31 December 2020. The increase was primarily due to the increase in foreign exchange losses arose from the Group's HK\$ denominated listing proceeds deposited with banks in Hong Kong.

7. BORROWINGS

As at 31 December 2020, the Group had outstanding borrowings of approximately HK\$7.1 million (2019: approximately HK\$8.3 million), of which approximately HK\$2.0 million (2019: approximately HK\$1.9 million) shall be repaid within one year and approximately HK\$5.1 million (2019: approximately HK\$6.5 million) shall be repaid within two to five years. The borrowings are related to the property, plant and equipment financed from a financial leasing company. The decrease in the Group's borrowings for the year ended 31 December 2020 was mainly due to the payment of regular rent to the financial leasing company.

As at 31 December 2020, the borrowings were denominated in EUR. Approximately HK\$7.1 million (2019: approximately HK\$8.3 million) of the borrowings held by the Group were at fixed rates which ranged from 1.77% to 6.12% per annum (2019: 1.77% to 6.12% 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 2020 and 2019, the financial assets and liabilities of the subsidiaries of the Group in Germany, Denmark and the PRC were primarily denominated in EUR, DKK and RMB, respectively, which were their respective functional currencies.

Management believes that the foreign exchange risk mainly arises from the Group's HK\$ denominated listing proceeds deposited with banks in Hong Kong. As at 31 December 2020, if HK\$ had weakened/strengthened by 5% against EUR with all other variables being held constant, the total net asset of the Group would have been approximately HK\$4.0 million (2019: approximately HK\$32.7 million) lower/higher; post-tax profit for the year ended 31 December 2020 would have been approximately HK\$4 million lower/higher (2019: post-tax loss for the year would have been approximately HK\$32.7 million higher/lower).

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 2020, borrowings of approximately HK\$7.1 million (2019: approximately HK\$8.3 million) were secured by property, plant and equipment with net book value of approximately HK\$7.1 million (2019: approximately HK\$10.2 million) for the finance lease.

10. CAPITAL COMMITMENTS

Save for the capital commitment of approximately HK\$0.4 million (2019: approximately HK\$8.3 million) in relation to the addition of property, plant and equipment as at 31 December 2020, the Group had no significant capital commitments.

11. CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities (2019: Nil).

12. SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

There were no significant investments held, material acquisitions or disposals of subsidiaries associates and joint ventures by the Group during the year ended 31 December 2020. 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, material acquisitions and disposals as at 31 December 2020.

13. 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 which will be funded by the proceeds from the Company’s global offering, the Group did not have other plans for material investments or capital assets as at 31 December 2020.

OUTLOOK AND STRATEGIES

Despite the worldwide COVID-19 outbreak, the Group continues to adopt its strategy to maintain the rapid and sustainable development of the Group’s business in the future.

Specifically, the Group will focus on the following business strategies:

Differentiated Competitive Strategy of Advanced Lens Exchange and ICL Surgery

Benefited from the increased awareness of patients towards lens exchange and ICL surgery and growth of penetration rate, the lens exchange and ICL market has a great expansion potential. The Group will reinforce the strategy of taking advanced lens exchange and ICL surgery as the core business and continuing to provide high-quality services to patients, and maintaining a consistent medical satisfaction.

Opening of New Clinics

The construction of the Group's clinic in Chongqing has resumed after the local restrictions in response to the COVID-19 outbreak were lifted in the second quarter of 2020, and the clinic in Chongqing will commence operations in April 2021. It is the Group's seventh clinic in the PRC and brings high-quality vision correction services to the mountain city.

The construction of the new flagship clinic in Copenhagen is expected to complete in 2021, in substitution of the Group's existing clinic. This new clinic is larger in scale. With its prominent location in the center of Copenhagen, it will help meet the increasing demand for the Group's services in Denmark, which will support the continuous growth of the Group's business in Denmark.

PRC Businesses Operation Outlook

The Group's clinic in Beijing East has achieved breakeven, and its breakeven period was the shortest among the Group's clinics. It opened in September 2019 and reached breakeven point in June 2020. The successful experience will support the Group to continue to implement the expansion plan of multiple clinics in core metropolitan cities, and one or two new clinics in second-tier cities.

Meanwhile, the Group will further improve the profitability of existing clinics through strengthening the Group's competitive advantages, increasing the lens exchange and ICL operations, as well as effective chain operation management.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the financial year ended 31 December 2020, save for the deviations from code provision A.2.1 as follows:

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 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.

Further information of the corporate governance practice of the Company will be set forth in the corporate governance report in the annual report of the Company for the year ended 31 December 2020.

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 throughout the year ended 31 December 2020.

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 2020, 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 2020, the Group had cash and cash equivalents of approximately HK\$761.9 million.

The Group’s current ratio (calculated as current assets over current liabilities) was approximately 7.1 as at 31 December 2020 (2019: approximately 4.6).

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 2020 was approximately 0.51% (2019: approximately 0.75%).

USE OF NET 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 HK\$660.66 million, 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 2020:

Use of net proceeds	Percentage of the net proceeds (%)	Planned application (HK\$'000)	Actual usage up to 31 December 2020 (HK\$'000)	Unutilised net proceeds as at 31 December 2020 (HK\$'000)	Expected timeline for fully utilising the unutilised amount (Note 1)
For establishing clinics in major cities in the PRC	40.0	264,266	16,985	247,281	By 31 December 2025
For potential acquisition of clinic groups in Europe	33.0	218,019	–	218,019	By 31 December 2024
For the expansion of marketing efforts	17.0	112,313	1,917	110,396	By 31 December 2024
Working capital and general corporate purposes	10.0	66,066	1,503	64,563	By 31 December 2024
	100.0	660,664	20,405	640,259	

Note: 1. The expected timeline for utilisation of the unutilised proceeds disclosed above is based on the best estimation from the Board with latest information as at the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) comprises two independent non-executive Directors and a 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 provided supervision and reviewed the Group’s financial reporting process, internal controls and risk management. The Audit Committee has considered and reviewed the Group’s consolidated annual results for the year ended 31 December 2020, 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 consolidated annual results for the year ended 31 December 2020 are in compliance with the relevant accounting standards, rules and regulations and the Listing Rules, and that adequate disclosures have been duly made.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, the trustee of the Restricted Share Award Scheme purchased 750,000 shares at a total consideration of approximately HK\$4,284,000 on the Stock Exchange pursuant to the rules and the trust deed of the Restricted Share Award Scheme. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2020.

FINAL DIVIDEND

The directors recommended a final dividend of HK\$0.02988 per ordinary share for the year ended 31 December 2020, totally amounting to approximately HK\$9,837,512, the payment of which is subject to approval by the shareholders of the Company (the “**Shareholders**”) at the forthcoming annual general meeting of the Company.

Further announcement will be made in respect of the date of closure of register of members and the date of the forthcoming annual general meeting and final dividend distribution.

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 2020 as set out in this announcement have been agreed by the Company’s auditors to the amounts set out in the Group’s draft consolidated financial statements for the year ended 31 December 2020. 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 2020

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2020 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 “Report of the Directors” of the annual report of the Company for the year ended 31 December 2020.

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 2020 containing all the information required under the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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, 16 March 2021

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.