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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of EuroEyes International Eye Clinic Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023. This announcement, containing the full text of the interim report for the six months ended 30 June 2023 of the Company (the “**2023 Interim Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results. The printed version of the 2023 Interim Report will be delivered to the shareholders of the Company and will be available for viewing on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and of the Company (<http://www.euroeyes.hk>) in September 2023.

PUBLICATION OF RESULTS ANNOUNCEMENT

This interim results announcement is available for viewing on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.euroeyes.hk>).

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

Hong Kong, 29 August 2023

As at the date of this announcement, the Board comprises Dr. Jørn Slot Jørgensen, Dr. Markus Braun, Mr. Jannik Jonas Slot Jørgensen and Professor Dan Zoltan Reinstein as executive Directors; Mr. Marcus Huascar Bracklo as non-executive Director; Mr. Hans Helmuth Hennig, Ms. Katherine Rong Xin and Mr. Philip Duncan Wright as independent non-executive Directors.



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr Jørn Slot Jørgensen
(Chairman and Chief Executive Officer)

Dr Markus Braun
(Chief Financial Officer)

Mr Jannik Jonas Slot Jørgensen
Prof Dan Zoltan Reinstein

Non-executive Director

Mr Marcus Huascar Bracklo

Independent Non-executive Directors

Mr Hans Helmuth Hennig
Ms Katherine Rong Xin
Mr Philip Duncan Wright

AUDIT COMMITTEE

Mr Philip Duncan Wright *(Chairman)*
Mr Marcus Huascar Bracklo
Mr Hans Helmuth Hennig

REMUNERATION COMMITTEE

Mr Hans Helmuth Hennig *(Chairman)*
Dr Jørn Slot Jørgensen
Ms Katherine Rong Xin

NOMINATION COMMITTEE

Dr Jørn Slot Jørgensen *(Chairman)*
Mr Philip Duncan Wright
Ms Katherine Rong Xin

AUTHORISED REPRESENTATIVES

Dr Markus Braun
Ms Rosenna Ho

COMPANY SECRETARY

Ms Rosenna Ho

CORPORATE HEADQUARTERS

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITOR

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Registered Public Interest Entity Auditor*
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KEY FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Directors**”, and each a “**Director**”) of EuroEyes International Eye Clinic Limited (the “**Company**”) hereby announces the interim results of the Company and its subsidiaries (collectively, the “**Group**” or “**EuroEyes**”) for the six months ended 30 June 2023. The key financial highlights are as follows:

	For the six months ended 30 June					
	2023 HK\$'000 (Unaudited)	2023 EUR'000 equivalent (Unaudited)	2022 HK\$'000 (Unaudited)	2022 EUR'000 equivalent (Unaudited)	2023 HK\$'000 Change %	2023 EUR'000 equivalent Change %
Revenue	346,382	40,913	315,626	36,911	9.7	10.8
Gross profit	167,582	19,794	142,554	16,671	17.6	18.7
Adjusted gross profit ⁽¹⁾	169,739	20,050	144,279	16,866	17.6	18.9
Profit for the period	68,111	8,045	43,467	5,083	56.7	58.3
Adjusted net profit after tax for the period ⁽²⁾	70,483	8,333	53,537	6,251	31.7	33.3

Notes:

- (1) Adjusted gross profit is derived from adding share-based compensation expenses and pre-operating expenses to the gross profit.
- (2) Adjusted net profit after tax for the period is derived from adding pre-operating expenses for new clinics, foreign exchange (gain)/loss in relation to the proceeds from the global offering, share-based compensation expenses, acquisition-related costs, and (gain)/loss on fair value change of contingent consideration payable.

NON-IFRS FINANCIAL MEASURES

To supplement the Group’s condensed consolidated financial information which were prepared in accordance with the International Financial Reporting Standards (“**IFRS**”), the Group has provided adjusted gross profit and adjusted net profit after tax (the “**Adjusted Net Profit After Tax**”) for the period (excluding effects from non-cash related items and one-off events which include, but are not limited to, share-based compensation expenses, pre-operating expenses of new clinics, foreign exchanged gain/(loss) in relation to the proceeds from the global offering, acquisition-related costs, and loss on fair value change of contingent consideration payable), 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 period

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Gross profit	167,582	142,554
Add:		
Pre-operating expenses	1,969	547
Share-based compensation expenses	188	1,178
Adjusted gross profit	169,739	144,279
Profit for the year	68,111	43,467
Add:		
Pre-operating expenses	6,067	1,077
Share-based compensation expenses	1,029	1,707
Foreign exchange (gain)/loss in relation to the proceeds from the global offering	(288)	1,496
Acquisition-related costs	–	3,293
(Gain)/loss on fair value change of contingent consideration payable	(4,436)	2,497
Adjusted Net Profit After Tax	70,483	53,537

Notes:

- (1) The Company presents the unaudited non-IFRS financial measures to supplement the Group's condensed consolidated statement of comprehensive income for the six months ended 30 June 2023 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; (ii) the Company recorded share-based compensation expenses during the period; (iii) foreign exchange (gain)/loss in relation to the proceeds from the global offering; (iv) acquisition-related costs; and (v) (gain)/loss on fair value change of contingent consideration payable.
- (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 for the period indicated or as an indicator of operating performance or any other standard measure under IFRS.

INDEPENDENT AUDITOR'S REPORT

Report on Review of Interim Financial Information

To the Board of Directors of EuroEyes International Eye Clinic Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 7 to 43, which comprises the interim condensed consolidated statement of financial position of EuroEyes International Eye Clinic Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2023 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 29 August 2023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Note</i>	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	15	559,091	452,169
Intangible assets	15	32,697	33,422
Goodwill	15, 25	195,986	186,279
Deferred tax assets		31,595	27,505
Deposits and other receivables		3,255	3,357
Total non-current assets		822,624	702,732
Current assets			
Inventories		15,934	16,379
Prepayments		13,730	12,656
Income tax recoverable		726	366
Deposits and other receivables		24,965	21,398
Trade receivables	16	9,492	5,568
Restricted cash		93	2,374
Cash and cash equivalents	17	782,621	779,567
Total current assets		847,561	838,308
Total assets		1,670,185	1,541,040
Equity			
Equity attributable to owners of the Company			
Share capital	18	26,138	26,138
Shares held for share scheme	19	(11,470)	(11,020)
Share premium		658,937	659,505
Other reserves	20	69,219	35,155
Retained earnings		350,810	304,488
Total equity attributable to owners of the Company		1,093,634	1,014,266
Non-controlling interests		29,822	28,827
Total equity		1,123,456	1,043,093

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	<i>Note</i>	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities	24	302,063	242,646
Contingent consideration payable	4.2, 25	67,290	77,039
Put options		1,008	981
Deferred tax liabilities		14,123	13,570
Total non-current liabilities		384,484	334,236
Current liabilities			
Trade payables	22	24,162	20,043
Contract liabilities		17,455	11,800
Income tax liabilities		22,367	41,050
Accruals and other payables		25,580	25,470
Borrowings	23	991	283
Contingent consideration payable	4.2, 25	8,877	17,583
Lease liabilities	24	62,813	47,482
Total current liabilities		162,245	163,711
Total liabilities		546,729	497,947
Total equity and liabilities		1,670,185	1,541,040

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes on page 14 to 43.

Dr Jørn Slot Jørgensen

Chairman and Chief Executive Officer

Dr Markus Braun

Executive Director and Chief Financial Officer

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2023

	Note	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	7	346,382	315,626
Cost of revenue	8	(178,800)	(173,072)
Gross profit		167,582	142,554
Selling expenses	8	(34,602)	(29,133)
Administrative expenses	8	(38,505)	(40,993)
Net impairment losses on financial assets		(59)	–
Other gains, net	10	5,520	342
Operating profit		99,936	72,770
Finance income	11	6,773	3,003
Finance expenses	11	(14,105)	(5,507)
Finance expenses, net	11	(7,332)	(2,504)
Profit before income tax		92,604	70,266
Income tax expense	12	(24,493)	(26,799)
Profit for the period		68,111	43,467
Other comprehensive income/(loss)			
<i>Items that may be subsequently reclassified to profit or loss</i>			
– Exchange differences on translation of foreign operations		16,699	(34,902)
<i>Items that will not be reclassified to profit or loss</i>			
– Exchange differences on translation to presentation currency		17,391	(46,878)
Other comprehensive income/(loss) for the period		34,090	(81,780)
Total comprehensive income/(loss) for the period		102,201	(38,313)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2023

	Note	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit for the period attributable to:			
– Owners of the Company		67,476	46,528
– Non-controlling interests		635	(3,061)
		68,111	43,467
Total comprehensive income/(loss) for the period attributable to:			
– Owners of the Company		101,501	(34,974)
– Non-controlling interests		700	(3,339)
		102,201	(38,313)
Earnings per share attributable to owners of the Company for the period			
– Basic earnings per share (HK cents)	13(a)	20.325	14.029
– Diluted earnings per share (HK cents)	13(b)	20.313	14.013

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes on page 14 to 43.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2023

(Unaudited)

	Attributable to owners of the Company															
	Share capital (Note 18) HK\$'000	Shares held for share scheme (Note 19) HK\$'000	Share premium HK\$'000	Other reserves (Note 20) HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000								
Balance at 1 January 2022	25,826	(11,344)	626,302	116,655	248,113	1,005,552	34,925	1,040,477								
Profit for the period	-	-	-	-	46,528	46,528	(3,061)	43,467								
Other comprehensive loss	-	-	-	(81,502)	-	(81,502)	(278)	(81,780)								
Total comprehensive income for the period	-	-	-	(81,502)	46,528	(34,974)	(3,339)	(38,313)								
Transactions with owners in their capacity as owners:																
Appropriations to statutory surplus reserve	-	-	-	148	(148)	-	-	-								
Issue of ordinary shares as consideration for a business combination (Note 18, 25)	312	-	35,421	-	-	35,733	-	35,733								
Acquisition of shares held for share scheme (Note 19)	-	(4,456)	-	-	-	(4,456)	-	(4,456)								
Share-based payments (Note 20)	-	-	-	1,707	-	1,707	-	1,707								
Issue of shares under employee share scheme (Note 19, 20)	-	3,835	(1,414)	(2,421)	-	-	-	-								
Dividend provided for or paid (Note 14)	-	-	-	-	(33,097)	(33,097)	-	(33,097)								
	312	(621)	34,007	(566)	(33,245)	(113)	-	(113)								
Balance as at 30 June 2022	26,138	(11,965)	660,309	34,587	261,396	970,465	31,586	1,002,051								

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2023

	(Unaudited)							
	Attributable to owners of the Company							
	Share capital <i>(Note 18)</i> HK\$'000	Shares held for share scheme <i>(Note 19)</i> HK\$'000	Share premium HK\$'000	Other reserves <i>(Note 20)</i> HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2023	26,138	(11,020)	659,505	35,155	304,488	1,014,266	28,827	1,043,093
Profit for the period	-	-	-	-	67,476	67,476	635	68,111
Other comprehensive income	-	-	-	34,025	-	34,025	65	34,090
Total comprehensive income for the period	-	-	-	34,025	67,476	101,501	700	102,201
Transactions with owners in their capacity as owners:								
Appropriations to statutory surplus reserve	-	-	-	273	(273)	-	-	-
Issue of additional share capital of a subsidiary	-	-	-	-	-	-	2,056	2,056
Acquisition of shares held for share scheme <i>(Note 19)</i>	-	(2,281)	-	-	-	(2,281)	-	(2,281)
Share-based payments <i>(Note 20)</i>	-	-	-	1,029	-	1,029	-	1,029
Issue of shares under employee share scheme <i>(Note 19, 20)</i>	-	1,831	(568)	(1,263)	-	-	-	-
Dividend provided for or paid <i>(Note 14)</i>	-	-	-	-	(20,881)	(20,881)	(1,761)	(22,642)
	-	(450)	(568)	39	(21,154)	(22,133)	295	(21,838)
Balance as at 30 June 2023	26,138	(11,470)	658,937	69,219	350,810	1,093,634	29,822	1,123,456

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes on page 14 to 43.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2023

	Note	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		133,046	133,759
Interest received		6,773	164
Income tax paid		(47,537)	(25,148)
Net cash generated from operating activities		92,282	108,775
Cash flows from investing activities			
Payment for acquisition of a subsidiary, net of cash acquired	4.2, 25	(18,826)	(91,453)
Proceeds from financial assets at fair value through profit or loss		–	11,509
Purchase of property, plant and equipment		(45,245)	(38,231)
Proceeds from disposal of property, plant and equipment		84	9
Net cash used in investing activities		(63,987)	(118,166)
Cash flows from financing activities			
Capital contributions from a non-controlling interest		2,056	–
Dividend paid	14	(22,642)	(33,097)
Acquisition of treasury shares and others	19	–	(5,019)
Lease payments	24(d)	(27,055)	(25,037)
Repayment of borrowings		–	(1,325)
Net cash used in financing activities		(47,641)	(64,478)
Net decrease in cash and cash equivalents		(19,346)	(73,869)
Cash and cash equivalents at beginning of the period		779,284	845,636
Effects of exchange rate changes on cash and cash equivalents		21,692	(55,756)
Cash and cash equivalents at end of the period		781,630	716,011
Represented by:			
Cash at bank and in hand		782,621	716,011
Bank overdrafts		(991)	–
		781,630	716,011

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes on page 14 to 43.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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, The United Kingdom of Great Britain and Northern Ireland (the “**UK**”), the People’s Republic of China (the “**Mainland China**” or the “**PRC**”) and Hong Kong S.A.R. of the PRC (“**Hong Kong**”). 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**”). This condensed consolidated interim financial information is presented in Hong Kong Dollars (“**HK\$**”), unless otherwise stated, and is approved for issue by the Board of Directors on 29 August 2023.

This interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”.

The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2022, as described in those annual consolidated financial statements, except for taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards as set out below.

3.1 Amended standards adopted by the Group

A number of amendments to certain standards became applicable for the current reporting period:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12

The Group did not have to significantly change its accounting policies or make retrospective adjustments as a result of adopting these amendments to standards.

4 FINANCIAL RISK MANAGEMENT

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

There have been no significant changes in the risk management policies since year end.

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The subsidiaries of the Group mainly operate in Germany, Denmark, UK, Mainland China and Hong Kong with most of the transactions carried out in Euro ("EUR"), Danish Krone ("DKK"), Great Britain Pound ("GBP"), Renminbi ("RMB") and Hong Kong Dollar ("HK\$"), respectively. Foreign exchange risk arises when assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The assets and liabilities of the Group entities in Germany, Denmark, UK, Mainland China and Hong Kong are primarily denominated in EUR, DKK, GBP, RMB and HK\$ respectively, which are their respective functional currencies.

As at 30 June 2023, the foreign exchange risk mainly arises from the Group's RMB-denominated assets and liabilities in Mainland China segment. If RMB had weakened/strengthened by 5% against EUR with all other variables held constant, post-tax profit for the six months ended 30 June 2023 would have been approximately HK\$3,405,000 lower/higher (six months ended 30 June 2022: HK\$3,007,000 lower/higher).

(ii) Interest rate risk

As at 30 June 2023, the Group's borrowings bear fixed interest rates with insignificant risk exposure.

(b) Credit risk

Credit risk arises from cash and cash equivalents and credit exposures from trade receivables and other receivables.

As at 30 June 2023, the credit risk and credit losses experienced by the Group, based on expected credit loss model of IFRS 9, continue to be low.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4 FINANCIAL RISK MANAGEMENT (Continued)

4.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group's treasury policies and function allow flexibility in funding by maintaining adequate cash and cash equivalents.

Management monitors rolling forecasts of the Group's liquidity position based on the expected cash flows.

(i) Financing arrangements

The undrawn borrowing facilities of the Group as at 30 June 2023 is presented in Note 23.

(ii) Maturities of financial liabilities

The table below analyses the Group's financial liabilities in relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 30 June 2023 (Unaudited)	Less than 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total contractual cash flows HK\$'000	Carrying amount HK\$'000
Trade payables	24,162	-	-	-	24,162	24,162
Other payables	12,918	-	-	-	12,918	12,918
Borrowings	991	-	-	-	991	991
Contingent consideration payable	9,190	35,871	39,965	-	85,026	76,167
Lease liabilities	64,787	65,214	128,412	141,330	399,743	364,876
	112,048	101,085	168,377	141,330	522,840	479,114

As at 31 December 2022 (Audited)	Less than 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total contractual cash flows HK\$'000	Carrying amount HK\$'000
Trade payables	20,043	-	-	-	20,043	20,043
Other payables	12,582	-	-	-	12,582	12,582
Borrowings	283	-	-	-	283	283
Contingent consideration payable	17,811	15,849	71,860	-	105,520	94,622
Lease liabilities	52,326	46,913	105,900	110,930	316,069	290,128
	103,045	62,762	177,760	110,930	454,497	417,658

The Group provided no financial guarantee to any third party or related party as at 30 June 2023 and 31 December 2022.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Recurring fair value measurements	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2023 (unaudited)				
Financial liabilities				
Contingent consideration payable	–	–	(76,167)	(76,167)
At 31 December 2022 (audited)				
Financial liabilities				
Contingent consideration payable	–	–	(94,622)	(94,622)

There were no transfers among levels 1, level 2 and level 3 for recurring fair value measurements during the period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Fair value estimation (Continued)

(b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the period ended 30 June 2023:

	Contingent consideration payable HK\$'000
Opening balance 31 December 2022 (audited)	(94,622)
Settlements	18,826
Fair value gains on financial instruments at fair value through profit or loss	4,436
– includes unrealised gains recognised in profit or loss	4,980
Foreign exchange difference in finance expense	(2,387)
Translation of foreign currency in other comprehensive income	(2,420)
Closing balance 30 June 2023 (unaudited)	(76,167)

The fair value of contingent consideration payable and structured deposit are estimated by discounting the future cash flows using the expected yield rate with reference to the benchmark or similar yield rate of the financial instruments.

(c) Valuation inputs and relationships to fair value

Description	Fair value at		Unobservable inputs	Range of inputs				Relationship of unobservable inputs to fair value
	30 June 2023	31 December 2022		2022	2023	2024	2025	
	HK\$'000	HK\$'000						
Structured deposit	-	-	Risk-adjusted discount rate	1.3%- 3.0524%	n/a	n/a	n/a	The higher the risk-adjusted discount rate, the lower the fair value
Contingent consideration payable	76,167	94,622	Risk-adjusted discount rate	5.36%	5.36%	5.36%	5.36%	The higher the risk-adjusted discount rate, the lower the fair value
			Expected Revenues growth rate	10%- 14%	4%- 10%	8%- 12%	8%- 12%	The higher the expected revenue growth rate, the higher the fair value

4 FINANCIAL RISK MANAGEMENT (Continued)

4.2 Fair value estimation (Continued)

(d) Valuation processes

For the financial assets and liabilities, including level 3 fair values, the Group's finance department performs the valuations. The finance department reports directly to the chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO and finance department annually, in line with the Group's reporting requirements.

The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are estimated using the expected yield rate with reference to the benchmark yield rate of the financial investment products of banks.
- Contingent consideration payable – expected cash inflows: these are estimated based on the terms of the share purchase agreement, the Group's knowledge of the business and how the current economic environment is likely to impact it.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

6 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 five reportable segments of its business: Germany, Mainland China, Denmark, UK and Hong Kong. On 3 April 2023, the Group establishes a new clinic in Hong Kong and it is expected to commence operation in October 2023.

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

The segment information provided to the executive directors of the Company for the reportable segments for the six months ended 30 June 2023 and as at 30 June 2023 is as follows:

	(Unaudited)							
	Six months ended 30 June 2023							
	Germany segment	Mainland China segment	Denmark segment	UK segment	Hong Kong segment	Inter- segment elimination	Unallocated items (i)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	184,438	72,776	42,746	47,868	-	(1,446)	-	346,382
Cost of revenue	(87,398)	(42,704)	(23,680)	(25,018)	-	-	-	(178,800)
Gross profit	97,040	30,072	19,066	22,850	-	(1,446)	-	167,582
EBITDA	88,845	32,020	15,637	7,273	(161)	-	(1,956)	141,658
Unallocated								
Finance income								6,773
Finance expenses								(14,105)
Depreciation and amortisation								(41,722)
Profit before income tax								92,604
Income tax expense								(24,493)
Profit for the period								68,111

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

6 SEGMENT INFORMATION (Continued)

	(Unaudited)							Total HK\$'000
	As at 30 June 2023							
	Germany segment HK\$'000	Mainland China segment HK\$'000	Denmark segment HK\$'000	UK segment HK\$'000	Hong Kong segment HK\$'000	Inter- segment elimination HK\$'000	Unallocated items HK\$'000	
Segment total assets	548,856	257,721	76,466	396,804	33,594	(572,503)	-	740,938
Unallocated								
Corporate assets								897,652
Deferred tax assets								31,595
Total assets								1,670,185
Segment total liabilities	350,181	285,231	24,785	311,068	34,004	(484,146)	-	521,123
Unallocated								
Corporate liabilities								11,483
Deferred tax liabilities								14,123
Total liabilities								546,729

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

6 SEGMENT INFORMATION (Continued)

The segment information provided to the executive directors of the Company for the reportable segments for the six months period ended 30 June 2022 and as at 31 December 2022 is as follows:

	(Unaudited)						Total HK\$'000
	Six months ended 30 June 2022						
	Germany segment HK\$'000	Mainland China segment HK\$'000	Denmark segment HK\$'000	UK segment HK\$'000	Inter- segment elimination HK\$'000	Unallocated items (i) HK\$'000	
Revenue	181,794	48,749	30,031	56,488	(1,436)	–	315,626
Cost of revenue	(87,596)	(40,754)	(19,727)	(25,251)	256	–	(173,072)
Gross profit	94,198	7,995	10,304	31,237	(1,180)	–	142,554
EBITDA	87,297	13,476	7,371	15,400	–	(8,960)	114,584
Unallocated							
Finance income							3,003
Finance expenses							(5,507)
Depreciation and amortisation							(41,814)
Profit before income tax							70,266
Income tax expense							(26,799)
Profit for the period							43,467

6 SEGMENT INFORMATION (Continued)

	(Audited)						
	As at 31 December 2022						
	Germany segment HK\$'000	Mainland China segment HK\$'000	Denmark segment HK\$'000	UK segment HK\$'000	Inter- segment elimination HK\$'000	Unallocated items HK\$'000	Total HK\$'000
Segment total assets	546,062	215,415	73,533	375,994	(543,207)	–	667,797
Unallocated							
Corporate assets							845,738
Deferred tax assets							27,505
Total assets							1,541,040
Segment total liabilities	346,685	241,691	35,848	321,839	(479,226)	–	466,837
Unallocated							
Corporate liabilities							17,540
Deferred tax liabilities							13,570
Total liabilities							497,947

- (i) Unallocated items are cost of revenues and operating expenses which could not be categorised into a segment, including share-based compensation expenses, loss on fair value change of contingent consideration payable and other consulting fees at group level.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

6 SEGMENT INFORMATION (Continued)

The total of non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is shown in the following:

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
UK	347,939	304,171
Germany	204,280	189,770
Mainland China	149,110	121,356
Denmark	57,337	56,573
Hong Kong	29,108	–
	787,774	671,870

7 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:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue from contracts with customers (a)		
Provision of vision correction services	342,952	313,086
Sales of pharmaceutical products	25	34
Others	2,897	1,095
	345,874	314,215
Rental of ophthalmic equipment and operating spaces	508	1,411
	346,382	315,626

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

7 REVENUE (Continued)

All revenue is from external customers, with places from where revenue being derived are set out below:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Germany	183,076	180,358
Mainland China	72,776	48,749
UK	47,784	56,488
Denmark	42,746	30,031
	346,382	315,626

There is no single external customer that contributes to more than 10% of the Group's revenue for each of the six months ended 30 June 2023 and 2022.

(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 categories and geographical regions for each of the six-month periods ended 30 June 2023 and 2022:

	(Unaudited)															
	Six months ended 30 June 2023															
	Provision of vision correction services					Sales of pharmaceutical products					Others					Total
	Mainland		Hong Kong			Mainland		Hong Kong			Mainland		Hong Kong			
Germany	China	Denmark	UK	Kong	Germany	China	Denmark	UK	Kong	Germany	China	Denmark	UK	Kong	HK\$'000	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue by business categories	182,025	72,776	42,746	45,405	-	25	-	-	-	-	2,082	-	-	2,261	-	347,320
Eliminations	-	-	-	-	-	-	-	-	-	-	(1,361)	-	-	(85)	-	(1,446)
Revenue from external customers	182,025	72,776	42,746	45,405	-	25	-	-	-	-	721	-	-	2,176	-	345,874
Timing of revenue recognition																
- At a point in time	-	-	-	-	-	25	-	-	-	-	638	-	-	-	-	663
- Over time	182,025	72,776	42,746	45,405	-	-	-	-	-	-	83	-	-	2,176	-	345,211
	182,025	72,776	42,746	45,405	-	25	-	-	-	-	721	-	-	2,176	-	345,874

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

7 REVENUE (Continued)

(a) Disaggregation of revenue from contracts with customer (Continued)

	(Unaudited)												Total
	Six months ended 30 June 2022												
	Provision of vision correction services				Sales of pharmaceutical products				Others				
	Mainland				Mainland				Mainland				
Germany	China	Denmark	UK	Germany	China	Denmark	UK	Germany	China	Denmark	UK	HK\$'000	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue by business categories	179,374	48,749	29,997	54,966	34	-	-	-	2,069	-	-	462	315,651
Eliminations	-	-	-	-	-	-	-	-	(1,436)	-	-	-	(1,436)
Revenue from external customers	179,374	48,749	29,997	54,966	34	-	-	-	633	-	-	462	314,215
Timing of revenue recognition													
- At a point in time	-	-	-	-	34	-	-	-	633	-	-	462	1,129
- Over time	179,374	48,749	29,997	54,966	-	-	-	-	-	-	-	-	313,086
	179,374	48,749	29,997	54,966	34	-	-	-	633	-	-	462	314,215

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

7 REVENUE (Continued)

(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 periods:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Balance at beginning of the period	11,800	8,115
Acquisition of a subsidiary (Note 25)	–	7,351
Advance collected from customers	342,250	309,649
Revenue recognised from contract liabilities		
– existed at the beginning of the period	(11,800)	(8,115)
– occurred during the period	(324,795)	(302,150)
Balance at end of the period	17,455	14,850

No significant cost was incurred for obtaining revenue contract for the six-month periods ended 30 June 2023 and 2022.

8 EXPENSES BY NATURE

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Employee benefit expenses (Note 9)	103,915	90,512
Raw materials and consumables	40,672	42,037
Depreciation of property, plant and equipment (Note 15)	39,656	39,736
Advertising and marketing expenditure	23,714	19,548
Utility and property management expenses	13,292	13,023
Clinic, office and consumption expenses	8,729	8,218
Legal and other consulting services fee	5,741	9,631
Repair and maintenance	4,809	4,694
Transportation costs	3,920	4,062
Amortisation of intangible assets (Note 15)	2,066	2,078
Doctors' fee	999	7,448
Auditors' remuneration		
– PricewaterhouseCoopers	508	599
– other auditors	102	117
Rent concession related to COVID-19	–	(1,171)
Others	3,784	2,666
Total	251,907	243,198

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

9 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Wages and salaries	90,814	77,381
Contributions to defined contribution pension schemes	7,687	6,738
Employee benefits and housing scheme	4,385	4,686
Share-based payments	1,029	1,707
	103,915	90,512

10 OTHER GAINS, NET

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain/(loss) on fair value change of contingent consideration payable (<i>Note 25</i>)	4,436	(2,497)
Insurance compensation	830	1,573
Gain on disposal of property, plant, and equipment	212	9
Others	42	1,257
	5,520	342

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

11 FINANCE INCOME AND EXPENSES, NET

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Finance income		
Foreign exchange gain, net	–	2,839
Interest income	6,773	164
	6,773	3,003
Finance expenses		
Foreign exchange loss, net	8,221	–
Interest expenses on		
– borrowings from financial institutions	–	120
– lease liabilities (<i>Note 24(b)</i>)	3,886	3,523
Others	1,998	1,864
	14,105	5,507
Finance expenses, net	(7,332)	(2,504)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

12 INCOME TAX EXPENSE

The Group was subject to different tax jurisdictions mainly in Germany, Denmark, UK, Mainland China and Hong Kong with tax rates ranging from 8.25% to 32% during the periods presented.

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

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax	29,039	28,287
Deferred income tax credit	(4,546)	(1,488)
Income tax expense	24,493	26,799

13 EARNINGS PER SHARE

(a) Basic earnings per share

For the six-month periods ended 30 June 2023 and 2022, basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period.

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (HK\$'000)	67,476	46,528
Weighted average number of ordinary shares in issue ('000)	331,991	331,650
Earnings per share (basic) (HK cents)	20.325	14.029

13 EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

For the six-month periods ended 30 June 2023 and 2022, diluted earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares and potential ordinary shares during the period.

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	67,476	46,528
Weighted average number of ordinary shares and potential ordinary shares in issue ('000)	332,179	332,028
Earnings per share (diluted) (HK cents)	20.313	14.013

14 DIVIDENDS

On 6 February 2023, the Board of Directors of a subsidiary declared a dividend of EUR800,000 (equivalent to HK\$6,773,000) to the shareholders in respect of the year ended 31 December 2021, which included a dividend of EUR208,000 (equivalent to HK\$1,761,000) to non-controlling interest. The dividend was fully paid during the six months ended 30 June 2023.

On 28 March 2023, the Board of Directors of the Company declared a dividend of HK\$0.06266 per ordinary share totalling HK\$20,880,818 to the owners of the Company in respect of the year ended 31 December 2022 (six months ended 30 June 2022: HK\$33,097,397). The dividend was approved at the Annual General Meeting on 31 May 2023 and was fully paid during the six months ended 30 June 2023.

On 29 August 2023, the Board of Directors proposed an interim dividend of HK\$0.0511 per ordinary share totalling HK\$17,028,564 to the shareholders of the Company in respect of the six months ended 30 June 2023. As the interim dividend is proposed after 30 June 2023, such dividend is not recognised as a liability as at 30 June 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

15 PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL

	(Unaudited)		
	Property, plant and equipment HK\$'000	Intangible assets HK\$'000	Goodwill HK\$'000
Six months ended 30 June 2023			
Opening net book amount	452,169	33,422	186,279
Additions	139,663	423	–
Depreciation/amortisation charge	(39,656)	(2,066)	–
Disposals	(1,541)	–	–
Exchange differences	8,456	918	9,707
Closing net book amount	559,091	32,697	195,986
Six months ended 30 June 2022			
Opening net book amount	355,636	4,539	7,568
Acquisition of subsidiary (<i>Note 25</i>)	55,062	35,352	202,309
Additions	123,981	–	–
Depreciation/amortisation charge	(39,736)	(2,078)	–
Exchange differences	(31,772)	(2,820)	(22,995)
Closing net book amount	463,171	34,993	186,882

The right-of-use assets included in property, plant and equipment as at 30 June 2023 amounted to HK\$345,712,000 (31 December 2022: HK\$270,592,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

16 TRADE RECEIVABLES

	As at	
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Total trade receivables	9,757	5,767
Less: provision for impairment	(265)	(199)
Total trade receivables, net	9,492	5,568

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 30 June 2023 and 31 December 2022, the ageing analysis of the trade receivables based on the invoice date was as follows:

	As at	
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 6 months	9,757	5,767

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

16 TRADE RECEIVABLES (Continued)

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Balance at beginning of the period	199	212
Acquisition of a subsidiary (<i>Note 25</i>)	–	9
Provision for impairment	59	–
Exchange differences	7	(16)
Balance at end of the period	265	205

17 CASH AND CASH EQUIVALENTS

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Cash on hand	111	66
Cash at bank	782,510	779,501
	782,621	779,567

The Group earns interests on cash at bank at floating bank deposit rates with no fixed maturity date, which range from 0.25% to 4.17% per annum for the period ended 30 June 2023 (For the period ended 30 June 2022: 0% to 1.45% per annum).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

18 SHARE CAPITAL

	Six months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	Number of shares	Number of shares	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Authorised, US\$0.01 each:				
Balance at the beginning and end of the period	1,000,000,000	1,000,000,000	78,451	78,451
Issued and fully paid, US\$0.01 each:				
Balance at the beginning of the period	333,240,000	329,234,000	26,138	25,826
Issue of shares for the acquisition of a subsidiary (Note 25)	–	4,006,000	–	312
Balance at the end of the period	333,240,000	333,240,000	26,138	26,138

19 SHARES HELD FOR SHARE SCHEME

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 (as defined below) and other equity-based incentive schemes adopted by the Company (see Note 21 for further information).

	As at		As at	
	30 June	31 December	30 June	31 December
	2023	2022	2023	2022
	Number of shares	Number of shares	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Shares held for share scheme	1,476,116	1,170,116	11,470	11,020
			Number of shares	Amount
			(Unaudited)	(Unaudited)
As at 1 January 2023			1,170,116	11,020
Acquisition of shares by the Trustee			441,000	2,281
Issue of shares under employee share scheme			(135,000)	(1,831)
As at 30 June 2023			1,476,116	11,470

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

20 OTHER RESERVES

	(Unaudited)				
	Capital reserve- contributed surplus HK\$'000	Capital reserve- share-based payment HK\$'000	Currency translation reserve HK\$'000	Other HK\$'000	Total HK\$'000
At 1 January 2022	92,132	9,014	18,838	(3,329)	116,655
Exchange differences on translation of foreign operations	–	–	(81,502)	–	(81,502)
Appropriations to statutory surplus reserve	148	–	–	–	148
Share-based payment	–	1,707	–	–	1,707
Issue of shares under employee share schemes	–	(2,421)	–	–	(2,421)
At 30 June 2022	92,280	8,300	(62,664)	(3,329)	34,587
At 1 January 2023	92,132	7,602	(61,250)	(3,329)	35,155
Exchange differences on translation of foreign operations	–	–	34,025	–	34,025
Appropriations to statutory surplus reserve	–	–	273	–	273
Share-based payment	–	1,029	–	–	1,029
Issue of shares under employee share schemes	–	(1,263)	–	–	(1,263)
At 30 June 2023	92,132	7,368	(26,952)	(3,329)	69,219

21 SHARE-BASED PAYMENT

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

Under the scheme the grantees receive the shares of the Company with a vesting period within 2 years.

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

	Number of shares 2023 (Unaudited)	Number of shares 2022 (Unaudited)
As at 1 January	210,598	480,411
Granted during the period	375,368	179,830
Vested during the period	(135,000)	(301,661)
As at 30 June	450,966	358,580

22 TRADE PAYABLES

As at 30 June 2023 and 31 December 2022, the ageing analysis of trade payables based on invoice dates is as follows:

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 3 months	20,907	16,437
Over 3 months but within 6 months	1,871	2,559
Over 6 months but within 1 year	948	1,047
Over 1 year but within 2 years	436	–
	24,162	20,043

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

23 BORROWINGS

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Bank overdrafts within 1 year	991	283
	991	283

The Group has the following undrawn borrowing facilities:

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Floating rate – expiring beyond one year	8,544	8,310
	8,544	8,310

24 LEASES

(a) Amounts recognised in the condensed consolidated statements of financial position

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Right-of-use assets (i)		
Properties	345,242	270,351
Medical equipment	470	241
	345,712	270,592

- (i) included in the line item “property, plant and equipment” in the condensed consolidated statements of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

24 LEASES (Continued)

(a) Amounts recognised in the condensed consolidated statements of financial position (Continued)

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Lease liabilities		
Current	62,813	47,482
Non-current	302,063	242,646
	364,876	290,128

(b) Amounts recognised in the condensed consolidated statements of comprehensive income and condensed consolidated statements of cash flows

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Depreciation charge of right-of-use assets		
Properties	23,638	23,079
Medical equipment	144	966
	23,782	24,045
Interest expenses on lease liabilities (included in finance expenses)	3,886	3,523

The total cash outflow for leases for the six months ended 30 June 2023 was HK\$27,055,000 (six months ended 30 June 2022: HK\$25,037,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

24 LEASES (Continued)

(c) Commitments and present value of lease liability are shown in the table below:

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Commitments in relation to leases are payable as follows:		
– Within one year	64,787	52,326
– Later than one year but not later than two years	65,214	46,913
– Later than two years but not later than five years	128,412	105,900
– Later than five years	141,330	110,930
Minimum lease payments	399,743	316,069
Future finance charge	(34,867)	(25,941)
Total lease liabilities	364,876	290,128
The present value of lease liabilities is as follows:		
– Within one year	62,813	47,482
– Later than one year but not later than two years	61,557	42,064
– Later than two years but not later than five years	117,322	100,731
– Later than five years	123,184	99,851
	364,876	290,128

(d) The movements of lease liabilities are shown in the table below:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Balance at beginning of the period	290,128	216,831
Acquisition of subsidiary (Note 25)	–	47,730
Lease payment	(27,055)	(25,037)
Accrued interest	3,886	3,523
Increase in right-of-use assets	96,101	84,458
Lease modification	–	1,189
Decrease in right-of-use assets	(1,668)	–
Rent concession related to COVID-19 (Note 8)	–	(1,171)
Exchange differences	3,484	(21,887)
Balance at end of the period	364,876	305,636

25 BUSINESS COMBINATION

On 20 January 2022, the Group acquired 100% of the shares in London Vision Clinic Partners Ltd., one of the leading companies in the vision correction industry in the UK. Subject to the terms and conditions set out in the share purchase agreement, the consideration composed of (a) the completion cash consideration; (b) the completion consideration shares; (c) the contingent cash consideration; and (d) the earn out consideration, subject to the consideration adjustment. As of 20 January 2022, the fair value of the total consideration was GBP 25,017,000 (equivalent to HK\$265,172,000).

After the acquisition date of 20 January 2022, the Group obtained the control over London Vision Clinic Partners Ltd. and London Vision Clinic Partners Ltd. became a subsidiary of the Group.

As at the acquisition date, the fair value of acquired net asset of the subsidiary was HK\$62,863,000 and the Group recorded a goodwill of HK\$202,309,000 for the excess of net asset acquired. Deferred tax liability of HK\$6,646,000 has been provided in relation to these fair value appreciation accordingly. The London Vision Clinic Partners Ltd. has been allocated to the UK segment. None of the goodwill is expected to be deductible for tax purposes.

Contingent consideration

Pursuant to the conditions of the share purchase agreement, the contingent consideration arrangement requires the Group to pay the former owners of London Vision Clinic Partners Ltd. first earn out of GBP 1,560,000 (equivalent to HK\$14,659,000) in excess of GBP 7,629,000 (equivalent to HK\$71,690,000) cumulative adjusted EBIT for three years from 2022 to 2024, second earn out of GBP 390,000 (equivalent to HK\$3,665,000) per year on the reach of the target adjusted EBIT for each financial year from 2022 to 2025, and cash earn out up to a maximum undiscounted amount of GBP 14,625,000 (equivalent to HK\$137,431,000) on the reach of target revenue growth and target EBIT growth of each financial year from 2022 to 2025. For the period ended 30 June 2023, a cash earn out related cash consideration of GBP 1,928,000 (equivalent to HK\$18,826,000) was settled. For the period ended 30 June 2022, a completion cash consideration of GBP 12,078,000 (equivalent to HK\$91,453,000) was settled.

As at 30 June 2023, the fair value of the contingent consideration arrangement of HK\$76,167,000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 5.36% and assumed probability-adjusted EBIT and revenue growth rate in London Vision Clinic Partners Ltd. from 2023 to 2025 (Note 4.2).

For the period ended 30 June 2023, a gain of HK\$4,436,000 (30 June 2022: a loss of HK\$2,497,000) (Note 10) was recognised in other gains, net off in the profit or loss for the change of fair value of contingent consideration and a loss of HK\$2,387,000 (30 June 2022: a gain of HK\$3,224,000) was recognised in finance expenses in the profit or loss for the change of foreign exchange rate. The liability is presented within contingent consideration payable in the balance sheet.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

26 COMMITMENTS

(a) Capital commitments

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Leasehold improvements	5,276	–

(b) Lease commitments for short-term leases

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 1 year	–	882

27 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

Name of related parties	Relationship with the Company
Dr Jørn Slot Jørgensen	Ultimate controlling party
Dr Jørgensen und Kollegen GbR	Partners of the related party are directors of the Company – Dr Jørn Slot Jørgensen and Dr Ralf-Christian Lerche
London Vision Clinic Limited	Controlled by an Executive Director of the Company

(a) Transactions with related parties

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Rendering services from:		
– London Vision Clinic Limited	102	1,676
Rendering services to:		
– Dr Jørgensen und Kollegen GbR	703	633
– London Vision Clinic Limited	59	–
	762	633
Sales of goods to:		
– Dr Jørgensen und Kollegen GbR	17	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

27 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	As at	
	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Right-of-use asset:		
– London Vision Clinic Limited	31,082	31,168
Lease liability:		
– London Vision Clinic Limited	31,923	31,647
Trade receivables:		
– Dr Jørgensen und Kollegen GbR	94	91
Other receivables:		
– London Vision Clinic Limited	308	208
Other payables:		
– London Vision Clinic Limited	1,478	748

(c) Key management compensation

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Salaries and other short-term employee benefits	6,468	3,061
Share-based payments	838	402
Directors' fees	173	870
	7,479	4,333

28 SUBSEQUENT EVENT

On 17 August 2023, EuroEyes KG, a wholly-owned subsidiary of the Company, entered into a share purchase agreement (the "SPA") to acquire the entire shares in FreeVis LASIK Zentrum Mannheim GmbH ("FreeVis GmbH") for a completion consideration of EUR8,429,327 (equivalent to HK\$72,493,055). The maximum consideration shall be approximately EUR12,541,893 (equivalent to HK\$107,861,534), subject to the consideration adjustment and earn out terms set out in the SPA. The acquisition was completed on 17 August 2023. The Group is currently in the process of performing the valuation and purchase price allocation on the acquisition of FreeVis GmbH.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Highlights

After the removal of the COVID-19 control policy in the PRC and followed by the opening of the Group's new flagship clinic in Copenhagen, the Group is pleased to announce a record high revenue of HK\$346.4 million for the first six months ended 30 June 2023 (the "**Period**"), representing a 9.7% year-on-year growth. Profit attributable to shareholders increased by 45.0% year-on-year to HK\$67.5 million while net profit margin increased 5.9 percentage points to 19.7%. The Group achieved a HK\$141.7 million EBITDA in the Period, representing a growth of 23.6% while the EBITDA margin increased to 40.9%.

Acquisition in Germany to Expand Local Presence

The Group has made another progress in expanding its presence in Europe by acquiring leading ophthalmology brands run by a world renowned ophthalmologist. As announced in an announcement dated 18 August 2023, EuroEyes completed a deal to acquire FreeVis LASIK Zentrum Mannheim GmbH ("**FreeVis GmbH**") and PMK, eye clinics specializing in lens exchange and refractive laser surgeries. FreeVis GmbH and PMK were founded by Professor Dr. Michael C. Knorz ("**Prof. Knorz**"), one of the leading experts in the field of refractive surgery and cataract surgery in the 90's, in Mannheim, Germany.

Organic Growth by Opening New Flagship Clinics in International Cities

The Group successfully opened its new flagship clinic in Knightsbridge, London, a community next to the famous Harrods. The Group named it as the Laser Eye Clinic ("**LEC**"). Another new flagship clinic in Hong Kong will commence operation in Q4 of 2023, and the premises is now under renovation. Both clinics will be equipped with the newest Visumax 800 from Carl Zeiss AG ("**ZEISS**"). The Hong Kong flagship clinic, which occupies 2 floors with a total of 490 square meters on Russell Street, one of the most renowned shopping areas in Hong Kong, will be a Zeiss Excellence Center built together with the ZEISS brand.

Group Financial Performance

In the Period, the Group's revenue and gross profit reached an all-time high of HK\$346.4 million and HK\$167.6 million, with a year-on-year growth of 9.7% and 17.6% respectively. Gross profit margin also improved by 3.2 percentage points to 48.4%. The Group's operating profit increased 37.3% to HK\$99.9 million while the operating profit margin improved by 5.8 percentage points to 28.9%. The Group's EBITDA margin reached 40.9% while Germany's EBITDA margin reported at close to 50%.

Performance by Geographic Regions

In Germany, the total revenue reached HK\$183.1 million, up 1.5% year-on-year. Germany accounted for 52.9% of the Group's total revenue. Revenue from lens exchange surgery increased 14.4% year-on-year in the Period to HK\$102.8 million as demand for presbyopia correction remained strong. The demand for presbyopia treatment was not affected by inflation nor the economic downturn, thus the Group believes the demand for presbyopia treatment will remain strong and sustainable in the future. ICL surgery and refractive laser surgery both recorded a revenue drop of 3.6% and 14.7% year-on-year in the Period to HK\$20.0 million and HK\$58.0 million respectively. The decrease in both categories was due to the weakening purchasing power in younger generations caused by inflation and the economic downturn. The Group actively adopted an effective pricing strategy to restore the demand for refractive laser surgery. Since April, the Group has seen a steady rebound in numbers of refractive surgery in Germany.

In Denmark, the total revenue grew 42.3% to HK\$42.7 million as compared to the same period in last year. Denmark accounted for 12.3% of the Group's total revenue. Due to its aging population, demand for presbyopia treatments was strong in the Period, bringing the revenue from performing lens exchange surgery to HK\$38 million, up 43.9% year-on-year. The Group's new Copenhagen flagship clinic helped to boost the performance by increasing capacity. Thanks to this new growth engine, revenue from performing refractive laser surgery and ICL surgery reached HK\$2.3 million and HK\$0.6 million, representing a year-on-year growth rate of 15.7% and 6.3%, respectively.

In Mainland China, the total revenue grew 49.3% year-on-year to HK\$72.8 million in the Period following the lift of COVID-19 control policy in the country, and the Group experienced a full rebound in early February. Mainland China's revenue accounted for 21.0% of the Group's total revenue. The Group recorded a revenue of HK\$17.4 million from ICL surgery and HK\$34.7 million from lens exchange surgery, representing a growth of 34.7% and 94.0% compared with the same period in 2022.

In the United Kingdom, the total revenue dropped 15.4% year-on-year to HK\$47.8 million as two existing surgeons in the Group cut back surgery time in the Period to train new surgeons for the London Vision Clinic. As the utilization rate at this clinic, which was acquired last year, has already reached over 88% on average in the Period, the Group decided to recruit two new surgeons locally. The training process occupied the two existing surgeons' schedules temporarily in the beginning of the year which resulted in a delay of patient's scheduled surgery. In the meantime, surgery bookings at the London Vision Clinic have reached an all-time high in the Period. Since July, with the new surgeons successfully onboard, the Group has seen significant increase in number of surgery compared to the same period in 2022.

Performance by Type of Surgeries

Lens Exchange Surgery

Lens exchange surgery accounted for 52.1% of the Group's total revenue. The total revenue from performing lens exchange surgery in the Period, which included monofocal and trifocal lens exchange surgeries mainly for senior citizens to get rid of presbyopia and cataract, grew 31.2% year-on-year to HK\$177.5 million. All four geographical regions scored double-digit growths in the Period. The strong performance in this category was fueled by the aging population in various countries where the Group operates. Due to the natural aging process of the eyes, surgery is the most ideal way to combat presbyopia and effectively reduce reliance on eyeglasses, as a result, it is commonly believed that demand for presbyopia correction treatments is largely immune to inflation and the economic downturn.

Phakic Lens (ICL) Surgery

ICL surgery accounted for 11.8% of the Group's total revenue. The total revenue from performing ICL surgery saw a year-on-year revenue growth of 10.7% to HK\$40.3 million, mainly fueled by the strong growth in Mainland China.

Refractive Laser Surgery

Refractive laser surgery accounted for 34.3% of the Group's total revenue. The total revenue from performing refractive laser surgery declined 13.3% year-on-year to HK\$116.9 million mainly because of the decline in refractive laser surgery in Germany. The decrease was due to the weakening purchasing power in younger generations caused by inflation and the economic downturn. The Group actively adopted an effective pricing strategy to restore the demand for refractive laser surgery in Germany in April and since then, the numbers of refractive laser surgery in the country started to bottom out and rebound stably.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

1. Revenue

The Group is a high-end vision correction service provider in Germany, Mainland China, Denmark, and the UK. The Group's vision correction services include refractive laser surgery (which includes ReLEx SMILE, Femto LASIK and Presbyond®), phakic lens surgery (ICL), 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 during the periods indicated:

	Six months ended 30 June			
	2023		2022	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Provision of vision correction services	342,952	99.1%	313,086	99.3%
Rental of ophthalmic equipment and operating spaces	508	0.1%	1,411	0.4%
Sales of pharmaceutical products	25	0.0%	34	0.0%
Others	2,897	0.8%	1,095	0.3%
Total	346,382	100.0%	315,626	100.0%

The Group's total revenue for the six months ended 30 June 2023 was HK\$346.4 million, representing a year-on-year increase of 9.7%, which was mainly due to (i) a robust growth of lens exchange surgeries for presbyopia treatment in both Germany, the PRC and Denmark; (ii) a significant increase in the number of eye surgeries performed by the Group in both the PRC and Denmark following the removal of restrictions associated with the COVID-19 pandemic; and (iii) an effective temporary pricing strategy adopted in Germany to restore the demand of refractive laser surgery for the younger generation patient group.

The Group's revenue was generated from Germany, Mainland China, Denmark and the UK. As at 30 June 2023, the Group had a total of 33 clinics and consultation centres worldwide. The following table sets forth the Group's revenue by geographical locations during the periods indicated:

	Six months ended 30 June			
	2023		2022	
	HK\$'000	% of total revenue	HK\$'000	% of total revenue
Germany	183,076	52.9%	180,358	57.2%
Mainland China	72,776	21.0%	48,749	15.4%
UK	47,784	13.8%	56,488	17.9%
Denmark	42,746	12.3%	30,031	9.5%
Total	346,382	100.0%	315,626	100.0%

For the six months ended 30 June 2023, the Group generated 52.9% of its revenue from Germany, 21.0% from Mainland China, 12.3% from Denmark, and 13.8% from the UK.

2. Cost of Revenue

For the six months ended 30 June 2023, the largest cost of revenue incurred continued to be employee benefit expenses, representing 23.2% of the Group's total revenue as compared to 21.3% in 2022, followed by raw materials and consumables, representing 11.7% as compared to 13.3% in 2022 of the Group's total revenue.

	Six months ended 30 June		
	2023 HK\$'000	2022 HK\$'000	Change %
Employee benefit expenses	80,193	67,185	19.4%
Raw materials and consumables	40,672	42,037	(3.2%)
Depreciation of property, plant and equipment	32,587	32,579	0.0%
Doctor's fee	906	7,328	(87.6%)
Others ⁽¹⁾	24,442	23,943	2.1%
Total	178,800	173,072	3.3%

Note:

- (1) Others mainly included clinic, office and consumption expenses, transportation costs, repair and maintenance, electricity and other utility expenses, etc.

The total cost of revenue of the Group for the six months ended 30 June 2023 amounted to HK\$178.8 million, representing an increase of 3.3% compared to the corresponding period in 2022. The increase was primarily attributable to the increase in employee benefit expenses as the Group offered full time contracts to doctors and hence doctor's fee, which are mainly for part-time doctors, dropped by 87.6% as compared to 2022.

3. Gross Profit and Gross Profit Margin

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

	Six months ended 30 June		
	2023 HK\$'000	2022 HK\$'000	Change %
Revenue	346,382	315,626	9.7%
Cost of sales	(178,800)	(173,072)	3.3%
Gross profit	167,582	142,554	17.6%
Gross profit margin	48.4%	45.2%	
Adjusted Gross profit (see "Non-IFRS Financial Measures" section)	169,739	144,279	17.6%
Adjusted Gross profit margin	49.0%	45.7%	

The gross profit of the Group for the six months ended 30 June 2023 increased by 17.6% compared to the corresponding period in 2022 with a gross profit margin at 48.4%. The adjusted gross profit also increased by 17.6% compared to the corresponding period in 2022 with adjusted gross profit margin at 49.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Selling Expenses

The Group's selling expenses for the six months ended 30 June 2023 amounted to approximately HK\$34.6 million, representing an increase of 18.8% as compared to the corresponding period in 2022, mainly due to an increase in advertising and marketing expenses. For the six months ended 30 June 2023, the selling expenses amounted to 10% of the Group's total revenue, up from 9.2% last year.

	Six months ended 30 June		
	2023 HK\$'000	2022 HK\$'000	Change %
Advertising and marketing expenditure	23,621	19,377	21.9%
Employee benefit expenses	5,808	5,567	4.3%
Depreciation of property, plant and equipment	2,320	2,514	(7.7%)
Others	2,853	1,676	70.2%
Total	34,602	29,133	18.8%

5. Administrative Expenses

The administrative expenses of the Group for the six months ended 30 June 2023 amounted to approximately HK\$38.5 million, representing a decrease of 6.1% as compared to the corresponding period in 2022. This was mainly due to the decrease of legal, consulting and other service fees. For the six months ended 30 June 2023, the administrative expenses amounted to 11.1% of the Group's total revenue, down from 13.0% last year.

	Six months ended 30 June		
	2023 HK\$'000	2022 HK\$'000	Change %
Employee benefit expenses	17,915	17,760	0.9%
Depreciation of property, plant and equipment	4,750	4,643	2.3%
Consulting and other service fee	5,528	9,517	(41.9%)
Office and consumption expenses	4,402	3,737	17.8%
Others	5,910	5,336	10.8%
Total	38,505	40,993	(6.1%)

6. Finance Income and Expenses, net

The finance income of the Group for the six months ended 30 June 2023 amounted to HK\$6.8 million, representing an increase of 125.5% compared to the corresponding period in 2022, which was primarily due to increase in time deposit rate for the Group's cash account.

The finance expenses of the Group increased by 156.1% from HK\$5.5 million to HK\$14.1 million, which was primarily attributable to the foreign exchange loss in the PRC segment arising from the increasing EUR exchange rate.

7. Borrowings

As at 30 June 2023, the Group had outstanding borrowings of approximately HK\$1 million, which shall be repaid within one year. The borrowings are related to the overdraft cash in the bank. As at 30 June 2023, the borrowings were denominated in Great British Pound (“**GBP**” or “**£**”).

Please refer to Note 23 of the notes to the condensed consolidated financial statements in this report for more details.

8. Foreign Exchange Risk

The subsidiaries of the Group mainly operate in Germany, Denmark, the UK, Mainland China and Hong Kong with most of the transactions carried out in Euro (“**EUR**”), Danish Krone (“**DKK**”), GBP, Renminbi (“**RMB**”) and Hong Kong Dollar (“**HK\$**”), respectively. Foreign exchange risk arises when assets and liabilities are denominated in a currency that is not the Group entities’ functional currency. The assets and liabilities of the Group’s entities in Germany, Denmark, the UK, Mainland China and Hong Kong are primarily denominated in EUR, DKK, GBP, RMB and HK\$ respectively, which are their respective functional currencies.

As at 30 June 2023, the foreign exchange risk mainly arises from the Group’s RMB denominated assets and liabilities in the Mainland China segment. If RMB had weakened or strengthened by 5% against EUR with all other variables held constant, post-tax profit for the six months ended 30 June 2023 would have been approximately HK\$3,405,000 lower or higher (six months ended 30 June 2022: HK\$3,007,000 lower or higher).

The Group did not have any exchange rate related hedges as at 30 June 2023 but will closely monitor the exposure to the fluctuations in exchange rates and will take measures when necessary to ensure that the foreign exchange rate risks are manageable.

9. Charges on Group Assets

As at 30 June 2023 and 31 December 2022, the Group had no charges on its assets.

10. Capital Commitments

Save for the capital commitment of approximately HK\$5.3 million in relation to the addition of property, plant and equipment, the Group had no significant capital commitments as at 30 June 2023 (as at 31 December 2022: Nil).

11. Contingent Liabilities

As disclosed in the announcements of the Company dated 20 January 2022 and 28 January 2023, pursuant to the relevant share purchase agreement, the Group was required to pay the contingent consideration payable to the former owners of London Vision Clinic Partners Ltd.

As at 30 June 2023, the Group had contingent consideration payable of approximately HK\$76.2 million (as at 31 December 2022: HK\$94.6 million), of which approximately HK\$8.9 million (as at 31 December 2022: HK\$17.6 million) shall be paid within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

12. Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed in this report, there were no other material acquisitions and disposals of subsidiaries, associates and joint ventures for the six months ended 30 June 2023.

13. Significant Investments

Save as disclosed in this report, there were no significant investments of the Group for the six months ended 30 June 2023.

14. Future Plans for Significant Investments or Capital Assets

Save as disclosed in the prospectus of the Company dated 30 September 2019 (the "**Prospectus**"), the capital commitment in relation to the addition of property, plant and equipment, and the Acquisition (as defined below) 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 30 June 2023.

15. Liquidity and Financial Resources

The liquidity requirements of the Company are primarily attributable to the working capital for the Group's business operations. For the six months ended 30 June 2023, the principal source of the Company was cash generated from the business operations of the Group and the proceeds from the Company's global offering.

As at 30 June 2023, the Group had cash and cash equivalents of approximately HK\$782.6 million and the cash and cash equivalents were denominated in EUR, HK\$, RMB, GBP and DKK.

The Group's current gearing ratio (calculated as current assets over current liabilities) was approximately 5.2 times as at 30 June 2023 as compared to 5.1 times at 31 December 2022. 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.

There were no material changes in the funding and treasury policy of the Group for the six months ended 30 June 2023.

16. 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 HK\$7.50. The aggregate net proceeds from the Company's global offering (after deducting underwriting fees and expenses) amounted to approximately HK\$660.66 million, which would 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 would 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 30 June 2023:

Use of net proceeds	Percentage of the net proceeds (%)	Planned application (HK\$'000)	Actual usage up to 30 June 2023 (HK\$'000)	Unutilised net proceeds as at 30 June 2023 (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	41,828	222,438	By 31 December 2025
For potential acquisition of clinic groups in Europe	33.0	218,019	110,279	107,740	By 31 December 2025
For the expansion of marketing efforts	17.0	112,313	5,246	107,067	By 31 December 2025
Working capital and general corporate purposes	10.0	66,066	1,503	64,563	By 31 December 2025
	100.0	660,664	158,856	501,808	

Note:

- 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND FUTURE STRATEGIES

The Group is optimistic about its operations in Europe, Mainland China and the UK, as COVID-19 is in the past, inflation in Europe is starting to slowdown and the economic data is showing signs of improvement for the rest of 2023. Also, the aging population will bring strong demand for presbyopia correction treatments and the Group will benefit from this trend as over half of our revenue contribution comes from trifocal lens exchange.

In Germany, demands for presbyopia treatments remain strong and our effective pricing strategy for refractive surgeries has started to take effect. The newly acquired eye clinic, FreeVis GmbH and PMK, earned €1,236 thousands (HK\$10.2 million) net profit last year, representing 12.2% of the Group's net profit last year.

In Denmark, we foresee the business in the second half of 2023 to remain stable as compared to the first half of 2023.

In Mainland China, demand for presbyopia treatments will remain strong. We expect to see an even higher growth rate in the number of surgeries in the second half of 2023 as our Hangzhou clinic will be back to business after it had been relocated to a nearby location due to the shopping mall renovation.

In the UK, two more surgeons will start taking up surgeries and one more clinic just opened its doors in August. We expect our capacity to increase by 50% in the second half of 2023, meaning the backlog surgery orders from the Period can be fulfilled in the next few months.

The Group will remain one of the most profitable eye clinics in the industry with profit margins to remain at the leading level.

New clinic pipeline

Our flagship clinic in Hong Kong is expected to commence trial operations in October 2023. Located on the ground floor of Russell Street in Causeway Bay, one of the most prestigious retail areas in Hong Kong, this clinic is poised to bring a brand new experience for patients in Hong Kong and Mainland China.

Mergers and Acquisitions

The Group will continue its strategy to grow organically. It has been actively and prudently, searching for suitable targets of famous privately owned eye clinics in Europe. Through acquisitions, the Group expects to acquire leading brands of eye clinic or engage reputable and excellent surgeons to expand the clinic network and extend its reach into new geographic regions with a particular interest in emerging markets. With a more extensive and stronger surgeon network, the Group will improve its ophthalmic expertise and strengthen its leading position in the industry.

IMPORTANT EVENTS AFFECTING THE GROUP SINCE 30 JUNE 2023

As disclosed in the announcements of the Company dated 18 August 2023 and 21 August 2023, EuroEyes KG, a wholly-owned subsidiary of the Company, entered into a share purchase agreement (the "**SPA**") to acquire the entire shares in FreeVis GmbH and the entire assets of PMK for an aggregate completion consideration of EUR8,429,327 (equivalent to HK\$72,493,055) and the relevant earn out consideration subject to the terms and conditions of the SPA. The maximum consideration shall be approximately EUR12,541,893 (equivalent to HK\$107,861,534), subject to the consideration adjustment and earn out terms set out in the SPA (the "**Acquisition**").

The Directors consider that with the integration of the business of FreeVis GmbH and the assets of PMK into the Group, the Group will expand its current business in Mannheim, Germany while enhancing its overall leading market status in Germany. In addition, the medical practice of FreeVis GmbH and PMK will offer a full spectrum of ophthalmic services, covering the provision of lens exchange surgery and refractive surgery, which also aligns with the services offered by the Group.

Save as disclosed above, there have been no important events affecting the Group since 30 June 2023.

RESULTS AND APPROPRIATIONS

The results of the Group for the six months ended 30 June 2023 are set out in the condensed consolidated statement of comprehensive income on pages 9 to 10.

Save as disclosed in this report, there have been no material changes in the development or future development of the Group's business and financial position since the publication of the annual report of the Company for the year ended 31 December 2022.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.0511 per ordinary share of the Company for the six months ended 30 June 2023, totalling approximately HK\$17,028,564, based on the number of issued shares of the Company as at 30 June 2023 (for the corresponding period in 2022: nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) as recorded in the register kept by the Company pursuant to Section 352 of the SFO, or (c) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Interests in shares and underlying shares or in an associated corporation of the Company

Name of Director/Chief Executive	Capacity	Number of shares interested	Approximately percentage of the total issued share capital of the Company (Note 1)
Dr Jørn Slot Jørgensen ("Dr Jørgensen")	Interest in a controlled corporation; Beneficial owner and interest of spouse	181,833,100 (L) (Note 2)	54.57%
Dr Markus Braun	Beneficial owner	288,000 (L)	0.09%
Mr Jannik Jonas Slot Jørgensen	Beneficial owner	5,961,000 (L)	1.79%
Prof Dan Zoltan Reinstein	Beneficial owner and interest of spouse	2,424,000 (L) (Note 3)	0.73%
Mr Marcus Huascar Bracklo	Beneficial owner	703,000 (L) (Note 4)	0.21%

OTHER INFORMATION

Notes:

(L) denotes long position.

1. Total number of issued shares of the Company as at 30 June 2023 was 333,240,000.
2. Out of 181,833,100 shares that Dr Jørgensen was interested, 4,007,000 shares were held by EuroEyes Holding AG which is owned as to 100% by Dr Jørgensen and 379,100 shares were held by Dr Susanne Jørgensen, the spouse of Dr Jørgensen.
3. Out of 2,424,000 shares that Prof Dan Zoltan Reinstein was interested, 801,000 shares were held by Dr Ursula Inge Reinstein, the spouse of Prof Dan Zoltan Reinstein.
4. Out of 703,000 shares that Mr Marcus Huascar Bracklo was interested, 430,000 shares were held by Baigo Capital GmbH which is owned as to 100% by Mr Marcus Huascar Bracklo.

Save as disclosed above, as at 30 June 2023, so far as is known to any Directors or the chief executive of the Company, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to Section 352 of the SFO, to be entered in register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, other than interests disclosed above in respect of the Director and the chief executive of the Company, the following persons had or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register kept by the Company pursuant to Section 336 of the SFO or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company:

Interests in shares and underlying shares of the Company

Name of substantial shareholder	Capacity	Number of shares interested	Approximately percentage of the total issued share capital of the Company (Note 1)
Dr Susanne Jørgensen	Beneficial owner and interest of spouse	181,833,100 (L) (Note 2)	54.57%

Notes:

(L) denotes long position.

1. The total number of issued shares of the Company as at 30 June 2023 was 333,240,000.
2. Out of 181,833,100 shares that Dr Jørgensen was interested, 4,007,000 shares were held by EuroEyes Holding AG which is owned as to 100% by Dr Jørgensen and 379,100 shares were held by Dr Susanne Jørgensen. Dr Susanne Jørgensen is the spouse of Dr Jørgensen, and Dr Susanne Jørgensen was therefore deemed to be interested in the shares of the Company in which Dr Jørgensen was interested under Part XV of the SFO.

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors and by relevant employees of the Company. All Directors have confirmed, following specific enquiries by the Company regarding non-compliance of the Model Code, that they fully complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions during the six months ended 30 June 2023.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 23 September 2019 (the "**Scheme**") and shall be valid until 23 September 2029. Pursuant to the Scheme, certain eligible participants including, among others, the Directors and employees of the Group may be granted options to subscribe for shares. The purpose of the Scheme is to provide incentives or rewards to employees for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources. A summary of the principal terms of the Scheme is set out in the paragraph headed "E. Share Option Scheme" in Appendix IV of the Prospectus. No share option has been granted by the Company under the Scheme since the commencement of listing of the Company on 15 October 2019 and up to the date of this interim report. The number of options available for grant under the Scheme at the beginning and the end of the six months ended 30 June 2023 was 31,733,400 shares. The number of shares that may be issued in respect of options and awards granted under all share schemes of the Company during the six months ended 30 June 2023 divided by the weighted average number of issued shares for the six months ended 30 June 2023 is 332,179,000. In view of the recent amendments in Chapter 17 of the Listing Rules, the Company will endeavour to maintain its compliance with the applicable rules.

RESTRICTED SHARE AWARD SCHEME

The Company adopted a restricted share award scheme (the "**Restricted Share Award Scheme**") on 19 March 2020 as an incentive to attract, motivate and retain, among other, Directors and employees of the Group. The Restricted Share Award Scheme will be valid and effective for a period of ten year commencing from the adoption date, being 19 March 2020.

A summary of the principal terms and conditions of the Restricted Share Award Scheme is set out in the Company's announcement dated 19 March 2020.

During the six months ended 30 June 2023, a total of 375,368 shares of the Company were granted to the eligible participants under the Restricted Share Award Scheme.

Details of the restricted shares granted under the Restricted Share Award Scheme during the reporting period are set out under Note 21 to the condensed consolidated financial statements of this report.

The Directors believe that the compensation packages offered by the Group to staff members are competitive in comparison with market standards and practices.

OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board has established procedures on corporate governance that comply with the requirements of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules. The Board has reviewed and taken measures to adopt the CG Code as the Company’s code of corporate governance practices. During the six-month period ended 30 June 2023, the Company has complied with the code provisions under Part 2 of the CG Code, save and except for the following:

Code Provision C.2.1

Under CG Code provision C.2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. Currently, Dr. Jørgensen is the chairman of the Board (the “**Chairman**”) and also acts as the chief executive officer of the Company (the “**CEO**”) 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 consider that vesting the roles of both the Chairman and the CEO 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. The Board will continue to review and consider the separation of the roles of the Chairman and the CEO at an appropriate time, taking into considerations of the business development of the Group and the interest of the shareholders of the Company (the “**Shareholders**”) as a whole.

PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

EMPLOYEES

As at 30 June 2023, the Group had 353 full-time employees. In addition, the Group also engages certain surgeons, conservative ophthalmologists and a member of the senior management via freelance arrangements.

During the six months ended 30 June 2023, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong) and Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) of Hong Kong, the Labour Law of the PRC and the Labour Contract Law of the PRC, German Civil Code and relevant collective agreements and statutes of Denmark.

AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) has reviewed the Group’s unaudited condensed consolidated results for the six months ended 30 June 2023 and discussed with the management of the Company on the accounting principles and practices adopted by the Group, with no disagreement with accounting treatment adopted in the preparation of this report by the Audit Committee.

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

Hong Kong, 29 August 2023