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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1846)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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 consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023. The annual results have been reviewed by the audit committee of the Board (the “**Audit Committee**”) and agreed by the external auditors of the Group.

The key financial highlights are as follows:

	Year ended 31 December		
	2023	2022	Change
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>%</i>
Revenue	714,289	610,291	17.0
Gross profit	335,521	270,844	23.9
Adjusted gross profit ⁽¹⁾	339,412	275,595	23.2
Profit for the year	133,254	83,518	59.6
Adjusted net profit after tax for the year ⁽²⁾	141,717	101,232	40.0

Notes:

- (1) Adjusted gross profit is derived from adding share-based compensation expenses and pre-operating expenses for new clinics in Germany, the United Kingdom (the “**UK**”) and Hong Kong in 2023 and for new clinics in Germany and the UK in 2022 to the gross profit.
- (2) Adjusted net profit after tax for the year is derived from adding pre-operating expenses for new clinics in Germany, the UK and Hong Kong in 2023 and new clinics in Germany and the UK in 2022, share-based compensation and foreign exchange loss in relation to the proceeds from the Company’s global offering, acquisition-related costs, and (gain)/loss on fair value change of contingent consideration payable to the profit for the year.

NON-IFRS FINANCIAL MEASURES

To supplement the Group's consolidated financial statements which are prepared in accordance with the International Financial Reporting Standards ("IFRS"), the Group has provided adjusted gross profit and adjusted net profit after tax ("Adjusted Net Profit After Tax") for the years ended 31 December 2023 and 2022 (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, and net exchange loss/(gain) in relation to the proceeds from the Company's global offering, acquisition-related costs, and (gain)/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 years ended 31 December 2023 and 2022

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Gross profit	335,521	270,844
Add:		
Share-based compensation expenses	436	1,765
Pre-operating expenses	3,455	2,986
Adjusted gross profit	<u>339,412</u>	<u>275,595</u>
Profit for the year	133,254	83,518
Add:		
Pre-operating expenses	20,820	5,779
Share-based compensation expenses	2,228	2,682
Acquisition-related costs	976	3,176
(Gain)/loss on fair value change of contingent consideration payable	(15,799)	4,849
Foreign exchange loss in relation to the proceeds from the global offering	238	1,228
Adjusted Net Profit After Tax	<u>141,717</u>	<u>101,232</u>

Notes:

- (1) The Company presents the unaudited non-IFRS financial measures to supplement the Group's consolidated statement of comprehensive income for the year ended 31 December 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 year; (iii) foreign exchange 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 year indicated or as an indicator of operating performance or any other standard measure under IFRS.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023 <u>HK\$'000</u>	2022 <u>HK\$'000</u>
Revenue	4	714,289	610,291
Cost of sales		<u>(378,768)</u>	<u>(339,447)</u>
Gross profit		335,521	270,844
Selling expenses	5	(72,918)	(56,661)
Administrative expenses	5	(89,303)	(80,642)
Net impairment losses on financial assets		(221)	(33)
Other gains/(losses), net	6	<u>20,435</u>	<u>(701)</u>
Operating profit		193,514	132,807
Finance income	7	19,331	6,910
Finance expenses	7	<u>(22,235)</u>	<u>(10,737)</u>
Finance expenses, net	7	<u>(2,904)</u>	<u>(3,827)</u>
Profit before tax		190,610	128,980
Income tax expense	8	<u>(57,356)</u>	<u>(45,462)</u>
Profit for the year		133,254	83,518
Other comprehensive income/(loss)			
<i>Items that may be subsequently reclassified to profit or loss</i>			
– Exchange differences on translation of foreign operations		5,971	(42,801)
<i>Items that will not be reclassified to profit or loss</i>			
– Exchange differences on translation to presentation currency		<u>26,623</u>	<u>(37,431)</u>

	Note	<u>2023</u> <i>HK\$'000</i>	<u>2022</u> <i>HK\$'000</i>
Other comprehensive income/(loss) for the year		32,594	(80,232)
Total comprehensive income for the year		<u>165,848</u>	<u>3,286</u>
Profit attributable to:			
– Owners of the Company		131,242	89,472
– Non-controlling interests		<u>2,012</u>	<u>(5,954)</u>
		<u>133,254</u>	<u>83,518</u>
Total comprehensive income attributable to:			
– Owners of the Company		163,602	9,384
– Non-controlling interests		<u>2,246</u>	<u>(6,098)</u>
		<u>165,848</u>	<u>3,286</u>
Earnings per share			
– Basic earnings per share (HK cents)	<i>9(a)</i>	39.544	26.958
– Diluted earnings per share (HK cents)	<i>9(b)</i>	<u>39.501</u>	<u>26.927</u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	As at 31 December 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
Assets			
Non-current assets			
Property, plant and equipment		622,226	452,169
Intangible assets		37,300	33,422
Goodwill		271,352	186,279
Deferred tax assets		31,525	27,505
Deposits and other receivables		3,313	3,357
Total non-current assets		965,716	702,732
Current assets			
Inventories		16,166	16,379
Prepayments		10,424	12,656
Income tax recoverable		1,561	366
Deposits and other receivables		32,470	21,398
Trade receivables	10	6,877	5,568
Restricted cash		168	2,374
Cash and cash equivalents		720,216	779,567
Total current assets		787,882	838,308
Total assets		1,753,598	1,541,040
Equity			
Equity attributable to owners of the Company			
Share capital		26,138	26,138
Shares held for share scheme	11	(10,505)	(11,020)
Share premium		658,371	659,505
Other reserves		63,393	35,155
Retained earnings		397,379	304,488
Total equity attributable to owners of the Company		1,134,776	1,014,266
Non-controlling interests		30,732	28,827
Total equity		1,165,508	1,043,093

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2023

	Note	As at 31 December 2023 <i>HK\$'000</i>	As at 31 December 2022 <i>HK\$'000</i>
Liabilities			
Non-current liabilities			
Lease liabilities		313,520	242,646
Contingent consideration payable		86,213	77,039
Put options		–	981
Deferred tax liabilities		17,891	13,570
Total non-current liabilities		417,624	334,236
Current liabilities			
Trade payables	13	22,592	20,043
Contract liabilities		15,775	11,800
Income tax liabilities		10,693	41,050
Accruals and other payables		44,481	25,470
Borrowings		928	283
Contingent consideration payable		6,183	17,583
Lease liabilities		69,814	47,482
Total current liabilities		170,466	163,711
Total liabilities		588,090	497,947
Total equity and liabilities		1,753,598	1,541,040

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 8 to 20 were approved by the Board of Directors on 28 March 2024 and were signed on its behalf.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

EuroEyes International Eye Clinic Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) are principally engaged in the provision of vision correction services in Germany, Denmark, the United Kingdom (the “**UK**”), and the People’s Republic of China (the “**PRC**” or “**China**”). The Company was incorporated in the Cayman Islands on 13 August 2018 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961, as consolidated and revised, formerly known as “**Companies Law**”) of the Cayman Islands. The address of its registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). These financial statements are presented in Hong Kong Dollars (“**HK\$**”), unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as issued by the IASB (“**IFRS Accounting Standards**”) and the applicable disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities measured at fair value.

Accounting policies applied in the preparation of these consolidated financial statement have been consistently applied, unless otherwise stated.

2.1 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2023:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates – amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- International Tax Reform – Pillar Two Model Rules – amendments to IAS 12.

The Group has applied the following amendment in prior years:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12.

The Group also elected to adopt the following amendments early:

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current and Amendments to IAS 1 – Non-current Liabilities with Covenants.

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

2.2 New standards and interpretations not yet adopted

Certain amendments to accounting standards have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Supplier finance arrangements – Amendments to IAS 7 and IFRS 7
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28.

3 SEGMENT INFORMATION

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

Description of segments and principal activities

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

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

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2023 is as follows:

	Germany segment	China segment	Denmark segment	UK segment	Inter- segment elimination	Unallocated items (i)	Total
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Segment total revenue	386,162	144,316	87,919	101,486	(5,594)	–	714,289
Cost of sales	<u>(184,481)</u>	<u>(85,059)</u>	<u>(51,337)</u>	<u>(59,368)</u>	<u>1,477</u>	<u>–</u>	<u>(378,768)</u>
Gross profit	<u>201,681</u>	<u>59,257</u>	<u>36,582</u>	<u>42,118</u>	<u>(4,117)</u>	<u>–</u>	<u>335,521</u>
EBITDA	<u>185,551</u>	<u>52,874</u>	<u>30,503</u>	<u>17,811</u>	<u>–</u>	<u>(5,875)</u>	<u>280,864</u>
Unallocated							
Finance income							19,331
Finance expenses							(22,235)
Depreciation and amortisation							(87,350)
Profit before tax							190,610
Income tax expense							<u>(57,356)</u>
Profit for the year							<u>133,254</u>

The segment information provided to the executive directors of the Company for the reportable segments for the year ended 31 December 2022 is as follows:

	Germany segment	China segment	Denmark segment	UK segment	Inter- segment elimination	Unallocated items (i)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment total revenue	337,598	98,437	65,114	111,203	(2,061)	–	610,291
Cost of sales	<u>(169,571)</u>	<u>(81,565)</u>	<u>(39,492)</u>	<u>(49,256)</u>	<u>437</u>	<u>–</u>	<u>(339,447)</u>
Gross profit	<u>168,027</u>	<u>16,872</u>	<u>25,622</u>	<u>61,947</u>	<u>(1,624)</u>	<u>–</u>	<u>270,844</u>
EBITDA	<u>155,832</u>	<u>21,366</u>	<u>17,177</u>	<u>33,266</u>	<u>–</u>	<u>(14,111)</u>	<u>213,530</u>
Unallocated							
Finance income							6,910
Finance expenses							(10,737)
Depreciation and amortisation							<u>(80,723)</u>
Profit before tax							128,980
Income tax expense							<u>(45,462)</u>
Profit for the year							<u>83,518</u>

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

4 REVENUE

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

Breakdown of revenue by product category is as follows:

	2023	2022
	HK\$'000	HK\$'000
Revenue from contracts with customers (a)		
Provision of vision correction services	707,897	604,766
Training services	5,407	2,937
Rental of ophthalmic equipment and operating spaces	968	2,472
Sales of pharmaceutical products	<u>17</u>	<u>116</u>
	<u>714,289</u>	<u>610,291</u>

The amount of revenue from external customers, broken down by location of the customers, is shown as below:

	<u>2023</u>	<u>2022</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Germany	380,916	335,570
China	144,036	98,437
UK	101,418	111,170
Denmark	87,919	65,114
	<u>714,289</u>	<u>610,291</u>

There is no single external customer that contributes to more than 10% of the Group's revenue for the years ended 31 December 2023 and 2022.

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

(b) Contract liabilities movement

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

	<u>2023</u>	<u>2022</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the year	11,800	8,115
Acquisition of a subsidiary	–	7,397
Advance collected from customers during the year	694,755	560,054
Revenue recognised from contract liabilities existed at the beginning of the year	(11,800)	(8,115)
Revenue recognised from contract liabilities occurred during the year	(678,980)	(555,651)
Balance at end of the year	<u>15,775</u>	<u>11,800</u>

No significant cost was incurred for obtaining revenue contract for the years ended 31 December 2023 and 2022.

5 EXPENSES BY NATURE

	<u>2023</u>	<u>2022</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Employee benefit expenses	222,728	186,319
Raw materials and consumables	84,430	78,333
Depreciation of property, plant and equipment	82,901	76,691
Advertising and marketing expenditure	50,641	37,661
Electricity and other utility expenses	28,101	24,278
Clinic, office and consumption expenses	21,275	16,212
Legal and other consulting services fee	12,530	17,334
Transportation costs	11,547	7,092
Repair and maintenance	10,145	9,574
Amortisation of intangible assets	4,449	4,032
Auditors' remuneration		
– PricewaterhouseCoopers	3,311	3,653
– other auditors	883	808
Doctors' fee	2,343	8,889
Rent on short-term leases	688	3,110
Rent concession related to COVID-19	–	(833)
Others	5,017	3,597
Total	<u>540,989</u>	<u>476,750</u>

6 OTHER GAINS/(LOSSES), NET

	<u>2023</u>	<u>2022</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gains/(losses) on fair value change of contingent consideration payable	15,955	(4,852)
Government compensation for employee welfare	914	3,183
Net gains on financial assets at fair value through profit or loss	–	140
(Losses)/gains on disposal of property, plant, and equipment	(382)	206
Others	3,948	622
	<u>20,435</u>	<u>(701)</u>

7 FINANCE EXPENSES, NET

	<u>2023</u>	<u>2022</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income		
Interest income	19,331	1,138
Foreign exchange gains, net	–	5,772
	<u>19,331</u>	<u>6,910</u>
Finance expenses		
Foreign exchange loss, net	(8,091)	–
Interest expenses on leases	(9,703)	(6,960)
Interest expenses on borrowings	–	(157)
Other finance expenses	(4,441)	(3,620)
	<u>(22,235)</u>	<u>(10,737)</u>
Net finance expenses	<u>(2,904)</u>	<u>(3,827)</u>

8 INCOME TAX EXPENSE

Taxation on profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries/areas in which the Group entities operate. The Group was subject to different tax jurisdiction mainly in Germany, Denmark, the UK and China with tax rates ranging from 8.25% to 32% during the year ended 31 December 2023 (2022: 8.25% to 32%).

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

	<u>2023</u>	<u>2022</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax	60,396	50,744
Deferred tax	(3,040)	(5,282)
Income tax expense	<u>57,356</u>	<u>45,462</u>

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

	<u>2023</u>	<u>2022</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	190,610	128,980
Tax calculated at the domestic tax rate applicable to profits in the respective jurisdictions	54,003	42,180
Preferential tax rates on income of certain group entities	(42)	(874)
Income not subject to income tax	(560)	(50)
Expenses not deductible for tax purposes	1,562	445
Reversal of deferred tax assets previously recognised	1,681	2,317
Tax losses of certain group entities for which no deferred tax assets were recognised	1,409	1,444
Previously unrecognised tax losses now recouped to reduce current tax expense	(697)	–
Income tax expense	<u>57,356</u>	<u>45,462</u>

9 EARNINGS PER SHARE

(a) Basic earnings per share

For the years ended 31 December 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 year.

	<u>2023</u>	<u>2022</u>
Profit attributable to owners of the Company (HK\$'000)	131,242	89,472
Weighted average number of ordinary shares in issue ('000) (<i>Note (c)</i>)	<u>331,885</u>	<u>331,895</u>
Earnings per share (basic) (HK cents)	<u>39.544</u>	<u>26.958</u>

(b) Diluted earnings per share

For the years ended 31 December 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 year.

	<u>2023</u>	<u>2022</u>
Profit attributable to owners of the Company (HK\$'000)	131,242	89,472
Weighted average number of ordinary shares and potential ordinary shares in issue ('000) (<i>Note (c)</i>)	<u>332,247</u>	<u>332,276</u>
Earnings per share (diluted) (HK cents)	<u>39.501</u>	<u>26.927</u>

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

	<u>2023</u>	<u>2022</u>
	<i>Number</i>	<i>Number</i>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share ('000) (<i>Note (a)</i>)	331,885	331,895
Adjustments for calculation of diluted earnings per share:		
Restricted share	<u>362</u>	<u>381</u>
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share ('000) (<i>Note (b)</i>)	<u>332,247</u>	<u>332,276</u>

10 TRADE RECEIVABLES

	<u>2023</u>	<u>2022</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables due from third parties	7,228	5,676
Trade receivables due from related parties	<u>69</u>	<u>91</u>
Total trade receivables, gross	7,297	5,767
Less: provision for impairment	<u>(420)</u>	<u>(199)</u>
Total trade receivables, net	<u>6,877</u>	<u>5,568</u>

The majority of the Group's sales required advance payments from customers. The remaining amounts are mainly due from insurance companies who settle the surgery fees with the Group on a regular basis. As at 31 December 2023 and 2022, the ageing analysis of the trade receivables based on the invoice date was as follows:

	<u>2023</u>	<u>2022</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 6 months	<u>7,297</u>	<u>5,767</u>

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

	<u>2023</u>	<u>2022</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
– GBP	2,610	2,144
– EUR	2,285	1,097
– RMB	1,847	1,612
– DKK	555	914
	<u>7,297</u>	<u>5,767</u>

(i) Fair value of trade receivables

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

(ii) Impairment and risk exposure

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

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

	<u>2023</u>	<u>2022</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the year	199	212
Provision for impairment recognised during the year	221	33
Receivables written off during the year as uncollectible	–	(46)
Balance at end of the year	<u>420</u>	<u>199</u>

The maximum exposure to credit risk as at 31 December 2023 were HK\$7,297,000 (2022: HK\$5,767,000).

11 SHARES HELD FOR SHARE SCHEME

	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	<i>Shares</i>	<i>Shares</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Shares held for share scheme	<u>1,412,650</u>	<u>1,170,116</u>	<u>10,505</u>	<u>11,020</u>

These shares of the Company were acquired and held by an independent professional trustee (the “Trustee”) for the purpose of granting shares under the Restricted Share Award Scheme and other equity-based incentive schemes adopted by the Company (see Note 12 for further information). During the year ended 31 December 2023, the Company did not pay (2022: HK\$8,360,000) to the Trustee, with a balance of unutilised cash of HK\$168,000 as restricted cash as at 31 December 2023 (2022: HK\$2,374,000).

	Number of shares	Amount HK\$'000
As at 1 January 2023	1,170,116	11,020
Acquisition of shares by the Trustee	441,000	2,206
Issue of shares under employee share scheme	(198,466)	(2,721)
	<u>1,412,650</u>	<u>10,505</u>
As at 31 December 2023	<u><u>1,412,650</u></u>	<u><u>10,505</u></u>

12 SHARE-BASED PAYMENT

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

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

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

Share-based payment

	2023 Number of shares	2022 Number of shares
As at 1 January	210,598	480,411
Granted during the year	375,368	215,428
Vested during the year	(198,466)	(485,241)
	<u>387,500</u>	<u>210,598</u>
As at 31 December	<u><u>387,500</u></u>	<u><u>210,598</u></u>

Expenses arising from share-based payment

	2023 HK\$'000	2022 HK\$'000
Shares issued under employee share scheme	2,228	2,682
	<u><u>2,228</u></u>	<u><u>2,682</u></u>

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

13 TRADE PAYABLES

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

	<u>2023</u>	<u>2022</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	18,230	16,437
Over 3 months but within 6 months	2,931	2,559
Over 6 months but within 1 year	1,431	1,047
	<u>22,592</u>	<u>20,043</u>

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

	<u>2023</u>	<u>2022</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
– EUR	12,627	9,772
– RMB	5,083	3,507
– DKK	2,879	3,399
– GBP	1,986	3,365
– HK\$	17	–
	<u>22,592</u>	<u>20,043</u>

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

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

14 DIVIDENDS

On 6 February 2023, the Board of Directors of a subsidiary declared a dividend of EUR 800,000 (equivalent to HK\$6,773,000) to the shareholders in respect of the year ended 31 December 2021, which included a dividend of EUR 208,000 (equivalent to HK\$1,766,000) to non-controlling interest. The dividend was fully paid during the year ended 31 December 2023.

On 29 August 2023, the Board of Directors of the Company declared an interim dividend of HK\$0.0511 per ordinary share totalling HK\$17,028,564 to the shareholders in respect of the six months ended 30 June 2023. The dividend was fully paid during the year ended 31 December 2023.

On 28 March 2024, the Board of Directors proposed a final dividend of HK\$0.0489 per ordinary share totalling HK\$16,295,436 (year ended 31 December 2022: HK\$0.06266 per ordinary share totalling HK\$20,880,818) to the shareholders of the Company in respect of the year ended 31 December 2023. Subject to the approval of the shareholders at the forthcoming Annual General Meeting and subject to further announcement in respect to the book closure date, record date and payment date, the proposed 2023 final dividend is expected to be distributed to shareholders on or around in the middle of June 2024 (2023: fully paid during the year).

As the final dividend is proposed and will be approved by the shareholders at the AGM after 31 December 2023, such dividend is not recognised as a liability as at 31 December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

After the lifting of the COVID-19 restrictions in the People's Republic of China (the "PRC") followed by the opening of the Group's new flagship clinics in Copenhagen, London and Hong Kong, the Group is pleased to announce a record high revenue of HK\$714.3 million for the year ended 31 December 2023 (the "Fiscal Year"), representing a 17.0% year-on-year growth. Profit attributable to owners of the Company increased by 46.7% year-on-year to HK\$131.2 million while net profit margin increased by 3.7 percentage points from 2022 to 18.4%. The Group achieved HK\$280.9 million earnings before interest, taxes, depreciation and amortisation (the "EBITDA") in the Fiscal Year, representing a growth of 31.5% while the EBITDA margin increased by 4.3 percentage points to 39.3% (2022: 35.0%).

In the Fiscal Year, each of the Group's revenue and EBITDA reached a new high, surpassing the records set in 2021 – the Group's previous golden year.

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 announcements of the Company dated 18 August 2023 and 21 August 2023 (the "Announcements"), 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 related eye clinics (the "Acquisition"). The eye clinic, which specializes in lens exchange and refractive laser surgeries, 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. Other than expanding the local presence in Germany, the Acquisition could also help the Group to retain top talents like Prof. Knorz, who is internationally recognized as one of the leading experts in the field of refractive surgery and cataract surgery. After the Acquisition, Prof. Knorz will devote more time to the Group's PRC operation, by bringing his expertise for the international expansion of the Group in Asia. Prof. Knorz, due to his reputation and well-connected network, will help the Group in identifying more mergers and acquisitions ("M&A") opportunities for world class surgeons' practice and famous eye clinic chains in the future. Details of the material acquisitions of the Group during the Fiscal Year will be set out in the section headed "12. Significant Investments, Material Acquisitions and Disposals" of the annual report for the year ended 31 December 2023 to be issued by the Company.

Organic Growth by Opening New Flagship Clinics in International Cities

The Group successfully opened two new flagship clinics in the Fiscal Year. One is in Knightsbridge, London, a community next to the famous Harrods. The Group named it Laser Eye Clinic ("LEC"). The other is in Causeway Bay, Hong Kong, one of the most popular shopping district. 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 floor area of 490 square meters on Russell Street, is a Zeiss Excellence center built together with the ZEISS brand.

Organic growth is a very important growth pillar that supports the Group's development. The Group's like-for-like clinic revenue growth in the Fiscal Year, that is the growth rate for clinics that have existed for over one year, reached 16.2% while EBITDA growth rate at 38.8%.

Financial Performance of the Group

In the Fiscal Year, the Group's revenue and gross profit reached an all-time high to HK\$714.3 million and HK\$335.5 million, with a year-on-year growth of 17.0% and 23.9% respectively. Gross profit margin also improved by 2.6 percentage points to 47.0%. The Group's operating profit increased by 45.7% from 2022 to HK\$193.5 million while the operating profit margin improved by 5.3 percentage points to 27.1%. The Group's EBITDA margin reached 39.3% and in Germany, where most of the clinics have entered their mature phase, the EBITDA margin could go as high as close to 50%.

Performance by Geographic Regions

Performance in Europe

In Germany, despite weak economic data and high inflation, the Group managed to achieve a 13.5% year-on-year growth in the region thanks to resilient demand for lens exchange surgeries, bringing the revenue to HK\$380.9 million as compared to 2022, representing 53.3% of the Group's total revenue. Revenue from lens exchange surgery for correcting presbyopia symptoms increased 25.6% year-on-year in the Fiscal Year to HK\$216.2 million. Since demand for presbyopia treatment was less affected by inflation or economic downturn, the Group believes the upward momentum in lens exchange surgery will continue in the foreseeable future. On the other hand, demand for myopia correction surgery encountered macroeconomic headwinds and hence both phakic lens (ICL) surgery and refractive laser surgery recorded a revenue drop at 3.5% and 0.5% year-on-year to HK\$40.6 million and HK\$116.1 million respectively. The decrease in both categories was due to the weakening of purchasing power in the younger generation caused by inflation and the economic downturn. Against this backdrop, the Group took swift actions in April and adopted an effective pricing strategy to restore the demand for refractive laser surgery. Since April 2023, the Group has seen a steady rebound in numbers of refractive surgery in Germany.

In Denmark, where over 90% of the revenue came from the more resilient lens exchange surgery category, the total revenue grew 35.0% to HK\$87.9 million as compared to 2022. Denmark accounted for 12.3% of the Group's total revenue. Due to its aging population, demand for presbyopia treatments was strong in the Fiscal Year, bringing the revenue from lens exchange surgery to HK\$79.2 million, up 38.3% year-on-year. The Group's new Copenhagen flagship clinic helped boost the performance by increasing capacity.

In the UK, post-Brexit brought larger-than-expected headwinds to the country's economy. The London Vision Clinic ("LVC") which was acquired in 2022 principally focused on refractive laser surgeries and was hence more vulnerable than the Group's other clinics amid economic downturns. Its revenue dropped 8.8% year-on-year to HK\$101.4 million in the Fiscal Year. In light of this, the Group opened its second clinic in the city, the LEC which is located next to Harrods in September 2023 to mainly focus on lens exchange surgery, a move to complement LVC and provide patients in the city a wider range of presbyopia correction services. LEC saw a better-than-expected operating performance since its grand opening in November 2023.

Performance in Asia

In the PRC, a full rebound from the lifting of COVID-19 restrictions started from early February 2023. With only 11 months of normal operation and the closing of one Hangzhou clinic from May to November 2023 for relocation, the total revenue still grew 46.3% year-on-year to HK\$144.0 million in the Fiscal Year. The PRC accounted for 20.2% of the Group's total revenue. Revenue from lens exchange surgery recorded a hypergrowth of 83.0% year-on-year to a new high of HK\$72.7 million. We also adopted a competitive pricing strategy in ICL surgery where the revenue grew 37.7% year-on-year to HK\$34.2 million, surpassing the revenue contribution from refractive laser surgery for the first time.

The Group opened its first flagship clinic in Hong Kong's popular shopping district in Causeway Bay in November 2023. Given that the day procedure centre licence has been granted by the Department of Health of Hong Kong on 21 March 2024, the Group expects to have a steady upward trend in the patient inflows.

Performance by Type of Surgeries

Lens exchange surgery

For the Fiscal Year, lens exchange surgery accounted for 52.8% of the Group's total revenue, up 7.5 percentage points as compared to 45.3% in 2022. The total revenue from performing lens exchange surgery in the Fiscal Year, which included mostly trifocal lens exchange surgeries mainly for senior citizens to get rid of presbyopia and cataract, grew 37.1% year-on-year to HK\$371.8 million. All four geographical regions scored double-digit growth in the Fiscal Year. The strong performance in this category was fueled by the aging population in various countries where the Group operates. As a natural aging process, surgery is the most ideal way to correct presbyopia symptoms and, as a result, demand for presbyopia correction treatments is less sensitive to the macroeconomic impacts.

Phakic lens (ICL) surgery

For the Fiscal Year, ICL surgery accounted for 11.4% of the Group's total revenue as compared to 12.0% in 2022. The total revenue from performing ICL surgery saw a year-on-year revenue growth at 12.1% to HK\$80.5 million, mainly fueled by the strong demand in the PRC.

Refractive laser surgery

For the Fiscal Year, refractive laser surgery accounted for 33.4% of the Group's total revenue as compared to 41.1% in 2022. The total revenue from performing refractive laser surgery declined 4.5% year-on-year to HK\$235.3 million mainly because of the decrease in demand in the UK. The decrease was brought by the macroeconomic headwinds resulting from Brexit. As refractive laser surgery mainly targets younger patients who are more vulnerable to economic downturn, we saw demand weakening in other regions like Germany and the PRC. The Group reacted quickly by adopting competitive pricing strategies in these regions and managed to restore demand. In the PRC, the Group even saw a 9.1% year-on-year increase in the revenue from refractive laser surgery. In Germany, the Group managed to keep its revenue from refractive laser surgery at the same level as compared with 2022.

OUTLOOK AND FUTURE STRATEGIES

Looking ahead, the Group still feels the headwind from the unfavourable economic downturn in regions where the Group operates. However, with the Group's three growth pillars in place, we are confident that by 2026 we can see the three-year organic compound annual growth rate ("CAGR") in revenue to be in its low twenties. The three-year organic EBITDA CAGR can be in its mid-twenties and organic net profit to be over HK\$300 million, representing a three-year CAGR in its mid-thirties in the next three years. Meanwhile, the Group will also actively search for suitable M&A targets. The M&A activities are believed to provide significant upsides to the Group's organic growth in the next two to three years.

1. Organic Growth Pillar – Strengthen Market Leading Position in Trifocal Lens Exchange Surgery

The Group is best known for its market leading position in trifocal lens exchange surgery, and this is what distinguishes the Group from its peers. The Group has been awarded by the Zeiss brand for implementing the most trifocal lens surgery during the Fiscal Year, and has obtained such achievement 8 years in a row.

Presbyopia is a natural aging process, and may affect almost everyone. Trifocal lens exchange surgery is so far the best way to correct the symptoms. The Group believes demands for trifocal lens exchange surgery will continue to rise regardless of the economic environment.

As the surgery that is the most resilient to economic downturn, trifocal lens exchange surgery is the most powerful engine to fuel the Group's future growth amid macroeconomic headwinds. Going forward, the revenue contribution from the lens exchange surgery will continue to rise, so that the Group's business model will become even more resilient in the future and thrive even in difficult times.

2. Organic Growth Pillar – Young Clinics Entering Maturity Phase and New Clinic Pipeline

Fixed costs take up a dominant part of the Group's total cost structure, namely equipment depreciation, employee expenses etc. So once a young clinic has reached its cashflow breakeven point, any additional revenue will go directly into the Group's profit pool. For example, the Group's clinics in Germany have an average EBITDA margin as high as close to 50%. The Group's young clinics in the PRC are on track to catch up with its counterparts in Germany. The Group expects that the two flagship clinics opened in the Fiscal Year in London and Hong Kong respectively, will start entering maturity phase in one to two years' time. Therefore, clinics in the PRC, including the new flagship clinic in Hong Kong, and the flagship clinic in London, will be the powerhouse for the Group's organic growth in the next three years.

New clinic pipeline

In Germany, two new clinics are expected to commence operation in the first half of 2024 in Wiesbaden and Kiel. Wiesbaden is the second-largest city in the state of Hesse, and Kiel is the capital and the most populous city in the northern state of Schleswig-Holstein of Germany.

In the PRC, the Group is looking for suitable premises for consultation centres in Beijing and Shanghai, which after construction would be the third clinic in Beijing and the second clinic in Shanghai, respectively. As outpatient clinics providing examination and non-surgical treatment, consultation centres are expected to increase the utilization rate of the Group's existing surgical centres, enabling the Group to penetrate further into cities with large potential.

The Group believes that significant revenue growth contributions from the new clinics will be seen as early as 2024 while the profit contribution will come as early as 2025.

3. Inorganic Growth Pillar – Mergers & Acquisitions to Bring Significant Upsides

The Group is actively seeking opportunities for M&A and intends to target famous privately-owned eye clinics in Europe and Asia (outside of Mainland China). The Group would also consider strategic acquisition of eye-clinics in the Americas. Through acquisitions, the Group expects to acquire leading brands of eye clinics 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. The Group will speed up the process from now on and expects to deploy the money raised in its listing on the Main Board of the Stock Exchange on 15 October 2019 for M&A in the next 24 months.

Natural Risk Hedging – Global Exposure

Apart from the Group's three growth pillars, the Group's global clinic coverage can also contribute to the Group's future development by mitigating regional risks. With a unique clinic network spanning from Asia to Europe, the Group is more resilient than its peers in facing economic uncertainties in certain regions the Group operates in.

FINANCIAL REVIEW

1. Revenue

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

	Year ended 31 December					
	<u>2023</u>	<u>2023</u>	<u>2022</u>	<u>2022</u>	<u>Change</u>	<u>Change</u>
	<i>HK\$'000</i>	% of total revenue	<i>HK\$'000</i>	% of total revenue	<i>HK\$'000</i>	%
Provision of vision correction services	707,897	99.1	604,766	99.1	103,131	17.1
Rental of ophthalmic equipment and operating spaces	968	0.1	2,472	0.4	(1,504)	(60.8)
Sales of pharmaceutical products	17	0.0	116	0.1	(99)	(85.3)
Other	5,407	0.8	2,937	0.4	2,470	84.1
Total	<u>714,289</u>	<u>100.0</u>	<u>610,291</u>	<u>100.0</u>	<u>103,998</u>	<u>17.0</u>

The Group's total revenue was HK\$714.3 million, representing a year-on-year increase of 17.0%, which was mainly due to (i) a robust growth of lens exchange surgeries for presbyopia treatment, including Germany, the PRC, Denmark and the UK; (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, the PRC (including Hong Kong), Denmark and the UK. As of 31 December 2023, the Group had a total of 32 clinics and consultation centres worldwide. The following table sets forth the Group's revenue by geographical locations during the periods indicated:

	Year ended 31 December					
	2023	2023	2022	2022	Change	Change
	<i>HK\$'000</i>	% of total revenue	<i>HK\$'000</i>	% of total revenue	<i>HK\$'000</i>	%
Germany	380,916	53.3	335,570	55.0	45,346	13.5
PRC	144,036	20.2	98,437	16.1	45,599	46.3
UK	101,418	14.2	111,170	18.2	(9,752)	(8.8)
Denmark	87,919	12.3	65,114	10.7	22,805	35.0
Total	714,289	100.0	610,291	100.0		

For the year ended 31 December 2023, the Group generated approximately 53.3% (2022: approximately 55.0%) of its revenue in Germany, approximately 20.2% (2022: approximately 16.1%) in the PRC, approximately 14.2% (2022: approximately 18.2%) in the UK, and approximately 12.3% (2022: approximately 10.7%) in Denmark.

2. Cost of Revenue

For the year ended 31 December 2023, the largest component of the Group's cost of sales was employee benefits expenses, representing approximately 45.3% (2022: approximately 41.5%) of the total cost of sales, followed by raw materials and consumables used, accounting for approximately 22.3% (2022: approximately 23.1%) of the total cost of sales.

	Year ended 31 December		
	2023	2022	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Employee benefit expenses	171,399	140,898	21.6
Raw materials and consumables used	84,430	78,333	7.8
Depreciation of property, plant and equipment	67,993	62,696	8.4
Doctor's fee	1,791	8,543	(79.0)
Others ⁽¹⁾	53,155	48,977	8.5
Total	378,768	339,447	11.6

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

The total cost of revenue of the Group for the year ended 31 December 2023 amounted to HK\$378.8 million, representing an increase of 11.6% 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 79.0% 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 years indicated:

	Year ended 31 December		
	2023	2022	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Revenue	714,289	610,291	17.0
Cost of sales	(378,768)	(339,447)	11.6
Gross profit	<u>335,521</u>	<u>270,844</u>	<u>23.9</u>
Gross profit margin	<u>47.0%</u>	<u>44.4%</u>	
Adjusted gross profit (see Non-IFRS Financial Measures section)	<u>339,412</u>	<u>275,595</u>	<u>23.2</u>
Adjusted gross profit margin	<u>47.5%</u>	<u>45.2%</u>	

The gross profit of the Group for the year ended 31 December 2023 increased by 23.9% compared to the corresponding period in 2022 with a gross profit margin at 47.0%. The adjusted gross profit also increased by 23.2% compared to the corresponding period in 2022 with adjusted gross profit margin at 47.5%.

4. Selling Expenses

The Group's selling expenses for the year ended 31 December 2023 amounted to approximately HK\$72.9 million, representing an increase of 28.7% as compared to the corresponding period in 2022, which was attributed to an increase in advertising and marketing expenses. For the year ended 31 December 2023, the selling expenses amounted to 10.2% of the Group's total revenue (2022: 9.3%).

	Year ended 31 December		
	2023	2022	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Selling expenses			
Advertising and marketing expenditure	50,641	37,117	36.4
Employee benefit expenses	11,784	11,108	6.1
Depreciation of property, plant and equipment	5,085	4,841	5.0
Others	5,408	3,595	50.4
Total	72,918	56,661	28.7

5. Administrative Expenses

The administrative expenses of the Group for the year ended 31 December 2023 amounted to approximately HK\$89.3 million, representing an increase of 10.7% as compared to the corresponding period in 2022. This was mainly due to the increase in employee benefits and office and consumption expenses.

	Year ended 31 December		
	2023	2022	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Employee benefit expenses	39,545	34,313	15.2
Legal and other consulting service fee	11,707	16,361	(28.4)
Office and consumption expenses	10,281	7,578	35.7
Depreciation of property, plant and equipment	9,823	9,154	7.3
Others	17,947	13,236	35.6
Total	89,303	80,642	10.7

6. Finance Income and Expenses, Net

The Group's finance income increased by approximately HK\$12.4 million, or 179.8%, from approximately HK\$6.9 million for the year ended 31 December 2022 to approximately HK\$19.3 million for the year ended 31 December 2023. The increase in net finance income was primarily due to the interests income arising from time deposits with Euro ("EUR") amount during 2023.

The Group's finance expenses increased by approximately HK\$11.5 million, or 107.1%, from approximately HK\$10.7 million for the year ended 31 December 2022 to approximately HK\$22.2 million for the year ended 31 December 2023, which was primarily due to the increase in foreign exchange loss which arose from the changes in foreign currency exchange rates.

7. Borrowings

As at 31 December 2023, the Group had outstanding borrowings of approximately HK\$0.9 million (2022: approximately HK\$0.3 million), which shall be repaid within one year. The borrowings are related to the overdraft cash in bank.

As at 31 December 2023 and 2022, the borrowings were denominated in Great British Pound ("GBP" or "£").

8. Foreign Exchange Risk

The subsidiaries of the Company mainly operate in Germany, Denmark, the UK and the PRC with most of the transactions being settled in EUR, Danish Krone ("DKK"), GBP, Renminbi ("RMB") and Hong Kong Dollars ("HK\$"), respectively. Foreign exchange risk arises when recognised financial assets and liabilities are denominated in a currency that is not the Group entities' functional currency. As at 31 December 2023 and 2022, the financial assets and liabilities of the subsidiaries of the Group in Germany, Denmark, the UK, and the PRC were primarily denominated in EUR, DKK, GBP, RMB and HK\$, respectively, which were their respective functional currencies.

Management believes that the foreign exchange risk mainly arises from the Company's HK\$ denominated cash and cash equivalents and other payables. As at 31 December 2023, foreign currency exposure of these financial assets and liabilities does not have material impact on the operating results of the Group. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates. The Group will constantly review the economic situation and its foreign exchange risk profile, and will consider appropriate hedging measures in the future, as may be necessary.

9. Charges on Group Assets

As at 31 December 2023, the Group had no charges on Group assets (31 December 2022: Nil).

10. Capital Commitments

Save for the capital commitment of approximately HK\$3.7 million in relation to the addition of property, plant and equipment, the Group had no significant capital commitments as at 31 December 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 2022, 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 31 December 2023, the Group had contingent consideration payable of approximately HK\$64.4 million (as at 31 December 2022: HK\$94.6 million).

According to the share purchase agreement under the Acquisition, the contingent consideration requires the Group to pay the former owners of FreeVis GmbH. As at 31 December 2023, the Group had contingent consideration payable of approximately HK\$28.0 million (as at 31 December 2022: Nil).

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

As disclosed in the Announcements, on 17 August 2023, the Group acquired and Knorz GmbH agreed to sell, the entire equity interests in Freevis GmbH, one of the leading companies in the vision correction industry in Mannheim, Germany (the “**FreeVis Acquisition**”). On the same date of the FreeVis Acquisition, a clinic formerly known as Augenärztliche Privatpraxis Prof. Dr. Michael C. Knorz (the “**PMK Business**”), which was under common control of Prof. Knorz, the FreeVis Acquisition and the PMK Business were acquired for a total maximum consideration of EUR12,541,893 (equivalent to HK\$107,861,000).

As disclosed in the Announcements, the Group has been actively seeking opportunities in the market for the expansion of its service network which can improve the synergy and bring benefits to the Group’s ophthalmic services. With the integration of the business of FreeVis GmbH and PMK into the Group, the Group intends to expand its current business in Mannheim, Germany while enhancing its overall market leader 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. Details of the material acquisitions of the Group during the Fiscal Year will be set out in the annual report of the Company for the year ended 31 December 2023.

Save as disclosed in this announcement, there were no other material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2023.

13. Significant Investments

To the best knowledge of the Company, there was no significant investment held by the Group for the year ended 31 December 2023.

14. Plans for Material 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 which will be funded by the proceeds from the Company’s global offering, the Group did not have other plans for material investments or capital assets as at 31 December 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the mandatory disclosure requirements and the code provisions of the Corporate Governance Code as set out in Appendix C1 (the “**Corporate Governance Code**”) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the financial year ended 31 December 2023, save for the deviations from code provision C.2.1 as follows:

Under code provision C.2.1 of the Corporate Governance Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Jørn Slot Jørgensen (“**Dr. Jørgensen**”) is both the chairman and the chief executive officer of the Company because of his considerable experience in the business of providing ophthalmic services in Germany, Denmark, U.K. and the PRC. Dr. Jørgensen is also 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 chief executive officer of the Company in Dr. Jørgensen is beneficial to the business prospects and management of the Group by ensuring consistent leadership with the Group and enabling more effective and efficient overall strategic development for the Group.

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

Further information of the corporate governance practice of the Company will be set forth in the section headed “Corporate Governance Report” in the annual report of the Company for the year ended 31 December 2023 to be issued by the Company.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2023.

LIQUIDITY AND CAPITAL RESOURCES

The liquidity requirements of the Company are primarily attributable to the working capital for the Group's business operations. For the year ended 31 December 2023, the principal source of liquidity of the Company was cash generated from the business operations of the Group and proceeds from the Global Offering. As at 31 December 2023, the Group had cash and cash equivalents of approximately HK\$720.2 million.

The Group's current ratio (calculated as current assets over current liabilities) was approximately 4.6 as at 31 December 2023 (2022: approximately 5.1).

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as long-term borrowings divided by the total capital. The total capital is calculated as equity as shown in the consolidated statement of financial position plus long-term borrowings. The Group did not have long-term borrowing as at 31 December 2023 and 2022.

There were no material changes in the funding and treasury policy of the Group for the year ended 31 December 2023.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

On 15 October 2019, the shares of the Company were listed on the Main Board of the Stock Exchange. In connection with the Listing, the Company issued 91,234,000 shares at a price of 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 will be used for (i) establishing clinics in major cities in the PRC, including Chengdu and Chongqing; (ii) potential acquisition of clinic groups in Europe; (iii) expansion of marketing efforts; and (iv) working capital and general corporate purposes.

The net proceeds from the Company's global offering (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilised in the same manner, proportion and expected timeframe as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds". The table below sets out the planned applications of the net proceeds and actual usage up to 31 December 2023:

<u>Use of net proceeds</u>	<u>Percentage of the net proceeds</u>	<u>Planned application</u>	<u>Actual usage up to 31 December 2023</u>	<u>Unutilised net proceeds as at 31 December 2023</u>	<u>Expected timeline for fully utilising the unutilised amount (Note 1)</u>
	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	
For establishing clinics in major cities in the PRC	40.0	264,266	80,404	183,862	By 31 December 2025
For potential acquisition of clinic groups in Europe	33.0	218,019	201,009	17,010	By 31 December 2025
For the expansion of marketing efforts	17.0	112,313	6,433	105,880	By 31 December 2025
Working capital and general corporate purposes	10.0	66,066	1,503	64,563	By 31 December 2025
	<u>100.0</u>	<u>660,664</u>	<u>289,349</u>	<u>371,315</u>	

Note:

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

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors, namely Mr. Philip Duncan Wright (chairman of the Audit Committee), Mr. Hans Helmuth Hennig and a non-executive Director, namely Mr. Marcus Huascar Bracklo. The Audit Committee provided supervision and reviewed the Group's financial reporting process, internal controls and risk management. The Audit Committee has considered and reviewed the Group's consolidated annual results for the year ended 31 December 2023, the accounting principles and practices adopted by the Group, and discussed matters in relation to internal control and reporting with the management of the Company. The Audit Committee considers that the consolidated annual results for the year ended 31 December 2023 are in compliance with the relevant accounting standards, rules and regulations and the Listing Rules, and that adequate disclosures have been duly made.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, the Trustee of the Restricted Share Award Scheme purchased 441,000 shares at a total consideration of approximately HK\$2,205,398 on the Stock Exchange pursuant to the rules and the trust deed of the Restricted Share Award Scheme. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

FINAL DIVIDEND

The Directors recommended a final dividend of HK\$0.0489 per ordinary share for the year ended 31 December 2023, totally amounting to approximately HK\$16,295,436, the payment of which is subject to approval by the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company.

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

IMPORTANT EVENTS AFTER THE END OF 31 DECEMBER 2023

Based on the information immediately available to the Company, there were no important events affecting the Group which have occurred since 31 December 2023 and up to the date of this announcement.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2023. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standards Board and consequently no assurance has been expressed by the Company's auditors on this announcement.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business, financial condition and results of operations could be materially and adversely affected by certain risks and uncertainties. For details, please see the section headed "Report of the Directors" of the annual report of the Company for the year ended 31 December 2023.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company's website at www.euroeyes.hk. The Company's annual report for the year ended 31 December 2023 containing all the information required under the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 28 March 2024

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; and Mr. Hans Helmuth Hennig, Ms. Katherine Rong Xin and Mr. Philip Duncan Wright as independent non-executive Directors.