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CLARITY MEDICAL GROUP HOLDING LIMITED

清晰醫療集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1406)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024

FINANCIAL HIGHLIGHT

	For the year ended 31 March		Change
	2024 HK\$'000	2023 HK\$'000	
Revenue	190,933	213,847	(10.7%)
Loss for the year	(75,793)	(3,191)	2,275.2%
Adjusted net loss for the year ^{(1)&(2)}	(45,744)	(3,191)	1,333.5%

Notes:

- (1) Adjusted net loss is derived by taking off one-off non-recurring impairment losses on plant and equipment and right-of-use assets during the year ended 31 March 2024. No such expenses were incurred during the year ended 31 March 2023.
- (2) This non-GAAP financial data is a supplemental financial measure that is not required by, or presented in accordance with, HKFRSs and is therefore referred to as a “non-GAAP” financial measure. It is not a measurement of the Group’s financial performance under HKFRSs and should not be considered as an alternative to profit/loss from operations or any other performance measures derived in accordance with HKFRSs or as an alternative to cash flows from operating activities or as a measure of the Group’s liquidity.

The board (the “**Board**”) of directors (the “**Directors**”) of Clarity Medical Group Holding Limited (the “**Company**”) announces the annual consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2024 (“**FY2024**”), together with the comparative figures for the year ended 31 March 2023, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2024

		Year ended 31 March	
		2024	2023
	Notes	HK\$'000	HK\$'000
Revenue	3	190,933	213,847
Other income, net	4	6,407	6,330
Inventories used		(37,326)	(37,508)
Consultancy fee		(75,821)	(74,843)
Employee benefit expenses		(61,059)	(52,555)
Depreciation of plant and equipment		(15,891)	(6,179)
Depreciation of right-of-use assets		(21,492)	(18,727)
Impairment loss on plant and equipment		(18,334)	—
Impairment loss on right-of-use assets		(11,715)	—
Other expenses	5	(35,574)	(31,757)
Operating loss		(79,872)	(1,392)
Finance costs	6	(2,024)	(1,525)
Loss before income tax		(81,896)	(2,917)
Income tax	7	6,103	(274)
Loss for the year		(75,793)	(3,191)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		1	—
Total comprehensive loss for the year attributable to owners of the Company		(75,792)	(3,191)
Loss per share attributable to owners of the Company (expressed in HK cents per share)			
— Basic and diluted	9	(14.4)	(0.6)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2024

		As at 31 March	
	<i>Notes</i>	2024	2023
		HK\$'000	HK\$'000
Non-current assets			
Plant and equipment		39,281	33,813
Right-of-use assets		13,348	44,433
Deferred tax assets		6,434	331
Deposits, prepayments and other receivables	11	7,892	15,020
Total non-current assets		66,955	93,597
Current assets			
Inventories		3,576	3,682
Trade receivables	10	2,647	1,960
Deposits, prepayments and other receivables	11	20,149	19,470
Tax recoverable		1,405	1,054
Cash and cash equivalents		141,431	207,496
Total current assets		169,208	233,662
Current liabilities			
Trade payables	12	4,767	7,166
Accruals and other payables		12,089	11,075
Provisions		2,300	—
Lease liabilities		19,177	21,958
Total current liabilities		38,333	40,199
Net current assets		130,875	193,463
Total assets less current liabilities		197,830	287,060
Non-current liabilities			
Provisions		2,075	2,475
Lease liabilities		6,233	25,301
Total non-current liabilities		8,308	27,776
Net assets		189,522	259,284

	As at 31 March	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity		
Equity attributable to owners of the Company		
Share capital	5,281	5,281
Share premium	306,388	306,388
Shares held under the Share Award Plan	(3,468)	(3,468)
Reserves	<u>(118,679)</u>	<u>(48,917)</u>
Total equity	<u><u>189,522</u></u>	<u><u>259,284</u></u>

NOTES

1 GENERAL INFORMATION

Clarity Medical Group Holding Limited (the “**Company**”) was incorporated in the Cayman Islands on 19 February 2019 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the provision of ophthalmic services in Hong Kong. The principal place of business of the Group is Room 1302, 13/F, 9 Queen’s Road Central, Hong Kong.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The consolidated financial information is presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s consolidated financial statements.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

The above new and revised HKFRSs did not have any significant impact on the financial position and performance of the Group.

3 REVENUE AND SEGMENT INFORMATION

Revenue recognised during the years ended 31 March 2024 and 2023 is analysed by the chief operating decision-maker. For the purposes of resource allocation and performance assessment, the executive directors review the overall results and financial position of the Group as a whole prepared based on the same set of material accounting policies. Accordingly, the Group has only one single operating segment and no discrete operating segment financial information is available.

All of the Group's revenue is generated in Hong Kong and the Group's assets and liabilities are mainly located in Hong Kong.

No information about major customers is presented as there is no single customer which individually contributed 10% or more of the total revenue for each of the years ended 31 March 2024 and 2023.

The Group derived revenue from the transfer of goods and services at a point in time in the ordinary course of business. Revenue is recognised in the following major revenue streams:

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Ophthalmic service income	179,070	206,519
Sales of prescriptions	7,694	7,328
Sales of vision products	4,169	—
	<u>190,933</u>	<u>213,847</u>

4 OTHER INCOME, NET

	Year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Other income		
Government subsidies (<i>Note</i>)	93	2,303
Interest income	6,224	3,852
Miscellaneous income	90	322
	<u>6,407</u>	<u>6,477</u>
Other losses		
Write-off of plant and equipment	—	(147)
	<u>6,407</u>	<u>6,330</u>

Note: There were no unfulfilled conditions related to these subsidies.

5 EXPENSES BY NATURE

Included in “other expenses” are the expenses related to:

	Year ended 31 March	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration		
— Audit services	950	950
— Non-audit services	350	300
Bank charges	4,280	5,552
Business development	12,900	7,497
Repair and maintenance	2,911	3,026
Professional fees	2,965	5,295
Expenses in relation to short-term leases	392	842
	<u> </u>	<u> </u>

6 FINANCE COSTS

	Year ended 31 March	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on lease liabilities	2,024	1,525
	<u> </u>	<u> </u>

7 INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2023: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Year ended 31 March	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current — Hong Kong		
Under provision in prior years	—	11
Deferred	(6,103)	263
	<u> </u>	<u> </u>
Total tax (credit)/charge for the year	(6,103)	274
	<u> </u>	<u> </u>

8 DIVIDENDS

The board of directors of the Company does not recommend the payment of any dividend in respect of the year ended 31 March 2024 (2023: Nil).

9 BASIC AND DILUTED LOSS PER SHARE

Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue less shares held under the Share Award Plan of 525,025,000 (2023: 522,404,554) during the years ended 31 March 2024 and 2023.

Diluted

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2024 as the Group had no potentially dilutive ordinary shares in issue. No adjustment had been made to the basic loss per share amount presented for the year ended 31 March 2023 in respect of a dilution as the impact of the potential ordinary shares on exercise of share options had an anti-dilutive effect on the basic loss per share amount presented.

10 TRADE RECEIVABLES

As at 31 March 2024 and 2023, the carrying amount of trade receivables approximated its fair values and is denominated in HK\$.

The ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	As at 31 March	
	2024	2023
	HK\$'000	HK\$'000
0–30 days	1,504	1,152
31–60 days	560	505
61–90 days	217	91
Over 90 days	366	212
Total	<u>2,647</u>	<u>1,960</u>

The Group applies the simplified approach permitted by HKFRS 9 to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. As at 31 March 2024 and 2023, the Group has assessed that the expected loss allowance for trade receivables was immaterial. Thus no loss allowance provision for trade receivables was recognised during the years ended 31 March 2024 and 2023.

The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables mentioned above. The Group does not hold any collateral as security.

11 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March	
	2024	2023
	HK\$'000	HK\$'000
Rental and other deposits	7,041	8,644
Deposits paid for purchases of plant and equipment	3,316	7,758
Prepayments	1,473	1,120
Other receivables (<i>Note</i>)	16,211	16,968
	<u>28,041</u>	<u>34,490</u>
Less: non-current portion	<u>(7,892)</u>	<u>(15,020)</u>
Current portion	<u>20,149</u>	<u>19,470</u>

Note: Included in “Other receivables” are balances related to:

- (i) A loan advanced to a medical practitioner of HK\$14,448,500 (2023: HK\$14,413,000) which is unsecured, bears interest at 3% per annum and repayable within 12 months.
- (ii) An amount due from a medical practitioner of HK\$900,000 (2023: a related party of HK\$2,200,000) which is unsecured, interest-free and repayable in a monthly instalment of HK\$100,000 per month.

12 TRADE PAYABLES

The ageing analysis of the trade payables to third parties as at the end of the reporting period based on the invoice date is as follows.

	As at 31 March	
	2024	2023
	HK\$'000	HK\$'000
0–30 days	3,983	1,745
31–60 days	735	3,539
61–90 days	48	1,230
Over 90 days	1	652
Total	<u>4,767</u>	<u>7,166</u>

As at 31 March 2024 and 2023, all trade payables of the Group were denominated in HK\$, and their fair value approximated to their carrying amounts.

MANAGEMENT DISCUSSION AND ANALYSIS

The operating environment for the Company in FY2024 has been challenging, marked by a local economic downturn, inflationary pressures, and changing consumer spending patterns. Additionally, we have observed an increase in competition from new market entrants, specifically in the provision of refractive treatment services, particularly in SMILE surgeries. This heightened competition has created a more price-sensitive market, impacting our revenue from SMILE surgeries.

In response to the intensifying pressures on our business, we have implemented strategic measures to navigate these challenges and drive growth. One notable initiative was the establishment of a new medical centre in Tsim Sha Tsui in July 2023, dedicated to the prevention and control of children's myopia. This investment aligns with our commitment to delivering high-quality healthcare services and providing specialised care in this particular area.

However, the new medical centre in Tsim Sha Tsui has been operating at a loss since its establishment. As a result of its financial performance and the expiration of the lease agreement for another medical centre, we recognised an impairment loss on plant & equipment and right-of-use assets amounting to approximately HK\$30.0 million in our consolidated statement of comprehensive income for FY2024 (2023: Nil).

Despite setbacks, we remain determined to navigate the changing landscape by providing exceptional ophthalmic services. We prioritise expertise, advanced technology, and personalised patient care. We will explore innovative strategies to enhance our value proposition, diversify revenue streams, and seize new growth opportunities while ensuring cost efficiency. With adaptability and leveraging our strengths, we are confident in our ability to overcome challenges and achieve long-term growth.

REVENUE OVERVIEWS

We generate revenue from the provision of private ophthalmic services in Hong Kong, including refractive treatments, treatments for other eye problems, consultation and examination services, and sales of prescriptions and vision products. For the year ended 31 March 2024, our revenue amounted to approximately HK\$190.9 million, representing a decrease of approximately HK\$22.9 million or 10.7% from approximately HK\$213.8 million for the year ended 31 March 2023. The table below sets out (i) the breakdown of revenue by the types of treatments and services and their respective percentage of revenue; (ii) number of refractive treatment by types conducted; and (iii) average prices of the refractive treatment services during the years ended 31 March 2024 and 2023 respectively.

(i) Breakdown of revenue by the types of treatments and services and their respective percentage of revenue

	For the year ended 31 March				Change HK\$'000
	2024	% of	2023	% of	
	HK\$'000	revenue	HK\$'000	revenue	
Refractive Treatments	108,344	56.7%	137,758	64.4%	(29,414)
SMILE surgeries	56,536	29.6%	87,483	40.9%	(30,947)
LASIK surgeries	1,932	1.0%	2,849	1.3%	(917)
Multifocal IOL replacements	28,117	14.7%	40,273	18.8%	(12,156)
ICL implantations	21,759	11.4%	7,153	3.4%	14,606
Treatment for other eye problems	55,736	29.2%	58,449	27.4%	(2,713)
Standard cataract surgeries	27,773	14.5%	29,134	13.6%	(1,361)
Laser procedures	10,606	5.6%	11,991	5.6%	(1,385)
PPV surgeries	10,077	5.3%	11,619	5.5%	(1,542)
Other treatments/surgeries	7,280	3.8%	5,705	2.7%	1,575
Consultation and examination services	11,743	6.2%	10,312	4.8%	1,431
Sales of prescriptions and others	7,694	4.0%	7,328	3.4%	366
Children myopia prevention and control	7,416	3.9%	—	—	7,416
Revenue	190,933	100.0%	213,847	100.0%	(22,914)

(ii) Number of refractive treatment by types conducted

	For the year ended 31 March			
	2024		2023	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
SMILE surgeries	2,471	70.3%	3,944	77.5%
LASIK surgeries	105	3.0%	146	2.9%
Multifocal IOL replacements	598	17.0%	906	17.8%
ICL implantations	341	9.7%	90	1.8%
Total	<u>3,515</u>	<u>100.0%</u>	<u>5,086</u>	<u>100.0%</u>

(iii) Average prices of the refractive treatment services

	For the year ended 31 March	
	2024	2023
	<i>HK\$</i>	<i>HK\$</i>
SMILE surgeries ⁽¹⁾	22,800	22,200
LASIK surgeries ⁽¹⁾	18,400	19,500
Multifocal IOL replacements ⁽²⁾	47,000	44,500
ICL implantations ⁽¹⁾	63,800	79,500

Notes:

(1) Average prices of the refractive treatment services per two eyes.

(2) Average prices of the refractive treatment service per one single eye.

REFRACTIVE TREATMENT

Refractive treatments were our largest source of revenue during the year, representing approximately 56.7% of our revenue during the year ended 31 March 2024. Refractive treatments include SMILE surgery, LASIK surgery, multifocal IOL replacement and ICL implantation. SMILE is a refractive surgery that uses femtosecond laser to carve a refractive lenticule within the cornea and remove it through a small incision. LASIK is a surgery that uses surgical blade and excimer laser to correct myopia, hyperopia and/or astigmatism by modifying the curvature of cornea. Multifocal IOL replacement is a procedure that corrects cataract and/or other refractive errors by extracting lens from the eye, followed by the replacement of multifocal IOL. ICL implantation is a surgery which places intraocular contact lens in front of the natural lens to correct myopia, hyperopia and astigmatism.

Our revenue generated from refractive treatments decreased by approximately HK\$29.5 million, or 21.4%, from approximately HK\$137.8 million for the year ended 31 March 2023 to approximately HK\$108.3 million for the year ended 31 March 2024. The decrease in revenue from refractive treatment was mainly due to a decline in revenue generated from SMILE surgeries, which decreased from approximately HK\$87.5 million for the year ended 31 March 2023 to approximately HK\$56.5 million for the year ended 31 March 2024. This decline in revenue was a result of conducting fewer SMILE surgeries during the year due to increased competition in the market.

In response to the increased competition in the SMILE surgeries market, the Company shifted its business development focus towards ICL implantations. This strategic shift resulted in an increase in revenue generated from ICL implantations. The revenue from ICL implantations increased from approximately HK\$7.2 million for the year ended 31 March 2023, to approximately HK\$21.8 million for the year ended 31 March 2024.

TREATMENT FOR OTHER EYE PROBLEMS

Treatment for other eye problems include standard cataract surgery, laser procedure, PPV surgery, and other treatments and surgeries. Revenue generated from these treatments for the years ended 31 March 2023 and 2024 amounted to approximately HK\$58.4 million and HK\$55.7 million, respectively. This represented approximately 27.4% and 29.2% of our total revenue for the respective years. The revenue from treatment for other eye problems decreased by approximately HK\$2.7 million or 4.6% from approximately HK\$58.4 million for the year ended 31 March 2023, to approximately HK\$55.7 million for the year ended 31 March 2024. The decrease was primarily due to the lower revenue recorded for standard cataract surgeries, laser procedures and PPV surgeries, which decreased by approximately HK\$4.3 million. This decrease offset the increase in revenue generated by other treatments/surgeries which increased by approximately HK\$1.6 million, compared to the year ended 31 March 2023.

CONSULTATION AND EXAMINATION SERVICES

Consultation and examination services mainly include assessments of eye conditions, such as visual acuity, refraction, anterior segment examination, fundal examination and intraocular pressure measurement. Our revenue generated from consultation and examination services increased by approximately HK\$1.4 million or 13.6% from approximately HK\$10.3 million for the year ended 31 March 2023 to approximately HK\$11.7 million for the year ended 31 March 2024.

SALES OF PRESCRIPTIONS AND OTHERS

Sales of prescriptions and others are mainly sales of medication prescribed by our medical practitioners to our patients following diagnosis after consultation and examination or treatment services. For the years ended 31 March 2023 and 2024, our revenue generated from sales of prescriptions and others was approximately HK\$7.3 million and HK\$7.7 million, representing approximately 3.4% and 4.0% of our revenue, respectively. The fluctuation in revenue generated from sales of prescriptions and others was generally in line with the overall revenue generated from consultation and examination services provided during the year.

CHILDREN MYOPIA PREVENTION AND CONTROL

Children myopia prevention and control aims to manage and slow down myopia progression in children. The services provided include comprehensive eye examinations to assess visual acuity, refractive error, and overall eye health. Based on the examination results, personalised consultations are offered to parents and children, including suggestions for managing myopia. During the year ended 31 March 2024, the Group launched its children myopia prevention and control business at the new Tsim Sha Tsui centre. The Group generated approximately HK\$3.2 million from children myopia consultation and examination services, as well as approximately HK\$4.2 million from sales of vision products aimed at managing myopia during FY2024 (2023: Nil). The launching of this new service aims to expand our revenue stream for the Group in the future.

OTHER INCOME, NET

Our net other income for the year ended 31 March 2024 mainly consisted of (i) interest income from bank deposits and other receivables and (ii) government subsidies. Our net other income for the year ended 31 March 2024 slightly increased by approximately HK\$77,000, or 1.2%, compared to the year ended 31 March 2023. The increase was primarily driven by a rise in interest income from bank deposits and other receivables primarily resulting from an increase in the average interest rate during the year ended 31 March 2024. However, this increase was offset by a decrease in government subsidies of approximately HK\$2.2 million compared to the year ended 31 March 2023.

INVENTORIES USED

Inventories used mainly represent the costs of medical device licences, IOLs and drugs and dispensary supplies. Our medical device licences are procedure packs, which comprised of medical consumables required for the operation of our medical devices. The procedure packs enable our medical practitioners to perform treatments and surgeries using the respective medical devices. IOLs primarily consist of intraocular lens used in treatments and surgeries. Our drugs and dispensary supplies are drugs prescribed by our medical practitioners to our patients following diagnosis after consultation and supplies are materials used during surgeries. For the years ended 31 March 2023 and 2024, the inventories used amounted to approximately HK\$37.5 million and HK\$37.3 million, representing approximately 17.5% and 19.5% of our revenue, respectively. The percentage of inventories used as compared to revenue increased from 17.5% for the year ended 31 March 2023, to 19.5% for the year ended 31 March 2024. This increase was primarily due to the decrease in pricing for certain refractive treatments, specifically, the average prices of ICL implantations decreased from HK\$79,500 for the year ended 31 March 2023, to HK\$63,800 for the year ended 31 March 2024.

CONSULTANCY FEES

Consultancy fees represent professional fees paid to our medical practitioners, and consist of a fixed fee and/or a variable amount based on, among others, the revenue generated by the respective medical practitioners, net of the relevant costs. For the years ended 31 March 2023 and 2024, consultancy fees amounted to approximately HK\$74.8 million and HK\$75.8 million, representing approximately 35.0% and 39.7% of our total revenue, respectively. The Company adopted a share award plan (the “**Share Award Plan**”) on 23 November 2022. On 4 July 2023, the Board resolved to grant 26,088,740 awarded shares to five service providers under the Share Award Plan. Consequently, share-based payments of approximately HK\$3.0 million, related to the service providers, were recorded as consultancy fees and recognised in the consolidated statement of comprehensive income for the year ended 31 March 2024 (2023: Nil).

EMPLOYEE BENEFIT EXPENSES

Our employee benefit expenses include wages, salaries, pension scheme contributions and other related expenses for our staff. For the years ended 31 March 2023 and 2024, our employee benefit expenses amounted to approximately HK\$52.6 million and HK\$61.1 million, representing approximately 24.6% and 32.0% of our revenue, respectively. The increase in employee benefit expenses during the year was mainly due to (i) an increase in the average number of employees from 110 for the year ended 31 March 2023 to 123 for the year ended 31 March 2024 to cope with the needs for the establishment of a new medical centre in Tsim Sha Tsui in July 2023; and (ii) on 4 July 2023, the Board resolved to grant 9,367,500 awarded shares to 36 individuals (including two Directors) under the Share Award Plan. As a result, share-based payments of approximately HK\$3.0 million,

related to the employees and Directors, were recorded as employee benefit expenses and recognised in the consolidated statement of comprehensive income for the year ended 31 March 2024 (2023: Nil).

DEPRECIATION OF PLANT AND EQUIPMENT

Depreciation expenses for plant and equipment mainly comprise depreciation expenses on leasehold improvements and medical and office equipment for our medical centres. For the years ended 31 March 2023 and 2024, our depreciation expenses for plant and equipment amounted to approximately HK\$6.2 million and HK\$15.9 million, representing approximately 2.9% and 8.3% of our revenue, respectively. The significant increase in depreciation of plant and equipment is due to the establishment of the new Tsim Sha Tsui medical centre, which commenced operations in July 2023.

DEPRECIATION OF RIGHT-OF-USE ASSETS

Depreciation expenses for right-of-use assets mainly comprise depreciation expenses for leased equipment and properties. For the years ended 31 March 2023 and 2024, our depreciation expenses for right-of-use assets amounted to approximately HK\$18.7 million and HK\$21.5 million, representing approximately 8.7% and 11.3% of our revenue, respectively. The increase in depreciation of right-of-use assets during the year was primarily caused by the full-year impact of leasing additional properties in Mong Kok and Tsim Sha Tsui. The lease period for the expanded Mong Kok medical centre commenced on 1 August 2022, while the new Tsim Sha Tsui medical centre began on 1 September 2022. Consequently, for the year ended 31 March 2024, the full-year effect of depreciation for these additional leased properties was recorded.

IMPAIRMENT LOSSES ON PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

As of 31 March 2024, the Company identified two underperforming medical centres. One of these centres focuses on children's myopia prevention and control and has been operating at a loss since its establishment. The other centre is nearing the end of its lease agreement, and the Company has no intention of renewing it. The Company conducted a discounted cash flow projection to estimate the recoverable amounts of non-financial assets associated with these two medical centres.

Based on this discounted cash flow projection, an impairment loss of approximately HK\$18.3 million for plant, and equipment, as well as an impairment loss of approximately HK\$11.7 million for right-of-use assets were recognised in the consolidated statement of comprehensive income for the year ended 31 March 2024 (2023: Nil).

OTHER EXPENSES

Other expenses mainly comprise other general and administration expenses, management fees, business development expenses and bank charges. For the years ended 31 March 2023 and 2024, other expenses were approximately HK\$31.8 million and HK\$35.6 million, representing approximately 14.9% and 18.6% of our revenue, respectively. The table below sets forth the breakdown of other expenses for the years ended 31 March 2023 and 2024 respectively:

	For the year ended 31 March	
	2024	2023
	HK\$'000	HK\$'000
Business development	12,900	7,497
Repair and maintenance	2,911	3,026
Professional fees	2,965	5,295
Auditor's remuneration		
— Audit services	950	950
— Non-audit services	350	300
Bank charges	4,280	5,552
Other general and administrative expenses	11,218	9,137
Other expenses	<u>35,574</u>	<u>31,757</u>

Our business development expenses include various activities aimed at promoting eye care and raising awareness of related topics. These activities comprise organising eye care educational talks, producing videos related to eye care, designing websites, organising events for promoting eye care awareness, and printing leaflets.

For the years ended 31 March 2023 and 2024, our business development expenses amounted to approximately HK\$7.5 million and HK\$12.9 million, respectively. The significant increase in business development expenses is primarily attributed to our promotion efforts focusing on the importance of children myopia control following the opening of the new Tsim Sha Tsui centre. Additionally, expenses related to ICL implantation also contributed to the higher expenditure. This increase reflects our Group's efforts to implement strategic measures to drive growth in response to the increased competition in the SMILE surgeries market.

Bank charges are expenses related to credit card transfers. For the years ended 31 March 2023 and 2024, our bank charges amounted to approximately HK\$5.6 million and HK\$4.3 million, respectively.

Other general and administrative expenses mainly includes, but not limited to, utilities charges, insurance payments, other telecommunication charges, travelling expenses and entertainment expenses. For the year ended 31 March 2023 and 2024, our other general and administrative expenses amounted to approximately HK\$9.1 million and HK\$11.2 million, respectively. The increase in other general and administrative expenses during the year is primarily attributed to the establishment of the new Tsim Sha Tsui centre.

FINANCE COSTS

Finance costs mainly comprise interest expenses on lease liabilities. These costs increased by approximately HK\$0.5 million, or 33.3%, from approximately HK\$1.5 million for the year ended 31 March 2023, to approximately HK\$2.0 million for the year ended 31 March 2024. The increase was primarily caused by the full-year impact of leasing additional properties in Mong Kok and Tsim Sha Tsui. The lease period for the expanded Mong Kok medical centre commenced on 1 August 2022, while the new Tsim Sha Tsui medical centre began on 1 September 2022. As a result, for the year ended 31 March 2024, the full-year effect of interest expenses on leasing liabilities for these additional leased properties was recorded.

INCOME TAX

The Group recognised taxation for profit at the rate of 16.5% in Hong Kong with reference to the estimated assessable profits during the period.

For the year ended 31 March 2023, our income tax expenses amounted to approximately HK\$274,000, despite the Group recorded a loss before income tax of approximately HK\$2.9 million. This was primarily due to certain non-deductible expenses incurred by the Group during the year ended 31 March 2023.

On the other hand, the Group reported a tax credit of around HK\$6.1 million for the year ended 31 March 2024. The tax credit was calculated at a rate of 16.5% based on a loss before income tax of approximately HK\$81.9 million recognised during FY2024, after excluding non-deductible items acknowledged by the Group. The non-deductible expenses mainly represented an impairment loss on plant and equipment, as well as right-of-use assets, totaling approximately HK\$30.0 million.

LOSS FOR THE YEAR

As a result of the foregoing, the Group recorded a loss of approximately HK\$75.8 million for the year ended 31 March 2024, compared to a loss for the year of HK\$3.2 million for the year ended 31 March 2023.

CAPITAL EXPENDITURE AND COMMITMENTS

For the years ended 31 March 2023 and 2024, the Group incurred capital expenditures of approximately HK\$22.4 million and HK\$39.7 million, respectively, primarily due to the purchase of equipment and leasehold improvements for our medical centres and the expansion of our medical centres network.

As at 31 March 2024, capital expenditure contracted for but not yet recognised amounted to approximately HK\$260,000 which mainly represents capital expenditure commitments for the Mong Kok centre (2023: HK\$36.0 million for the establishment of the new Mong Kok centre and new Tsim Sha Tsui centre).

GEARING RATIO

As at 31 March 2024, the gearing ratio, which is calculated as net debt divided by total capital, is not applicable due to net cash position (2023: not applicable).

CONTINGENT LIABILITIES

The Group had no material contingent liability as at 31 March 2024.

PLEDGE OF ASSETS

The Group had not pledged any assets as at 31 March 2024.

FINANCIAL INSTRUMENTS

Our major financial instruments include trade receivables, financial assets included in deposits, prepayments and other receivables, cash and cash equivalents, lease liabilities, trade payables, financial liabilities included in accruals and other payables. Our management manages such exposure to ensure appropriate measures are implemented on a timely and effective manner.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISKS

Exposure to Fluctuation in Exchange Rates

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not our functional currency. We mainly operates in Hong Kong with the majority of the transactions settled in HK\$. We closely monitor and manage foreign exchange risk exposures to ensure the exposures do not have significant impact on the operation of the Group. As the Group does not have any significant transactions, assets or liabilities which are settled in currencies other than HK\$ during the years ended 31 March 2023 and 2024, our income and operating cash flows are substantially independent of changes in market foreign exchange rate. We have not used any derivative financial instrument to hedge against our exposure to foreign exchange risk but will closely monitor such risk on an ongoing basis.

Cash Flow and Fair Value Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. We do not anticipate significant impact resulted from the reasonable possible change in interest rates.

The Group's fair value interest rate risk mainly arises from lease liabilities at fixed interest rates.

Credit Risk

Our credit risk mainly arises from trade receivables, financial assets included in deposits, prepayments and other receivables, and cash and cash equivalents. Our maximum exposure to credit risk is the carrying amounts of these financial assets.

The credit risk of cash and bank balances are limited because they are deposited in medium or large listed banks. We do not expect that there will be any significant losses from non-performance of these counterparties.

We have assessed that the expected loss rate for trade receivables was immaterial during the year ended 31 March 2024. We have a highly diversified source of patients, without any single patient contributing to revenue in a material way. We also have procedures in place to ensure that follow-up action is taken to recover overdue debts. Our management determines the expected credit losses on trade receivables based on Group's historical observed default rates, existing market conditions as well as forward-looking estimates at the end of the reporting period. Our management reviews patients' billing and payment status at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In addition, we have appropriate measures in place to ensure credit sales made to customers with an appropriate credit history. During the year ended 31 March 2024, we had not identified specific concentrations of credit risk related to trade receivables, as the amounts recognised mainly represent receivables from credit card companies due to a large number of customers who choose to pay by credit card.

LIQUIDITY RISK

We adopt prudent liquidity risk management by maintaining sufficient cash balances to meet our financial commitments when they become due. Accordingly, we believe that we do not have significant liquidity risk.

CAPITAL RISK MANAGEMENT

Our capital structure consists of shareholders' equity. In order to maintain or adjust our capital structure, we may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets. We monitor capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total equity. The net debt includes the total borrowings including lease liabilities less cash and cash equivalents. As of 31 March 2023 and 2024, we maintained at net cash position.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2024, the Group employed a total of 110 employees (2023: 123). The Group ensures that its remuneration packages are comprehensive and competitive from time to time. When determining the emolument payable to the Directors (including the executive Directors), we take into account the experience of the Directors, their level of responsibility and general market conditions. Any discretionary bonus and other merit payments of the Directors are linked to the profit performance of the Group and the individual performance of the Directors. Employees are remunerated with a fixed monthly income plus annual discretionary performance-related bonus.

The Group adopted a share option scheme (the “**Share Option Scheme**”) on 26 January 2022 and the Share Award Plan on 23 November 2022. These schemes were established to provide incentives and rewards to eligible participants, including selected employees, for their contributions to the Group and to align the corporate objectives and interests between the Group and its key talents. On 27 June 2023, the Board has resolved to terminate the Share Option Scheme with immediate effect. Details of the Share Award Plan will be set out in the Directors' Report of the Company's 2024 annual report. The Group also sponsors selected employees to attend external training courses that suit the needs of the Group's business. We believe that investing in our employees' development and skills not only benefits them personally but also enhances the Group's overall capabilities and competitiveness.

EVENTS AFTER REPORTING PERIOD

There was no material subsequent event undertaken by the Company or by the Group after 31 March 2024 and up to the date of this announcement.

OUTLOOK AND STRATEGIES

Our principal business objective is to achieve sustainable growth, further strengthen our position in the ophthalmic services market and create long-term value for our shareholders by executing the following strategies:

- We will continue to strengthen our market position in Hong Kong by maintaining our market-leading position in SMILE surgery and promoting ICL implantation; while exploring new opportunities for growth and expansion, like exploring tapping into children myopia prevention and control business.
- We plan to acquire equity interests in eye-related clinics, outpatient department or hospitals in the People's Republic of China (“**PRC**”) to expand our presence into the PRC under our brand of “Clarity”.
- We plan to identify suitable collaboration partners for collaboration and expansion.
- We plan to acquire interests in ophthalmic-related businesses.

LIQUIDITY AND CAPITAL STRUCTURE

During the year ended 31 March 2024 our operations were generally financed from internally generated cash flows. The Directors believe that in the long term, our operations will be funded by internally generated cash flows and, if necessary, additional equity financing and bank borrowings. As at 31 March 2024, we had cash and cash equivalents of HK\$141.4 million (2023: HK\$207.5 million), all of which were denominated in Hong Kong dollars.

During the years ended 31 March 2023 and 2024, the Group did not use any financial instruments, currency borrowings or other hedging instruments for hedging purposes. The Group has no outstanding bank loans, overdrafts or other borrowings at 31 March 2024.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. As at 31 March 2024, the gearing ratio is not applicable due to net cash position (2023: not applicable).

The current ratio (calculated as current assets over current liabilities) was 4.4 times as at 31 March 2024 compared with 5.8 times as at 31 March 2023.

As at 31 March 2024, the Group reported net current assets of HK\$130.9 million, as compared with HK\$193.5 million as at 31 March 2023.

Net cash used in operating activities was HK\$15.6 million during the year ended 31 March 2024 as compared to net cash generated from operating activities of HK\$16.2 million during the year ended 31 March 2023. For the year ended 31 March 2024, the net cash used in operating activities mainly attributed from loss before income tax of approximately HK\$81.9 million, excluding non-cash items of (i) shares-based payments of approximately HK\$6.0 million; (ii) depreciation of plant and equipment of approximately HK\$15.9 million; (iii) depreciation of right-of-use assets of approximately HK\$21.5 million; and (iv) impairment losses on plant and equipment and right-of-use assets of approximately HK\$30.0 million.

Net cash from investing activities amounted to HK\$26.6 million during the year ended 31 March 2024 as compared to net cash used in investing activities of approximately HK\$143.8 million during the year ended 31 March 2023.

For the year ended 31 March 2024, the net cash from investing activities was mainly from (i) interest received of approximately HK\$6.4 million during the year ended 31 March 2024; and (ii) decrease in time deposits with maturity of more than three months of approximately HK\$53.0 million; which are offset by purchases and deposits paid for the purchases of plant and equipment of approximately HK\$32.8 million.

During the year ended 31 March 2024, net cash used in financing activities amounted to HK\$24.1 million, compared to net cash used in financing activities of HK\$9.2 million during the year ended 31 March 2023. The net cash used in financing activities for the year ended 31 March 2024 was mainly from lease payments of approximately HK\$24.1 million.

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSALS

Except for investments in subsidiaries, there were no significant investments held by the Group as at 31 March 2024.

The Group had no other material acquisitions or disposal of subsidiaries, associates and joint ventures during the reporting period.

CORPORATE GOVERNANCE PRACTICE

The corporate governance principles of the Company emphasise an effective Board, sound internal control, appropriate independence policy, transparency and accountability so as to safeguard the interests of our shareholders. The Board is committed to maintaining high corporate governance standards.

During the year ended 31 March 2024 and up to the date of this announcement, the Company has applied the principles as set forth in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) which are applicable to the Company.

Code provision C.5.1 provides that board meetings should be held at least four times a year at approximately quarterly intervals with a majority of Directors being present. In addition, code provision D.3.3 provides that the audit committee of the Company (the “**Audit Committee**”) must meet at least twice a year with the issuer’s auditors.

During the year ended 31 March 2024, the Board has convened four meetings for the purpose of discussing the Company’s business and affairs, approving the annual results of the Company for year ended 31 March 2023 and approving the interim results of the Company for the six months ended 30 September 2023. The Audit Committee has convened four meetings with the auditors of the Company for the purpose of discussing of audit strategy, approving the annual results of the Company for the year ended 31 March 2023 and approving the interim results of the Company for the six months ended 30 September 2023.

The Company considers that sufficient measures have been taken to ensure the Company’s corporate governance practices are no less exacting than those in the CG Code. The Board will continue to monitor and review the Company’s corporate governance practices in order to ensure that such practices may meet the general rules and standards as required by the Listing Rules. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for benefit of the Group and the shareholders as a whole.

In the opinion of the Board, during the year ended 31 March 2024 and up to the date of this announcement, the Company has complied with all applicable code provisions as set forth in the CG Code.

USE OF PROCEEDS FROM THE LISTING

The Shares of HK\$0.01 each of the Company were listed on the Stock Exchange on 18 February 2022 with 125,000,000 new shares issued at an issue price of HK\$1.6 per share. The net proceeds from the initial public offering (the “**IPO**”) amounted to approximately HK\$181.9 million, after deduction of the underwriting commission and other expenses. The Company applied the proceeds from the Listing in accordance with the proposed applications as set out in the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in the prospectus dated 31 January 2022 (the “**Prospectus**”) which is also set out below.

The remaining unutilised net proceeds as at 31 March 2024 were held in bank and it is intended that they will be applied in the manner consistent with the proposed allocations as set out in the Prospectus.

As at 31 March 2024, the Company utilised proceeds from the IPO of approximately HK\$70.2 million. The following table sets out the breakdown of the use of proceeds from the IPO:

Use of net proceeds	Percentage of net proceeds	Estimated net proceeds allocated as disclosed in the Prospectus	Allocated net proceeds from IPO	Net proceeds utilised during the year ended 31 March 2023	Net proceeds utilised during the year ended 31 March 2024	Estimated time for utilising the allocated net proceeds ⁽²⁾	Remaining amount
		(Note) (HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)
Establishing two new medical centres in Hong Kong for the provision of ophthalmic services	44.8%	110.0	81.5	8.9	43.1	By 31 March 2027	29.5
Acquiring majority and/or minority equity interests in one to two eye-related clinics, outpatient department or hospitals in selected cities in the Greater Bay Area	30.5%	75.0	55.5	—	—	By 31 March 2027	55.5
Setting up an eye-related clinic for the provision of ophthalmic medical services in the PRC with suitable collaboration partners	14.7%	36.0	26.7	—	—	By 31 March 2027	26.7
Working capital and other general corporate purposes	10.0%	24.6	18.2	—	18.2	Not applicable	—
Total	100%	245.6	181.9	8.9	61.3		111.7

Notes:

- (1) The net proceeds from IPO, after deducting the underwriting commission and other expenses of approximately HK\$18.1 million, amounted to approximately HK\$181.9 million, which is lower than the estimated net proceeds of approximately HK\$245.6 million as disclosed in the Prospectus. The difference of approximately HK\$63.7 million has been adjusted in the same manner and in the same proportion to the use of proceeds as disclosed in the section headed “Future Plans And Use Of Proceeds” in the Prospectus.
- (2) In view of the challenges faced by the Group in its business operations and the uncertainty surrounding the availability of suitable acquisition opportunities in the Greater Bay Area, as well as potential collaboration partners in the PRC, the Board has extended the estimated timeline for utilising the allocated but unutilised net proceeds as of 31 March 2024. As a result, there has been a delay in the estimated timeline for utilising the allocated net proceeds compared to the timeline previously disclosed in the Prospectus.

The Board considers that the extension of the expected timeline for using the unutilised net proceeds will not have any material adverse impact on the existing business and operations of the Group and is in the best interest of the Company and its shareholders as a whole. Save as disclosed in this announcement, there are no other changes to the plan for utilising the proceeds from the IPO as of this announcement.

The expected time for utilising the remaining net proceeds is based on the best estimation of the present and future business market situations made by the Group. It may be subject to further change based on the future development of the market conditions.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Board comprises three independent non-executive Directors, namely, Mr. Li Michael Hankin (Chairman of the Audit Committee), Mr. Ma Wai Hung Vincent and Ms. Cheng Jessica. The Audit Committee of the Board has reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters with management including a review of the consolidated financial statements and annual results for the year ended 31 March 2024.

SCOPE OF WORK OF ERNST & YOUNG

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 March 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules as its code of conduct in respect of the securities dealing by the Directors. All Directors confirmed that they have complied with the Model Code throughout the year ended 31 March 2024 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither our Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 March 2024 and up to date of this announcement.

DIVIDEND

The Board does not recommend payment of a final dividend for the year ended 31 March 2024 (2023: Nil). No dividend as paid or declared by the Company or other members of the Group during the year ended 31 March 2024.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT ANNUAL GENERAL MEETING

Shareholders whose names appear on the register of members of our Company on 30 August 2024 are entitled to attend and vote at the annual general meeting of our Company (the “AGM”). The register of members of our Company will be closed from Tuesday, 27 August 2024 to Friday, 30 August 2024, both days inclusive. In order to qualify for attending and voting at the AGM, shareholders should ensure that all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 26 August 2024.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 30 August 2024. Notice of the AGM will be sent to the shareholders of the Company in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.claritymedic.com. The 2024 annual report and the notice of the AGM will be dispatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company in due course.

By order of the Board
CLARITY MEDICAL GROUP HOLDING LIMITED
WU Ting Yuk Anthony
Non-Executive Director and Chairman

Hong Kong, 24 June 2024

As at the date of this announcement, the Board comprises Mr. HUI Yung Chris, Dr. TSE Wai Ip and Mr. LO Tsz Hong as executive Directors, Mr. WU Ting Yuk Anthony as Chairman and non-executive Director, Mr. NG Roy and Ms. ZHAO Wei as non-executive Directors and Mr. LI Michael Hankin, Mr. MA Wai Hung Vincent and Ms. CHENG Jessica as independent non-executive Directors.