

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



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 2022

FINANCIAL HIGHLIGHT

	For the year ended 31 March		Change
	2022	2021	
	HK\$'000	HK\$'000	
Revenue	225,237	222,381	1.3%
Profit for the year	13,491	35,769	(62.3%)
Adjusted net profit for the year ^{(1)&(2)}	30,885	39,446	(21.7%)
Net profit margin (%)	6.0%	16.1%	N/A
Adjusted net profit margin (%) ^{(1)&(2)}	13.7%	17.7%	N/A

Notes:

- (1) Adjusted net profit is derived by taking out the one-off non-recurring government subsidy and the effect of the listing expenses incurred during the years ended 31 March 2022 and 2021.
- (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 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 2022, together with the comparative figures for the year ended 31 March 2021, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Note	Year ended 31 March	
		2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	225,237	222,381
Other income, net	4	1,731	6,978
Inventories used		(38,492)	(36,989)
Consultancy fee		(62,978)	(55,756)
Employee benefit expenses		(42,023)	(36,321)
Depreciation of plant and equipment		(7,706)	(8,377)
Depreciation of right-of-use assets		(14,387)	(18,341)
Expenses incurred in connection with the Company’s listing		(17,394)	(8,584)
Other expenses	5	(24,165)	(20,272)
Operating profit		19,823	44,719
Finance costs	6	(777)	(903)
Profit before income tax		19,046	43,816
Income tax expense	7	(5,555)	(8,047)
Profit and total comprehensive income for the years attributable to owners of the Company		13,491	35,769
Earnings per share for profit attributable to owners of the Company during the years (expressed in HK\$ per share)			
— Basic	8	0.035	0.095
— Diluted	8	0.035	0.095

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Note	As at 31 March	
		2022	2021
		HK\$'000	HK\$'000
Assets			
Non-current assets			
Plant and equipment		17,696	25,197
Right-of-use assets		20,118	12,026
Deferred tax assets		594	—
Rental and other deposits	9	2,144	551
		<u>40,552</u>	<u>37,774</u>
Current assets			
Inventories		3,746	4,200
Trade receivables	9	1,105	1,885
Deposits, prepayments and other receivables	9	2,629	7,767
Amount due from a related party		—	662
Tax recoverable		842	—
Cash and cash equivalents		241,270	64,862
		<u>249,592</u>	<u>79,376</u>
Total assets		<u>290,144</u>	<u>117,150</u>
Equity			
Equity attributable to owners of the Company			
Share capital		5,097	—
Share premium		292,898	108,849
Reserves		(42,544)	(28,355)
Total equity		<u>255,451</u>	<u>80,494</u>
Liabilities			
Non-current liabilities			
Provisions	10	1,250	1,250
Lease liabilities		9,247	3,397
Deferred income tax liabilities		—	462
		<u>10,497</u>	<u>5,109</u>

		As at 31 March	
	Note	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade payables	10	5,877	8,410
Accruals and other payables	10	7,391	11,501
Lease liabilities		10,928	8,561
Income tax payable		—	3,075
		<u>24,196</u>	<u>31,547</u>
Total liabilities		<u>34,693</u>	<u>36,656</u>
Total equity and liabilities		<u>290,144</u>	<u>117,150</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 Company Law 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 together with its subsidiaries now comprising the Group (together, the “**Group**”) are principally engaged in provision of ophthalmic services in Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (“**HK\$’000**”), unless otherwise stated.

The Company has listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited on 18 February 2022 (the “**Listing**”). In connection with the share offering completed on 18 February 2022, the Company issued a total of 125,000,000 ordinary shares at an issue price of HK\$1.6 per share for total proceeds (before related fees and expenses) of HK\$200,000,000.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issues by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in consolidated financial statements.

(a) Effect of adopting new standards and amendments to standards

All of the new standards and amendments to standards that are effective on 1 April 2021 have been early adopted by the Group prior to the annual periods beginning after 1 April 2021.

(b) New standards and amendments to standards and interpretations not yet adopted by the Group

Certain new accounting standard, amendments to standards and interpretations have been published that are not mandatory for 31 March 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 REVENUE AND SEGMENT INFORMATION

Revenue recognised during the year is analysed by the chief operating decision-maker. For the purposes of resources allocation and performance assessment, the executive directors, reviews the overall results and financial position of the Group as a whole prepared based on the same set of 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 activities are carried out in Hong Kong and all of the Group's assets and liabilities are located in Hong Kong.

No information about major customers is presented as there is no single customer which individually contributed more than 10% of the total revenue for the years ended 31 March 2022 and 2021.

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	
	2022	2021
	HK\$'000	HK\$'000
Ophthalmic service income	217,887	215,519
Sales of prescriptions	7,350	6,862
	<u>225,237</u>	<u>222,381</u>

4 OTHER INCOME, NET

	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Other income		
Rent concessions (<i>Note i</i>)	1,532	2,127
Government subsidies (<i>Note ii</i>)	—	4,907
Interest income	47	3
Miscellaneous income	152	27
	<u>1,731</u>	<u>7,064</u>
Other losses		
Loss on written-off of plant and equipment	—	(86)
	<u>1,731</u>	<u>6,978</u>

Notes:

- (i) Rent concessions represent the change in lease payment directly related to COVID-19.

- (ii) For the year ended 31 March 2021, government subsidies represent the subsidy from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China (“HKSAR Government”).

5 EXPENSES BY NATURE

	Year ended 31 March	
	2022 HK\$'000	2021 HK\$'000
Auditor's remuneration		
— Audit services	980	138
— Non-audit services	53	—
Bank charges	6,190	6,548
Business development	6,033	4,761
Repair and maintenance	2,514	2,214
Professional fees	1,098	1,232
Expenses in relation to short-term leases	596	474
	<u>596</u>	<u>474</u>

6 FINANCE COSTS

	Year ended 31 March	
	2022 HK\$'000	2021 HK\$'000
Finance costs:		
— Interest expenses on lease liabilities	777	817
— Interest expense on bank borrowings	—	86
	<u>777</u>	<u>903</u>

7 INCOME TAX EXPENSE

The amount of income tax expense charged/(credited) to the consolidated statement of comprehensive income represents:

	Year ended 31 March	
	2022 HK\$'000	2021 HK\$'000
Hong Kong profits tax		
Current income tax	7,242	8,384
Over-provision of current income tax in prior year	(631)	—
Deferred income tax	(1,056)	(337)
	<u>5,555</u>	<u>8,047</u>

Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profit during the years ended 31 March 2022 and 2021, except for the first HK\$2 million of a qualified entity's assessable profit which is calculated at 8.25%, in accordance with the two-tiered tax rate regime.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	Year ended 31 March	
	2022	2021
	HK\$'000	<i>HK\$'000</i>
Profit before income tax	<u>19,046</u>	<u>43,816</u>
Tax at Hong Kong profits tax rate at 16.5%	3,142	7,230
Income not subject to tax	(8)	(810)
Expenses not deductible for tax purposes	3,217	1,792
Over-provision of current income tax in prior year	(631)	—
Tax concession	<u>(165)</u>	<u>(165)</u>
Income tax expense	<u>5,555</u>	<u>8,047</u>

8 BASIC AND DILUTED EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 March 2022 and 2021.

The weighted average number of shares in issue for the years ended 31 March 2022 and 2021 for the purpose of earnings per share computation has been retrospectively adjusted for the effect of the 374,993,633.68 shares issued under the capitalisation issue on 18 February 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 in issue.

	Year ended 31 March	
	2022	2021
Profit attributable to owners of the Company during the year (HK\$'000)	13,491	35,769
Weighted average number of ordinary shares in issue	<u>390,270,986</u>	<u>375,000,000</u>
Basic earnings per share (expressed in HK\$ per share)	<u>0.035</u>	<u>0.095</u>

Diluted

	Year ended 31 March	
	2022	2021
Profit attributable to owners of the Company during the year (HK\$'000)	13,491	35,769
Weighted average number of ordinary shares in issue	<u>390,270,986</u>	<u>375,000,000</u>
Effect of dilutive potential ordinary shares on exercise of share options	279,703	—
Weighted average number of ordinary shares after assuming dilution	<u>390,550,689</u>	<u>375,000,000</u>
Diluted earnings per share (expressed in HK\$ per share)	<u>0.035</u>	<u>0.095</u>

9 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
Trade receivables	1,105	1,885
Rental and other deposits	4,112	5,722
Prepayments for listing expenses	—	1,175
Prepayments and other receivables	<u>661</u>	<u>1,421</u>
	<u>5,878</u>	<u>10,203</u>
Less: non-current portion		
Rental and other deposits	<u>(2,144)</u>	<u>(551)</u>
Current portion	<u>3,734</u>	<u>9,652</u>

As at 31 March 2022 and 2021, the carrying amounts of trade receivables and deposits and other receivables approximated their fair values and are denominated in HK\$.

The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
0–30 days	791	1,742
31–60 days	191	25
61–90 days	32	10
Over 90 days	91	108
	<u>1,105</u>	<u>1,885</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 2022 and 2021, 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 2022 and 2021.

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.

10 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 31 March	
	2022	2021
	HK\$'000	HK\$'000
Trade payables	5,877	8,410
Accruals and other payables	7,889	8,459
Accrued listing expenses	752	4,292
	<u>14,518</u>	<u>21,161</u>
Less: non-current portion		
Provisions for reinstatement cost	<u>(1,250)</u>	<u>(1,250)</u>
Current portion	<u>13,268</u>	<u>19,911</u>

As at 31 March 2022 and 2021, all trade payables, accruals and other payables of the Group were denominated in HK\$, and their fair value approximated to their carrying amounts.

Ageing analysis of the trade payables to third parties as at 31 March 2022 and 2021 based on invoice date are as follows:

	As at 31 March	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	1,999	3,373
31-60 days	1,320	2,947
61-90 days	1,710	1,641
Over 90 days	848	449
	<hr/>	<hr/>
	5,877	8,410
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the provision of private ophthalmic healthcare services in Hong Kong. Despite the negative impacts on public health and the economy of Hong Kong caused by the fifth wave of the COVID-19 pandemic during February and March 2022, the Group achieved revenue of HK\$225.2 million for the year ended 31 March 2022, representing a year-on-year increase of 1.3%. Details of the revenue review are set out in the Revenue Overview session of Management Discussion and Analysis below.

REVENUE OVERVIEW

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 others. For the year ended 31 March 2022, our revenue amounted to approximately HK\$225.2 million, representing an increase of approximately HK\$2.8 million or 1.3% from approximately HK\$222.4 million for the year ended 31 March 2021. 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 year ended 31 March 2022 and 2021 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
	2022	2021	2022	2021	
	HK\$'000	% of revenue	HK\$'000	% of revenue	
Refractive Treatments	152,611	67.8%	161,668	72.7%	(9,057)
SMILE surgeries	87,686	38.9%	100,104	45.0%	(12,418)
LASIK surgeries	3,091	1.4%	3,654	1.6%	(563)
Multifocal IOL replacements	50,730	22.6%	49,064	22.1%	1,666
ICL implantations	11,104	4.9%	8,846	4.0%	2,258
Treatment for other eye problems	55,066	24.4%	44,751	20.1%	10,315
Standard cataract surgeries	21,081	9.3%	18,658	8.4%	2,423
Laser procedures	14,447	6.4%	10,302	4.6%	4,145
PPV surgeries	13,521	6.0%	10,369	4.7%	3,152
Other treatments/surgeries	6,017	2.7%	5,422	2.4%	595
Consultation and examination services	10,210	4.5%	9,100	4.1%	1,110
Sales of prescriptions and others	7,350	3.3%	6,862	3.1%	488
Revenue	225,237	100.0%	222,381	100.0%	2,856

(ii) Number of refractive treatment by types conducted

	For the year ended 31 March			
	2022	%	2021	
SMILE surgeries	3,802	72.7%	4,063	74.4%
LASIK surgeries	159	3.0%	187	3.4%
Multifocal IOL replacements	1,132	21.6%	1,104	20.2%
ICL implantations	141	2.7%	111	2.0%
Total	<u>5,234</u>	<u>100.0%</u>	<u>5,465</u>	<u>100.0%</u>

(iii) Average prices of the refractive treatment services

	For the year ended 31 March	
	2022	2021
	HK\$	HK\$
SMILE surgeries	23,100	24,600
LASIK surgeries	19,400	19,500
Multifocal IOL replacements	44,800	44,400
ICL implantations	78,800	79,700

REFRACTIVE TREATMENT

Refractive treatments were our largest source of revenue during the year, representing approximately 67.8% of our revenue. 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\$9.1 million or 5.6% from approximately HK\$161.7 million for the year ended 31 March 2021 to approximately HK\$152.6 million for the year ended 31 March 2022. The decrease in revenue from refractive treatments was mainly due to the decrease in number of SMILE surgeries conducted during the year ended 31 March 2022. The number of SMILE surgery conducted decreased from 4,063 for the year ended 31 March 2021 to 3,802 for the year ended 31 March 2022, and the revenue generated from SMILE surgery

decreased by approximately HK\$12.4 million, or 12.4%, from approximately HK\$100.1 million for the year ended 31 March 2021 to approximately HK\$87.7 million for the year ended 31 March 2022. The impact on our revenue generated from refractive treatments due to the decrease in revenue generated from SMILE surgeries was partially offset by the increase in revenue generated from Multifocal IOL replacements and ICL implantations which the number of treatments conducted for both services had increased as compared to the year ended 31 March 2021.

TREATMENT FOR OTHER EYE PROBLEMS

Treatment for other eye problems include standard cataract surgery, laser procedure, PPV surgery, and other treatments and surgeries. For the years ended 31 March 2021 and 2022, revenue generated from treatments for other eye problems amounted to approximately HK\$44.8 million and HK\$55.1 million, representing approximately 20.1% and 24.4% of our revenue, respectively. Revenue generated from treatment for other eye problems increased by approximately HK\$10.3 million, or 23.0%, from approximately HK\$44.8 million for the year ended 31 March 2021 to approximately HK\$55.1 million for the year ended 31 March 2022. The increase in revenue generated from treatment of other eye problems was mainly due to the increase in revenue recorded for our laser procedures and PPV surgery of approximately HK\$4.1 million and HK\$3.1 million, respectively, as compared to the year ended 31 March 2021.

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\$1.1 million or 12.1% from approximately HK\$9.1 million for the year ended 31 March 2021 to approximately HK\$10.2 million for the year ended 31 March 2022. The increase in revenue generated from consultation and examination services was mainly due to the growth in number of patient visits during the year.

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 2021 and 2022, our revenue generated from sales of prescriptions and others was approximately HK\$6.9 million and HK\$7.4 million, representing approximately 3.1% and 3.3% of our revenue, respectively. The increase in revenue generated from sales of prescriptions and others was generally in line with our overall increase in consultation and examination services provided during the period.

OTHER INCOME, NET

Our net other income for the year ended 31 March 2022 mainly consisted of (i) interest income from bank deposits in the amount of HK\$47,000; and (ii) rent concessions of approximately HK\$1.5 million received from landlords of our leased properties due to COVID-19. Our net other income recorded for the year ended 31 March 2022 had decreased by approximately HK\$5.2 million, or 74.3% as compared with the same period in 2021. The decrease was mainly because no further government subsidies under the employment support scheme of the Government's anti-epidemic fund were provided during the year ended 31 March 2022 as compared to HK\$4.9 million received during the same period in 2021.

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 which our Medical Practitioners prescribed to our patients following diagnosis after consultation and supplies are materials used during surgeries. For the years ended 31 March 2021 and 2022, the inventories used amounted to approximately HK\$37.0 million and HK\$38.5 million, representing approximately 16.6% and 17.1% of our revenue, respectively. The inventories used as a percentage of revenue remained relatively stable, and the fluctuations in inventories used was generally in line with the increase in the number of treatments conducted during the year.

CONSULTANCY FEES

Consultancy fees represent professional fees paid to our medical practitioners, and consist of a fixed fees 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 2021 and 2022, consultancy fees amounted to approximately HK\$55.8 million and HK\$63.0 million, representing approximately 25.1% and 28.0% of our total revenue, respectively. The increase in consultancy fees paid to the medical practitioners during the year mainly as a result of the increase in the number of medical practitioners from nine as at 31 March 2021 to 11 as at 31 March 2022.

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 2021 and 2022, our employee benefit expenses amounted to approximately HK\$36.3 million and HK\$42.0 million, representing approximately 16.3% and 18.7% of our revenue, respectively. The increase in employee benefit expenses during the year was primarily due to an increase in wages, salaries and bonuses paid to our employee.

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 2021 and 2022, our depreciation expenses for right-of-use assets amounted to approximately HK\$18.3 million and HK\$14.4 million, representing approximately 8.2% and 6.4% of our revenue, respectively. We recorded a decrease of depreciation of right-of-use assets during the year as a result of the decrease in rental fee of our leased properties in Mong Kok and Central upon renewal in May 2021 and August 2021, respectively.

EXPENSES INCURRED IN CONNECTION WITH THE COMPANY'S LISTING

The Company has been listed on the Stock Exchange since 18 February 2022. In relation to the Company's Listing, listing expenses of approximately HK\$8.6 million and approximately HK\$17.4 million were charged to the Group's consolidated statement of comprehensive income during the years ended 31 March 2021 and 2022, respectively.

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 2021 and 2022, other expenses were approximately HK\$20.3 million and HK\$24.2 million, representing approximately 9.1% and 10.7% of our revenue, respectively. The table below sets forth the breakdown of other expenses for the years ended 31 March 2021 and 2022 respectively:

	For the year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Business development	6,033	4,761
Repair and maintenance	2,514	2,214
Professional fees	1,098	1,232
Auditor's remuneration	1,000	138
Bank charges	6,190	6,548
Other general and administrative expenses	7,330	5,379
	<u>24,165</u>	<u>20,272</u>

Our business development expenses include the cost of organising eye care educational talks and the related costs of printing leaflets and designing website. The increase in business development expenses incurred of approximately HK\$1.2 million or 25.0% from approximately HK\$4.8 million for the year ended 31 March 2021 to approximately HK\$6.0 million for the year ended 31 March 2022 as our Group had organised more educational seminars before the outbreak of the fifth wave of the COVID-19 pandemic and the continuous effort by our Group on brand-building activities.

Bank charges are expenses related to credit card transfers. For the years ended 31 March 2021 and 2022, our bank charges amounted to approximately HK\$6.5 million and HK\$6.2 million, respectively.

Other general and administrative expenses mainly includes, but not limited to, utilities charges, insurance payments and other telecommunication charges. For the years ended 31 March 2021 and 2022, our other general and administrative expenses amounted to approximately HK\$5.4 million and HK\$7.3 million, respectively.

FINANCE COSTS

Finance costs mainly comprise interest expenses on lease liabilities and interest expenses on bank borrowings. Our finance costs decreased by approximately HK\$0.1 million, or 11.1% from approximately HK\$0.9 million for the year ended 31 March 2021 to approximately HK\$0.8 million for the year ended 31 March 2022, primarily due to the full payment of the bank borrowings during the year ended 31 March 2021 and the decrease in interest expenses on lease liabilities resulted from the decrease in rental fee of our leased properties in Mong Kok and Central upon renewal in May 2021 and August 2021, respectively.

INCOME TAX EXPENSES

We recognised taxation for profit at the rate of 16.5% in Hong Kong with reference to the estimated assessable profits during the year. For the years ended 31 March 2021 and 2022, our income tax expenses amounted to approximately HK\$8.0 million and HK\$5.6 million, and our effective tax rates were 18.4% and 29.2%, respectively. Our effective tax rates for the years ended 31 March 2021 and 2022 were higher than Hong Kong's statutory corporate tax mainly due to certain non-deductible expenses incurred by our Group during the respective periods, which mainly comprised of listing expenses incurred in preparation of the Listing. The increase in effective tax rate for the year ended 31 March 2022 as compared to 31 March 2021 was primarily due to the increase in listing expenses from HK\$8.6 million to HK\$17.4 million.

PROFIT FOR THE YEAR AND NET PROFIT MARGIN

As a result of the foregoing, our net profit for the year decreased from HK\$35.8 million for the year ended 31 March 2021 to approximately HK\$13.5 million for the year ended 31 March 2022, representing a decrease of HK\$22.3 million or 62.3%. The net profit margin for the year decreased from 16.1% for the year ended 31 March 2021 to 6.0% for the year ended 31 March 2022.

Without taking into account the one-off non-recurring government subsidy and the effect of the listing expenses incurred during the years ended 31 March 2021 and 2022, the adjusted net profit of the Group amounted to approximately HK\$39.4 million and HK\$30.9 million for the years ended 31 March 2021 and 2022 respectively, representing a

year-on-year decrease of HK\$8.5 million or 21.6%. The adjusted net profit margin decreased from 17.7% for the year ended 31 March 2021 to 13.7% for the year ended 31 March 2022.

IMPACT OF COVID-19 PANDEMIC

The fifth wave of the COVID-19 pandemic had a significant impact on the financial performance of the Group for February and March 2022. The number of reported cases of COVID-19 had spiked since the beginning of February and the COVID-19 pandemic in Hong Kong continued to worsen in early March 2022. The government of Hong Kong had put in place stringent policies in combatting the outbreak of COVID-19, including reducing private gathering limits, mandatory 14-day closure of barbershops and gyms. Furthermore, the government had encouraged corporations to implement flexible working arrangements.

As such, the Group recorded revenue of approximately HK\$10.5 million and HK\$11.6 million, for February and March 2022 respectively, whereas, the Group recorded revenue of approximately, HK\$18.1 million and HK\$22.7 million for the corresponding months in 2021, representing a drop of approximately 42.0% and 48.9%, respectively.

The unexpected outbreak of the fifth wave of COVID-19 in Hong Kong had a substantial impact of the revenue generated by the Group in February and March 2022. However, the Directors remain confident the Group's operation and financial performance would resume normal when the impact of COVID-19 had eased.

CAPITAL EXPENDITURE AND COMMITMENTS

For the year ended 31 March 2022, the Group incurred capital expenditures of HK\$0.2 million, primarily due to purchase of equipment and leasehold improvements for our medical centres.

There is no capital expenditure contracted for but not yet recognised as liabilities as at 31 March 2021 and 2022.

GEARING RATIO

As at 31 March 2022, the gearing ratio, which is calculated as net debt divided by total capital, is not applicable due to net cash position (2021: not applicable).

CONTINGENT LIABILITIES

The Group had no material contingent liability as at 31 March 2022.

PLEDGE OF ASSETS

The Group had not pledged any assets as at 31 March 2022.

FINANCIAL INSTRUMENTS

Our major financial instruments include trade receivables, deposits and other receivables, amount due from a related party, cash and cash equivalents, lease liabilities, trade payables, 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 2022 and 2021, 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, deposits and other receivables, amount due from a related party and cash and bank balances. 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 2022. 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 2022, we had not identified specific concentrations of credit risk related to trade receivables, as the amounts recognised represent a large number of receivables from various customers.

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 and borrowings. 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 to reduce borrowings. 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 2021 and 2022, we maintained at net cash position.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group employed a total of 99 employees (2021: 100). 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 which is established to provide incentives and rewards to eligible participants (including selected employees) for their contribution and to align the corporate objectives and interests between the Group and its key talents. For the details of the share option scheme, please refer to the prospectus of the Company dated 31 January 2022 (the "**Prospectus**"). The Group also sponsors selected employees to attend external training courses that suit the needs of the Group's business.

EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Company or by the Group after 31 March 2022 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 establishing new medical centres and acquisition.
- We plan to acquire equity interests in eye-related clinics, outpatient department or hospitals in the PRC to expand our presence into the PRC under our brand of “Clarity”.
- We plan to identify suitable collaboration partners for collaboration in setting up an eye-related clinic for the provision of ophthalmic medical services in the PRC.
- We plan to acquire interests in ophthalmic-related businesses.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSET

Save as disclosed above and under the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Group did not have any other plans for material investments or capital assets during the reporting period and up to the date of this announcement.

LIQUIDITY AND CAPITAL STRUCTURE

During the year ended 31 March 2022 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 2022, we had cash and cash equivalents of HK\$241.3 million (2021: HK\$64.9 million), all of which were denominated in Hong Kong dollars.

During the year ended 31 March 2021 and 2022, the Group did not use any financial instruments, currency borrowings or other hedging instruments for hedging purposes.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. As at 31 March 2022, the gearing ratio is not applicable due to net cash position (2021: not applicable).

The current ratio (calculated as current assets over current liabilities) was 10.3 times as at 31 March 2022 compared with 2.52 times as at 31 March 2021.

As at 31 March 2022, the Group reported net current assets of HK\$225.4 million, as compared with HK\$47.8 million as at 31 March 2021.

Net cash generated from operating activities was HK\$27.6 million during the year ended 31 March 2022 (2021: HK\$71.4 million). The decrease mainly attributed from decrease in profit before income tax during the year ended 31 March 2022.

Net cash used in investing activities amounted to HK\$0.2 million during the year ended 31 March 2022 as compared to HK\$43.5 million during the year ended 31 March 2021. The Group invested approximately HK\$0.2 million for acquisition of plant and equipment.

During the year ended 31 March 2022, net cash generated from financing activities amounted to HK\$149.0 million, as compared to net cash generated used in financing activities of HK\$28.6 million during the year ended 31 March 2021. The cash generated from financing activities for the year ended 31 March 2022 was mainly from (i) the gross proceeds from Global Offering of approximately HK\$200.0 million, and (ii) proceeds from issuance of share options upon exercise of share options of approximately HK\$5.5 million, netted off by (i) dividend paid to owners of the Company of approximately HK\$26.0 million; (ii) payment of listing expense of approximately HK\$17.0 million; and (iii) lease payments of approximately HK\$13.5 million.

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSALS

Except for investment in subsidiaries, there were no significant investments held by the Group as at 31 March 2022.

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 the Shareholders. The Board is committed to maintaining high corporate governance standards.

The Company has been listed on the Stock Exchange since 18 February 2022 (the “**Listing Date**”). During the period from the Listing Date 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 14 to the Listing Rules which are applicable to the Company.

Code provisions C.5.1 (previously A.1.1) and D.3.3 (previously C.3.3) respectively provide that board meetings should be held at least four times a year at approximately quarterly intervals with a majority of Directors being present and the Audit Committee must meet at least twice a year with the issuer’s auditors. The Company was not a listed company throughout the year ended 31 March 2022 and hence, it did not follow the requirements in the Code provisions C.5.1 and D.3.3.

During the period from the Listing Date and up to the date of this announcement, the Board has convened three meetings for the purpose of discussing of Company’s business and affairs and approving the annual results of the Company for the year ended 31 March 2022. The Audit Committee has convened two meetings with the auditors of the Company for the purpose of discussing of audit strategy and approving the annual results of the Company for the year ended 31 March 2022.

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 addition, the Board will adopt the new CG Code (version with effect from 1 January 2022), the requirements under which shall apply to the Company’s corporate governance report in the forthcoming financial year ending 31 March 2023.

In the opinion of the Board, during the period from the Listing Date 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 ordinary 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.

The remaining unused net proceeds as at 31 March 2022 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 2022, the Company had not utilised any proceeds from the IPO. 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 (Note *) (HK\$ million)	Allocated net proceeds from IPO (HK\$ million)	Net proceeds utilized since the Listing and up to 31 March 2022 (HK\$ million)	Estimated time for utilising the allocated net proceeds	Remaining amount (HK\$ million)
Establishing two new medical centres in Hong Kong for the provision of ophthalmic services	44.8%	110.0	81.5	—	Second half of 2022–2023	81.5
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	—	12–24 months after the Listing	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	—	12–24 months after the Listing	26.7
Working capital and other general corporate purposes	10.0%	24.6	18.2	—	N/A	18.2
Total	100%	245.6	181.9	—		181.9

*Note**: 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.

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. Hui Yung Chris and Mr. Ma Wai Hung Vincent. 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 2022.

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 March 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers 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 10 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 period from the Listing Date 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 since the Listing Date and up to the date of this announcement.

DIVIDEND

On 15 November 2021, our Group had declared and settled dividends to the respective shareholding members of our Company amounted to approximately HK\$26.0 million. The Board does not recommend the payment of a final dividend for the year ended 31 March 2022.

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 26 August 2022 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, 23 August 2022 to Friday, 26 August 2022, 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, Hopewell Centre 183 Queen’s Road East, Wanchai, Hong Kong (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (if the transfer will be lodged on or after 15 August 2022) no later than 4:30 p.m. on Monday, 22 August 2022.

Remark: The address of the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, will be changed to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong with effect from 15 August 2022. For details, please refer to the Company’s announcement to be made in due course.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 26 August 2022. 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’s website at www.claritymedic.com. The 2022 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, 28 June 2022

As at the date of this announcement, the Board comprises Mr. WONG Tai Cheung Andrew 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. HUI Yung Chris and Mr. MA Wai Hung Vincent as independent non-executive Directors.