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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

FINANCIAL HIGHLIGHT

	Six months ended 30 September		Change
	2024 HK\$'000	2023 HK\$'000	
Revenue	87,201	101,610	(14,409)
Loss for the period	(18,569)	(20,019)	1,450
Operating loss before depreciation and impairments ^(1&3)	(4,016)	(15,922)	11,906
Adjusted net loss for the period ^(2&3)	(11,272)	(20,019)	8,747

Notes:

- Operating loss before depreciation and impairments are calculated from operating loss by subtracting (i) depreciation of plant and equipment and (ii) impairment losses on plant and equipment and right-of-use assets for the six months ended 30 September 2024 and 2023. No impairment losses on plant and equipment and right-of-use assets were recognised during the six months ended 30 September 2023.
- Adjusted net loss is calculated by deducting one-off non-recurring impairment losses on plant and equipment and right-of use assets from the loss for the period for the six months ended 30 September 2024. No such impairment losses were incurred during the six months ended 30 September 2023.
- 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**”, and each a “**Director**”) of Clarity Medical Group Holding Limited (the “**Company**”) announces the unaudited interim consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2024, together with the comparative figures for the six months ended 30 September 2023, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2024

		Six months ended 30 September	
		2024	2023
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	87,201	101,610
Other income and losses, net	4	1,954	3,253
Inventories used		(18,707)	(19,059)
Consultancy fee		(30,176)	(41,058)
Employee benefit expenses		(23,950)	(29,181)
Depreciation of plant and equipment		(5,721)	(6,162)
Depreciation of right-of-use assets		(5,451)	(10,871)
Impairment loss on plant and equipment		(2,455)	—
Impairment loss on right-of-use asset		(4,842)	—
Other expenses	5	(14,887)	(20,616)
Operating loss		(17,034)	(22,084)
Finance costs	6	(635)	(1,211)
Loss before income tax		(17,669)	(23,295)
Income tax	7	(900)	3,276
Loss for the period		(18,569)	(20,019)
Other comprehensive loss			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(8)	—
Total comprehensive loss for the period attributable to owners of the Company		(18,577)	(20,019)
Loss per share attributable to owners of the Company during the period (expressed in HK cents per share)			
— Basic and diluted	9	(3.5)	(3.8)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2024 (Unaudited) Notes HK\$'000	31 March 2024 (Audited) HK\$'000
Non-current assets			
Plant and equipment		38,432	39,281
Right-of-use assets		15,569	13,348
Deferred tax assets		5,534	6,434
Deposits	11	889	7,892
Financial assets at fair value through profit or loss		4,478	—
Total non-current assets		<u>64,902</u>	<u>66,955</u>
Current assets			
Inventories		3,545	3,576
Trade receivables	10	2,813	2,647
Deposits, prepayments and other receivables	11	24,864	20,149
Tax recoverable		—	1,405
Cash and cash equivalents		122,390	141,431
Total current assets		<u>153,612</u>	<u>169,208</u>
Current liabilities			
Trade payables	12	6,673	4,767
Accruals and other payables		8,995	12,089
Provisions		8,959	2,300
Lease liabilities		15,423	19,177
Total current liabilities		<u>40,050</u>	<u>38,333</u>
Net current assets		<u>113,562</u>	<u>130,875</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>178,464</u>	<u>197,830</u>
Non-current liabilities			
Provisions		1,193	2,075
Lease liabilities		3,244	6,233
Total non-current liabilities		<u>4,437</u>	<u>8,308</u>
Net assets		<u>174,027</u>	<u>189,522</u>

	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Equity		
Equity attributable to owners of the Company		
Share capital	5,289	5,281
Share premium	306,415	306,388
Shares held under the Share Award Plan	—	(3,468)
Reserves	<u>(137,677)</u>	<u>(118,679)</u>
Total equity	<u><u>174,027</u></u>	<u><u>189,522</u></u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 together with its subsidiaries (collectively referred to as the “Group”) are principally engaged in the provision of ophthalmic services in Hong Kong.

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

2 ACCOUNTING POLICIES AND BASIS OF PREPARATION

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 September 2024 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2024.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2024, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The amendments are not expected to have any significant impact on the Group’s interim condensed consolidated financial information.

3 REVENUE AND SEGMENT INFORMATION

Revenue recognised during the six months ended 30 September 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. Accordingly, the Group has only one single operating segment and no discrete operating segment financial information is available.

All of the Group's activities (excluding investment in financial assets at fair value through profit or loss) are carried out in Hong Kong, and nearly 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 10% or more of the total revenue for the six months ended 30 September 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:

	Six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue from contracts with customers		
Ophthalmic service income	82,305	95,832
Sales of prescriptions	3,670	4,419
Sales of vision products	1,226	1,359
Total	<u>87,201</u>	<u>101,610</u>

4 OTHER INCOME AND LOSSES, NET

An analysis of other income and losses, net is as follows:

	Six months ended 30 September	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Other income		
Interest income	2,455	2,990
Miscellaneous income	5	263
Total other income	<u>2,460</u>	<u>3,253</u>
Other losses, net		
Loss on disposal/write-off of items of plant and equipment, net	(587)	—
Foreign exchange differences, net	81	—
Total other losses, net	<u>(506)</u>	<u>—</u>
Total other income and losses, net	<u>1,954</u>	<u>3,253</u>

5 EXPENSES BY NATURE

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

	Six months ended 30 September	
	2024 (Unaudited) <i>HK\$'000</i>	2023 (Unaudited) <i>HK\$'000</i>
Business development	2,783	8,870
Repair and maintenance	1,302	1,653
Professional fees	3,731	821
Bank charges	2,126	2,281
	<u>2,126</u>	<u>2,281</u>

6 FINANCE COSTS

	Six months ended 30 September	
	2024 (Unaudited) <i>HK\$'000</i>	2023 (Unaudited) <i>HK\$'000</i>
Interest expenses on lease liabilities	635	1,211
	<u>635</u>	<u>1,211</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 period (2023: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates:

	Six months ended 30 September	
	2024 (Unaudited) <i>HK\$'000</i>	2023 (Unaudited) <i>HK\$'000</i>
Deferred	900	(3,276)
Total tax charge/(credit) for the period	<u>900</u>	<u>(3,276)</u>

8 DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2024, nor has any dividend been proposed since the end of the reporting period (2023: Nil).

9 BASIC AND DILUTED LOSS PER SHARE

Basic

The calculation of the basic earnings per share is based on the loss for the period attributable to owners of the Company of HK\$18,569,000 (2023: HK\$20,019,000) and the weighted average number of ordinary shares of 528,640,098 (2023: 528,125,000) in issue less the weighted average number of shares held under the Share Award Plan of 1,722,206 (2023: 3,100,000) during the six months ended 30 September 2024 and 2023.

Diluted

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 September 2024 and 2023 as the Group had no potentially dilutive ordinary shares in issue.

10 TRADE RECEIVABLES

As at 30 September 2024 and 31 March 2024, the carrying amounts of trade receivables approximated their fair values and are 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	
	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
0 to 30 days	1,462	1,504
31 to 60 days	569	560
61 to 90 days	738	217
Over 90 days	44	366
Total	<u>2,813</u>	<u>2,647</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 30 September 2024 and 31 March 2024, 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 six months ended 30 September 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	
	30 September 2024 (Unaudited) HK\$'000	31 March 2024 (Audited) HK\$'000
Rental and other deposits	5,844	7,041
Deposits paid for purchases of plant and equipment	—	3,316
Prepayments	2,470	1,473
Other receivables (<i>Note</i>)	<u>17,439</u>	<u>16,211</u>
	25,753	28,041
Less: non-current portion	<u>(889)</u>	<u>(7,892)</u>
Current portion	<u>24,864</u>	<u>20,149</u>

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 30 September 2024 and 31 March 2024, the loss allowance was assessed to be minimal.

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

- (i) A loan advanced to a medical practitioner of HK\$14,413,000 (31 March 2024: HK\$14,448,500) which is unsecured, bears interest at 3% per annum and repayable within 12 months.
- (ii) An amount due from a medical practitioner of HK\$300,000 (31 March 2024: HK\$900,000) 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 invoice date is as follows:

	As at	
	30 September 2024 (Unaudited) <i>HK\$'000</i>	31 March 2024 (Audited) <i>HK\$'000</i>
0 to 30 days	4,415	3,983
31 to 60 days	2,250	735
61 to 90 days	—	48
Over 90 days	8	1
	<hr/>	<hr/>
Total	6,673	4,767
	<hr/> <hr/>	<hr/> <hr/>

As at 30 September 2024 and 31 March 2024, all trade payables of the Group were denominated in HK\$, and their fair values approximated to their carrying amounts.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the provision of private ophthalmic healthcare services in Hong Kong. The operating environment has proven to be particularly challenging for the six months period ended 30 September 2024 (“**2024 Interim Period**”). The ongoing local economic downturn, combined with inflationary pressures, has impacted consumer sentiment, leading to a reduced willingness to spend.

As a consequence of these challenges, the Group’s revenue decreased from approximately HK\$101.6 million for the six months ended 30 September 2023 to approximately HK\$87.2 million during the 2024 Interim Period, representing a decrease of 14.2%. In response, the Group has implemented proactive cost-saving initiatives without compromising the quality of our services. Notably, the adjusted net loss (defined as the loss for the period before one-off non-recurring impairment losses on plant and equipment and right-of-use assets) decreased from approximately HK\$20.0 million for the six months ended 30 September 2023 to about HK\$11.3 million for the 2024 Interim Period. This reflects a reduction of approximately 43.5%.

Our unwavering commitment to delivering high-quality healthcare services remains at the core of our operations. We believe that this dedication, along with our strategic adaptations, will foster sustainable growth and yield favorable returns for our valued shareholders in the long term.

The Group acknowledges the inevitable increase in operating expenses due to the inflationary environment. Nevertheless, we remain committed to maintaining financial discipline and optimizing our cost structure. By carefully managing expenses and implementing efficiency measures, we aim to ensure sustainable growth while providing exceptional ophthalmic healthcare services to our patients.

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 six months ended 30 September 2024, our revenue amounted to approximately HK\$87.2 million, representing a decrease of approximately HK\$14.4 million or 14.2% from approximately HK\$101.6 million for the six months ended 30 September 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 six months ended 30 September 2024 and 2023 respectively.

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

	For the six months ended 30 September				
	2024		2023		Change
	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>	<i>% of revenue</i>	<i>HK\$'000</i>
Refractive Treatments	<u>51,983</u>	<u>59.6%</u>	<u>57,992</u>	<u>57.1%</u>	<u>(6,009)</u>
SMILE surgeries	23,957	27.5%	30,987	30.5%	(7,030)
LASIK surgeries	340	0.4%	1,191	1.2%	(851)
Multifocal IOL replacements	10,765	12.3%	17,982	17.7%	(7,217)
ICL implantations	16,921	19.4%	7,832	7.7%	9,089
Treatment for other eye problems	<u>22,445</u>	<u>25.8%</u>	<u>30,060</u>	<u>29.6%</u>	<u>(7,615)</u>
Standard cataract surgeries	10,489	12.0%	14,723	14.5%	(4,234)
Laser procedures	4,597	5.3%	6,009	5.9%	(1,412)
PPV surgeries	4,004	4.6%	6,295	6.2%	(2,291)
Other treatments/surgeries	3,355	3.9%	3,033	3.0%	322
Consultation and examination services	<u>6,716</u>	<u>7.7%</u>	<u>6,059</u>	<u>6.0%</u>	<u>657</u>
Sales of prescriptions and others	<u>3,670</u>	<u>4.2%</u>	<u>4,419</u>	<u>4.3%</u>	<u>(749)</u>
Children myopia prevention and control	<u>2,387</u>	<u>2.7%</u>	<u>3,080</u>	<u>3.0%</u>	<u>(693)</u>
Revenue	<u>87,201</u>	<u>100.0%</u>	<u>101,610</u>	<u>100.0%</u>	<u>(14,409)</u>

(ii) Number of refractive treatment by types conducted

	For the six months ended 30 September			
	2024		2023	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
SMILE surgeries	992	66.2%	1,404	71.5%
LASIK surgeries	18	1.2%	64	3.3%
Multifocal IOL replacements	242	16.2%	383	19.5%
ICL implantations	246	16.4%	111	5.7%
Total	<u>1,498</u>	<u>100.0%</u>	<u>1,962</u>	<u>100.0%</u>

(iii) Average prices of the refractive treatment services

	For the six months ended 30 September	
	2024	2023
	<i>HK\$</i>	<i>HK\$</i>
SMILE surgeries ⁽¹⁾	24,200	22,100
LASIK surgeries ⁽¹⁾	18,900	18,600
Multifocal IOL replacements ⁽²⁾	44,500	47,000
ICL implantations ⁽¹⁾	68,800	70,600

Notes:

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

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

REFRACTIVE TREATMENT

Refractive treatments were our largest source of revenue during the 2024 Interim Period, representing approximately 59.6% 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\$6.0 million or 10.3% from approximately HK\$58.0 million for the six months ended 30 September 2023 to approximately HK\$52.0 million for the six months ended 30 September 2024. The decrease in revenue was mainly due to the economic downturn, increased competition from other industry players, and the departure of certain medical practitioners. Consequently, the number of medical practitioners decreased from 14 as of 30 September 2023 to 11 as of 30 September 2024.

During the 2024 Interim Period, revenue generated from SMILE surgery decreased by approximately HK\$7.0 million, or 22.6%, from approximately HK\$31.0 million for the six months ended 30 September 2023, to approximately HK\$24.0 million for the six months ended 30 September 2024. This decrease was primarily due to a decrease in the number of SMILE surgeries conducted, which decreased from 1,404 for the six months ended 30 September 2023 to 992 for the six months ended 30 September 2024. Furthermore, some patients who might have opted for SMILE surgery chose to undergo ICL implantations instead, contributing to the drop in number of SMILE surgeries.

The revenue from multifocal IOL replacements decreased by approximately HK\$7.2 million, or 40%, from about HK\$18.0 million for the six months ended 30 September 2023, to approximately HK\$10.8 million for the six months ended 30 September 2024. This reduction was mainly attributed to a decline in the number of multifocal IOL replacements conducted compared to the same period in 2023.

On the other hand, revenue from ICL implantations increased significantly, rising by approximately HK\$9.1 million, or 116.7%, from approximately HK\$7.8 million for the six months ended 30 September 2023, to around HK\$16.9 million for the six months ended 30 September 2024. This increase was primarily due to an increase in the number of ICL implantations performed during the same period.

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 six months ended 30 September 2023 and 2024, revenue generated from treatments for other eye problems amounted to approximately HK\$30.1 million and HK\$22.5 million, representing approximately 29.6% and 25.8% of our revenue, respectively. Revenue generated from treatment for other eye problems decreased by approximately HK\$7.6 million, or 25.2%, from approximately HK\$30.1 million for the six months ended 30 September 2023 to approximately HK\$22.5 million for the six months ended 30 September 2024. The decrease in revenue generated from treatment of other eye problems was mainly due to the decrease in revenue recorded for standard cataract surgeries and PPV surgeries of approximately HK\$4.2 million and HK\$2.3 million, respectively, as compared to the six months ended 30 September 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\$0.6 million or 9.8% from approximately HK\$6.1 million for the six months ended 30 September 2023 to approximately HK\$6.7 million for the six months ended 30 September 2024. The increase in revenue generated from consultation and examination services was mainly due to the increase in standard rate of consultation and examination services fees prescribed by the Group during the 2024 Interim Period.

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 six months ended 30 September 2023 and 2024, our revenue generated from sales of prescriptions and others was approximately HK\$4.4 million and HK\$3.7 million, representing approximately 4.3% and 4.2% of our revenue, respectively. The revenue generated from sales of prescriptions and others was generally in line with our overall revenue during the respective interim periods.

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, personalized consultations are offered to parents and children, including suggestions for managing myopia. Revenue generated from children myopia prevention and control decreased by approximately HK\$0.7 million, or 22.6%, from approximately HK\$3.1 million for the six months ended 30 September 2023 to approximately HK\$2.4 million for the six months ended 30 September 2024. This decrease was primarily due to a reduction in our business efforts in this area.

OTHER INCOME

The Group recorded other income of approximately HK\$2.0 million for the six months ended 30 September 2024, compared to approximately HK\$3.3 million for the same period in 2023. This decrease was primarily due to a reduction in interest income from bank deposits and miscellaneous income, which fell by approximately HK\$0.8 million in the 2024 Interim Period, mainly attributed to lower average interest rates and a decreased bank deposit balance. Additionally, there was a net loss of approximately HK\$0.6 million on the disposal or write-off of items of plant and equipment, partially offset by net foreign exchange differences of approximately HK\$81,000.

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 six months ended 30 September 2023 and 2024, the inventories used amounted to approximately HK\$19.1 million and HK\$18.7 million, representing approximately 18.8% and 21.4% of our revenue, respectively. The increase in the inventories used as a percentage of revenue, from 18.8% to 21.4%, was primarily due to a decrease in the price charged for certain refractive treatments during the 2024 Interim Period compared to the corresponding period in 2023. Additionally, there was a shift in the mix of surgeries performed, with the Group conducting more ICL implantations during the six months ended 30 September 2024 than in the same period in 2023. Notably, the percentage of inventories used for ICL implantation is higher than that for other surgeries during this period.

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 six months ended 30 September 2023 and 2024, consultancy fees amounted to approximately HK\$41.1 million and HK\$30.2 million, representing approximately 40.5% and 34.6% of our total revenue, respectively. The decrease in the consultancy fee as a percentage of revenue, from 40.5% for the six months ended 30 September 2023 to 34.6% for the six months ended 30 September 2024, can be attributed to adjustments made to professional fees paid to our medical practitioners.

The Company adopted a share award plan (the “**Share Award Plan**”) on 23 November 2022. On 4 July 2023, the Board resolved to grant certain awarded Shares to five service providers under the Share Award Plan. Consequently, share-based payments of approximately HK\$1.4 million, related to the service providers, were recorded as consultancy fees and recognised in the interim condensed consolidated statement of comprehensive income for the six months period ended 30 September 2024 (six months ended 30 September 2023: approximately HK\$1.0 million).

EMPLOYEE BENEFIT EXPENSES

Our employee benefit expenses include wages, salaries, pension scheme contributions and other related expenses for our staff. For the six months ended 30 September 2023 and 2024, our employee benefit expenses amounted to approximately HK\$29.2 million and HK\$24.0 million, representing approximately 28.7% and 27.5% of our revenue, respectively. On 4 July 2023, the Board resolved to grant certain awarded shares to certain directors and employees under the Share Award Plan. Consequently, share-based payments of approximately HK\$1.7 million, related to the directors and employees, were recorded as employee benefit expenses and recognised in the interim condensed consolidated statement of comprehensive income for the six months period ended 30 September 2024 (six months ended 30 September 2023: approximately HK\$1.0 million). The decrease in employee benefits expenses was mainly attributed to the reduction in the number of employees, from 135 as of 30 September 2023 to 105 as of 30 September 2024, offset by an increase in share-based payments recognised during the 2024 Interim Period.

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 six months period ended 30 September 2023 and 2024, our depreciation expenses for plant and equipment amounted to approximately HK\$6.2 million and HK\$5.7 million, representing approximately 6.1% and 6.5% of our revenue, respectively.

DEPRECIATION OF RIGHT-OF-USE ASSETS

For the six months ended 30 September 2023 and 2024, our depreciation expenses for right-of-use assets, which include leased properties, were approximately HK\$10.9 million and HK\$5.5 million, representing about 10.7% and 6.3% of our revenue, respectively.

During the year ended 31 March 2024, the Company identified two underperforming medical centres. A discounted cash flow projection was conducted to estimate the recoverable amounts of the non-financial assets associated with these centres. As a result, an impairment loss of approximately HK\$11.7 million for right-of-use assets was recognised in the consolidated statement of comprehensive income for the year ended 31 March 2024.

Consequently, the carrying amount of right-of-use assets decreased from approximately HK\$44.4 million as of 31 March 2023 to approximately HK\$13.3 million as of 31 March 2024. This reduction led to a decrease in the depreciation of right-of-use assets from HK\$10.9 million for the six months ended 30 September 2023 to approximately HK\$5.5 million for the six months ended 30 September 2024.

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

The Company has identified an underperforming medical centre that focuses on children's myopia prevention and control, which has been operating at a loss since its establishment in the third quarter of 2023.

As of 31 March 2024, the Group conducted a discounted cash flow projection to estimate the recoverable amounts of non-financial assets associated with this medical centre. Consequently, an impairment loss of approximately HK\$24.4 million for plant and equipment and right-of-use assets was recognized in the consolidated statement of comprehensive income for the year ended 31 March 2024.

Subsequent to 31 March 2024, the medical centre continued to operate at a loss. As of 30 September 2024, the Group reviewed certain plant and equipment that had not been fully utilized or had become idle. Additionally, the Group reassessed the provision for reinstatement costs of the medical centre during the 2024 Interim Period. Consequently, an impairment loss of approximately HK\$2.5 million for plant and equipment, as well as an impairment loss of approximately HK\$4.8 million for right-of-use assets, were recognized in the interim condensed consolidated statement of comprehensive income for the six months ended 30 September 2024 (six months ended 30 September 2023: Nil).

OTHER EXPENSES

Other expenses mainly comprise other general and administration expenses, management fees, business development expenses and bank charges. For the six months ended 30 September 2023 and 2024, other expenses were approximately HK\$20.6 million and HK\$14.9 million, representing approximately 20.3% and 17.1% of our revenue, respectively. The table below sets forth the breakdown of other expenses for the six months ended 30 September 2023 and 2024 respectively:

	For the six months ended	
	30 September	
	2024	2023
	HK\$'000	HK\$'000
Business development	2,783	8,870
Repair and maintenance	1,302	1,653
Professional fees	3,731	821
Bank charges	2,126	2,281
Other general and administrative expenses	4,945	6,991
	<u>14,887</u>	<u>20,616</u>
Other expenses	<u>14,887</u>	<u>20,616</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 six months ended 30 September 2023 and 2024, our business development expenses amounted to approximately HK\$8.9 million and HK\$2.8 million, respectively. The significant decrease in business development expenses is primarily attributed to reduced promotional efforts during the 2024 Interim Period compared to the same period in 2023. In the corresponding period of 2023, we incurred higher expenses related to the launch of the new revenue stream for children's myopia control services.

Professional fees mainly comprise payments to various service providers, including legal counsel, consultancy and advisory services, share registry, and a professional investor relations firm. These fees increased by approximately HK\$2.9 million, or 362.5%, from approximately HK\$0.8 million for the six months ended 30 September 2023 to approximately HK\$3.7 million for the six months ended 30 September 2024. The Group incurred higher professional fees due to the engagement of additional professional services during the period in response to its business needs.

Bank charges are expenses related to credit card transfers. For the six months ended 30 September 2023 and 2024, our bank charges amounted to approximately HK\$2.3 million and HK\$2.1 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 six months ended 30 September 2023 and 2024, our other general and administrative expenses amounted to approximately HK\$7.0 million and HK\$4.9 million, respectively. The decrease in other general and administrative expenses during the 2024 Interim Period is primarily due to reduced spending compared to the same period in 2023. During the corresponding period in 2023, we incurred higher expenses due to the launch of the new revenue stream for children's myopia control services. Additionally, the decrease is driven by the Group's continuous efforts in cost-saving measures.

FINANCE COSTS

Finance costs mainly comprise interest expenses on lease liabilities. These costs decreased by approximately HK\$0.6 million, or 50.0%, from approximately HK\$1.2 million for the six months ended 30 September 2023, to approximately HK\$0.6 million for the six months ended 30 September 2024. This decrease was primarily due to lower interest expenses on lease liabilities, resulting from a reduction in the carrying amount of lease liabilities, which decreased from approximately HK\$36.6 million as of 30 September 2023 to approximately HK\$18.7 million as of 30 September 2024.

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 six months ended 30 September 2023, the Group recorded a tax credit of approximately HK\$3.3 million. This was a result of an estimated loss before income tax of approximately HK\$23.3 million during that period.

For the six months ended 30 September 2024, our income tax expenses amounted to approximately HK\$0.9 million, despite the Group recording a loss before income tax of approximately HK\$17.7 million. This was primarily due to certain expenses incurred by the Group that were not deductible for tax purposes, such as impairment expenses on plant and equipment and right-of-use assets.

LOSS FOR THE PERIOD

As a result of the foregoing, the Group recorded a loss of approximately HK\$18.6 million for the six months period ended 30 September 2024 (six months ended 30 September 2023: HK\$20.0 million).

CAPITAL EXPENDITURE AND COMMITMENTS

For the six months ended 30 September 2023 and 2024, the Group incurred capital expenditures of approximately HK\$36.0 million and HK\$8.3 million, respectively, primarily due to the purchase of equipment and leasehold improvements for our medical centres.

As at 30 September 2024, the Group had no capital expenditure contracted for but not yet recognised (31 March 2024: HK\$260,000).

GEARING RATIO

As at 30 September 2024, the gearing ratio, which is calculated as net debt divided by total capital, is not applicable due to net cash position (31 March 2024: not applicable).

CONTINGENT LIABILITIES

The Group had no material contingent liability as at 30 September 2024 (31 March 2024: Nil).

PLEDGE OF ASSETS

The Group had not pledged any assets as at 30 September 2024 (31 March 2024: Nil).

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 six months ended 30 September 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.

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 2024 and 30 September 2024, we maintained at net cash position.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2024 (six months ended 30 September 2023: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2024, the Group employed a total of 105 employees (31 March 2024: 110). 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.

EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Company or by the Group after 30 September 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 in providing ophthalmic services.
- 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 and expansion.
- We plan to acquire interests in ophthalmic-related businesses.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed above and under the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 31 January 2022 (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 six months ended 30 September 2023 and 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 30 September 2024, we had cash and cash equivalents (including time deposits) of HK\$122.4 million (31 March 2024: HK\$141.4 million), most of which were denominated in Hong Kong dollars.

During the six months ended 30 September 2023 and 2024, 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 30 September 2024, the gearing ratio is not applicable due to net cash position (31 March 2024: not applicable).

The current ratio (calculated as current assets over current liabilities) was 3.84 times as at 30 September 2024 compared with 4.4 times as at 31 March 2024.

As at 30 September 2024, the Group reported net current assets of HK\$113.6 million, as compared with HK\$130.9 million as at 31 March 2024.

Net cash flows generated from operating activities amounted to HK\$1.9 million during the six months ended 30 September 2024, in contrast to net cash flows used in operating activities amounted to HK\$7.6 million during the six months ended 30 September 2023. This decrease is mainly attributed to the reduction in loss before income tax, which declined from approximately HK\$23.3 million for the six months ended 30 September 2023 to approximately HK\$17.7 million for the same period in 2024.

Net cash flows from investing activities amounted to HK\$21.0 million during the six months ended 30 September 2024, in contrast to net cash flows used in investing activities amounted to HK\$34.3 million during the six months ended 30 September 2023. During the six months ended 30 September 2024, the net cash used in investing activities was mainly from (i) purchases of plant and equipment of approximately HK\$7.5 million and (ii) purchase of financial assets at fair value through profit or loss of approximately HK\$4.4 million; netted off (iii) proceeds from disposal of items of plant and equipment of approximately HK\$0.2 million; (iv) cash received from interest generated from time deposits of approximately HK\$2.6 million; and (v) decrease in time deposits with maturity of more than three months of approximately HK\$30.0 million.

During the six months ended 30 September 2024, net cash flows used in financing activities amounted to HK\$11.8 million as compared to net cash flows used in financing activities of HK\$11.9 million during the six months ended 30 September 2023. The cash used in financing activities for the six months ended 30 September 2024 was mainly from lease payments of approximately HK\$11.8 million.

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSALS

Except for investment in subsidiaries, there were no significant investments held by the Group during the 2024 Interim Period.

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

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2024 (six months ended 30 September 2023: Nil).

CORPORATE GOVERNANCE

The Board is committed to maintaining high corporate governance standards.

In the opinion of the Board, during the six months ended 30 September 2024 and up to the date of this interim results announcement, the Company has complied with all applicable code provisions as set forth in the Corporate Governance Code (the “**CG code**”) contained in Appendix C1 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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. Following specific enquiry of all Directors, each of the Directors confirmed that they have complied with the Model Code throughout the 2024 Interim Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the 2024 Interim Period.

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 IPO 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 30 September 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 30 September 2024, the Company utilised proceeds from the IPO of approximately HK\$79.6 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 (Note 1) (HK\$ million)	Allocated net proceeds from IPO (HK\$ million)	Net proceeds utilized up to 31 March 2024 (HK\$ million)	Net proceeds utilized during the six months ended 30 September 2024 (HK\$ million)	Estimated time for utilising the remaining allocated net proceeds (Note 2)	Remaining amount (HK\$ million)
Establishing two new medical centres in Hong Kong for the provision of ophthalmic services	44.8%	110.0	81.5	52.0	9.4	By 31 March 2027	20.1
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	70.2	9.4		102.3

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 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 INTERIM RESULTS

The audit committee of the Board comprises two independent non-executive Directors, namely, Ms. Cheng Jessica and Mr. Wang Can.

Rule 3.21 of the Listing Rules requires the audit committee to comprise non-executive directors only, with a minimum of three members, and the audit committee must be chaired by an independent non-executive director. Mr. Li Michael Hankin (“**Mr. Li**”), an independent non-executive director and the chairman of the audit committee of the Company, resigned on 25 November 2024. Following Mr. Li’s resignation, the Board now includes only two independent non-executive directors, and the audit committee comprises only two members.

The Company is actively seeking a suitable candidate to be appointed as an independent non-executive director and to fill the associated vacancies as soon as practicable, within three months from 25 November 2024, to ensure compliance with the relevant rules under the Listing Rules. The Company will make further announcements as appropriate.

The audit committee of the Board has reviewed with the management the accounting principles as well as practices adopted by the Group and discussed risk management and internal control as well as financial reporting matters including the review of the unaudited condensed consolidated interim financial information for the 2024 Interim Period with the Directors. The Group’s condensed consolidated interim financial statements have not been audited, but the Group’s independent auditor has carried out a review of the unaudited interim results in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim 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 interim report of the Company for the six months ended 30 September 2024 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, 27 November 2024

As at the date of this announcement, the Board comprises Mr. JIANG Bo, 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 and Ms. ZHAO Wei as non-executive Directors and Ms. CHENG Jessica and Mr. WANG Can as independent non-executive Directors.