EuroEyes

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

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）

Stock code 股份代號：1846

Annual Report
年度報告
2023

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr Jørn Slot Jørgensen
(Chairman and Chief Executive Officer)

Dr Markus Braun
(Chief Financial Officer)

Mr Jannik Jonas Slot Jørgensen
Prof Dan Zoltan Reinstein

Non-executive Director

Mr Marcus Huascar Bracklo

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

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COMPANY SECRETARY

Ms Rosenna Ho

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STOCK CODE

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FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published financial statements, is set out as below:

	2023 HK$'000	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000
Result					
Revenue	**714,289**	610,291	632,931	473,818	429,692
Gross profit	**335,521**	270,844	312,545	214,100	177,721
Profit/(Loss) for the year	**133,254**	83,518	132,384	64,073	(3,686)
Adjusted net profit after tax for the year	**141,717**	101,232	137,278	70,614	50,283
Profit/(loss) attributable to owners of the Company	**131,242**	89,472	133,560	65,580	(3,440)
Adjusted profit attributable to owners of the Company	**139,705**	107,186	138,454	65,898	47,739
Gross profit margin(%)	**47.0**	44.4	49.4	45.2	41.4
Net profit/(loss) margin(%)	**18.7**	13.7	20.9	13.5	(0.9)
Adjusted net profit margin(%)	**19.8**	16.6	21.7	14.9	11.7
Earnings/(loss) per share					
basic	**39.544**	26.958	40.673	19.935	(1.341)
diluted	**39.501**	26.927	40.577	17.438	(1.341)
Adjusted earnings per share					
basic	**42.094**	32.295	42.163	21.859	18.610
diluted	**42.049**	32.258	42.063	19.143	18.610
Assets and liabilities					
Total assets	**1,753,598**	1,541,040	1,369,022	1,314,181	1,234,726
Total liabilities	**(588,090)**	(497,947)	(328,545)	(324,569)	(383,691)
Equity					
Equity attributable to the owners of the Company	**1,134,776**	1,014,266	1,005,552	953,292	807,257
Non-controlling interests	**30,732**	28,827	34,925	36,320	43,778
Total Equity	**1,165,508**	1,043,093	1,040,477	989,612	851,035

Notes:

(1) The adjusted net profit after tax for the year, adjusted profit attributable to owners of the Company, adjusted net profit margin and adjusted earnings per share – basic and diluted are non-International Financial Reporting Standards ("IFRS") financial measures. For further details, see "Management Discussion and Analysis - Non-IFRS Financial Measures" section below.

(2) The Company defines adjusted profit attributable to owners of the Company as profit/(loss) attributable to owners of the Company adjusted for the impact of significant one-off items attributable to owners of the Company.

(3) Adjusted net profit margin is calculated by dividing adjusted net profit after tax by revenue.

(4) Adjusted basic earnings per share is calculated by dividing:

- adjusted profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Adjusted diluted earnings per share adjusts the figures used in the determination of adjusted basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(5) The above published results and statement of asset and liabilities have been prepared on a consistent basis.

CHAIRMAN'S STATEMENT

Dear Shareholders:

On behalf of the board (the "Board") of directors (the "Directors" and each a "Director") of EuroEyes International Eye Clinic Limited (the "Company" or "EuroEyes"), I am pleased to present the annual report of the Company together with its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 (the "Year" or "Reporting Period").

2023 is the Group's 30 years anniversary since the beginning with one clinic in Hamburg, Germany, back in 1993.

From that very beginning we focused our work on the refractive treatment of myopia, high myopia and presbyopia instead of the whole spectrum of ophthalmology. This allows us to excel in this very profitable spectrum of our profession.

Our clinics in Germany, Denmark, the United Kingdom (the "UK") and the People's Republic of China (the "PRC" or "China") reflect this by solely focusing our diagnostic and surgery facilities on this. This also allows us to reduce the capital expenditure for our new clinics.

This combination of very profitable treatments and focused costs helps us to reach break-even at an early stage after opening and even a moderate increase of surgeries leads to a disproportionate increase of our financial KPIs.

As I reflect on the past year, I want to thank our team for their unwavering commitment and tremendous effort. Even in a difficult geopolitical environment in combination with high inflation and low economic growth, we continued to provide high-quality ophthalmic services and increased our focus on presbyopia treatment with lens exchange surgery or Presbyond.

FINANCIAL HIGHLIGHTS

We saw a strong recovery in the fiscal year 2023 and our group revenue reached another record high at HK$714.3 million, of which the revenue in Germany, the PRC, Denmark and the UK was approximately HK$380.9 million, HK$144.0 million, HK$87.9 million and HK$101.4 million, respectively, representing an overall 17.0% increase in total revenue as compared to the year ended 31 December 2022.

The Group's EBITDA for the Year was approximately HK$280.9 million, which represented an increase of approximately 31.5% year-on-year, to a historical high.

The Group's net profit attributable to shareholders was approximately HK$131.2 million, representing an increase of 46.7% year-on-year compared to the year ended 31 December 2022.

BUSINESS REVIEW AND OUTLOOK

Our primary business proved very resilient in the year 2023.

The geopolitical issues, together with high inflation and low economic growth, negatively impacted the consumer sentiment in Europe and Mainland China, especially of the younger generation. However, with more than half of the Group's revenue coming from lens exchange surgery which focuses on senior citizens, the Group's revenue set a record at HK$714.3 million, surpassing our golden year in 2021, up 17.0% year-on-year. The Group's EBITDA also achieved a new high at HK$280.9 million, up 31.5% year-on-year.

Our PRC business saw the biggest growth in the Reporting Period although the region only had 11 months of normal operation since the full rebound from the lift of COVID-19 control policy started from early February. Our Hangzhou clinic also closed from May to November due to relocation. Nevertheless, the PRC's revenue grew 46.3% year-on-year to HK$144.0 million in 2023, only HK$5 million shy of the record set in 2021. If adding back a normal January, our PRC's revenue could easily go beyond our 2021 record by 5-10%.

In August 2023, we finalized the acquisition of FreeVis LASIK Zentrum Mannheim GmbH (FreeVis GmbH), an eye clinic – 100% owned by Prof. Dr Michael C. Knorz (Prof. Knorz) and his family – in Mannheim, Germany specialising in refractive laser surgery. FreeVis GmbH, subsequently, acquired an ophthalmological private practice specialised in lens exchange surgery and is wholly owned by Prof. Knorz. Through this acquisition, the Group would be able to retain top talents like Prof. Knorz while, at the same time, expanding our footprint in Germany. Prof. Knorz, who is internationally recognized as one of the leading experts in the field of refractive surgery and cataract surgery will remain in his current role as Managing Director and Medical Director of the FreeVis GmbH. Furthermore, Professor Knorz will also devote more time to the Group's China operation, bringing his expertise especially for the international expansion of the EuroEyes Group in Asia. Last but not least, Prof. Knorz will also help the Group identify more mergers and acquisitions ("M&A") opportunities of world class surgeons' practice and famous eye clinic chains.

In the fiscal year 2023, we opened two flagship clinics in London and Hong Kong SAR respectively. The London flagship clinic – Laser Eye Clinic (LEC) – is our second clinic in London and focuses on lens exchange surgery. Located next to Harrods, we saw the better-than-expected patient inflows in the first few months after the commence of operation in September. The other flagship clinic in Hong Kong SAR, located in the city's most renowned shopping district in Causeway Bay is also on the right track, especially after the clinic obtained the day procedure centre licence from the Department of Health of Hong Kong on 21 March 2024. With the licence, our Hong Kong clinic can start to perform intraocular surgeries such as cataract surgery, ICL lens surgery, trifocal lens implantations, and more..

Looking forward, EuroEyes remains committed to its expansion plan as it strives to satisfy future demands for surgical eye treatment in Europe and Asia. In 2024, we will open two more clinics in Germany to consolidate our market leading position in the country. We will also add consultation centres in Mainland China to raise utilization rate of the Group's existing surgical clinics in the country.

Starting from its first clinic in Hamburg in 1993, we have added 31 more to the Group's global network by its 30th anniversary. EuroEyes has already had 30 years of success behind us, and we are expecting more to come.

APPRECIATION

On behalf of the directors of the Company, I hereby express my sincere gratitude to all shareholders and business partners for their trust and continuous support, and to the Company's management team and all employees of the Group for their effort and contribution in the past year. I wish the best for all of you and your family, stay safe and healthy.

BUSINESS REVIEW

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

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

Acquisition in Germany to Expand Local Presence

The Group has made another progress in expanding its presence in Europe by acquiring leading ophthalmology brands run by a world-renowned ophthalmologist. As announced in announcements of the Company dated 18 August 2023 and 21 August 2023 (the "Announcements"), EuroEyes KG, a wholly-owned subsidiary of the Company, entered into a share purchase agreement (the "SPA") to acquire the entire shares in FreeVis GmbH and the entire assets of related eye clinics (the "Acquisition"). The eye clinic, which specializes in lens exchange and refractive laser surgeries, were founded by Prof. Knorz, one of the leading experts in the field of refractive surgery and cataract surgery in the 90's, in Mannheim, Germany. Other than expanding the local presence in Germany, the Acquisition could also help the Group retain top talents like Prof. Knorz, who is internationally recognized as one of the leading experts in the field of refractive surgery and cataract surgery. After the Acquisition, Prof. Knorz will devote more time to the Group's PRC operation, by bringing his expertise for the international expansion of the Group in Asia. Prof. Knorz, due to his reputation and well-connected network, will help the Group in identifying more M&A opportunities for world class surgeons' practice and famous eye clinic chains in the future. Details of the material acquisitions of the Group during the Year will be set out in the section headed "12. Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures" of this report.

Organic Growth by Opening New Flagship Clinics in International Cities

The Group successfully opened two new flagship clinics in the Year. One is in Knightsbridge, London, a community next to the famous Harrods. The Group named it Laser Eye Clinic (LEC). The other is in Causeway Bay, Hong Kong, one of the most popular shopping district. Both clinics will be equipped with the newest Visumax 800 from Carl Zeiss AG ("ZEISS"). The Hong Kong flagship clinic, which occupies 2 floors with a total floor area of 490 square meters on Russell Street, is a Zeiss Excellence center built together with the ZEISS brand.

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

Financial Performance of the Group

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

Performance by Geographic Regions

Performance in Europe

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

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

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

Performance in Asia

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

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

Performance by Type of Surgeries

Lens exchange surgery

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

Phakic lens (ICL) surgery

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

Refractive laser surgery

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

OUTLOOK AND FUTURE STRATEGIES

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

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

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

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

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

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

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

New clinic pipeline

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

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

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

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

The Group is actively seeking opportunities for M&A and intends to target famous privately-owned eye clinics in Europe and Asia (outside of Mainland China). The Group would also consider strategic acquisition of eye-clinics in the Americas. Through acquisitions, the Group expects to acquire leading brands of eye clinics or engage reputable and excellent surgeons to expand the clinic network and extend its reach into new geographic regions with a particular interest in emerging markets. With a more extensive and stronger surgeon network, the Group will improve its ophthalmic expertise and strengthen its leading position in the industry. The Group will speed up the process from now on and expects to deploy the money raised in its listing on the Main Board of the Stock Exchange on 15 October 2019 for M&A in the next 24 months.

Natural Risk Hedging – Global Exposure

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

FINANCIAL REVIEW

1. Revenue

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

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

The Group's total revenue was HK$714.3 million, representing a year-on-year increase of 17.0%, which was mainly due to (i) a robust growth of lens exchange surgeries for presbyopia treatment, including Germany, the PRC, Denmark and the UK; (ii) a significant increase in the number of eye surgeries performed by the Group in both the PRC and Denmark following the removal of restrictions associated with the COVID-19 pandemic; and (iii) an effective temporary pricing strategy adopted in Germany to restore the demand of refractive laser surgery for the younger generation patient group.

The Group's revenue was generated from Germany, the PRC (including Hong Kong), Denmark and the UK. As of 31 December 2023, the Group had a total of 32 clinics and consultation centres worldwide. The following table sets forth the Group's revenue by geographical locations during the periods indicated:

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

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

2. Cost of Revenue

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

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

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

The total cost of revenue of the Group for the year ended 31 December 2023 amounted to HK$378.8 million, representing an increase of 11.6% compared to the corresponding period in 2022. The increase was primarily attributable to the increase in employee benefit expenses as the Group offered full time contracts to doctors and hence doctor's fee, which are mainly for part-time doctors, dropped by 79.0% as compared to 2022.

3. Gross Profit and Gross Profit Margin

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

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

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

4. Selling Expenses

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

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

5. Administrative Expenses

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

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

6. Finance Income and Expenses, Net

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

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

7. Borrowings

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

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

8. Foreign Exchange Risk

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

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

9. Charges on Group Assets

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

10. Capital Commitments

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

11. Contingent Liabilities

As disclosed in the announcements of the Company dated 20 January 2022 and 28 January 2022, pursuant to the relevant share purchase agreement, the Group was required to pay the contingent consideration payable to the former owners of London Vision Clinic Partners Ltd. As at 31 December 2023, the Group had contingent consideration payable of approximately HK$64.4 million (as at 31 December 2022: HK$94.6 million).

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

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

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

As disclosed in the Announcements, the Group has been actively seeking opportunities in the market for the expansion of its service network which can improve the synergy and bring benefits to the Group's ophthalmic services. With the integration of the business of FreeVis GmbH and PMK into the Group, the Group intends to expand its current business in Mannheim, Germany while enhancing its overall market leader status in Germany. In addition, the medical practice of FreeVis GmbH and PMK will offer a full spectrum of ophthalmic services, covering the provision of lens exchange surgery and refractive surgery, which also aligns with the services offered by the Group.

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

13. Significant Investments

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

14. Plans for Material Investments or Capital Assets

Save as disclosed in the prospectus of the Company dated 30 September 2019 (the "Prospectus"), the capital commitment in relation to the addition of property, plant and equipment, and the Acquisition which will be funded by the proceeds from the Company's global offering, the Group does not have other plans for material investments or capital assets as at 31 December 2023.

15. Liquidity and Financial Resources

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

The Group's current ratio (calculated as current assets over current liabilities) was approximately 4.6 as at 31 December 2023 (2022: approximately 5.1). The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as long-term borrowings divided by the total capital. The total capital is calculated as "equity" as shown in the consolidated statement of financial position plus long-term borrowings. The Group did not have long-term borrowings as at 31 December 2023 and 2022.

The Group derives its working capital mainly from cash on hand and net cash from operating activities. The Board expects that the Group will rely on net cash from operating activities in the short run. In the long run, the Group will be mainly funded by net cash from operating activities and, if necessary, by additional bank borrowings, debt financing or equity financing. There were no material changes in the funding and treasury policy of the Group for the year ended 31 December 2023.

16. Use of Net Proceeds From the Global Offering

On 15 October 2019, the shares of the Company (the "Shares") were listed on the Main Board of the Stock Exchange. In connection with the Listing, the Company issued 91,234,000 Shares at a price of HK$7.50. The aggregate net proceeds from the Company's global offering (after deducting underwriting fees and expenses) amounted to approximately HK$660.66 million, which will be used for (i) establishing clinics in major cities in the PRC, including Chengdu and Chongqing; (ii) potential acquisition of clinic groups in Europe; (iii) expansion of marketing efforts; and (iv) working capital and general corporate purposes.

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

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

Note:

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

PROFILE OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

BOARD OF DIRECTORS

As at the date of this annual report, the Board consisted of eight Directors including four executive Directors, one non-executive Director and three independent non-executive Directors.

EXECUTIVE DIRECTORS

Dr Jørn Slot Jørgensen ("Dr Jørgensen"), aged 69, is the chairman, executive Director and chief executive officer of the Company and is the Chairman of the Nomination Committee and a member of the Remuneration Committee. He was appointed as a Director on 13 August 2018 and subsequently re-designated as an executive Director, and appointed as chairman of the board of Directors, on 25 March 2019. He is a founder of the Group and is mainly responsible for formulating its overall development strategies and business plans and overseeing the management and strategic development of the Group. He is also a director of several subsidiaries of the Company.

Dr Jørgensen has over 30 years of experience of practice as an ophthalmologist. Prior to founding the Group, he practiced medicine in clinics and hospitals (both private and public) between 1987 and 1991.

The table below sets out Dr Jørgensen's major engagements in various professional associations and organisations:

Membership/Position	Associations/Organisations	Period
Member	European Society of Cataract and Refractive Surgeons	April 2010 – March 2022
Member	Professional Association of German Ophthalmologists (BVA)	Since 1992
Member of the board, vice president and president	Association of Specialty Clinics for Eye Laser and Refractive Surgery (VSDAR)	Since 2004
Active Member	International Intra-Ocular Implant Club (IIIC)	Since October 2021

Dr Jørgensen has received numerous awards and recognitions for his achievement, including (i) the "Hans-Sautter-Laureate" awarded by the Vereinigung Norddeutscher Augenärzte in 1987, (ii) inclusion into the "Best Doctors List" under the category of "Experts for Refractive and Cataract Surgery" in "FOCUS", a German magazine from 2012 to 2019, (iii) "Germany's Excellent Doctors 2022" for Refractive Surgery, awarded by the publication of the STERN special issue "Gute Ärzte für mich" (Good Doctors for Me). The STERN cooperates for the list "Germany's excellent doctors" with the independent Munich research institute Munich Inquire Media GmbH (MINQ), which has been compiling lists of doctors and clinics since 2010 and (iv) He is known to implant most of Zeiss AT LISA® trifocal intraocular lens (IOL) around the world.

Dr Jørgensen passed his medical examination at Odense University, Denmark in July 1974. He was a registrar at the University Medical Centre Hamburg-Eppendorf in Germany from 1982 to 1986 and he had undertaken intensive training in refractive laser surgery at the Neumann Eye Institute in Deland, Florida in the United States in 1990.

Dr Jørgensen is the father of Mr Jannik Jonas Slot Jørgensen ("Mr Jørgensen"), who is an executive Director and vice president of the Company in Denmark.

Dr Markus Braun, aged 50, is an executive Director and chief financial officer of the Company. He joined the Group in October 2018 and is primarily responsible for supervising and overseeing the overall financial and accounting management of the Group. He was appointed a Director on 14 December 2018 and subsequently re-designated as an executive Director on 25 March 2019.

From April 2015 to October 2018, Dr Braun was the vice president IFRS compliance of Schaeffler AG, a global automotive and industrial manufacturer, primarily responsible for its group wide accounting related matters as well as matters pertaining to the internal control system. Before that, he worked for Deutsche Telekom group, a German telecommunication company, in different finance-related functions from December 2003 until March 2015, first serving in the parent company, Deutsche Telekom AG, and subsequently in its wholly-owned subsidiary, Deutsche Telekom Accounting GmbH, which is the global accounting shared service center for Deutsche Telekom group, responsible for the accounting-related processes from transactional accounting to consolidation. At Deutsche Telekom, Dr Braun served as the senior vice president service management from June 2010 to April 2014 where he was responsible for managing main support functions, for example business controls, project management or compliance management. Thereafter, he assumed the position of senior vice president business development from May 2014 to March 2015 whereby he was responsible for the business development of the subsidiary.

Dr Braun obtained his diploma in Business Administration in October 1998 and his Doctorate of Economics in June 2005 from the University of Passau, Germany. Dr Braun completed the CPA exam at the University of Illinois, the United States and has been a certified public accountant of the State of Illinois, the United States since November 2000.

Mr Jannik Jonas Slot Jørgensen, aged 32, is an executive Director and vice president of the Company in Denmark. He joined the Group in March 2012 and was appointed an executive Director on 25 March 2019, and is primarily responsible for supervising and overseeing the business development and marketing of the Group's business in Denmark and the People's Republic of China ("PRC" or "China"). He is also a director of several subsidiaries of the Company.

Prior to joining the Group, Mr Jørgensen interned and worked in the ophthalmological and marketing sectors on a part-time basis. He was an intern at the Group's eye clinic in Copenhagen, Denmark from January to July 2011, and was also an intern at Moorfields Eye Hospital in London, United Kingdom from August to December 2011. Since February 2014, he has been a marketing manager of the Group's marketing department in the PRC. From May to July 2015, he interned at the ophthalmology department at Instituto Zaldivar, an ophthalmological centre in Mendoza and Buenos Aires, Argentina. From May to July 2017, he interned in the emergency department of Tygerberg Hospital in Cape Town, South Africa. He was a marketing manager overseeing the marketing department of the Group's eye clinics in the PRC from April to August 2017 and he also acted as a marketing director of EuroEyes Hong Kong Co. Limited from 2019 to 2020. From August 2018 to February 2019, he was a resident doctor at the department of abdominal surgery at Randers Hospital in Denmark. Since December 2020, he has been working at the department of ophthalmology at the Charite in Berlin, Germany, where he is finishing his specialization in the field of medical and surgical ophthalmology.

Mr Jørgensen obtained a Bachelor's degree in Human Medicine at Aarhus University in Denmark in January 2015. He further obtained a Master's degree in Human Medicine at Aarhus University, Denmark in June 2018.

Mr Jørgensen is the son of Dr Jørgensen, the chairman, executive Director, chief executive officer and controlling shareholder of the Company.

Prof Dan Zoltan Reinstein, aged 61, is an executive Director of the Company. He was appointed an executive Director on 8 July 2022.

Prof Reinstein has been a director of London Vision Clinic Partners Limited ("LVCPL") and London Vision Clinic Training Limited ("LVCTL"), which are indirect wholly-owned subsidiaries of the Company.

Prof Reinstein is the founder and has been the medical director of London Vision Clinic Limited since 2002, and has been the Lead Refractive Surgery Consultant for Carl Zeiss Meditec since 2001. He has been a professor at Columbia University Irving Medical Center, New York, USA since 2010, a professor at Ulster University, the UK since 2015 and a professor at Sorbonne University, France since 1999. Prof Reinstein has garnered worldwide reputation for his inventions and major contributions to the refractive surgery field, including the invention of the PRESBYOND® Laser Blended Vision treatment as commercialized by Carl Zeiss Meditec for reading vision in ageing eyes (presbyopia) which is designed to treat patients from the age of 40 years old, who have developed presbyopia (decreased ability to read up close). PRESBYOND® provides an additional method of treating younger patients with presbyopia by a LASIK procedure, which avoids the need to perform surgery inside the eye to replace the natural lens.

Prof Reinstein is also a bioengineering pioneer, inventor and developer in the field of layered corneal mapping and imaging and biometry. In 1991, he was the first to map the epithelium of the cornea having developed very high-frequency digital ultrasound scanning technology at Cornell University, USA, for this purpose and which is now commercially available world-wide as the ArcScan Insight 100 robotic scanner. His Insight 100 technology, as well as more recent optical coherence tomography (OCT) devices enable superior diagnostic capabilities to improve the safety and accuracy of both laser corneal and Implantable Collamer Lens (ICL) surgery. Application of his patented biometric technologies has resulted in major contributions to the clinical and scientific development of both LASIK and SMILE. His authoritative textbook "The Surgeon's Guide to SMILE" was published in April 2018. Prof Reinstein is an editor for the Therapeutic Refractive Surgery section of the Journal of Refractive Surgery and has published over 206 peer-reviewed papers, a majority in the area of corneal imaging and biometry with OCT and very high-frequency digital ultrasound scanning using the Artemis Insight 100 technology, which he coinvented while at Cornell University in the early 1990s. He has developed a novel formula that enhances the safety of the ICL based on Insight 100 robotic scanning. Prof Reinstein is amongst the most scientifically published clinician scientists in the field of corneal laser surgery as well as being recognized as one of the leading surgeons in Therapeutic Refractive Surgery.

Prof Reinstein graduated in 1989 from the University of Cambridge School of Clinical Medicine, UK. He was awarded the Waring Medal in 2006, the Kritzinger Award in 2013, the International Society of Refractive Surgery President's Award and the Senior Achievement Award from the America Academy of Ophthalmology in 2020.

NON-EXECUTIVE DIRECTOR

Mr Marcus Huascar Bracklo, aged 59, is a non-executive Director and strategic advisor of the Company and he is also a member of the Audit Committee. He first joined the Group in July 2012 and was appointed a non-executive Director on 25 March 2019, and is primarily responsible for advising on strategy and business development of the Group.

Mr Bracklo has over 25 years of experience in the healthcare sector, specialising in corporate finance, accounting and mergers and acquisitions. From October 1987 to August 1998, he worked at Price Waterhouse ("PW"), now known as PricewaterhouseCoopers ("PwC"), starting as a trainee accountant, and was admitted to partnership in June 1997. From April to December 1992, he was seconded to the Directorate for Financial and Enterprise Affairs of Organisation of Economic Co-operation and Development, being primarily responsible for providing privatisation and accounting reform advice in central and eastern Europe. In October 1998, he was admitted to the partnership of Arthur Andersen as their head of healthcare in Europe during which he was primarily responsible for cross-border mergers and acquisitions in the healthcare industry. From December 2001 to September 2007, he was a managing director of the investment bank Sal. Oppenheim. Jr. & Cie. AG & Co. KgaA and a member of their investment banking committee where he was primarily responsible for their investment banking business in the healthcare industry. He is a director of Baigo Capital GmbH, an advisory and investment firm specialising in the healthcare sector, which he founded in October 2008. He also serves as a non-executive director on the board of Vanguard AG, a re-processor of medical devices and he is non-executive chairman of Lohfert & Lohfert AG, a healthcare consultancy firm.

Mr Bracklo obtained his Bachelor's degree in Economic Science from the University College London, United Kingdom in August 1986. He further obtained his Master's degree in Economic Science from the London School of Economics, United Kingdom in November 1987. He became a chartered accountant in the United Kingdom in 1990 and was appointed a German public auditor (Wirtschaftsprüfer) in Germany in January 1995.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Hans Helmuth Hennig, aged 66, was appointed as an independent non-executive Director of the Company on 25 March 2019 and is the chairman of the Remuneration Committee and a member of the Audit Committee. He is mainly responsible for providing independent judgment to bear on policy, performance, accountability, key appointments and standard of conduct of the Group. Mr Hennig worked with Jebsen & Co. Ltd. ("Jebsen"), a privately-held marketing, distribution and investment company established in Greater China, from September 1983 to May 2020. In May 1990, Mr Hennig was promoted to the role of General Manager-Corporate Development of Jebsen where he was responsible for developing the business strategy of the Group. He was then further appointed as a director of the board of directors of Jebsen in January 1994. In January 1997, Mr Hennig became group deputy managing director of Jebsen up until March 2000, with his last position as group managing director of Jebsen, where he was responsible for the overall business operations, strategies and development of Jebsen.

Mr Hennig graduated with his Danish Studentereksamen (high school diploma equivalent) from Deutsches Gymnasium für Nordschleswig, Aabenraa, Denmark in June 1977. He further completed the thirty-fifth executive development program at the executive development centre of the College of Commerce and Business Administration of the University of Illinois at Urbana-Champaign in the United States in June 1987. Mr Hennig was appointed as a guest professor by Jilin University, the PRC in June 2012.

Ms Katherine Rong Xin, aged 60, was appointed as an independent non-executive Director of the Company on 12 April 2021 and is a member of both of the Remuneration Committee and the Nomination Committee. She is mainly responsible for supervising and providing independent advice to the Board.

Ms. Xin has been a professor of management since September 2001 and Associate Dean since 2011 at the China Europe International Business School (中歐國際工商學院). From August 2006 to December 2009, Ms. Xin worked as a professor of management at the International Institute for Management Development in Lausanne, Switzerland . She worked as an associate professor of management at The Hong Kong University of Science and Technology from September 1999 to August 2001. From September 1995 to August 1999, she served as an assistant professor of management at the University of Southern California. Ms. Xin served as an independent director in Shanghai Blossom Hill Hotel Management Co. Ltd., (上海布洛斯酒店管理有限公司), a company mainly engaged in boutique hotel management in China under the Blossom Hill (花間堂) brand, from March 2012 to April 2017. She is currently an independent non-executive director of Fosun Tourism Group (a company listed on the Main Board of the Stock Exchange, stock code: 1992), Landsea Green Life Service Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1965), and Kingdee International Software Group Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 268), respectively.

Ms. Xin was awarded the Chinese Most Cited Researchers by Elsevier, a global provider of scientific, technical, and medical information, for nine consecutive years from 2014 to 2022.

Ms. Xin graduated from Auhui University (安徽大學) in July 1984 with a bachelor's degree in English. She received a master's degree in applied linguistics from Graduate University of Chinese Academy of Sciences (中國科學院研究生院) in July 1986, and a master's degree in business administration from California State University in June 1991. She obtained a doctor's degree in business administration from the University of California in June 1995.

Mr Philip Duncan Wright, aged 70, was appointed as an independent non-executive Director of the Company on 25 March 2019 and is the chairman of the Audit Committee and a member of the Nomination Committee. He is mainly responsible for financial oversight and supervising and providing independent advice to the Board.

Mr Wright has more than 40 years of experience in the fields of accounting and finance. He has been a member of the Institute of Chartered Accountants in England and Wales since January 1979. He was formerly a partner of PW from July 1987 to June 1998 and of PwC from July 1998 to December 2011. During his time with PW and PwC, Mr Wright had experience in corporate finance and recovery, as well as assurance and audit matters, which included preparing and reviewing the financial statements of public bodies and companies regularly. During his time with PW in Germany, he served as partner in charge of corporate finance and recovery from August 1990 to August 1994, and partner in charge of Berlin from July 1993 to August 1994 and partner in charge of business development for assurance and audit of PW Europe from September 1994 to June 1998. At PwC, he served as partner in charge of corporate finance and recovery in Europe, Middle East and Africa from July 1998 to September 2000, partner in charge of global corporate finance and recovery as well as a member of the Global Executive of PwC from October 2000 to October 2003. From November 2003, Mr Wright became a global relationship partner of PwC UK and was the chairman of their non-executive director program up until December 2011 when he retired from the partnership of PwC.

Mr Wright has vast experience in assuming public and charitable roles which have included several positions in various public bodies in the public health sector. He served as a non-executive director of the National Health Service ("NHS") London (Strategic Health Authority) from October 2009 to July 2010. Thereafter, he assumed the positions of non-executive director and the chair of the audit committee of Barts and the London NHS Trust from November 2010 to March 2012 and then assumed the same positions in Barts Health NHS Trust, from April 2012 to March 2015. From April 2015 to August 2015, Mr Wright served as acting chairman of Barts Health NHS Trust. He was also a trustee and director of The Common Purpose Charitable Trust, a charity and social enterprise based in the United Kingdom which is engaged in leadership management from May 2007 to January 2018. Mr Wright was a council member of Goldsmiths College, University of London, from March 2012 to August 2017 and the chairman of their audit committee from September 2013 to August 2017. From February 2009 to October 2015, Mr Wright was also the chairman and director of Digital Theatre.com Limited, a company which is engaged in the online media sector.

Mr Wright has been a non-executive director and chair of the audit committee of Allia Limited, a communal benefit society, since October 2012. He is also a non-executive director and the chairman of the audit committee of Retail Charity Bonds Plc, which is a listed bond company that helps charitable organisations to raise unsecured loan finance since March 2014, In October 2021, he became a non-executive director of Ureco Limited, a UK property company and in December 2021 he became a non-executive director and chairman of Digby Fine Wines, a producer of English sparkling wine.

The major duties of the audit committees of the public bodies and companies named above include, among other things, reviewing financial statements and management response to the findings of internal and external auditors; monitoring and ensuring the effectiveness of the risk management, internal control and governance arrangements.

Mr Wright obtained his Bachelor of Arts degree from Christ Church of the University of Oxford in the United Kingdom in July 1975 and was conferred a Master of Arts degree from the same university in May 1980.

SENIOR MANAGEMENT

Dr Jørn Slot Jørgensen, aged 69, is the chief executive officer of the Company. He is also the founder of the Group and is mainly responsible for formulating the overall development strategies and business plans and overseeing the management and strategic development of the Group. For more information, see the paragraph headed "– Executive Directors – Dr Jørn Slot Jørgensen" in this section.

Dr Markus Braun, aged 50, is the chief financial officer of the Company. He joined the Group in October 2018 and is primarily responsible for supervising and overseeing the overall financial and accounting management of the Group. For more information, see the paragraph headed "– Executive Directors – Dr Markus Braun" in this section.

Prof Dr Michael Christian Knorz, aged 65, is the senior vice president, medical affairs (international) of the Company. He has worked with the Group since July 2015 and is primarily responsible for supervising and overseeing the Group's medical operations worldwide. Prof Knorz also serves as the Group's consulting surgeon in the PRC and has been a member of the Group's international medical advisory board since October 2017. Prof Knorz is a freelancer and has entered into a contract for service with the Group.

Prof Knorz is also currently a medical director and the chief executive officer of FreeVis LASIK Zentrum, an eye clinic at the University of Mannheim, Germany since January 2002.

From September 1988 to December 1998, Prof Knorz served as the vice chairman of the university eye department of the Medical Faculty Mannheim of the University of Heidelberg, Germany. From 1998 to 2004, he was the chairman and is currently a secretary to the Commission of Refractive Laser Surgery (KRC), a commission that imposes standards on refractive laser surgery and certification of refractive laser surgeons in Germany. Prof Knorz has been a professor of Ophthalmology at the Medical Faculty in Mannheim of the University of Heidelberg, Germany since February 2000. Prof Knorz has also been a senior associate editor of the Journal of Refractive Surgery (JRS) since July 2007 and was also a chairman of the editorial board of Ocular Surgery News, Europe Edition from September 2005 to September 2007.

Prof Knorz is/was also involved in various professional associations and organisations and the table below sets out his major engagements:

Membership/Position	Associations/Organisations	Period
Member	American Academy of Ophthalmology	Since June 1988
Member	American Society of Cataract and Refractive Surgery	Since June 1998
Member	European Society of Cataract and Refractive Surgery	May 2000 – September 2016
Member	German Ophthalmological Society (DOG)	Since September 1988
Honorary Member	South African Society of Cataract and Refractive Surgery	Since June 2006
Member	Asia-Pacific Association of Cataract and Refractive Surgeons (APACRS)	Since May 1999
Executive director	International Intra-Ocular Implant Club (IIIC)	Since September 2010
Co-founder, board member and past president	Association of Specialty Clinics for Eye Laser and Refractive Surgery (VSDAR)	Since January 2010

Prof Knorz completed his medical studies at the Medical School in Homburg of University of Saarland, Germany from October 1977 to September 1979, and at the Medical Faculty in Mannheim of University of Heidelberg, Germany from October 1979 to September 1983. He received his medical degree from the Land Baden-Württemberg, Regierungspräsidium Stuttgart, Germany in October 1983. Prof Knorz received his board certification as an ophthalmologist in September 1988 after he completed his residency at the department of ophthalmology of the St. Vincentius Eye Hospital in Karlsruhe, Germany from July 1984 to December 1987 and at the university eye department of the Medical Faculty Mannheim of the University of Heidelberg, Germany from January 1988 to September 1988.

Mr Keith Nicholas McKay, aged 55, is the senior vice president of operations (Germany) of the Company. He joined the Group in March 2005 and is primarily responsible for supervising and overseeing the Group's operations in Germany.

Mr McKay has 22 years of experience in providing optometric services. He undertook a practical semester at the General Optical Council at David Clulow (now known as Optico Opticians) in the United Kingdom from July 1995 to November 1995. From April 1998 to December 2002, he was the director of Euro-Optix Limited, a company providing optometric services in the United Kingdom. From July 2004 to January 2005, Mr McKay had worked as a self-employed optometrist in different clinics in the United Kingdom. Since February 2005, he has also been the clinic manager of EuroEyes ALZ City Hamburg GmbH, a subsidiary of the Company, being primarily responsible for the provision of optometric services and managerial duties.

In May 1991, Mr McKay obtained his Bachelor of Optometry from the University of Durban-Westville (now known as the University of KwaZulu-Natal) in South Africa. He was registered as an optometrist with the South African Medical and Dental Council in February 1991. He passed the examinations of the College in Ophthalmic Optics in the United Kingdom in February 1996 and became a member of the College of Optometrists in the United Kingdom. In February 1996, he further became a registered optician of the General Optical Council in the United Kingdom. Mr McKay obtained his European Diploma in Optometry from the European Council of Optometry and Optics in October 2004.

Dr Lars Jannik Boberg-Ans, aged 67, is senior vice president of the Company in Denmark. He joined the Group in September 1997 and is primarily responsible for supervising and overseeing the overall operations of the Group's business in Denmark. He is also a director and the chief executive officer of EUROEYES ApS, a wholly-owned subsidiary of the Company.

Dr Boberg-Ans has 32 years of experience in ophthalmology. From January 1989 to January 1990, Dr Boberg-Ans was the scientific secretary of the Danish Ophthalmological Society, and he was also their board member from January 1989 to December 1993. From January 1993 to September 2004, he was a specialist consultant and the head of the eye department (administrerende overlage) of Roskilde County Hospital in Denmark. He also founded Skodsborg Eye Clinic in Denmark in September 1994.

From 1986 to 2000, Dr Boberg-Ans authored/co-authored articles, which were published in renowned scientific publications in relation to ophthalmic development, such as *"Glaucoma"*, "*Ophthalmic Surgery & Lasers*" and "*European Journal of Implant and Refractive Surgery*". From 1983 to the present, he has attended congresses and courses in relation to ophthalmic development. Since 2000, he has participated in eye expeditions targeted at cataract surgeries in countries which included the PRC, Myanmar and Nepal. Besides that, he has also participated in humanitarian missions in many countries, including China, Lesotho, Tanzania, Peru, Dominican Republic, etc. Dr Boberg-Ans was awarded an honorary award for his work helping blindness in the world by the Danish organization in 2022.

Dr Boberg-Ans obtained his Master in Medicine degree from the Faculty of Health Sciences of the University of Copenhagen, Denmark in June 1981. He completed the Educational Commission for Foreign Medical Graduates examination in Copenhagen, Denmark in July 1981. He was recognised as a specialist in Ophthalmology by the National Board of Health in Denmark in January 1991. In September 1998, Dr Boberg-Ans also passed the ESCRS Refractive Surgery Diploma Certificate Course from the European Society of Cataract and Refractive Surgeons. In January 2002, he registered with the General Medical Council in the United Kingdom as a medical practitioner with speciality in Ophthalmology. Since February 2004, he has been qualified to practice as a doctor in Hamburg, Germany.

Mr Jannik Jonas Slot Jørgensen, aged 32, is vice president of the Company in Denmark. He joined the Group in March 2012 and is primarily responsible for supervising and overseeing the business development and marketing of the business. For more information, please see the paragraph headed "– Executive Directors – Mr Jannik Jonas Slot Jørgensen" in this section.

Ms Yan Wang (alias Jenny Wang), aged 54, is the vice president of the Company in China. Ms Wang joined the Group in August 2014, and is primarily responsible for supervising and overseeing the overall operations of the Group's business in the PRC.

Ms Wang is experienced in the fields of finance, accounting and tax management. From June 1998 to February 2000, she worked as a financial accountant at Commerzbank AG in Shanghai, where she was primarily responsible for reporting on PRC operations to the German group. She also worked from June 2000 to December 2002 as a senior consultant at Fiducia Management Consulting, a corporate management consultancy firm in Shanghai, where she was primarily responsible for providing accounting and tax advices and headhunt services to German companies operating in the PRC. From January 2002 to July 2004, she worked at Einhell Germany AG in Landau Isar of Germany as a vice general manager and commercial director, and she was primarily responsible for advising on finance, accounting, tax and human resources matters.

Ms Wang obtained a Bachelor's degree in International Economics and Trade from the Shanghai International Studies University (上海外國語大學), the PRC in July 1992 and was accredited as a business economist in Accounting and Finance by the University of Applied Sciences in Cologne, Germany, in December 1997.

COMPANY SECRETARY

Ms Rosenna Ho, aged 40, is the company secretary of the Company (the "**Company Secretary"**). She was appointed as Company Secretary on 30 April 2020 and is also a director of several subsidiaries of the Company.

Ms. Ho has over 10 years of experience in compliance and listed company secretarial practice.

Ms. Ho obtained her Master's degree in Professional Accounting and Corporate Governance from City University of Hong Kong and she is a fellow member of both the Hong Kong Chartered Governance Institute (formerly known as Hong Kong Institute of Chartered Secretaries) and the Chartered Governance Institute in the United Kingdom.

The Board is pleased to present the report of the Directors and audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of vision correction services in Germany, Denmark, the United Kingdom of Great Britain and Northern Ireland (the "UK"), the People's Republic of China (the "Mainland China" or the "PRC"), including Hong Kong S.A.R. of the PRC ("Hong Kong").

An analysis of the Group's performance for the year ended 31 December 2023 by geographical segment is set out in note 5 to the consolidated financial statements of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 are set out in the consolidated financial statements on pages 103 to 192 of this annual report.

The Board recommend the payment of final dividend of HK$0.0489 per ordinary share for the year ended 31 December 2023, in total amounting to approximately HK$16,295,436. The proposed final dividend is subject to the approval of the relevant resolution at the forthcoming annual general meeting of the Company.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"). The Board would consider, inter alia, the following factors before declaring or recommending dividend to the shareholders of the Company (the "Shareholders"):

1. Declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, the following factors:

    (a) financial results of the Company;

    (b) interest of the shareholders of the Company (the "Shareholders");

    (c) general business conditions, strategies and future expansion needs of the Company;

    (d) the Company's capital requirements;

    (e) the payment of cash dividends to the Company from its subsidiaries;

    (f) possible effects on liquidity and financial position of the Company;

    (g) the amount of profit that can be distributed under applicable accounting standards and other factors that the Board may deem relevant and appropriate;

    (h) any relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and applicable laws, rules and regulations and the memorandum of association of the Company and articles of association of the Company (the "Articles");

    (i) general market conditions; and

    (j) any other factors that the Board may consider relevant and appropriate.

2. Subject to the Companies Act of the Cayman Islands and the Articles, the Company in general meeting may declare dividends in any currency with respect to shares of the Company on a per share basis but no dividends shall exceed the amount recommended by the Board.

3. The Board may, subject to the Articles, from time to time pay to the Shareholders such interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company.

4. No dividend shall be declared or paid or Shall be made otherwise than in accordance with the Companies Act of the Cayman Islands.

5. No dividend shall be declared or paid or shall be made otherwise than in accordance with the Companies Act of the Cayman Islands.

6. Any amendments to this Dividend Policy must be approved by the Board.

To the best knowledge of the Directors, there has been no arrangement under which a Shareholder has waived or agreed to waive any dividends. The Board will review the Dividend Policy, as appropriate, which will include an assessment of the effectiveness of the Dividend Policy and approve any amendments thereto if necessary.

BUSINESS REVIEW

A fair review of the Group's business for the year and an indication of the likely future development in the Group's business are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 6 to 8 and 9 to 21 of this annual report respectively. A discussion and analysis of the Group's performance during the year using certain financial key performance indicators are set out in the section headed "Five-Year Financial Summary" on pages 4 to 5 of this annual report.

OUTLOOK AND FUTURE STRATEGIES

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

PRINCIPAL RISKS AND UNCERTAINTIES

The following highlights some of the principal risks that affect the Group's business:

Concentrated senior management personnel

The Group's success depends on the continuous services of its management team and other key employees. If the Group loses the services of one or more of these key management personnel, it may not be able to replace them easily or immediately, and may incur additional expenses to recruit and train new personnel.

Financial instability affecting demand for vision correction services

The Group's operation and growth depend on various macroeconomic factors which could be out of its control, such as the occurrence of any economic downturn in the respective markets where the Group operates, which may lead to loss of customers who may be less willing to pay for the Group's premium services.

Inability to reduce operational costs

The Group's business and profitability may be affected by fluctuations in the prices of lenses, consumables, equipments and labour costs. As the price of these supplies fluctuates, the Group may have to adjust the price of its services from time to time to transfer the expected increase in such costs to its customers. However, there is no guarantee that the Group will be able to transfer all or any of the increased costs to its customers in a timely manner or at all.

Exposure to reputational risks

The Group's success depends significantly on the recognition of its brand and reputation. The Group strives to provide quality services to its customers, but it cannot ensure that it will not be affected by factors which are out of its control. These may include incidental errors made by its staff, unexpected machine or equipment malfunction, shortage of its medical supplies, or the varying levels of effectiveness of pre-operative or post-operative care for different customers. As a result, the Group may face the risk of exposure to malpractice, or medical negligence or misconduct and claims on account of alleged deficiencies in the services it provided.

IMPORTANT EVENTS SINCE THE YEAR ENDED 31 DECEMBER 2023

To the best knowledge of Directors, no important events affecting the Group have occurred since the end of the year ended 31 December 2023.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental affairs and believes that business development and environment affairs are highly related. The Group has implemented certain environmental protection measures to reduce the consumption of energy resources. These policies were supported by the Group's staff and were implemented effectively.

Discussion on the Group's environmental policies and performance are contained in the "Environmental, Social and Governance Report" on pages 66 to 95 of this annual report.

Going forward, the Group will review its environmental practices from time to time, and will continue to promote environmental practises and social sustainability through various initiatives, consistent with its policies and the relevant laws and regulations.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out in Germany, Denmark, the UK, the PRC and Hong Kong, while the Company is incorporated in the Cayman Islands with its shares listed on the Main Board of the Stock Exchange. During the year ended 31 December 2023, the Group's businesses were in compliance with the relevant laws and regulations in Germany, Denmark, the UK, the PRC, the Cayman Islands and Hong Kong in all material aspects.

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group values its stakeholders and their feedback regarding its businesses and the environmental, social and governance (the "ESG") aspects. The Group maintains close communication with its key stakeholders, including but not limited to, the Stock Exchange, governments and regulatory authorities, the Shareholders and investors, employees, patients and customers, suppliers, media, the public and community.

STAFF

The Group's staff members are regarded as one of its most important assets. The Group has been endeavouring to provide its staff with a fair and harmonious workplace. The Group offers a competitive remuneration package and great opportunities for career advancement based on its employees' performance. The Group intends to grant share options and/or restricted shares to outstanding employees to recognise and reward the employees who have contributed to the Group's development pursuant to the share schemes adopted by the Company. The Group also provides its staff with regular trainings to keep them abreast of the latest development of the Company and the industry, as well as medical related knowledge and skillsets.

CUSTOMERS

Professionalism and safety have always been the Group's paramount concerns in terms of the provision of services. The Group is committed to providing the best client experience to its patients. Meanwhile, the Group has a patient survey system to enhance its active solicitation of client feedback.

SUPPLIERS

Reliable and quality suppliers are of equal importance in ensuring the Group's provision of services with high standards of safety and professionalism. When selecting suppliers, the Group considers, among other factors, the suppliers' reputation, safety record, track record of performance, quality of goods supplied, price competitiveness, punctuality of delivery, relationship with the Group, completeness of certification and credentials provided, service quality and product offerings. The Group regularly reviews and assesses its suppliers' performance and their qualifications to ensure the quality of its suppliers and that such suppliers have obtained the licenses (if applicable).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and financial position of the Group is set out in the section headed "Five-Year Financial Summary" on pages 4 to 5 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements in the Company's share capital during the Reporting Period are set out in note 22 to the consolidated financial statements of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the reserves of the Company available for distribution to the Shareholders under the Companies Act of the Cayman Islands amounted to HK$1,042,276,000 (2022: HK$1,008,067,000).

Details of the reserves of the Company during the Reporting Period are set out in note 24 to the consolidated financial statements of this annual report.

CHARITABLE DONATIONS

During the year ended 31 December 2023, no charitable donations were made by the Group. However, the Group also supported charitable causes, details of which are set out in the Environmental, Social and Governance Report on pages 66 to 95 of this annual report.

BORROWINGS

The Group's borrowings as at 31 December 2023 is set out in note 28 to the consolidated financial statements of this annual report.

SUBSIDIARIES

Particulars of the Company's subsidiaries for the year ended 31 December 2023 are set out in note 31 to the consolidated financial statements of this annual report.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

EMPLOYEES AND EMPLOYMENT POLICIES

Human resources are the linchpin of the Group. The Group attaches great importance to its employees' contribution and dedication to sustainable business development. Employment policies are formally documented, covering recruitment, compensations, remuneration, diversity and equal opportunities, etc. The Group periodically reviews existing policies and employment practices to ensure continuous improvement of its employment standards and competitiveness against other ophthalmic service providers.

As at 31 December 2023, the Group had 379 full-time employees. In addition, the Group also engages certain surgeons, conservative ophthalmologists and a member of the senior management via freelance arrangements.

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

EMOLUMENT POLICY

A remuneration committee of the Board (the "Remuneration Committee") is set up for reviewing the Group's emolument policy and structure for all remunerations of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The remunerations of the Directors are determined with reference to the economic situations, the market condition, the responsibilities and duties assured by each Director as well as their individual performance.

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

PENSION SCHEME

The Group principally participates in defined contribution plans and pension schemes. In Hong Kong, the Group participates in the Mandatory Provident Fund Scheme. Contributions at a fixed rate of 5% of the employee's relevant income, subject to a cap of monthly relevant income of HKD30,000 per employee, are made to the scheme and are vested immediately. The Group also operates several defined contribution retirement plans and pension schemes for its overseas subsidiaries and pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. Contributions to the schemes by the Group and employees are calculated at fixed percentages of employees' basic salaries or at agreed fixed amounts. Under the defined contribution scheme in some countries, where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group. During the Reporting Period, the Group did not have any contributions forfeited in accordance with the schemes' rules which have been applied towards the contributions payable by the Group. Details of the pension schemes undertaken by the Group are set out in note 8 to the consolidated financial statements of this annual report.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 23 September 2019 (the "Adoption Date") and it will be valid until 23 September 2029.

No share option has been granted by the Company under the Share Option Scheme since the commencement of listing of shares of the Company on 15 October 2019 and up to the date of this annual report. The number of options available for grant under the Share Option Scheme at the beginning and the end of the financial year ended 31 December 2023 was 31,733,400 Shares (approximately 10%). The number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the financial year ended 31 December 2023 divided by the weighted average number of issued Shares for the financial year ended 31 December 2023 is 331,885,000.

A summary of the Share Option Scheme is set out below. Please refer to the Prospectus for more details of the Share Option Scheme.

(1) Purpose, duration and administration

The purposes of the Share Option Scheme are (i) to motivate the Eligible Persons (as defined in paragraph (b) below) to optimise their future contributions to the Group and/or to reward them for their past contributions; (ii) to attract and retain or otherwise maintain on-going relationships with the Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group; and (iii) in the case of Executives (as defined in paragraph (b) below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The Share Option Scheme shall be valid and effective for the period commencing on the Adoption Date and expiring on the tenth anniversary thereof or such earlier date as the Share Option Scheme is terminated in accordance with the Share Option Scheme (the "Term"), after which period no further share options shall be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. Share options granted during the Term shall continue to be valid in accordance with their terms of grant after the end of the Term.

The Share Option Scheme shall be subject to the administration of the Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (except as otherwise provided in the rules of the Share Option Scheme) be final and binding on all parties thereto. The Board has delegated its powers in relation to the Share Option Scheme to the Remuneration Committee pursuant to the terms of reference of such committee.

(2) Eligible Persons

The Board may, at its sole and absolute discretion, to make the offer of the grant of Option(s) ("Share Option(s)") to subscribe for Shares pursuant to the Share Option Scheme to any Director or proposed Director (including an independent non-executive Director) of any member of the Group, any director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in, any member of the Group (an "Employee"), any proposed Employee, any full-time or part-time Employee, or a person for the time being seconded to work full-time or part-time for any member of the Group (an "Executive"), a consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group, a person or entity that provides advisory, consultancy, professional or other services to any member of the Group, or a close associate of any of the foregoing persons (together, the "Eligible Persons" and each an "Eligible Person").

(3) Determination of eligibility

(i) The Board may, at its sole and absolute discretion, make an offer to grant to any Eligible Person a Share Option to subscribe for Shares under the Share Option Scheme.

(ii) The basis of eligibility of any Eligible Person to the grant of any Share Option shall be determined by the Directors from time to time on the basis of his contributions to the development and growth of the Group.

(iii) For the avoidance of doubt, the grant of any options by the Company for the subscription of shares to any person who falls within the definition of Eligible Persons shall not, by itself, unless the Directors otherwise determine, be construed as a grant of Share Options under the Share Option Scheme.

(iv) An Eligible Person or grantee shall provide the Board such information and supporting evidence as the Board may, in its sole and absolute discretion, request from time to time (including, without limitation, before the offer of a grant of Share Option is made, at the time of acceptance of a grant of Share Option, and at the time of exercise of a Share Option) for the purpose of assessing and/or determining his eligibility or continuing eligibility as an Eligible Person and/or grantee or that of his close associates or for the purposes in connection with the terms of a Share Option (and the exercise thereof) or the Share Option Scheme and the administration thereof.

(4) Grant of Share Options

On and subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within the Term to offer the grant of any Share Option to any Eligible Person as the Board may in its sole and absolute discretion select, and on acceptance of the offer, grant such part of the Share Option as accepted to the Eligible Person.

Subject to the provisions of the Share Option Scheme, the Board may in its sole and absolute discretion determine whether any conditions, restrictions or limitations in relation to the grant of Share Option should be imposed, in addition to those set out in the Share Option Scheme (which shall be stated in the written notice containing the offer of the grant of the Share Option (the "Offer Letter")) including (without prejudice to the generality of the foregoing) continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, and the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Share Option in respect of all or some of the shares which the Share Option relates shall vest.

An offer of the grant of a Share Option shall be deemed to have been accepted when the Company receives from the grantee duplicate Offer Letter duly executed by the grantee together with a remittance in favour of the Company of HKD10.00 (or such other amount in any other currency as may be determined by the Board) by way of consideration for the grant thereof within the period specified in the Offer Letter. Once such acceptance is made, the Share Option shall be deemed to have been granted and to have taken effect from the offer date.

(5) Vesting period

The Board may determine from time to time such vesting conditions or vesting periods for an option to be vested provided that such vesting conditions/vesting period is not inconsistent with the Share Option Scheme.

(6) Subscription price of shares

The subscription price in respect of any particular Share Option shall be such price as the Board may in its sole and absolute discretion determine at the time of grant of the relevant Share Option (and shall be stated in the letter containing the offer of the grant of the Share Option) but the subscription price shall not be less than whichever is the highest of:

(i) the nominal value of Share;

(ii) the closing price of Shares as Stated in the Stock Exchange's daily quotations sheet on the offer date; and

(iii) the average of the closing prices of Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date.

The subscription price shall also be subject to adjustment in accordance with the provisions under the Share Option Scheme.

(7) Exercise of Share Options

(a) A Share Option shall be exercised in whole or in part by the grantee according to the procedures for the exercise of Share Options established by the Company from time to time. Every exercise of a Share Option must be accompanied by a remittance for the full amount of the subscription price for the Shares to be issued upon exercise of such Share Option.

(b) A Share Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Share Option or purport to do so (save that the grantee may nominate a nominee in whose name the shares issued pursuant to the Share Option may be registered). Any breach of the foregoing shall entitle the Company to cancel, revoke or terminate any outstanding Share Option or part thereof granted to such grantee without any compensation.

(c) Subject to any conditions, restrictions or limitations imposed in relation to the particular Share Option pursuant to the provisions of the Share Option Scheme and subject as hereinafter provided, a Share Option may be exercised at any time during the option period, provided that:

(i) if the grantee (being an individual) dies or becomes permanently disabled before exercising a Share Option (or exercising it in full), he (or his legal representative(s)) may exercise the Share Option up to the grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine;

(ii) in the event of the grantee ceasing to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to the Group at the relevant time, his share option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period;

(iii) in the event of the grantee ceasing to be an Executive by reason of his/her transfer of employment to an affiliate company of the Company, his/her Share Option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period unless the Board in its absolute discretion otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined;

(iv) in the event of the grantee ceasing to be an Executive by reason of transfer of employment to an affiliate company, the Share Option (to the extent not exercised) shall be exercisable until the expiry of the relevant option period unless the Board in its absolute discretion otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as the Board may determine;

(v) in the event of the grantee ceasing to be an Executive by reason of the termination of his employment by resignation or culpable termination, the Share Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his employment (in the case of culpable termination) and not be exercisable unless the Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such service or notification. A resolution of the Board resolving that the Executive's Share Option has lapsed pursuant to this subparagraph shall be final and conclusive;

(vi) if a grantee being an executive Director ceases to be an Executive but remains a non-executive Director, his Share Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant option period unless the Board in its absolute discretion otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as the Board has determined, the Share Option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless the Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its sole and absolute discretion determine following the date of such cessation;

(vii) if (i) the Board in its absolute discretion at any time determines that a grantee has ceased to be an Eligible Person; or (ii) a grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Share Option or which were the basis on which the Share Option was granted, the Share Option (to the extent not already exercised) shall lapse on the date on which the grantee is notified thereof (in the case of (i)) or on the date on which the grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (ii)) and not be exercisable unless the Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such notification or the date of such failure/non-satisfaction/non-compliance. In the case of (i), a resolution of the Board resolving that the grantee's Share Option has lapsed pursuant to this subparagraph shall be final and conclusive;

(viii) if a grantee (being a corporation) (i) has a liquidator, provisional liquidator, receiver or any person carrying out any similar function appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee; or (ii) has suspended or ceased or threatened to suspend or cease business; or (iii) is unable to pay its debts (within the meaning of section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) or any similar provisions under the Companies Act of the Cayman Islands or any applicable law); or (iv) otherwise becomes insolvent; or (v) suffers a change in its constitution, directors, shareholding or management which in the opinion of the Board is material; or (vi) commits a breach of any contract entered into between the grantee or his associate and any member of the Group, the option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or other similar person or on the date of suspension or cessation of business or on the date when the grantee is deemed to be unable to pay its debts as aforesaid or on the date of notification by the Company that the said change in constitution, directors, shareholding or management is material or on the date of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its sole and absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the grantee's Share Option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;

(ix) if a grantee (being an individual) (i) is unable or has no reasonable prospect of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or any other applicable law or has otherwise become insolvent; or (ii) has made any arrangements or compositions with his creditors generally; or (iii) has been convicted of any criminal offence involving his integrity or honesty; or (iv) commits a breach of any contract entered into between the grantee or his associate and any member of the Group, the Share Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Share Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its sole and absolute discretion determine following the date of such occurrence. A resolution of the Board resolving that the grantee's Share Option has lapsed pursuant to this sub-paragraph by reason of a breach of contract as aforesaid shall be final and conclusive;

(x) if a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of the Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Share Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by the Company;

(xi) in the event of an effective resolution being passed for the voluntary winding-up of the Company, and if the grantee immediately prior to such event had any subsisting Share Option which had not been fully exercised, the grantee may by notice in writing to the Company within one month after the date of such resolution elect to be treated as if the Share Option had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in such notice and shall accordingly be entitled to receive out of the assets available in the liquidation, pari passu with the shareholders, such sum as would have been received in respect of the shares the subject of such election reduced by an amount equal to the subscription price which would otherwise have been payable in respect thereof; and

(xii) if a compromise or arrangement between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the grantees who have unexercised Share Options at the same time as it despatches notices to all members or creditors of the Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of: (i) the option period; (ii) the period of two months from the date of such notice; and (iii) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his/her Share Option. Except insofar as exercised in accordance with this paragraph, all Share Options outstanding at the expiry of the relevant period referred to in this paragraph shall lapse. The Company may thereafter require each grantee to transfer or otherwise deal with the Shares issued on exercise of the Share Option to place the grantee in the same position as would have been the case had such shares been the subject of such compromise or arrangement, provided that in determining the entitlement of any grantee to exercise a Share Option at any particular date, the Board may in its absolute discretion relax or waive, in whole or in part, conditionally or unconditionally, any additional conditions, restrictions or limitations imposed in relation to the particular Share Option pursuant to the provisions of paragraph (d) above and/or deem the right to exercise the Share Option in respect of the shares the subject thereof to have been exercisable notwithstanding that according to the terms of the particular Share Option such right shall not have then vested.

(d) The Shares to be allotted upon the exercise of a Share Option shall be subject to the Articles and the laws of the Cayman Islands in force from time to time and shall rank pari passu in all respects with then existing fully-paid shares in issue on the allotment date, and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date, other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date. Subject as aforesaid, no grantee shall enjoy any of the rights of a shareholder by virtue of the grant of a Share Option pursuant to the Share Option Scheme.

(e) The Company is entitled to refuse any exercise of a Share Option if such exercise is not in accordance with the terms of the Share Option Scheme or the procedures for exercise of Share Option established by the Company from time to time or if such exercise may cause the Company to contravene or breach any laws, enactment or regulations for the time being in force in Hong Kong and the Cayman Islands or any other applicable jurisdiction or the Listing Rules or any rules governing the listing of the shares on a stock exchange.

(8) Lapse of Share Options

A Share Option or any part thereof shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of the occurrence of any of the following events unless otherwise waived (conditionally or unconditionally) by the Company:

(i) the expiry of the option period;

(ii) the expiry of any of the periods referred to in the provisions under the Share Option scheme;

(iii) the date of the commencement of the winding-up of the Company;

(iv) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong);

(v) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in the provisions under the Share Option scheme; or

(vi) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Share Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

(9) Maximum number of Shares

The maximum number of Shares to be issued upon exercise of all Share Options which may be granted under the Share Option Scheme (and under any other share option schemes) shall not in aggregate exceed 31,733,400, representing 10% of the shares in issue immediately after completion of the global offering and as at the Listing Date (the "Scheme Mandate Limit"), provided that the Company may at any time as the Board may think fit seek approval from the Shareholders to refresh the scheme mandate limit, except that the maximum number of shares to be issued upon exercise of all share options which may be granted under the Share Option Scheme (and under any other share option schemes of the Company) shall not exceed 10% of the shares in issue as at the date of approval by the Shareholders in general meeting where such limit is refreshed. Share Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, and lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes or exercised options under the said schemes of the Company) shall not be counted for the purpose of calculating the limit as refreshed. The Company shall send a circular containing the information required under Chapter 17 of the Listing Rules to the Shareholders. In addition, the Company may seek separate approval from the Shareholders in general meeting for granting Share Options beyond the Scheme Mandate Limit, provided that the Share Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by the Company before such approval is sought. The Company shall issue a circular to the Shareholders containing the information required under Chapter 17 of the Listing Rules accordingly.

Pursuant to the provisions under the Share Option Scheme, the maximum number of Shares to be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme (and under any other share option schemes of the Company) shall not exceed 30% of the shares in issue from time to time.

The maximum number of Shares issued and to be issued upon exercise of the Share Options granted to any one Eligible Person (including exercised and outstanding share options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of Share Options to such Eligible Person would result in the Shares issued and to be issued upon exercise of all Share Options granted and which may be granted to such Eligible Person (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his close associates (or his associates of such Eligible Person is a connected person) abstaining from voting.

(10) Maximum number of Shares per grantee who is a core connected person

Each grant of Share Options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates under the Share Option Scheme shall be approved by independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the Share Options). Where a grant of Share Options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the securities issued and to be issued upon exercise of all Share Options already granted and which may be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the shares in issue; and

(b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HKD5 million,

such further grant of share options must be approved by the Shareholders. The Company shall send a circular to the shareholders containing the information required under Chapter 17 of the Listing Rules. The relevant Eligible Person, his associates and all core connected persons of the Company shall abstain from voting at such general meeting. Any vote taken at the meeting to approve the grant of such Share Options must be taken on a poll.

As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 31,733,400 shares, representing approximately 9.5% of the total number of Shares in issue.

(11) Remaining life of the Share Option Scheme

Approximately 5 years (valid until 23 September 2029).

RESTRICTED SHARE AWARD SCHEME

On 19 March 2020, the Board approved the adoption of the restricted share award scheme (the "Restricted Share Award Scheme") to incentivise skilled and experienced personnel, and to recognise the contributions of the eligible participants of the Group. The Restricted Share Award Scheme is valid and effective until the 10th anniversary of the date of adoption, being 19 March 2030 (approximately 6 years left for the remaining life of the Restricted Share Award Scheme). The Restricted Share Award Scheme is defined as a share scheme under Chapter 17 of the Listing Rules.

The purposes of the Restricted Share Award Scheme are to (i) attract skilled and experienced personnel to the Group; (ii) incentivise participants of the Restricted Share Award Scheme (the "Participants") to remain with the Group; and (iii) motivate Participants to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

The Participants include (i) any employee, any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group; (ii) a director or proposed director (including an independent non-executive director) of any member of the Group; (iii) a general staff of any member of the Group; and (iv) a person that provides advisory, consultancy, professional or other services to any member of the Group;

The Participants do not have any contingent interest in any Shares underlying the share awards granted in the Restricted Share Award Scheme (the "Share Awards") unless and until such Shares are actually transferred to the Participant. Further, the Participants may not exercise voting rights in respect of the Share Awards underlying the Restricted Share Award Scheme prior to their exercise and, unless otherwise specified by the Board in its entire discretion in the grant letter to the Participant, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Share Awards underlying the Restricted Share Award Scheme.

The number of Share Awards available for grant under the Restricted Share Award Scheme as at 1 January 2023 was 31,106,918, representing approximately 9.33% of the total number of Shares in issue; and the number of Share Awards available for grant under the Restricted Share Award Scheme as at 31 December 2023 was 30,731,550, representing approximately 9.22% of the total number of Shares in issue. As at the date of this annual report, the total number of Shares available for issue under the Restricted Share Award Scheme is 30,427,657 Shares, representing approximately 9.13% of the total number of Shares in issue. There is no restriction on maximum entitlement of each Participant under the Restricted Share Award Scheme as the Restricted Share Award Scheme only involves existing Shares of the Company. The Board may determine from time to time such vesting conditions or vesting periods for a Share Award to be vested. The purchase price of the Share Awards was the closing price of the date of grant.

A grant is accepted when the Company receives the letter of acceptance of such grant from the grantee duly executed by the grantee together with a remittance in favour of the Company of HKD10.00 (or such other amount in any other currency as may be determined by the Board) as valid consideration for the grant of the Share Award. Such remittance of the consideration is not refundable in any circumstances.

Details of the Share Awards granted under the Restricted Share Award Scheme and the movements in Restricted Share Awards Scheme during the year ended 31 December 2023 are set out below:

Name of grantee of Restricted Share Award Scheme	Position held with the Group	Date of grant (Notes 1 and 2)	Number of granted Share Awards	Vesting period	Purchase price (Note 3)	Outstanding as at 1 January 2023	Cancelled during the year ended 31 December 2023	Lapsed during the year ended 31 December 2023	Vested during the year ended 31 December 2023	Outstanding as at 31 December 2023
Directors										
Mr Jannik Jonas Slot Jorgensen	Executive Director	18 January 2022	15,000	18 January 2022 to 18 January 2023	HKD9.36	15,000	–	–	15,000	–
		26 January 2023	97,500	26 January 2023 to 26 January 2024	HKD5.85	–	–	–	–	97,500
Dr Markus Braun	Executive Director	18 January 2022	25,000	18 January 2022 to 18 January 2023	HKD9.36	25,000	–	–	25,000	–
Mr Markus Huascar Bracklo	Non-Executive Director	18 January 2022	35,000	18 January 2022 to 18 January 2023	HKD9.36	35,000	–	–	35,000	–
		26 January 2023	225,000	26 January 2023 to 26 January 2024	HKD5.85	–	–	–	–	225,000
Total:			397,500			75,000	–	–	75,000	322,500

Name of grantee of Restricted Share Award Scheme	Position held with the Group	Date of grant (Notes 1 and 2)	Number of granted Share Awards	Vesting period	Purchase price (Note 3)	Outstanding as at 1 January 2023	Cancelled during the year ended 31 December 2023	Lapsed during the year ended 31 December 2023	Vested during the year ended 31 December 2023 (Note 4)	Outstanding as at 31 December 2023
Other employees of the Group										
Employee Group A	–	13 January 2021	20,000	13 January 2021 to 13 January 2022	HKD9.70	20,000	–	–	–	20,000
	–	18 January 2022	20,000	18 January 2022 to 18 January 2023	HKD9.36	20,000	–	–	–	20,000
Employee Group B	–	18 January 2022	60,000	18 January 2022 to 18 January 2023	HKD9.36	60,000	–	–	60,000	–
Employee Group C	–	26 January 2023	25,000	26 January 2023 to 26 January 2024	HKD5.85	–	–	–	–	25,000
Employee Group D	–	12 September 2022	35,598	12 September 2022 to 12 September 2023	HKD5.30	35,598	–	–	35,598	–
Employee Group E	–	12 June 2023	27,868	12 June 2023 to 1 December 2023	HKD4.92	–	–	–	27,868	–
Total:			188,466			135,598	–	–	123,466	65,000

Notes:

1. For the year ended 31 December 2023, the closing price of the Shares immediately before each of the grant date of the Share Awards was HKD5.80 on 20 January 2023; and HKD4.99 on 9 June 2023.

2. The fair value of the granted Share Awards was measured on the basis of an observable market price of the Shares on the date of grant. For the year ended 31 December 2023, the closing price of the Shares was HKD5.85 on 26 January 2023 and HKD4.92 on 12 June 2023.

3. The purchase price of the Share Awards was the closing price of the grant date.

4. The weighted average closing price of the Shares immediately before each of the vesting dates of the Share Awards was HKD4.80, HKD5.22 and HKD5.57, respectively.

5. There was no issuance of Shares under the Share Award Scheme, and hence, the data concerning the number of Shares that may be issued in respect of the Share Awards granted under the Share Award Scheme during the financial year divided by the weighted average number of Shares in issue for the year ended 31 December 2023 is not applicable herein.

During the year ended 31 December 2023, a total of 375,368 Share Awards were granted to the Participants under the Restricted Share Award Scheme. No Share Awards granted to the Directors were lapsed and cancelled during the year ended 31 December 2023, and no Share Awards were granted to the top two non-Director individuals during the year ended 31 December 2023.

Details of the Share Awards granted under the Restricted Share Award Scheme during the Reporting Period are set out under note 25 to the consolidated financial statements of this annual report.

PERMITTED INDEMNITY

Pursuant to the Articles, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such as they shall incur or sustain through their own fraud or dishonesty.

The Company has taken out and maintained appropriate liability insurance for the Directors during the Reporting Period as at 31 December 2023.

DIRECTORS

Executive Directors

Dr Jørn Slot Jørgensen *(Chairman and Chief Executive Officer)*
Dr Markus Braun *(Chief Financial Officer)*
Mr Jannik Jonas Slot Jørgensen
Prof Dan Zoltan Reinstein

Non-executive Director

Mr Marcus Huascar Bracklo

Independent non-executive Directors

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management of the Group are set out in the section headed "Profile of Directors, Senior Management and Company Secretary" on pages 22 to 30 of this annual report.

CHANGES IN INFORMATION OF DIRECTORS

Save as disclosed in this annual report, there has been no change in information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

RESIGNATION OF AN EXECUTIVE DIRECTOR

As disclosed in the announcement of the Company dated 3 January 2023, Dr. Ralf-Christian Lerche has resigned as an executive Director due to his own plan of career development.

CONFIRMATION OF INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed that it has received the annual confirmation of independence from each of the independent non-executive Directors in compliance with Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent in accordance with the relevant requirements of Rule 3.13 of the Listing Rules.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The remuneration paid to and/or entitled by each of the Directors and the five highest paid individuals for the year ended 31 December 2023 is set out in note 8 to the consolidated financial statements. No Director has waived or has agreed to waive any emoluments. No emoluments were paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Reporting Period. No bonus was paid or receivable by the Directors or the five highest paid individuals which are based on performance during the Reporting Period.

DIRECTORS' SERVICE CONTRACTS OR LETTERS OF APPOINTMENT

No Director proposed for re-election at the forthcoming annual general meeting has a service contract or a letter of appointment with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

MANAGEMENT CONTRACTS

Save as disclosed in this annual report, no contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the Reporting Period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no Directors or their connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period and required to be disclosed under the Listing Rules and the Companies (Directors' Report) Regulation (Cap. 622D).

CONTRACTS OF SIGNIFICANCE

Save as disclosed in notes 8(d) and 36 to the consolidated financial statements and section headed "Related Party Transactions and Connected Transactions" below, no contract of significance (including the provision of services to the Group) in relation to the Group's business in which the Company, or any of its subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of material related party transactions of the Group undertaken in the normal course of business are set out in note 36 to the consolidated financial statements. None of which is required to be disclosed under Rule 14A of the Listing Rules.

During the Reporting Period, the related party transactions as disclosed in notes 8(d) and 36 to the consolidated financial statements either did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, or only constituted fully exempt connected transactions or continuing connected transactions by virtue of the de minimis exemption under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Reporting Period.

NON-COMPETITION UNDERTAKING

As disclosed in the Prospectus, pursuant to the non-competition undertakings set out in the deed of non-competition dated 23 September 2019, Dr Jørgensen, the controlling Shareholder, has undertaken to the Company (for itself and on behalf of its subsidiaries) that, amongst other things, he is not or will not, and will procure his close associates, to be interested, involved or engaged in or concerned with, directly or indirectly, any business which is in any respect in competition with or similar to or is likely to be in competition with the business of the Group during the period commencing from the Listing Date and ending on the occurrence of the earliest of the date on which (i) the shares of the Company cease to be listed on the Stock Exchange (except for the temporary trading halt or trading suspension of the shares of the Company on the Stock Exchange due to any reason); (ii) Dr Jørgensen and/or his close associates, individually or taken as a whole, ceases to hold, directly or indirectly, 30% or more of the then total issued share capital of the Company; or (iii) Dr Jørgensen and/or his close associates, jointly and severally, ceases to be considered as a controlling shareholder of the Company.

Dr Jørgensen has confirmed to the Company in relation to his compliance with the non-competition undertakings provided to the Company under the deed of non-competition.

The independent non-executive Directors have reviewed the implementation of the deed of non-competition and are of the view that Dr Jørgensen has complied with his undertakings given under the deed of non-competition during the Reporting Period. As at 31 December 2023, no new business opportunity has been notified by Dr Jørgensen.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDER

The Board believes that the Group is capable of carrying on its business independent of, and does not place undue reliance on, Dr Jørgensen or his respective close associates, taking into consideration the factors of financial independence, operational independence and management independence when the facts and reasons as disclosed in the Prospectus were applied to the Group during the Reporting Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests and short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) as recorded in the register kept by the Company pursuant to section 352 of the SFO or (c) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Listing Rules (the "Model Code") were as follows:

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

Name of Director/ Chief Executive	Capacity	Number of shares interested	Approximately percentage of the total issued share capital of the Company (Note 1)
Dr Jørgensen	Beneficial owner, interest in a controlled corporation and interest of spouse	183,518,100(L) (Note 2)	55.07%
Dr Markus Braun	Beneficial owner	283,000(L)	0.08%
Mr Jannik Jonas Slot Jørgensen	Beneficial owner	5,961,000(L)	1.79%
Prof Dan Zoltan Reinstein	Beneficial owner and interest of spouse	2,424,000(L) (Note 3)	0.73%
Mr Marcus Huascar Bracklo	Beneficial owner	703,000(L) (Note 4)	0.21%

Notes:

(L) denotes long position.

1. Total number of issued shares of the Company as at 31 December 2023 was 333,240,000.

2. Out of 183,518,100 shares that Dr Jørgensen was interested, 4,007,000 shares were held by EuroEyes Holding AG which is owned as to 100% by Dr Jørgensen and 379,100 shares were held by Dr Susanne Jørgensen, the spouse of Dr Jørgensen.

3. Out of 2,424,000 shares that Prof Dan Zoltan Reinstein was interested, 801,000 shares were held by Dr Ursula Inge Reinstein, the spouse of Prof Dan Zoltan Reinstein.

4. Out of 703,000 shares that Mr Marcus Huascar Bracklo was interested, 430,000 shares were held by Baigo Capital GmbH which is owned as to 100% by Mr Marcus Huascar Bracklo.

Save as disclosed above, as at 31 December 2023, so far as is known to any Directors or the chief executive of the Company, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, other than interests disclosed above in respect of the Directors and the chief executive of the Company, the following persons had or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under the provision of Divisions 2 and 3 of Part XV of the SFO as recorded in the register kept by the Company pursuant to section 336 of the SFO or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

Interests in shares and underlying shares of the Company

Name of substantial shareholders	Capacity	Number of shares interested	Approximately percentage of the total issued share capital of the Company (Note 1)
Dr Susanne Jørgensen	Beneficial owner and interest of spouse	183,518,100(L) (Note 2)	55.07%

Notes:

(L) denotes long position.

1. Total number of issued shares of the Company as at 31 December 2023 was 333,240,000.

2. Out of 183,518,100 shares that Dr Jørgensen was interested, 4,007,000 shares were held by EuroEyes Holding AG which is owned as to 100% by Dr Jørgensen and 379,100 shares were held by Dr Susanne Jørgensen. Dr Susanne Jørgensen is the spouse of Dr Jørgensen, and Dr Susanne Jørgensen was therefore deemed to be interested in the shares of the Company in which Dr Jørgensen was interested under Part XV of the SFO.

Save as disclosed above, as at 31 December 2023, the Directors have not been notified by any person (other than the Directors or the chief executive of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save and except for the Share Option Scheme, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float of the Company's securities as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the aggregate amount of revenue attributable to the Group's five largest customers represented less than 20% of the Group's total revenue.

During the Reporting Period, purchase from the Group's largest supplier amounted to approximately HK$37.5 million, representing approximately 20.3% of the Group's total cost of raw materials and consumables used, advertising and marketing expenditure, electricity and other utility expenses and clinic, office and consumption expenses for the same period, while purchases from the Group's top five suppliers amounted to approximately HK$106.7 million, representing approximately 58.0% of the Group's total cost of raw materials and consumables used, advertising and marketing expenditure, electricity and other utility expenses and clinic, office and consumption expenses for the same period.

To the best knowledge of the Directors, none of the Directors, their respective close associates or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any direct/indirect interest in these major suppliers or customers during the year ended 31 December 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed in the Corporate Governance Report, the Board is of the view that the Company has complied with the mandatory disclosure requirements and code provisions in the Corporate Governance Code as set out in Appendix C1 of the Listing Rules (the "Corporate Governance Code") during the Reporting Period. No Director is aware of any information that reasonably reveals that there was any non-compliance with the code provisions of the Corporate Governance Code by the Company at any time during the Reporting Period.

For details of the Corporate Governance Report, please refer to pages 53 to 65 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The text of the Environmental, Social and Governance Report 2023 is set out on pages 66 to 95 of this annual report.

LITIGATION AND ARBITRATION

During the Reporting Period, the Group has not been involved in any material litigation or arbitration. As far as the Directors are aware, the Company does not have any material litigation or arbitration pending or threatened against the Company which may adversely affect the Company's operating results and financial conditions.

AUDIT COMMITTEE

The Audit Committee of the Board (the "Audit Committee") comprises one non-executive Director and two independent non-executive Directors, namely Mr Marcus Huascar Bracklo, Mr Hans Helmuth Hennig and Mr Philip Duncan Wright. The chairman of the Audit Committee is Mr Philip Duncan Wright.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2023 which have been agreed by the Company's auditors, and is of the view that the Group's audited consolidated financial statements for the year ended 31 December 2023 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

The Audit Committee has also reviewed the annual results for the year ended 31 December 2023.

AUDITORS

The financial statements for the year ended 31 December 2023 have been audited by PricewaterhouseCoopers, Certified Public Accountants, in accordance with International Standards on Auditing, who will retire and, being eligible, have offered themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of PricewaterhouseCoopers as the auditors of the Company is to be proposed at the forthcoming annual general meeting.

The Company confirms that no change in the auditors of the Company in any of the preceding three years.

INFORMATION TO SHAREHOLDERS

Closure of register of members

In determining the right to attend and vote at the annual general meeting of the Company (the "AGM") in 2024: the register of members of the Company will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024 (both days inclusive) for the purpose of determining this right. In order to be entitled to attend and vote at the AGM in 2024, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied with the corresponding share certificates are lodged with the Company's Share Registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 31 May 2024.

In determining the entitlement to the proposed final dividend: the register of members of the Company will be closed from Thursday, 13 June 2024 to Friday, 14 June 2024 (both days inclusive) for the purpose of determining this entitlement. In order to be qualified for the proposed final dividend (if approved by the Shareholders at the AGM in 2024), unregistered holders of shares of the Company should ensure that all share transfer documents accompanied with the corresponding share certificates are lodged with the Company's Share Registrar in Hong Kong at the above address for registration not later than 4:30 p.m. on Wednesday, 12 June 2024. It is expected that the proposed final dividend will be paid on or around Friday, 28 June 2024 to those Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 14 June 2024.

By order of the Board

Dr Jørn Slot Jørgensen
Chairman

Hong Kong, 28 March 2024

CORPORATE GOVERNANCE

The Company has been committed to maintaining a high standard of corporate governance and to devoting considerable effort to improve its practices in light of the regulatory requirements and the expectation of the investors.

Save for the deviation discussed below, the Company has applied and complied with the principles (the "Principles") set out in the Corporate Governance Code contained in Appendix C1 (the "Corporate Governance Code") to the Listing Rules from the Listing Date to 31 December 2023 and annually reviewed the application of the Principles.

The Board is of the view that the Company has complied with all the mandatory disclosure requirements and the code provisions in the Corporate Governance Code during the Reporting Period, with the exception of code provision C.2.1, as explained under the paragraph headed "Chairman and Chief Executive Officer" below. Save as disclosed in this annual report, to the best knowledge of the Directors, no Director is aware of any information that reasonably reveals that there was any non-compliance with the Corporate Governance Code by the Company at any time during the Reporting Period.

THE BOARD AND THE DIRECTORS

Board Composition

The composition of the Board during the year ended 31 December 2023 and up to the date of this annual report is set out below:

Executive Directors

Dr Jørn Slot Jørgensen *(Chairman and Chief Executive Officer)*
Dr Markus Braun *(Chief Financial Officer)*
Mr Jannik Jonas Slot Jørgensen
Prof Dan Zoltan Reinstein

Non-executive Director

Mr Marcus Huascar Bracklo

Independent non-executive Directors

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

After the annual assessment by the nomination committee of the Company (the "Nomination Committee"), the Board considers that the current structure, size and composition of the Board is performing a balanced and independent monitoring function on management practices to complement the Company's corporate strategies. The Directors and their biographical details as at the date of this annual report are set out on pages 22 to 30 of this annual report.

Independence of the Independent Non-Executive Directors

Throughout the Reporting Period, the Board has complied with the requirements of the Listing Rules to have three independent non-executive Directors which represented at least one-third of the Board and with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board has received from each independent non-executive Director a written annual confirmation of his independence that satisfied with the guidelines set out in Rule 3.13 of the Listing Rules, and the Nomination Committee has assessed the independence of each independent non-executive Director and the Company considers that each of their independence is in compliance with the Listing Rules during the reporting period as at the date of this annual report. Each of the independent non-executive Directors will inform the Company in writing as soon as practicable if there is any change of circumstances which may affect his independence.

Relationships between the Directors

Dr Jørgensen, the chairman of the Board (the "Chairman"), executive Director and chief executive officer of the Company (the "Chief Executive Officer") is the father of Mr Jannik Jonas Slot Jørgensen, who is an executive Director and vice president, Denmark of the Company. Dr Jørgensen and Dr Ralf-Christian Lerche, who is an executive Director and senior vice president, medical affairs (Germany), are partners of Dr Jørgensen und Kollegen GbR, a German civil law partnership (BGB-Gesellschaft) governed under the German Civil Code. Other details of Dr Jørgensen und Kollegen GbR are set out in the Prospectus. Save as disclosed above and in the Prospectus, to the best knowledge of the Directors, the members of the Board do not have financial, business, family or other material/relevant relationships with each other.

Chairman and Chief Executive Officer

Under code provision C.2.1 of the Corporate Governance Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Dr Jørgensen is the Chairman and also acts as the Chief Executive Officer because of his considerable experience in the business of providing ophthalmic services in Germany, Denmark and the PRC. Dr Jørgensen is also the founder and has been managing the business and overall strategic development since the establishment of the Group. The Directors consider that vesting the roles of both the Chairman and the Chief Executive Officer in Dr Jørgensen is beneficial to the business prospects and management of the Group by ensuring consistent leadership with the Group and enabling more effective and efficient overall strategic development for the Group.

To facilitate good corporate governance, the company has established the division of responsibilities between the Chairman and Chief Executive Officer set out in writing. The responsibilities of the Chairman are performed in accordance with the code provisions under the Corporate Governance Code.

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

Roles and Responsibility of the Board

The Board is responsible for setting up the Company's corporate strategies, monitoring its implementation and reviewing operational and financial performance of the Group by making decisions on major aspects of the Company's business operations and other matters, including but not limited to approving and monitoring key policies, material transactions, business plans, annual budgets, risk management and internal control systems, annual and interim results, major capital expenditure and appointment of Directors.

The non-executive Director and independent non-executive Directors have diversified industry expertise and professional knowledge, and provide advisory, adequate check and balances for effective and constructive contribution to the executive Directors to safeguard the interests of the Company and the shareholders as a whole. Independent non-executive Directors and non-executive Directors are encouraged to make positive contribution to the development of the company's strategy and policies through independent, constructive and informed comments.

If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the board which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. Independent non-executive Directors who, and whose close associates, have no material interest in the transaction will be present at that Board meeting.

Delegation to Management

Day-to-day operational management and administration functions of the Group and implementation of the corporate strategies of the Group are delegated to the management of the Company led by the executive Directors. The management will report back to the Board and obtain prior Board approval before making decisions or entering into any commitments on behalf of the Company. The Company reviews these arrangements periodically to ensure these remain appropriate to the Company's needs.

Management also regularly provides all members of the Board with updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

Corporate Governance Functions

The Board is responsible for the performance of functions of corporate governance. During the Reporting Period, the Board has determined the policy for corporate governance of the Group and performed the functions as set out in code provision A.2.1 of the Corporate Governance Code.

Appointment, Re-election, Rotation and Removal of Directors

The Company has established formal, considered and transparent procedures for appointment, re-election, rotation, and removal of the Directors. The Nomination Committee is responsible for considering the suitability of an individual to act as a Director and making recommendations to the Board on appointment or re-election of Directors, succession planning of Directors and assessing the independence of the independent non-executive Directors as set out below under the paragraph headed "Nomination Committee".

All Directors (including the non-executive Director and independent non-executive Directors) entered into a service contract or letter of appointment with the Company for a term of two (2) years setting out the key terms and conditions of their appointment. Each term of office is the period up to his retirement by rotation or retirement, but eligible for re-election at the AGM in accordance with the Articles.

In accordance with the Articles, the Company may by ordinary resolution at general meetings of the Company elect any person to be a Director. The Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first general meeting after his appointment, and shall then be eligible for re-election at such general meeting.

At each of the AGM of the Company, not less than one-third of the Directors (including those appointed for a specific term) shall retire from office by rotation provided that each Director shall be subject to retirement by rotation at the AGM at least once every three years.

Induction and Continuing Professional Development of Directors

The Company encourages all Directors to participate in continuous professional development to further enhance and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company received from the Directors the following records of the training attended during the reporting period on the latest amendments to the Listing Rules and any other regulatory requirements:

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities. In accordance with Code Provision C.1.4 of the Corporate Governance Code regarding continuous professional development, the Company had received the training records from each of the executive Directors, namely Dr Jørn Slot Jørgensen, Dr Markus Braun, Prof Dan Zoltan Reinstein, and Mr Jannik Jonas Slot Jørgensen, the non-executive Director, namely Mr Marcus Huascar Bracklo and each of the independent non-executive Directors, namely Mr Hans Helmuth Hennig, Ms. Katherine Rong Xin and Mr Philip Duncan Wright, who had attended training sessions and seminars as well as read the materials on corporate governance, updates on laws, rules and regulations and accounting/financial/management or other professional skills to develop and refresh their knowledge and skills on the roles, functions and duties as a director of a listed company during the reporting period.

Supply of and Access to Information

Yearly schedule of regular Board meetings and the draft of agendas of each regular meeting are made available to the Directors in advance with sufficient time of at least 14 days and 3 days, respectively, to encourage the Directors' involvement to include matters in the agenda for regular Board meetings. All Directors have full and timely access to the management of the Company for any information to enable them to make informed decisions at the Board meetings. The Company Secretary ensures that the regulatory Board procedures are followed, and is responsible for preparing and maintaining the documents and records of the Board meeting. The draft and final minutes of each meeting of the Board meeting and the board committees of the Company (the "Board Committees") are sent to all Directors or committee members for comment within a reasonable period of time after the date of the meeting, and are open for inspection at any reasonable time on reasonable notice by the Director.

Members of the management of the Company has an obligation to supply the Board and the Board committee with complete, reliable and adequate information, in a timely manner, to enable it to make informed decisions and are usually invited to attend the Board meetings to promote effective communication within the Group. Each Director is authorised to hire external consultants or experts for independent professional advice at the Company's expenses to discharge the Director's responsibilities. Save as disclosed in this annual report, the Directors did not request for separate independent professional advice during the reporting period.

Number of meetings and Directors' attendance

The Board meets regularly and the Board meetings are held at least four times a year at approximately quarterly intervals. The Directors actively participated in meetings and all the Directors have devoted sufficient time and attention to the Company's affairs. A summary of the attendance records of each Director during the year ended 31 December 2023 are set out below:

	Attendance/Number of Meetings (Note 1)				
	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting (Note 2)
Executive Directors					
Dr Jørn Slot Jørgensen	4/4	1/1	2/2	N/A	1/1
Dr Markus Braun	4/4	N/A	N/A	N/A	1/1
Mr Jannik Jonas Slot Jørgensen	4/4	N/A	N/A	N/A	1/1
Prof Dan Zoltan Reinstein	2/4	N/A	N/A	N/A	1/1
Non-executive Director					
Mr Marcus Huascar Bracklo	4/4	N/A	N/A	2/2	1/1
Independent non-executive Directors					
Mr Hans Helmuth Hennig	4/4	N/A	2/2	2/2	1/1
Ms Katherine Rong Xin	4/4	1/1	2/2	N/A	1/1
Mr Philip Duncan Wright	4/4	1/1	N/A	2/2	1/1

Notes:

(1) No alternate of the Directors attended the above meetings during the year ended 31 December 2023.

(2) Pursuant to article 62 of the Articles, Annual General Meeting of the Company shall be held in each year.

Board Committees

The Board established three Board committees on 23 September 2019, namely the Audit Committee, the Remuneration Committee and the Nomination Committee with written terms of reference. All of these Board Committees are chaired by an independent non-executive Director or the Chairman to oversee their respective functions set out below, and to report to the Board on their decisions or recommendations by circulating the minutes of the committee meetings to all Board members. The terms of reference of each of the Board committees have been published on the websites of the Company (www.euroeyes.hk) and the Stock Exchange (www.hkexnews.hk). To provide independent views and input to the Board, the Board has adopted the following arrangements: (i) each committee or committee member is authorised to hire outside consultants or experts for independent professional advice at the Company's expenses to discharge their responsibilities; and (ii) most of the committee members in each Board committee are independent non-executive Directors. The Board is responsible for the review of the implementation of such arrangements on an annual basis.

Audit Committee

The Audit Committee was established by the Board with its written terms of reference. The primary duties of the Audit Committee are set out in the written terms of reference which include reviewing and supervising the Group's financial reporting process, risk management and internal control systems, and providing advices and comments to the Board. The Audit Committee has reviewed the consolidated financial statements for the year ended 31 December 2023. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters.

During the Reporting Period and as at the date of this annual report, the Audit Committee consists of Mr Philip Duncan Wright (an independent non-executive Director) as its chairman, and Mr Marcus Huascar Bracklo (a non-executive Director) and Mr Hans Helmuth Hennig (an independent non-executive Director) as its members.

The Audit Committee held one meeting with the auditor of the Company to consider significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and the scope of work and appointment of external auditor.

Remuneration Committee

The Remuneration Committee was established by the Board with its written terms of reference adopting a model of making recommendation to the Board on the remuneration packages of individual Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The primary duties of the Remuneration Committee are set out in the written terms of reference which include regular monitoring of the remuneration of all the Directors and senior management to ensure that levels of their remuneration and compensation are appropriate. The Remuneration Committee also has the duty to assess the performance of Directors and approve the terms of service contracts of the Directors. During the Reporting Period, the Remuneration Committee performed its duties in accordance with its terms of reference.

The Remuneration Committee shall review and approve material matters relating to the share schemes under Chapter 17 of the Listing Rules in accordance with its revised terms of reference. In particular, it shall review, consider, and approve matters relating to share schemes of the Company as required under Chapter 17 of the Listing Rules.

During the Reporting Period, the Remuneration Committee consists of Mr Hans Helmuth Hennig (an independent non-executive Director) as its chairman, and Dr Jørn Slot Jørgensen (an executive Director) and Ms Katherine Rong Xin (an independent non-executive Director) as its members.

Nomination Committee

The Nomination Committee was established by the Board with its written terms of reference. The primary duties of the Nomination Committee are set out in the written terms of reference which include selecting and recommending candidates for directorship, review of the structure, size and composition of the Board and assessment of the independence of independent non-executive Directors.

During the Reporting Period and as at the date of this annual report, the Nomination Committee consists of Dr Jørn Slot Jørgensen (an executive Director and the Chairman) as its chairman, and Mr Philip Duncan Wright (an independent non-executive Director) and Ms. Katherine Rong Xin (an independent non-executive Director) as its members.

The Nomination Committee may invite nominations of candidates from Board members for its consideration. The Nomination Committee may also put forward candidates who are not nominated by Board members. The factors in assessing the suitability of a proposed candidate for director include, inter alia, reputation for integrity, professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, willingness to devote adequate time to discharge duties as Board member, diversity of the Board, and such other perspectives appropriate to the Company's business. The Nomination Committee shall make recommendations for the Board's consideration and approval.

Nomination Policy

The Company has established a nomination policy adopted by the Nomination Committee which sets out the selection criteria and nomination procedures for the appointment of Directors. The selection criteria used by the Nomination Committee to assess candidates include reputation, achievements, expertise, industry experience, time available and diversity. The nomination procedure is summarised as follows:

(1) Nomination Procedures and Appointment of Directors

The Nomination Committee identifies individual(s) suitably qualified to become Board members, having due regard to board diversity policy, and assesses the independence of the proposed independent non-executive Director(s) as appropriate.

a. The Nomination Committee makes recommendation(s) to the Board.

b. The Board considers the individual(s) recommended by the Nomination Committee, having due regard to the board diversity policy.

c. The Board confirms the appointment of the individual(s) as Director(s) or recommends the individual(s) to stand for election at a general meeting. Individual (s) appointed by the Board to fill a casual vacancy or as an addition to the Board will be subject to re-election by the shareholders at the next AGM after initial appointment in accordance with the Articles.

(2) Re-appointment of Directors

a. The Nomination Committee considers each retiring Director, having due regard to the board diversity policy and assesses the independence of each retiring independent non-executive Director.

b. The Nomination Committee makes recommendation(s) to the Board.

c. The Board considers each retiring Director recommended by the Nomination Committee having due regard to the board diversity policy.

d. The Board recommends the retiring Directors to stand for re-election at the AGM in accordance with the Articles.

The Nomination Committee will review and amend this policy in due course to ensure its effectiveness.

DIVERSITY

Board Diversity

The Company has adopted a board diversity policy to comply with the code provision under the Corporate Governance Code on board diversity. Under such policy, the Nomination Committee is delegated to review, assess and recommend any appointment, re-election or any succession plan of any Directors to the Board after considering a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience, to allow for the Company's business model and specific needs. The Board is responsible for the review of the implementation and effectiveness of the policy on board diversity on an annual basis after taking into account of the recommendations from the Nomination Committee.

The Company has taken steps to enhance diversity at board level by appointing a female Director to the Board. The Board will continue to take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for its appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices. The Board also aspires to having an appropriate proportion of Directors who have direct experience in the core markets of the Group, with different ethnic backgrounds, and reflecting the Group's strategy. The Nomination Committee will continue to use its best efforts to identify and recommend suitable female candidates to act as a Director to the Board for its consideration, subject to the Board (i) being satisfied with the competence and experience of the relevant candidate after conducting a reasonable review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of the Company and its shareholders as a whole when making the relevant appointment.

Set out below is the composition of the Board in terms of diversity.

Name	Dr. Jørn Slot Jørgensen	Dr. Markus Braun	Mr. Jannik Jonas Slot Jørgensen	Prof Dan Zoltan Reinstein	Mr. Marcus Huascar Bracklo	Mr. Hans Helmuth Hennig	Ms. Katherine Rong Xin	Mr. Philip Duncan Wright
Gender	Male	Male	Male	Male	Male	Male	Female	Male
Age	69	50	32	61	59	66	60	70

Workforce Diversity

The Group aims to provide a diversified working environment to the workforce. Set out below is the table summarising the diversity ratio among the workforce (including the senior management):

Gender	
Male	82
Female	297

Age Group	
Under 30 Years Old	83
30 to 50 Years Old	221
Above 50 Years Old	75

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors.

Specific enquiries regarding non-compliance of the Model Code were made to all Directors, and they all confirmed that they had fully complied with the required standards set out in the Model Code and its code of conduct regarding the securities transactions of the Directors during the reporting period.

COMPANY SECRETARY

The Company Secretary, Ms Rosenna Ho is employed on a full time basis and have day-to-day knowledge of the Company affairs. She has fulfilled the requirements pursuant to Rule 3.28 of the Listing Rules and is responsible for advising the Board on corporate governance matters during their respective term of appointment of the reporting period. Ms Rosenna Ho had taken no less than 15 hours of professional training during the reporting period.

Under the corporate governance measures adopted by the Company, the Board is responsible for approving the selection, appointment or dismissal of the Company Secretary of the Company. The Company Secretary should report to the Chairman and the Chief Executive Officer. All Directors should have access to the advice or services of the Company Secretary to ensure the Board procedures, and all applicable laws, rules and regulations, are followed.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of the Directors are set out in note 8(d) to the consolidated financial statements in this annual report.

The remuneration by band of senior management (excluding Directors) of the Group during the reporting period is set out below:

	Number of individuals
Emolument bands	
HK$2,000,001 to HK$2,500,000 (approximately €230,615 to €288,267)	2
HK$2,500,001 to HK$3,000,000 (approximately €288,268 to €345,921)	–
HK$4,500,001 to HK$5,000,000 (approximately €518,881 to €576,535)	–
Above HK$5,000,000 (approximately above €576,535)	–

REMUNERATION OF EXTERNAL AUDITOR AND RELATED MATTERS

During the reporting period, the remuneration paid or payable to PricewaterhouseCoopers, Certified Public Accountants, the external auditor of the Company (the "External Auditor") in respect of the annual audit for the year ended 31 December 2023 amounted to approximately HKD3,311,000. The External Auditor did not provide non-audit services to the Group and there was no remuneration paid or payable to the External Auditor of the Company for non-audit services during the year ended 31 December 2023.

The Board and the Audit Committee were satisfied with the External Auditor in relation to their findings, independence, objectivity and effectiveness in the annual audit and their audit fees. PricewaterhouseCoopers, Certified Public Accountants, are proposed for re-appointment as the Company's external auditor at the forthcoming Annual General Meeting.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2023 to give true and fair presentation of the financial position of the Company in accordance with all applicable International Financial Reporting Standards and for timely financial disclosures under the Listing Rules and any other regulatory requirements.

The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statements as to the auditor's responsibility of financial reporting is set out in the independent auditor's report on pages 96 to 102 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has established risk management and internal control systems and has developed policies and procedures that are considered appropriate for the Group's business operations. The Group will continuously monitor and evaluate its business and take measures to protect the interests of the Group and the Shareholders.

The Board oversees and manages the risks associated with the Group's business and internal control systems on an ongoing basis in accordance with the Corporate Governance Code. The Group has an internal audit function. The Audit Committee is responsible for reviewing and supervising the Group's financial reporting process, risk management and internal control systems annually. The Audit Committee has reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, the effectiveness of internal audit and financial reporting functions and effectiveness of the risk management and internal control systems on for the year ended 31 December 2023, and such review is conducted on an annual basis. The Board is aware of the fact that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

To improve the Group's corporate governance and prevent future violations, it has adopted a series of internal control policies, procedures and programs designed to provide reasonable assurance for the realisation of goals such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The key points of the Group's internal control system include the following:

- It regularly provides the Directors with the latest information on the Company's performance, status and prospects so that the entire Board and Directors can perform their responsibilities;

- It adopts different policies to ensure compliance with the Listing Rules, including rules regarding risk management, continuing connected transactions and information disclosure;

- It has implemented an internal control policy on financial management;

- It has implemented a series of internal rules and regulations relating to the business operation, including quality control, sales and marketing, human resources and information technology systems;

- It has implemented policies on social insurance funds and housing provident funds to ensure compliance with regulations in the future; and

- It has adopted inside information policy which sets out guidelines to the employees of the Group to ensure inside information is to be disseminated to the public in equal, timely and effectively manner in accordance with the SFO, the Listing Rules and all other applicable rules and regulations.

The Group has also adopted a three-tier risk management approach to identify, assess and manage different types of risks. As the first line of defence, business units are responsible for identifying, assessing and monitoring risk associated with each business or transaction. The management, as the second line of defence, defines rule sets and models, provides technical support, develops new system and oversees portfolio management. It ensures that risks are within acceptable range and that the first line of defence is effective. As the final line of defence, the internal audit function (either in-house or outsourced) assists the Audit Committee to review the first and second lines of defence.

The Group is committed to the identification, evaluation and management of risks associated with its business activities through ongoing assessment of a risk register, by considering the likelihood and impact of each identified risk. The Group has implemented an effective control system which includes a defined management structure with limits of authority, a sound management system and periodic review of the Group's performance by its internal audit function, the Audit Committee and the Board.

The Board acknowledges that it is the responsibility of the Board to maintain adequate internal control and risk management systems to safeguard shareholders' investments and the Company's assets, and in reviewing the effectiveness of such systems on an annual basis.

During the Reporting Period, the Group had engaged an independent internal audit consultant as an internal audit function to assess the Group's risk management and internal control systems covering all material controls, including financial, operational and compliance controls functions to ensure the effectiveness and efficiency of such systems of the Group. It was reported that there were no material deficiencies on the Group's internal control system. The Board considers that the existing risk management and internal control systems are reasonably effective and adequate.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meetings

Pursuant to Article 64 of the Articles, any one or more Shareholders holding not less than 10% of the paid up capital of the Company may deposit at the Company's principal place of business in Hong Kong a written requisition to the Board or the Company Secretary which specifies the transaction of any business at such meeting and is signed by the requisitionists to require an extraordinary general meeting to be convened by the Board. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for directing shareholders' enquiries to the Board

The Company's Hong Kong share registrar serves the Shareholders with respect to all share registration matters and the Chairman would ensure the appropriate steps are taken to provide effective communication with Shareholders and that their view are communicated to the Board as a whole. Specific enquiries of shareholders and other stakeholders to the Board could be sent in writing to the Company Secretary by mail to the Company's principal place of business in Hong Kong set out below:

EuroEyes International Eye Clinic Limited
3rd Floor, Plaza 2000
2-4 Russell Street
Causeway Bay
Hong Kong S.A.R. of China

Procedures for putting forward proposals at shareholders' general meetings

There are no provisions allowing Shareholders to put forward new resolutions at a general meeting under the Companies Act of the Cayman Islands or the Articles. Shareholders who wish to move a resolution may request the Company to convene an extraordinary general meeting following the aforesaid procedures.

Pursuant to Article 114 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registered office of the Company, provided that the minimum length of the period, during which such notice(s) to the Company are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged Directors' and officers' liability insurance for its Directors. The insurance covers the corresponding costs, charges, expenses and liabilities for any legal action against them arising out of corporate activities.

CONSTITUTIONAL DOCUMENTS

In view of the No. 134 amendments to the Listing Rules, the Company has adopted the Second Amended and Restated Memorandum and Articles of Association as the Company's constitutional documents by way of a special resolution passed at the extraordinary general meeting held on 31 May 2023. The latest version of the constitutional documents is available on the websites of the Company and the Stock Exchange.

INVESTORS' RELATIONSHIP

The Company has maintained corporate transparency and communication with shareholders and investors through timely announcements and/or other publications. The Company's website (www.euroeyes.hk) provides an effective communication platform to understand the latest developments of the Company.

On 23 September 2019, the Company adopted a Shareholders' communication policy (the "Policy"). Under the Policy, the Company communicates with the Shareholders and investors through various channels. Timely publication of interim and annual results, announcements on the latest development of the Company and press release on the websites of the Company (www.euroeyes.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) could keep the shareholders updated of the Company's financial position and latest development. Shareholders are highly recommended to pay attention to the information available to the public. Annual General Meeting and other general meetings could provide an effective forum for the shareholders to share their views with the Board. Shareholders are welcome to attend the forthcoming Annual General Meeting. The Directors or their delegates, appropriate senior executive and the external auditor of the Company would be available at the forthcoming Annual General Meeting to answer shareholders' questions about the annual results for the year ended 31 December 2023 and the business of the Group. The Company considers that the Policy contributed an effective communication between the Company and the Shareholders during the Reporting Period.

INQUIRY TO THE BOARD

Shareholders may at any time send their inquiries to the Board in writing through the investor relations team, whose contact details are as follows:

Germany headquarters:
Valentinskamp 90
20355 Hamburg
Germany

Hong Kong office:
3rd Floor, Plaza 2000
2-4 Russell Street
Causeway Bay
Hong Kong S.A.R. of China

Email: ir@euroeyes.com

Further information

The Company endeavours to disclose other material information and updates about the Group, including share interests of senior management, other shareholding information and management information etc. to all interested parties on a timely basis. All such publications together with additional information of the Group would be updated and made available on the websites of the Company (www.euroeyes.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2023

Dear Valued Stakeholders,

On behalf of the board of directors (the "Board"), I hereby present you the environmental, social and governance report (the "ESG Report"), demonstrating in detail the approach and performance in terms of sustainable development of EuroEyes International Eye Clinic Limited (the "Company") and its subsidiaries (collectively, the "Group") during the financial year ended 31 December 2023 ("FY2023").

During FY2023, the Group continued to make progress on its environmental, social and governance ("ESG") strategy. The Group's risk management and internal control procedures have served to increase business resilience.

The Group fully understands that building a solid governance structure is the key to sustaining the business and making positive impacts. Adhering to that, the Group manages its ESG issues by adopting a top-down management approach, which comprises the Board and the environmental, social and governance task force (the "ESG Task Force"). The Board has the ultimate accountability for the Group's ESG strategies, management approach, performance and reporting. In order to better manage the Group's ESG-related issues, the Board delegates the ESG Task Force to oversee and review the Group's ESG-related matters such as policies, performance, and risk and opportunities as well as to recommend improvements. More information on the Group's ESG governance structure is mentioned in the section headed "The ESG Governance Structure".

In prevailing circumstances, it is vital for the Group to engage with its stakeholders in response to the increasing attention and interest in ESG matters. To prioritise the material ESG-related issues, the Board and the ESG Task Force assess the significance of multiple ESG topics with reference to different stakeholders' opinions. The Group regularly collects their opinions through various communication channels such as meetings, surveys and workshops. The Group will further strengthen its communication with stakeholders and formulate relevant sustainable development policies and measures with reference to their opinions to enhance the Group's ESG performance.

As a responsible corporation, the Group always cares about its sustainability performance regarding service quality, privacy protection, environmental protection, green operation, staff development, occupational health and safety, supply chain management and community work. In particular, to actively respond to the global vision of decarbonisation, the Group is committed to supporting the development of low-carbon economies by setting targets in reducing emissions, waste, energy consumption and water use. The progress of the environmental targets approved by the Board is reviewed by the ESG Task Force annually. Upon review, the ESG Task Force confirmed that the key performance indicators ("KPIs") in FY2023 are in progress towards the targets. Looking forward, the Group will continue to exert effort into ESG-related issues to accomplish the existing targets, formulate improvement plans regarding all material aspects, and strengthen the standard of internal management, so as to provide a long-lasting driving force for the long-term development of the Group.

In closing, I would like to express my sincere gratitude to my fellow directors, the management team, all employees and stakeholders for their contributions to the Group's sustainable development.

Dr. Jørn Slot Jørgensen
Chairman and Chief Executive Officer

INTRODUCTION

The Group is principally engaged in the provision of vision correction services in Germany, Denmark, the United Kingdom of Great Britain and Northern Ireland (the "UK") and the People's Republic of China (the "PRC" or "China"). For the purpose of this ESG Report, the PRC and China excludes the Macau Special Administrative Region of the PRC and Taiwan. The Group has become one of the leading brands in the vision correction industry that combines German ophthalmology excellence and years of professional experience with bespoke customer care service.

This ESG Report summarises the ESG initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development.

The ESG Governance Structure

The Group has developed a core governance framework to ensure the alignment of ESG governance with its strategic growth, while advocating ESG integration into its business operations. The structure of the Group's ESG governance is divided into two components, namely the Board and the ESG Task Force.

The Board holds the overall and collective responsibility for the Group's ESG strategies, as well as overseeing all ESG-related matters through the support of the ESG Task Force. Based on the recommendation from the ESG Task Force, the Board meets at least once per year to evaluate and approve the Group's ESG policies, approaches, priorities, risk and opportunities, as well as the Group's ESG goals and targets, strategies and the progress made towards achieving those objectives on an ongoing basis. The Board is also responsible for ensuring the effectiveness of the risk management systems and internal control mechanisms.

In order to assist the Board in implementing ESG initiatives and ensuring the establishment of appropriate and effective ESG risk management and internal monitoring system, the Group has set up the ESG Task Force, which is composed of representatives from various functional departments, to report to the Board at least once per year and fully implement the Group's ESG strategies and related actions. The ESG Task Force also reviews and reports to the Board on ESG-related goals and targets, management approach, strategies, risk and opportunities, policies and priorities relating to the business of the Group. In addition, the ESG Task Force examines and evaluates ESG risks and opportunities as well as the performance and practices of different ESG aspects such as environment, health and safety, labour standards and product responsibilities annually.

SCOPE OF REPORTING

The ESG Report follows the reporting scope of the Group's annual report, and covers its operations in Germany, Denmark, the UK, the PRC and the administrative office in Hong Kong, including a newly acquired clinic in Germany and in the UK. The newly opened flagship clinic in Hong Kong will not be included in the FY2023 reporting scope as the first surgery was conducted in December and there is insufficient data available.

REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix C2 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Information relating to the Group's corporate governance practices can be found in the Corporate Governance Report of this annual report.

During the preparation for this ESG Report, the Group has applied the reporting principles in the ESG Reporting Guide as follows:

Materiality: This ESG Report is structured based on the materiality of respective issues, resulting from materiality assessment. The result of the materiality assessment was reviewed and confirmed by the Board and the ESG Task Force. For further details, please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment".

Quantitative: This ESG Report is prepared in accordance with the ESG Reporting Guide and discloses KPIs in a quantitative manner. Information regarding the standards, methodologies, assumptions and/or calculation references, and sources of key conversion factors used for KPIs is stated wherever appropriate.

Consistency: Unless otherwise stated, the Group's disclosure and statistical methods are consistent with the previous financial year for meaningful comparison. During the Reporting Period, the Reporting Scope of this Report has changed as mentioned in the section headed "Scope of Reporting". If there are any other changes that may affect the comparison with previous reports, the Group will make explanatory notes to the corresponding section hereof.

REPORTING PERIOD

The ESG Report specifies the ESG activities, challenges and measures taken by the Group during FY2023 as well as comparative data for the financial year ended 31 December 2022 ("FY2022") where appropriate.

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback regarding its businesses and ESG aspects. The Group maintains close communication with its key stakeholders, including but not limited to, the Stock Exchange, governments and other regulatory authorities, shareholders and investors, employees, patients and customers, suppliers, media and the public and the community.

Stakeholders' expectations have been taken into consideration in formulating the Group's businesses and ESG strategies by utilising diversified engagement methods and communication channels as shown below:

Stakeholders	Engagement Methods	Expectations
The Stock Exchange	• The Stock Exchange website • Training and seminars • Announcements	• Compliance with Listing Rules and other relevant ordinances
Governments and other regulatory authorities	• Routine reports • Written or electronic correspondences • Visits and government inspections	• Legal compliance • Stability in business operations
Shareholders and investors	• General meeting and other shareholder meetings • Annual and interim reports • Announcements and circulars • Company website	• Sustainable profitability • Corporate governance • Legal compliance • Shareholder return

Stakeholders	Engagement Methods	Expectations
Employees	• Training, seminars and briefing • Employee suggestion boxes • Email and internal memos • Regular meetings	• Remuneration, compensation and benefits • Safe working environment • Career development
Patients and customers	• Customer service hotline and email • Visits to clinics	• Patient and customer satisfaction • Great post-operative care • High-quality services
Suppliers	• Site visits • Engagement and cooperation • Business meetings and discussion	• Fair and open procurement • On-time payment • Sustainable relationship
Media and the public	• ESG reports • Newsletters on company website • Reports and announcements	• Transparency of ESG issues and financial disclosure • Legal compliance • Corporate governance
Community	• Community activities • Employee voluntary activities • Charitable donations	• Active participation to worthy causes • Community development

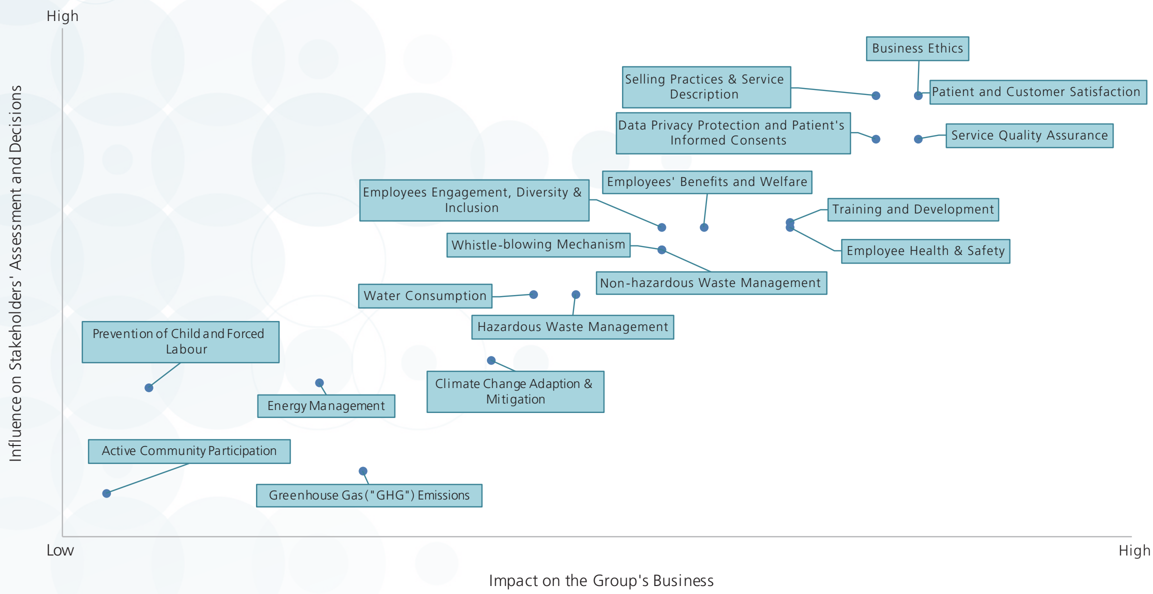
The Group endeavours to actively listen to and collaborate with its stakeholders to ensure that their opinions can be voiced out through proper communication channels. In the long-run, the stakeholders' contribution will aid the Group in improving its ESG performances and maintaining its sustainable success of the Group's business in this challenging market.

MATERIALITY ASSESSMENT

The Board and the ESG Task Force of the Group have participated in the preparation of the ESG Report. They have assisted the Group in reviewing its operations, identifying key ESG issues and assessing their relevant importance to the Group's businesses and stakeholders. To ensure that the disclosures in the ESG Report reflect the Group's efforts in tackling sustainability issues, a materiality assessment has been conducted to identify ESG issues that are material to different stakeholders and the Group's business. The result of the materiality assessment is also used to formulate strategies, set targets and determine the focus of the ESG Report.

With the assistance of the Group's management and the ESG Task Force, the Group identified the list of material ESG issues for the Group, based on its business, the Sustainable Accounting Standard Board Standard, the ESG Reporting Guide, and analysis of industry peers. To prioritise the identified material ESG issues, the Group compiled a questionnaire according to the material ESG aspects identified and approached various groups of stakeholders to complete the said questionnaire in order to fully reflect different stakeholders' opinions. The results of the materiality assessment were reviewed and approved by the ESG Task Force, and then approved by the Board. The outcome of the materiality assessment is presented in the form of a materiality matrix, as shown below:

Materiality Matrix



For FY2023, the Group confirmed that it has established appropriate and effective management policies and internal control systems to identify and handle ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advice in respect of the ESG Report or the Group's performances in sustainable development by email to ir@euroeyes.com or by writing to 3rd Floor, Plaza 2000, 2-4 Russell Street, Causeway Bay, Hong Kong.

A. ENVIRONMENTAL

A1. Emissions

As society demands for greater acceleration in the progress of environmental protection, the Group strives to closely monitor its environmental and social impacts and incorporate environmental sustainability measures into its daily business operations.

The Group's impact on the environment through emissions is relatively low given its clinic-based operations. Nevertheless, the Group continues to review its existing guidelines and seeks to introduce new policies with the intention of mitigating any potential (direct and indirect) negative environmental impacts arising from its business operations. The Group's Code of Conduct and Business Ethics has a section headed "Environmental Protection", which states that the Group strives to be environmentally responsible by adopting sound environmental practices and by supporting practical environmental-related measures and policies to protect and preserve the environment. In addition, to support the global decarbonisation vision and initiative, the Group undertakes to implement climate actions and continuously reduce carbon emissions.

During FY2023, the Group was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group including but not limited to, the Air Pollution Control Ordinance (Chapter 311 of the laws of Hong Kong), the Waste Disposal Ordinance (Chapter 354 of the laws of Hong Kong) and the Water Pollution Control Ordinance (Chapter 358 of the laws of Hong Kong), the Environmental Protection Law of the People's Republic of China, the Prevention and Control of Water Pollution Law of the People's Republic of China, the Prevention and Control of Atmospheric Pollution Law of the People's Republic of China, the Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China, the Regulations on the Administration of Medical Wastes of the People's Republic of China, the Ordinance on Hazardous Substances (Gefahrstoffverordnung) of Germany, the Federal Water Act of Germany, the Environmental Protection Act of Denmark and the Environmental Protection Act 1990 of the UK.

Air Emissions

Air emissions were generated from the use of company vehicles for daily commute. As the Group's core business activity focuses on the provision of vision correction services, no significant air emissions were produced in its daily operations. The Group actively implements green measures to reduce fuel consumption by vehicles which are mentioned in the section headed "Scope 1 – Direct GHG emissions" under this aspect.

Summary of air emissions performance:

Air Emissions[1,2]	**Unit**	**FY2023**	**FY2022**
Nitrogen Oxides (NOx)	kg	30.00	34.04
Sulphur Oxides (SOx)	kg	0.1168	0.0589
Particulate Matter (PM)	kg	2.76	3.26

Note(s):

1. The calculation method of air emissions is based on "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

2. The operation in Denmark is excluded from the calculation of air emissions in FY2022 as it was unable to provide relevant information due to its relocation.

GHG Emissions

The principal GHG emissions of the Group were generated from petrol and diesel consumption of vehicles (Scope 1), purchased electricity (Scope 2) and paper waste disposal at landfills (Scope 3). To minimise the environmental impacts of GHG emissions generated from the Group's business operations, the Group has set target to reduce the total GHG emissions intensity (tCO_2e/million revenue (HK$)) gradually by the financial year ended 31 December 2026 ("FY2026"), using FY2021 as the baseline year. To achieve the target, the Group has adopted the following measures:

Scope 1 – Direct GHG emissions

The Group has adopted the following measures to mitigate direct GHG emissions from petrol and diesel consumption by vehicles in its operations:

- Plan routes ahead of time to avoid route repetition and optimize fuel consumption;
- Switch off the engine whenever the vehicle is idling; and
- Regularly service vehicles to ensure optimal engine performance and fuel use.

Scope 2 – Indirect GHG Emissions

Electricity consumption accounted for the largest percentage of GHG emissions within the Group. The Group has implemented measures to reduce energy consumption, said measures are mentioned in the section headed "Energy Management" under aspect A2.

Scope 3 – Other Indirect GHG Emissions

Office paper waste disposal accounted for other indirect GHG emissions. Measures implemented to reduce paper waste disposal are mentioned in the section headed "Waste Management" under this aspect.

Total GHG emissions intensity have decreased by approximately 27.06% from approximately 1.70 tCO_2e per million revenue (HK$) in FY2022 to approximately 1.24 tCO_2e per million revenue (HK$) in FY2023. This was mainly due to the closure of Hangzhou clinic from June as a result of relocation and renovation, and the effective implementation of the measures stated in the section headed "Energy Management". The Group will continue to actively promote environmentally friendly measures to help reduce GHG emissions and achieve the target.

Summary of GHG emissions performance:

Indicator[3]	**Unit**[4]	**FY2023**[6]	**FY2022**[5]
Scope 1 – Direct GHG Emissions	tCO_2e	19.83	10.18
• Petrol and Diesel Consumption by Vehicles		19.83	10.18
Scope 2 – Indirect GHG Emissions	tCO_2e	859.78	1,020.16
• Purchased Electricity		859.78	1,020.16
Scope 3 – Other Indirect GHG Emissions	tCO_2e	5.52	4.85
• Paper Waste Disposal		5.52	4.85
Total GHG Emissions	tCO_2e	885.13	1,035.19
Total GHG Emissions Intensity[6]	tCO_2e/million revenue (HK$)	1.24	1.70

Note(s):

3. GHG emissions data is presented in terms of carbon dioxide equivalent and is based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report – Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), the "Notice on the Management of Enterprise Greenhouse Gas Emissions Reporting by Power Generation Industry for 2023-2025" issued by the Ministry of Ecology and Environment of the PRC, "Greenhouse gas emission intensity of electricity generation" published by European Environmental Agency, "Energy Statistics 2021" published by Danish Energy Agency and "Greenhouse gas reporting: conversion factors 2023" published by Department for Business, Energy & Industrial Strategy of the UK.

4. tCO_2e is defined as tonnes of carbon dioxide equivalent.

5. The operation in Denmark is excluded from the calculation of direct GHG emissions and other indirect GHG emissions in FY2022 as it was unable to provide relevant information due to its relocation.

6. For FY2023, the Group recorded a revenue of approximately HK$714.29 million (FY2022: HK$610.29 million). This data is used for calculating other intensity data.

Sewage Discharges into Water and Land

Due to the Group's business nature, the sewage discharge into land is insignificant. Similarly, there was no significant and unreasonable amount of sewage water discharged.

Waste Management

Hazardous Waste Management

Due to the Group's business nature, a material amount of hazardous wastes was generated by the Group. The major hazardous wastes produced in the Group's operations were clinical wastes. The Group remains vigilant in the management of proper clinical waste disposal. Guidelines on the handling and storage of clinical waste disposal have also been formulated to illustrate the procedures for dealing with hazardous wastes to reduce the risk of unnecessary exposure to contaminants and ensure that the disposal process complies with statutory requirements. Employees are required to familiarise themselves and strictly follow the procedures for handling hazardous waste as set out by the Group. Licenced medical waste collectors have also been contracted to lawfully handle and dispose of such clinical wastes. During FY2023, hazardous waste was lawfully disposed of by contracted third parties in different jurisdictions.

Total hazardous waste intensity has remained at similar level (0.020 tonnes per million revenue (HK$)) compared to FY2022. Different types of eye surgeries require different types of equipment and materials, therefore, the amount of hazardous waste generated can vary depending on the type of procedure. In order to continuously reduce the adverse impact associated with the production of hazardous waste, the Group will continue to monitor the amount of clinical waste generated during its operations.

Summary of major hazardous waste generation performance:

Category of Waste	Unit	FY2023	FY2022[7]
Total Hazardous Waste	tonnes	15.63	12.44
• Clinical Waste		15.63	12.44
Total Hazardous Waste Intensity	tonnes/million revenue (HK$)	0.020	0.020

Note(s):

7. The operation in Denmark is excluded from the calculation of hazardous waste in FY2022 as it was unable to provide relevant information due to its relocation.

Non-hazardous Waste Management

Non-hazardous wastes generated were principally general waste and office paper, and the Group was not aware of a disproportional amount of waste produced. To minimise the environmental impacts of non-hazardous waste generated from the Group's business operations, the Group has set target to reduce the total non-hazardous waste intensity (tonnes/million revenue (HK$)) gradually by FY2026, using FY2021 as the baseline year. To achieve the target, the Group continues to place great effort in educating its employees on the importance of reducing waste production and has adopted the following environmentally friendly initiatives to enhance its environmental performance.

Green measures include but not limited to the following:

- Reuse single-sided paper for draft documents;
- Recycle office paper, including those that are to be shredded;
- Print electronic correspondences only when necessary;
- Procure office paper with Forest Stewardship Council Recycled Label;
- Reduce the use of single-use disposable items; and
- Recycle office and electronic equipment after their life cycle.

Total non-hazardous waste intensity increased from approximately 0.01 tonnes per million revenue (HK$) in FY2022 to approximately 0.06 tonnes per million revenue (HK$) in FY2023. This was mainly due to the construction waste generated after the refurbishment in the UK Laser Eye Clinic. The Group will continue to actively promote environmentally friendly measures to help reduce total non-hazardous waste disposal.

Summary of major non-hazardous waste disposal performance:

Category of Waste	Unit	FY2023	FY2022[8]
Total Non-hazardous Waste	tonnes	43.04	8.26
• Office Paper		1.15	1.01
• General Waste		41.89	7.25
Total Non-hazardous Waste Intensity	tonnes/million revenue (HK$)	0.06	0.01

Note(s):

8. The operation in Denmark is excluded from the calculation of non-hazardous waste in FY2022 and FY2023 as it was unable to provide relevant information due to its relocation in FY2022, and the waste collection being included in the management fee paid to the office building in FY2023.

A2. Use of Resources

The Group takes the initiative to introduce green measures to reduce the environmental impact arising from its business operations. Measures on reducing office paper waste have been mentioned in the preceding "Waste Management" section.

Energy Management

The Group recognises the scarcity of finite natural resources and has therefore implemented policies to better govern the use of resources. Striving to reduce energy consumption during its operation, the Group has set a target to reduce its total energy consumption intensity (kWh/million revenue (HK$)) gradually by FY2026, using FY2021 as the baseline year. To achieve the target, the Group has adopted the following energy-saving measures:

- Pre-set thermostats of heaters and air-conditioners at a mutually agreed level;
- Switch off all idle appliances and unnecessary lighting upon leaving the office;
- Purchase equipment with high energy efficiency for the replacement of obsolete equipment; and
- Post energy-saving reminders near lights switches and electrical appliances.

Anomaly in electricity consumption will be investigated to find out the root cause and preventive measures will be taken. Total energy consumption intensity decreased by approximately 17.57% from approximately 3,495.47 kWh per million revenue (HK$) in FY2022 to approximately 2,881.47 kWh per million revenue (HK$) in FY2023 due to the closure of Hangzhou clinic from June as a result of relocation and renovation, and the effective implementation of the measures stated above. The Group will continue to actively promote energy-saving measures to reduce the use of energy.

Summary of energy consumption performance:

Types of Energy	Unit	FY2023	FY2022
Direct Energy Consumption[9, 10]	kWh	77,465.53	39,064.14
• Petrol		21,262.84	8,431.48
• Diesel		56,202.69	30,632.66
Indirect Energy Consumption	kWh	1,980,736.75	2,094,185.48
• Electricity		1,980,736.75[12]	2,094,185.48[11]
Total Energy Consumption	kWh	2,058,202.28	2,133,249.62
Total Energy Consumption Intensity	kWh/million revenue (HK$)	2,881.47	3,495.47

Note(s):

9. The unit conversion method of direct energy consumption data is based on the "Energy Statistic Manual" issued by the International Energy Agency.

10. The operation in Denmark is excluded from the calculation of direct energy consumption in FY2022 as it was unable to provide relevant information due to its relocation.

11. Electricity consumption data in FY2022 included all branches in the PRC, Germany, Denmark and UK. The total electricity consumption also excluded those usage in the rented shared office in Hong Kong, which the electricity consumption data were included in the management fee paid and unable to be obtained for the occupied areas.

12. Electricity consumption data in FY2023 included all branches in the PRC and Germany and the Aarhus and Copenhagen branches in Denmark. Electricity usage and its related costs in excluded branches were included in the rental arrangement with hospitals where the surgeries were performed, a breakdown of such data is hence not available. The total electricity consumption also excluded the usage in the rented shared office in Hong Kong, which the electricity consumption data were included in the management fee paid and unable to be obtained for the occupied areas.

Water Consumption

Water was mainly used in the offices and clinics. To minimise the environmental impact of water consumption from its operation, the Group has set target to reduce total water consumption intensity (m^3/million revenue (HK$)) gradually by FY2026, using FY2021 as the baseline year. To achieve the target, the Group actively promotes the importance of water conservation to its employees. Apart from posting banners around the offices, the Group also regularly inspects water taps to prevent leakage and installs dual flush water cisterns in toilets and aerators on water faucets in sinks where possible.

The Group's total water consumption intensity decreased by 2.21% from approximately 4.07 m^3 per million revenue (HK$) in FY2022 to approximately 3.98 m^3 per million revenue (HK$) in FY2023. This was mainly due to the effective implementation of the water-saving policies stated above and the increased awareness of employees.

Summary of water consumption performance:

Indicator	Unit	FY2023[13]	FY2022[13]
Water Consumption	m^3	2,841.00	2,483.00
Water Consumption Intensity	m^3/million revenue (HK$)	3.98	4.07

Note(s):

13. Water consumption data in FY2022 and FY2023 included all branches in the PRC and the UK. Water consumption and its related costs in excluded branches were included either in the rental arrangement with hospitals or the tenancy fee, a breakdown of such data is hence not available. The operation in Denmark is excluded from the calculation of water consumption in FY2022 as it was unable to provide relevant information due to its relocation. The Group will continuously enhance its data collection mechanism and may consider expanding the disclosure of water consumption data to include data from operation in Denmark in the future. The total water consumption also excluded those usage in the shared office in Hong Kong, which the water consumption data were included in the management fee paid and unable to be obtained for the occupied areas.

Due to the Group's business nature, the Group did not encounter any problem in sourcing water that is fit for purpose.

Use of Packaging Material

Due to the Group's business nature, the use of packaging material is not considered to be a material ESG aspect to the Group.

A3. The Environment and Natural Resources

The Group's business operations have a limited impact on the environment and natural resources, save for the aforementioned. However, the Group realises its responsibility in minimising any negative environmental impacts in its business operations. The Group remains conscious of its potential impact, therefore, regularly assesses the environmental risks of its business model, adopts preventive measures to reduce risks and ensures compliance with relevant laws and regulations.

Indoor Air Quality

To enhance working efficiency, the Group is committed to providing a pleasant working environment by maintaining environmental sanitation. Therefore, indoor air quality is regularly monitored and measured. During FY2023, the indoor air quality of the Group's office has been satisfactory. To improve indoor air quality, air purifying equipment has been placed in the office and the ventilation system is cleaned periodically. These measures resulted in maintaining the indoor air quality at a satisfactory level.

A4. Climate Change

Climate Change Adaptation and Mitigation

To echo the growing worldwide concern about climate change, the Group is committed to identifying, managing and disclosing material climate-related risks. Therefore, the Group has integrated climate-related risks into the Group's enterprise risk management ("ERM") system and formulated the Climate Change Policy. During FY2023, the Group underwent a preliminary risk assessment exercise in examining and evaluating its climate-related risks with regard to the recommendations in the Task Force on Climate-related Financial Disclosures ("TCFD"). With reference to TCFD's recommendations and based on the latest climate policies and market changes related to the regions and industries where it operates during FY2023, the following physical and transition risks were identified, and potential countermeasures were proposed and studied.

Physical Risk

As the frequency and magnitude of extreme weather events intensify, the Group's supply chain would be affected to a degree that it would disrupt product flow and shipping worldwide, including the global markets that the Group serves. To strengthen business resilience in the face of extreme weather events, the Group has developed strategies for mitigating and responding to them across its value chain. For instance, the Group has applied inventory demand forecasting analysis in its decision-making process and practiced order in advance at critical time. Other measures taken by the Group to stabilise the supply chain will be mentioned in the section headed "Supply Chain Management" under aspect B5.

In addition, extreme weather may also have a short-term impact on the operation of the Group by damaging the power grid and communication infrastructures, and injuring its employees during their work, leading to reduced capacity and decreased productivity, or exposing the Group to risks associated with non-performance and delayed performance. To minimise the potential risks and hazards, the Group has flexible working arrangements and precautionary measures during bad or extreme weather conditions.

Transition Risk

Compliance with new or existing laws and regulations could impact the Group's operations. In particular, as the urgency for policy makers to transition to a low-carbon economy heightens, the Group might be exposed to higher risks of claims and lawsuits regarding stricter climate-related laws and regulations. In response to emerging expectations and regulations around businesses managing corporate carbon footprint, the Group has implemented different energy-saving and GHG reduction initiatives, and set relevant targets to reduce its carbon footprint. The Group also regularly monitors existing and emerging trends, policies and regulations relevant to climate change and is prepared to alert the management where necessary to avoid cost increments, non-compliance fines and reputational risks due to delayed response.

Looking forward, the Group will continuously incorporate sustainability and industry best practices in its business operations to keep up with increasingly stringent government regulations and the rising stakeholders' interest in sustainability.

B. SOCIAL

B1. Employment

The continued success of the Group owes much to its talents and their contribution. Therefore, the Group strives to provide the greatest degree of protection to its employees through implementing comprehensive employment policies. Employment policies are formally documented in the Employee Handbook, covering recruitment and promotion, compensations and dismissal, remuneration, diversity, rest periods, working hours, equal opportunities and other benefits and welfare etc. The Group periodically reviews existing policies and employment practices to ensure continuous improvement of its employment standards and competitiveness against other ophthalmic service providers.

During FY2023, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance (Chapter 57 of the laws of Hong Kong), the Sex Discrimination Ordinance (Chapter 480 of the laws of Hong Kong) and the Minimum Wage Ordinance (Chapter 608 of the laws of Hong Kong), the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China, the German Civil Code, relevant collective agreements and statutes of Denmark, the Employment Relations Act 1999 of the UK and the Employment Rights Act 1996 of the UK.

As at 31 December 2023, the Group had 379 employees (as at 31 December 2022: 382 employees), which included but were not limited to surgeons, conservative ophthalmologists and optometrists. The following table shows the Group's diversity by gender, age group, employment type and geographical region:

	FY2023	FY2022
By Gender		
Male	82	75
Female	297	307
By Age Group		
Under 30 Years Old	83	100
30 to 50 Years Old	221	208
Above 50 Years Old	75	74
By Employment Type		
Full-time	290	269
Part-time	89	113
By Geographical Region		
Germany	160	172
Denmark	35	49
The PRC	110	103
The UK	72	57
Hong Kong	2	1

During FY2023, the Group's overall turnover rate[14] was approximately 22.11% (FY2022: 26.96%). The Group's employee turnover rates by gender, age group and geographical region during FY2023 are summarised below.

Turnover Rate (%)[15]	FY2023	FY2022
By Gender		
Male	18.29%	22.67%
Female	21.89%	28.01%
By Age Group		
Under 30 Years Old	31.33%	42.00%
30 to 50 Years Old	22.17%	25.48%
Above 50 Years Old	6.67%	10.81%
By Geographical Region		
Germany	23.13%	31.98%
Denmark	22.86%	24.49%
The PRC	22.73%	25.24%
The UK	13.89%	17.54%
Hong Kong	–	–

Note(s):

14. The overall turnover rate is calculated by dividing the number of employees leaving employment during the financial year by the number of employees as at the end of the financial year.

15. The turnover rate by category is calculated by dividing the number of employees leaving employment in the specified category during the financial year by the number of employees in the specified category as at the end of the financial year.

Employee Engagement, Diversity and Inclusion

The Group strives to provide a collaborative and inclusive workplace to welcome prospective employees equipped with unique skills and experience and maintain its current pool of talents. At the same time, the qualifications and experience of the Group's professional team are considered to be crucial to the quality of its services. In order to attract and retain key employees, the Group offers different types of remuneration packages to the employees and freelance surgeons. In addition to the leave entitlement stipulated in the employment laws of respective jurisdictions, the Group offers a wide variety of leave entitlements such as marriage leave, compassionate leave, etc.

The Group's employees are recruited via a robust, transparent and fair recruitment process based solely on their experience and expertise and without regard to their age, ethnicity, origin, gender identity, marital status, sexual orientation and religion. It is of the Group's firm belief that all employees should have the right to work in an environment free of discrimination, harassment, victimisation and vilification. Therefore, the Group emphatically states its zero-tolerance stance on any aforementioned behaviours in the workplace of any form.

Promotion and Performance Appraisal

The Group assesses the performance of the employees on an annual basis, the results of which are used in their annual salary review and promotion appraisal. The Group also gives preference to internal promotion to encourage consistent and continuous effort.

Compensation and Dismissal

All employees are protected by the statutes of their respective jurisdictions upon joining the Group. The said statutes provide protection to employees who sustain personal injury by accident or disease in the course of employment. In addition, the Group has purchased and maintained insurance policies for all of its premises, all full-time employees are also fully covered under the insurance policies. Surgeons and conservative ophthalmologists are reminded to purchase their own professional indemnity insurance policies.

Unreasonable dismissal under any circumstances is strictly prohibited; dismissal would be based on reasonable and lawful grounds in accordance with the internal policies of the Group.

Working Hours and Rest Periods

The Group has formulated policies for determining the working hours and rest periods for employees following local employment laws.

B2. Health and Safety

Employee Health and Safety

During FY2023, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group, including but not limited to the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) and the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), the Labour Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, the Danish Health Act, the German Criminal Act and the Management of Health and Safety at Work Regulations 1999 of the UK. The Group had zero work-related fatalities in each of the past three years including FY2023 in any of its operations.

During FY2023, there were 3 reported cases of work-related injuries, resulting in 6 lost days due to work injury (FY2022: 2 cases and 4 lost days). The first case involved a nurse who suffered a laceration due to incorrect handling of a surgical knife. The second incident involved a receptionist experiencing a bruised ankle as a result of accidentally stepping on an extension cord. In the third case, a nurse burned her finger tip on sterilizer. The Group has investigated and summarised the causes of those accidents thoroughly in good faith, and formulated various rectification measures.

The Group endeavours to provide and maintain a safe and healthy working environment for all its employees. The Group has adopted occupational health and safety management procedures and an internal safety manual for its staff, all of which are in compliance with the latest statutory requirements. Written procedures and guidelines are also in place for health and safety-related requirements, which includes, inter alia, the handling of medical equipment and clinical wastes and the use of personal protective equipment ("PPE").

In accordance with the Group's procedures and guidelines, employees should strictly adhere to the following safety measures:

- Wear appropriate work shoes according to the nature of work and environment;
- Label all chemicals, disinfectants and bactericides, and store them properly in the designated area;
- Wear protective clothing such as masks, goggles or gloves when they contact with patients' body fluid;
- Wash their hands immediately with hand sanitisers after removing clothing such as robes, uniforms or gloves; and
- Place used syringes in the sharp box with care to prevent acupuncture accidents which may cause infection.

With the current improved conditions of COVID-19, the Group has made the decision to relax certain measures while still maintaining a strong focus on the health and safety of our employees. The Group will continue to monitor the situation closely and make any necessary adjustments to ensure the well-being of our valued team members.

B3. Development and Training

Human Capital Development

Training and continuous development are indispensable to keep abreast of the rapidly evolving trend of this industry and also to satisfy customers' changing needs.

The Group places great emphasis on providing its employees with ample external and internal training opportunities to ensure that employees are well acquainted with the most up-to-date information and regulatory framework and exude professionalism. The Company's internal staff training consists of two phases. In the first phase, the staff member receives an in-house training during the first six months of employment, the training is designed to unify all staff of different work and education backgrounds under a common level of expertise and knowledge. New staff are required to be educated on the Company's treatment strategies and philosophy in order to provide the optimal service level to all customers, and at the same time, allow efficient and seamless integration with the existing team. This defines an internal standard level to confirm that the staff has the requisite knowledge to serve visiting customers. The second phase involves continuing education in the form of supplementary internal and external training programmes in areas such as sales, surgery assistance and new developments in refractive surgery. Externally, the Group sponsors its staff to attend international conferences and symposiums on refractive surgery to further develop and refine their expertise.

The refractive surgery manual is provided to all new incoming employees to ensure that they are familiar with the daily operation of the Group's refractive surgeries. Employees will be given the opportunity to sit the Group's internal examination to become a refractive coordinator of the Company, and such examination is held at the headquarters in Hamburg, Germany annually.

The Group also sponsors its doctors and team members to attend international conferences and symposiums in relation to vision correction and also holds regular know-how sharing sessions across the Group.

During FY2023, approximately 92.08%[16] of employees (FY2022: approximately 45.03%) were trained and the average training hours per employee was approximately 24.68 hours[17] (FY2022: approximately 7.51 hours). The following table is an overview of the Group's training statistics:

	2023			2022		
Indicators	**Percentage of Trained Employees[18] (%)**	**Breakdown of Trained Employees[19] (%)**	**Average Training Hours[20] (Hours)**	**Percentage of Trained Employees[18] (%)**	**Breakdown of Trained Employees[19] (%)**	**Average Training Hours[20] (Hours)**
By Gender						
Male	92.68	21.78	22.61	46.67	20.35	6.52
Female	91.92	78.22	25.25	44.63	79.65	7.75
By Employee Category						
Surgeons	100	7.45	27.46	81.82	10.47	14.50
Conservative Ophthalmologists	100	8.31	33.74	100	9.30	31.25
Nurses, Optometrists, Opticians and Refractive Coordinators	93.63	42.12	23.80	43.37	41.86	8.95
Management, Finance, Human Resource and Administration	66.67	12.61	16.83	46.88	17.44	3.89
Receptionist, Sales, Marketing and Customer Feedback	91.15	29.51	28.37	31.58	20.93	2.75

Note(s):

16. The percentage of trained employees is calculated by dividing the total number of employees who took part in training during the financial year by the total number of employees as at the end of the financial year.

17. The average training hours per employee is calculated by dividing the total number of training hours of employees during the financial year by the total number of employees as at the end of the financial year.

18. The percentage of trained employees by category is calculated by dividing the number of employees in the specified category who took part in training during the financial year by the number of employees in the specified category as at the end of the financial year.

19. The breakdown of trained employees by category is calculated by dividing the number of trained employees in the specific category during the financial year by the total number of trained employees during the financial year.

20. The average training hours by category is calculated by dividing the total number of training hours for employees in the specified category during the financial year by the number of employees in the specified category as at the end of the financial year.

B4. Labour Standards

Prevention of Child and Forced Labour

The Group guarantees that no employee will be made to work against his/her will nor will him/her be coerced to work. Pursuant to the Group's employment policies, the recruitment of child labour is strictly prohibited. All employees recruited by the Group are above the minimum working age of respective jurisdictions. Personal information and identity documents are carefully checked by the human resources department during the process to assist the selection of suitable candidates and to verify candidates' personal data. Moreover, to prevent non-compliance with labour standards of respective jurisdictions, overtime working is on a voluntary basis and is not recommended. If an employee suspects child or forced labour, the employee should report to the department head or executive director. Should the Group become aware of any violation of the labour standards of respective jurisdictions, the issue will immediately be dealt with in accordance with the applicable laws and regulations. The Group also reviews its employment policies from time to time.

During FY2023, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group, including but not limited to Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, Young Workers Protection Act of Germany, Working Environment Act of Denmark, the National Minimum Wage Act 1998 of the UK and the Modern Slavery Act 2015 of the UK.

B5. Supply Chain Management

Procurement Practices

The Group mainly procures surgical equipment such as lenses, treatment packs, eye-drops, equipment and tools. Well-regulated, fair and open tendering and evaluation procedures have been established to select prospective suppliers. Apart from considering the offered price, the Group also takes into account the business licences and certifications, the provision of quality service, supplier's experience and reputation, social and environmental compliance and follow-up services when selecting prospective suppliers.

To ensure that the suppliers and distributors could compete in an open and fair way, the Group's employee should adhere strictly to principles stated in the Code of Conduct and Business Ethics. The Group closely monitors the procurement made by our staff and forbids any practices that are against business ethics. Employees or personnel who have an interest relationship with the supplier will not be allowed to be involved in the related business activity.

The Group procures only surgical equipment and supplies of the medical quality. During FY2023, the Group had a total of approximately 424 (FY2022: 246) medical suppliers. All of the Group's medical suppliers are evaluated and engaged according to the Group's standardised supplier engagement process. The breakdown of the Group's suppliers is as follows:

Total Number of Suppliers	FY2023	FY2022
By Geographical Region		
Germany	93	82
Denmark	32	26
The PRC	111	71
Hong Kong	19	–
The UK	169	67

The Group currently has major and long-term business dealings with 2 of the aforementioned suppliers, namely Carl Zeiss, a Frankfurt-listed medical technology company since 1993, and Staar Surgical, a NASDAQ-listed medical technology company since 1997. They are both the Group's sole supplier of Zeiss trifocal lens and phakic lens ("ICL") respectively. To enhance the stability of supply, the Group has entered into a long-term supply agreement with Carl Zeiss with a renewable provision. The Group takes pride in its harmonious and longstanding business relationships with the aforementioned crucial partners. However, the Group is aware of and remains vigilant to the potential of fluctuation in supply.

Sustainable Supply Chain

The Group strives to maintain a supply chain management that both provides stability and flexibility by adopting a three-pronged approach, i) not over-relying on a specific supplier; ii) maintaining a sustainable relationship with existing suppliers; and iii) developing new connections with new prospective suppliers. Meanwhile, the Group expects suppliers to meet its standards in the area of environmental management, labour practices, corporate governance, and business ethics. To ensure that suppliers are complying with these standards and to minimise potential environmental and social risks in the supply chain, performance of the suppliers is periodically evaluated and monitored to ensure their compliance with relevant standards. To ensure effective implementation of the above practices, the Group has established KPIs related to environmental and social sustainability. These KPIs are monitored regularly, and progress is reviewed periodically to make any necessary adjustments. Should their practice or product supplied fall below the agreed standard, the cooperation may be terminated.

Additionally, the Group endeavours to support local economies and prioritises the procurement from local and regional suppliers to lower the carbon footprint during transportation. Striving to minimise its potential environmental and social risks in the supply chain, the Group also endeavours to engage service providers who incorporate ESG issues into their business development and gives priority to suppliers who use environmentally preferable products and services in the selection process.

B6. Product and Service Responsibility

The Group is committed to maintaining the standards on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress as required in the Listing Rules.

During FY2023, the Group was not aware of any non-compliance with laws and regulations concerning health and safety, advertising, labelling and privacy matters relating to products and services and methods of redress that would have a significant impact on the Group, including but not limited to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Tort Liability Law of the People's Republic of China and the Administrative Measures on Medical Advertisement of the People's Republic of China, the German Federal Data Protection Act (Bundesdatenschutzgesetz), the Healthcare Advertisement Act (Heilmittelwerbegesetz) of Germany and the German Act against Unfair Competition (Gesetz gegen den unlauteren Wettbewerb), the General Data Protection Regulation 2016/679 of the EU Law ("GDPR"), the Danish Health Act (Bekendtgorelse of sundhedsloven), the Executive Order 509 of 13 May 2018 and Act 326 of 6 May 2003 of Denmark, the Medical Device Regulations 2002 of the UK, the Data Protection Act 2018 of the UK, and the Opticians Act 1989 of the UK.

Data Privacy Protection and Patients' Informed Consent

As a healthcare service provider, the protection of patients' and customers' data privacy is of utmost importance to the Group. The Group endeavours to safeguard all sensitive information pertaining to the patients and assures that informed consents from patients are properly obtained under the framework of respective jurisdictions.

The Group has established a comprehensive protocol to govern the handling, storage, retrieval and access of the personal data and medical records of its patients and customers. The protocol was drafted in compliance with local laws and regulations of respective jurisdictions. A Data Protection Policy has been established to ensure that all staff are familiar with the proper handling method with regard to patients' and customers' sensitive data.

To protect patients' and customers' data against unauthorised physical access by third parties, files containing such data are stored in a lockable cabinet, accessible only by a designated person of the clinic. Access to classified and encrypted information without appropriate authentication is prohibited. Automatic protection features (e.g. password protected screen saver, keyboard lock) in servers, computer terminals, workstations or microcomputers are activated if there has not been activity for a predefined period of time to prevent unauthorised usage. All third-party IT contractors visiting the back offices or computer rooms will be monitored at all times by a staff member. The aforementioned procedures can be found in the Employee Handbook.

A data protection officer is appointed to ensure proper knowledge, support and authority are available to the Group regarding GDPR. The data protection officer will also provide training to managers and decision-makers on data protection to ensure that processes and tools involved in personal data are and remain compliant. As stipulated in the Group's data protection policy, staff members who handle and have access to personal and sensitive data must observe and follow the GDPR.

Service Quality Assurance

The Group's exceptional quality and post-operation satisfaction are recognised by receiving two world recognised "Zeiss Awards" for 7 consecutive years. The Zeiss Awards aims at recognising outstanding medical groups with remarkable contribution to the ophthalmology industry. The Group has been certified by Carl Zeiss as having performed the largest number of Zeiss Trifocal lens exchange surgeries in the world, indicating that the Group is one of the world's leading clinical groups in performing trifocal lens exchange surgery, having performed approximately 38,000 such presbyopia treatment surgeries between 2016 and 2023. This recognition from Zeiss was added to the list of medical achievements of the Group. In February 2023, the Company received the award for the most Implantable Collamer® Lens surgeries performed in Europe from STAAR Surgical Company. In April 2023, Dr. Jørn S. Jørgensen together with 5 other doctors of the Group received the "Germany's Excellent Doctors 2023" award for refractive surgery from German news magazine STERN in the special issue "Gute Ärzte für mich (Good Doctors for Me)". A month later, three members of EuroEyes 'International Medical Advisory Board' have been named on the prestigious Power List of "The Ophthalmologist 2023" by The Ophthalmologist magazine. In the same month, Dr. Gøril and Dr. Jannik Boberg-Ans from the Group received the 2023 Honorary Award from the Danish Medical Association for their efforts to restore sight to thousands of cataract patients in developing countries for 20 years.

The Group prides itself on the qualification and the number of high volume surgeons and the certification of the ISO 9001:2015 in all clinics in Germany. The Group's high volume surgeons not only graduated from renowned medical schools but also all perform a minimum of 1,000 refractive surgeries per year. All ophthalmologists have been registered with their local medical authorities in respective jurisdictions. Combined with the professional and detailed pre-examinations, the complication rate is greatly reduced. This provides prospective patients with confidence and trust upon the Group.

In addition, the Group will perform an inspection upon delivery of the new products such as eye drops to ensure that there are no physical damages on the products, the products have not passed the expiry date and clear labels are applied to containers. Moreover, the Group has also formulated standardised procedures in monitoring the environment for product storage. For instance, medications are to be stored at room temperature, away from sunlight. As the Group is principally engaged in the provision of vision correction services and does not involve in any manufacturing activities, products sold or shipped subject to recalls for safety and health reasons is considered immaterial to its business.

Patient and Customer Satisfaction

The Group attaches great significance to feedback and complaints from its customers and patients, as it is the key to enhancing the Group's service. Procedures for handling complaints relating to the post-operation of refractive surgeries are stated in the refractive surgery manual for refractive coordinators' reference. Should the Group receive any complaints, the Group will strive to act immediately to resolve the issue with effective corrective actions. In addition, any complaints received are discussed and reviewed by the management during regular meetings to prevent re-occurrence. During FY2023, the Group did not receive any product or service-related complaints.

Selling Practice and Service Description

Since the Group's principal focus is placed on the provision of vision correction services, matters pertaining to advertising and labelling are not considered to be material to the Group. However, the Group recognises the gravity of wrongful intake of pharmaceutical products and/or belief of misleading health advertisements. Therefore, the Group takes careful precautions to prevent its patients from receiving misleading health-related information or advice via advertisements and poor labelling practices.

Intellectual Property Rights

The Group believes that intellectual property rights are critical to its continued success. The Group primarily relies on the applicable laws and regulations on trademarks, trade secrets as well as confidentiality agreements to protect its intellectual property rights. Meanwhile, to prevent third parties from adopting, registering or using its trademarks, the Group has registered a number of trademarks as well as its domain names. The Group regularly monitors to ensure that intellectual property rights are not being infringed upon.

B7. Anti-corruption

During FY2023, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group, including but not limited to the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), the Anti-Unfair Competition Law of the People's Republic of China, the Criminal Law of the People's Republic of China, the German Criminal Act, the Danish Criminal Code and the Bribery Act 2010 (the 2010 Act) of the UK. During FY2023, there were no concluded legal cases regarding any forms of fraud and corrupt practices brought against the Group or its employees.

Business Ethics

Solid corporate governance is the bedrock of the Group's growth and development. The Group is committed to developing a culture of openness, accountability and integrity. Therefore, the Group has included a section named "Anti-corruption Practices" in the Group's Code of Conduct and Business Ethics which clearly states the Group's compliance with relevant laws and regulations, zero-tolerance stance and the responsibilities of its employees. The Group is careful to ensure that any contributions to charity and sponsorships are not a subterfuge for bribery. Therefore, for the purpose of transparency, the Group discloses all its charitable contributions and sponsorships. Bribery, fraud and corruption in any form or in relation to any parties are all strictly prohibited in the Group.

The Group endeavours to maintain a culture of integrity, transparency and accountability by adhering to stringent anti-corruption practices. To prevent corrupt practices during its business operation, employees are required to undergo anti-corruption training to familiarise themselves with the current legislation, the identification of and correct procedures to report corrupt practices. Relevant guidelines on anti-money laundering and counter-terrorist financing have been circulated among all directors during FY2023, which helped to familiarise them with their corresponding roles and responsibilities in anti-corruption and business ethics. All directors of the Group have received an average of approximately 1 hour of anti-corruption training.

Whistle-blowing Mechanism

The Group has established a comprehensive Whistle-blowing Policy which covers the treatment of concerns or complaints relating to suspected improper activities. The said policy also intends to address any complaints that allege acts or attempted acts of interference, reprisal, retaliation, threats, coercion or intimidation against employees who report, disclose or investigate improper or illegal activities and to protect those who come forward to report such activities. Therefore, the employee reporting in good faith under the whistle-blowing mechanism can be assured of the protection against unfair dismissal or victimisation, even if the reports are subsequently proved to be unsubstantiated.

Within the said policy, the Group has set out a detailed reporting and investigative procedure to encourage employees to report fraudulent activities and to ensure that their reports are given due regard. The Audit Committee ("AC") has the overall responsibility for the said policy, while the day-to-day responsibility for overseeing and implementing the policy is delegated to the Group Compliance Officer. Responsibility for monitoring and reviewing the execution of the policy and providing recommendations lies with the AC. The use and effectiveness of the Whistle-blowing Policy will be monitored and reviewed regularly by the Group Compliance Officer and approved by the AC.

B8. Community Investment

Active Community Participation

The Group is committed to investing in the development and success of the communities where it operates and plans to put focus and resources on the areas of contribution of education, environmental concerns, labour needs, health, culture and sport. The Group believes that social participation and contribution is a part of responsible corporate citizenship and is able to inject positive values into the community. To encourage the Group's employees to actively participate in worthy causes, the Group has established relevant guidelines on employee community engagement, endorsing senior executives' participation in community service and acceptance of public offices.

As a vision correction service provider, the Group not only restores or improves patients' vision but also restores hope, faith and confidence of patients. Since 2003, the Group has been involved in pro-bono work in less developed areas such as Peru and Nepal and even travelled to Tibet and the Dominican Republic to restore vision of the underprivileged.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Mandatory Disclosure	Section/Statement
Governance Structure	Chairman's Statement, The ESG governance structure
Reporting Principles	Reporting Framework, Stakeholder Engagement, Materiality Assessment
Reporting Boundary	Scope of Reporting

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Emissions, GHG Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Emissions – GHG Emissions

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Waste Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Energy Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Use of Packaging Material
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources The Environment and Natural Resources – Indoor Air Quality

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change – Climate Change Adaptation and Mitigation
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change – Physical Risks, Transition Risks
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment Employment – Employee Engagement, Diversity and Inclusion, Promotion and Performance Appraisal, Compensation and Dismissal Employment, Working Hours and Rest Periods
KPI B1.1	Total workforce by gender, employment type (for example, full employment or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety – Employee Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting period.	Health and Safety – Employee Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety – Employee Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety – Employee Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Notes: Training refers to vocational training. It may include internal and external courses paid by the employer.	Development and Training – Human Capital Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training – Human Capital Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training – Human Capital Development

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards – Prevention of Child and Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards – Prevention of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards – Prevention of Child and Forced Labour
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management – Procurement Practices
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management – Procurement Practices
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management – Procurement Practices
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management – Sustainable Supply Chain
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management – Sustainable Supply Chain

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product and Service Responsibility Product and Service Responsibility – Selling Practice and Service Description
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product and Service Responsibility – Service Quality Assurance
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product and Service Responsibility – Patient and Customer Satisfaction
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product and Service Responsibility – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product and Service Responsibility – Service Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product and Service Responsibility – Data Privacy Protection and Patients' Informed Consent

Subject Areas, Aspects, General Disclosures, and KPIs	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption Anti-corruption – Business Ethics
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption – Whistle-blowing Mechanism
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption – Business Ethics
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment – Active Community Participation
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment – Active Community Participation
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment – Active Community Participation

End

INDEPENDENT AUDITOR'S REPORT

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羅兵咸永道

To the Shareholders of EuroEyes International Eye Clinic Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of EuroEyes International Eye Clinic Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 103 to 192, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of goodwill and fair value measurement of contingent consideration payable from acquisitions

- Recognition of right of use assets ("ROU Assets") and lease liabilities as a lessee

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and fair value measurement of contingent consideration payables from acquisition	
Refer to Notes 38.7(i), 3.3, 4(a), 4(b), 9, 15 and 35 to the consolidated financial statements. As at 31 December 2023, the Group had significant balances of goodwill of HK$271 million and contingent consideration payables of HK$92 million which were recognised for the acquisitions. During the year ended 31 December 2023, the net fair value gains of HK$16 million was charged to "other gains/(losses), net" in the consolidated statement of comprehensive income. The Group performed the annual goodwill impairment assessment as at 31 December 2023. The Group made estimates and judgments to determine the recoverable amounts of the cash generation unit based on the value-in-use calculations using cash flow projections. Based on the results of the impairment assessments, no impairment loss on the goodwill was recognised as at 31 December 2023.	Our procedures to address the key audit matter included: o We obtained an understanding of the internal control and assessment process of goodwill impairment and the fair value assessment of contingent consideration payable; and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; o We evaluated and tested the key controls over the assessment of goodwill impairment and fair value of contingent consideration payable; o We assessed the reasonableness of the basis that management used to identify separate group of CGUs for the allocation of goodwill; o We read the Share Purchase Agreement in relation to the acquisitions and discussed with management to obtain an understanding on the details of the arrangements;

The Group has engaged independent external valuers to assist management for performing the fair value valuation for the initial recognition of contingent consideration payables at the dates of acquisition. The Group subsequently performed the fair value valuation of contingent consideration payable as at 31 December 2023 by using a discounted cashflow model which was consistent with initial recognition measurement.

We focused on this area due to the magnitude of the carrying amount of goodwill and contingent consideration payable and the high degree of judgment required in determining the key assumptions as at 31 December 2023, including the revenue growth rate, gross margin, terminal revenue growth rate and discount rates for the impairment assessment of goodwill and the valuation of contingent consideration payable.

- o We assessed the assumptions adopted including revenue growth rate, gross margin and terminal revenue growth rate by examining the approved financial forecast models, and compared against the historical results taking into consideration of market trends and our industry knowledge. We involved our internal valuation expert to assess the appropriateness of the discount rates for the impairment assessment of goodwill and fair value valuation of contingent consideration payable;

- o We tested the accuracy of mathematical calculation applied in the discounted cash flow models used in impairment assessment of goodwill and fair value measurement of contingent consideration payable;

- o We evaluated the reasonableness of management's forecast performance and assessed management's sensitivity analysis for the key assumptions, to ascertain the extent to which adverse changes would result in the goodwill being impaired;

- o We assessed the competency, capability and objectivity of external valuers engaged by the Group; and

- o We considered the adequacy of the disclosures in the consolidated financial statements.

Based on the procedures performed, we considered that the key assumptions adopted by management in the assessment of goodwill impairment and the valuation of the contingent consideration payable are supported by the evidence obtained.

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Recognition of right of use assets ("ROU Assets") and lease liabilities as a lessee

Refer to Note 4(c) and Note 29 to the consolidated financial statements.

As at 31 December 2023, the Group had ROU assets of HK$364 million and lease liabilities of HK$383 million.

These ROU assets and lease liabilities are initially measured on a present value basis, which is calculated through discounted future lease payments. Management exercised significant judgments in determining the carrying amount of ROU assets and lease liabilities including the discount rates and the period of the future lease payments that taking into consideration of the possibility of the lease contract extension for each lease.

We focused on this area due to the significance of the amounts of the ROU assets and lease liabilities and the fact that the estimation of discount rate and lease term determination are subject to high degree of estimation uncertainty.

Our procedures to address the key audit matter included:

- o We obtained an understanding of the management's internal control and assessment process of discount rate and lease term determination and assessed inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;

- o We evaluated the outcome of prior period assessment of the ROU assets and lease liabilities to assess the effectiveness of the management's estimation process;

- o We obtained a summary of leases from management, and agreed, on a sample basis, the key terms of each lease contracts including lease terms and lease payments to the relevant lease contracts;

- o We assessed the appropriateness of the discount rates used in the calculation of the ROU assets and lease liabilities through comparing with the respective group entities' rates of borrowing on a collateralised basis over a similar term, amount and economic environment;

- o We evaluated management's assessment of the period of the future lease payments that taking into consideration of the possibility of the lease contract extension on a sample basis;

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- o We tested the accuracy of mathematical calculation, of the lease liabilities based on the lease payments, discount rates and expected lease terms on a sample basis;
- o We assessed the accounting treatment of lease modification identified subsequent to the initial recognition and tested the accuracy of mathematical calculation of the adjustments to the ROU assets and lease liabilities based on the revised lease terms;
- o We tested the accuracy of mathematical calculation of the depreciation for ROU assets and inspected the payment of lease liabilities subsequent to the initial recognition on a sample basis; and
- o We considered the adequacy of the disclosures related to lease term and discount rate determination in the context of the IFRS Accounting Standards.

Based on the procedures performed, we considered that the key assumptions adopted by management in the assessment of discount rate and lease term determination were supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 28 March 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Assets			
Non-current assets			
Property, plant and equipment	*13*	**622,226**	452,169
Intangible assets	*14*	**37,300**	33,422
Goodwill	*15*	**271,352**	186,279
Deferred tax assets	*30*	**31,525**	27,505
Deposits and other receivables	*18*	**3,313**	3,357
Total non-current assets		**965,716**	702,732
Current assets			
Inventories	*20*	**16,166**	16,379
Prepayments	*17*	**10,424**	12,656
Income tax recoverable		**1,561**	366
Deposits and other receivables	*18*	**32,470**	21,398
Trade receivables	*19*	**6,877**	5,568
Restricted cash	*23*	**168**	2,374
Cash and cash equivalents	*21*	**720,216**	779,567
Total current assets		**787,882**	838,308
Total assets		**1,753,598**	1,541,040
Equity			
Equity attributable to owners of the Company			
Share capital	*22*	**26,138**	26,138
Shares held for share scheme	*23*	**(10,505)**	(11,020)
Share premium	*37(b)*	**658,371**	659,505
Other reserves	*24*	**63,393**	35,155
Retained earnings		**397,379**	304,488
Total equity attributable to owners of the Company		**1,134,776**	1,014,266
Non-controlling interests	*31*	**30,732**	28,827
Total equity		**1,165,508**	1,043,093

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Liabilities			
Non-current liabilities			
Lease liabilities	*29*	**313,520**	242,646
Contingent consideration payable	*3.3, 35*	**86,213**	77,039
Put options		**–**	981
Deferred tax liabilities	*30*	**17,891**	13,570
Total non-current liabilities		**417,624**	334,236
Current liabilities			
Trade payables	*26*	**22,592**	20,043
Contract liabilities	*6*	**15,775**	11,800
Income tax liabilities		**10,693**	41,050
Accruals and other payables	*27*	**44,481**	25,470
Borrowings	*28*	**928**	283
Contingent consideration payable	*3.3, 35*	**6,183**	17,583
Lease liabilities	*29*	**69,814**	47,482
Total current liabilities		**170,466**	163,711
Total liabilities		**588,090**	497,947
Total equity and liabilities		**1,753,598**	1,541,040

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 110 to 192.

The financial statements on pages 103 to 192 were approved by the Board of Directors on 28 March 2024 and were signed on its behalf.

Dr Jørn Slot Jørgensen
Chairman and Chief Executive Officer

Dr Markus Braun
Executive Director and Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Revenue	*6*	**714,289**	610,291
Cost of sales	*7*	**(378,768)**	(339,447)
Gross profit		**335,521**	270,844
Selling expenses	*7*	**(72,918)**	(56,661)
Administrative expenses	*7*	**(89,303)**	(80,642)
Net impairment losses on financial assets		**(221)**	(33)
Other gains/(losses), net	*9*	**20,435**	(701)
Operating profit		**193,514**	132,807
Finance income	*10*	**19,331**	6,910
Finance expenses	*10*	**(22,235)**	(10,737)
Finance expenses, net	*10*	**(2,904)**	(3,827)
Profit before tax		**190,610**	128,980
Income tax expense	*11*	**(57,356)**	(45,462)
Profit for the year		**133,254**	83,518
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
– Exchange differences on translation of foreign operations		**5,971**	(42,801)
Items that will not be reclassified to profit or loss			
– Exchange differences on translation to presentation currency		**26,623**	(37,431)
Other comprehensive income/(loss) for the year		**32,594**	(80,232)
Total comprehensive income for the year		**165,848**	3,286

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	**2023 HK$'000**	2022 HK$'000
Profit attributable to:			
– Owners of the Company		**131,242**	89,472
– Non-controlling interests		**2,012**	(5,954)
		133,254	83,518
Total comprehensive income attributable to:			
– Owners of the Company		**163,602**	9,384
– Non-controlling interests		**2,246**	(6,098)
		165,848	3,286
Earnings per share			
– Basic earnings per share (HK cents)	*12*	**39.544**	26.958
– Diluted earnings per share (HK cents)	*12*	**39.501**	26.927

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes on pages 110 to 192.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company							
	Share capital *(Note 22)* HK$'000	Shares held for share scheme *(Note 23)* HK$'000	Share premium *(Note 37(b))* HK$'000	Other reserves *(Note 24)* HK$'000	Retained earnings HK$'000	Total HK$'000	Non – controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2022	25,826	(11,344)	626,302	116,655	248,113	1,005,552	34,925	1,040,477
Profit/(loss) for the year	–	–	–	–	89,472	89,472	(5,954)	83,518
Other comprehensive loss	–	–	–	(80,088)	–	(80,088)	(144)	(80,232)
Total comprehensive income for the year	–	–	–	(80,088)	89,472	9,384	(6,098)	3,286
Transactions with owners in their capacity as owners:								
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax *(Note 22, 35, 37)*	312	–	35,421	–	–	35,733	–	35,733
Acquisition of shares held for share scheme *(Note 23)*	–	(5,988)	–	–	–	(5,988)	–	(5,988)
Share-based payments *(Note 25)*	–	–	–	2,682	–	2,682	–	2,682
Issue of shares under employee share schemes *(Note 23, 24, 37)*	–	6,312	(2,218)	(4,094)	–	–	–	–
Dividend provided for or paid *(Note 33)*	–	–	–	–	(33,097)	(33,097)	–	(33,097)
	312	324	33,203	(1,412)	(33,097)	(670)	–	(670)
Balance as at 31 December 2022	26,138	(11,020)	659,505	35,155	304,488	1,014,266	28,827	1,043,093

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company							
	Share capital *(Note 22)* HK$'000	Shares held for share scheme *(Note 23)* HK$'000	Share premium *(Note 37(b))* HK$'000	Other reserves *(Note 24)* HK$'000	Retained earnings HK$'000	Total HK$'000	Non – controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2023	26,138	(11,020)	659,505	35,155	304,488	1,014,266	28,827	1,043,093
Profit for the year	–	–	–	–	131,242	131,242	2,012	133,254
Other comprehensive income	–	–	–	32,360	–	32,360	234	32,594
Total comprehensive income for the year	–	–	–	32,360	131,242	163,602	2,246	165,848
Transactions with owners in their capacity as owners:								
Acquisitions of interests in subsidiaries from non-controlling interests *(Note 31)*	–	–	–	(5,205)	–	(5,205)	(631)	(5,836)
Capital injections from non-controlling interest	–	–	–	–	–	–	2,056	2,056
Appropriations to statutory surplus reserve	–	–	–	442	(442)	–	–	–
Acquisition of shares held for share scheme *(Note 23)*	–	(2,206)	–	–	–	(2,206)	–	(2,206)
Share-based payments *(Note 25)*	–	–	–	2,228	–	2,228	–	2,228
Issue of shares under employee share schemes *(Note 23, 24, 37)*	–	2,721	(1,134)	(1,587)	–	–	–	–
Dividend provided for or paid *(Note 33)*	–	–	–	–	(37,909)	(37,909)	(1,766)	(39,675)
	–	515	(1,134)	(4,122)	(38,351)	(43,092)	(341)	(43,433)
Balance as at 31 December 2023	26,138	(10,505)	658,371	63,393	397,379	1,134,776	30,732	1,165,508

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 110 to 192.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Cash generated from operations	*32(a)*	**265,625**	226,704
Interest received		**19,331**	1,138
Income tax paid		**(93,101)**	(18,794)
Net cash generated from operating activities		**191,855**	209,048
Cash flows from investing activities			
Payments for acquisitions of subsidiaries, net of cash acquired		**(90,730)**	(91,451)
Purchases of property, plant and equipment		**(88,919)**	(56,307)
Payments for purchase of financial assets at fair value through profit or loss		**–**	(15,718)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	31,035
Purchases of intangible assets		**(636)**	–
Proceeds from disposal of property, plant and equipment		**–**	627
Net cash used in investing activities		**(180,285)**	(131,814)
Cash flows from financing activities			
Capital contributions from non-controlling interests		**2,056**	2,430
Acquisitions of interests in subsidiaries from non-controlling interests		**(5,836)**	–
Dividends paid		**(39,675)**	(33,097)
Acquisition of shares for employee share scheme	*23*	**–**	(8,360)
Lease payments	*29(d)*	**(59,309)**	(59,173)
Repayments of borrowings		**–**	(4,015)
Net cash used in financing activities		**(102,764)**	(102,215)
Net decrease in cash and cash equivalents		**(91,194)**	(24,981)
Cash and cash equivalents at beginning of the year		**779,567**	845,636
Effects of exchange rate changes on cash and cash equivalents		**31,843**	(41,088)
Cash and cash equivalents at end of the year		**720,216**	779,567

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 110 to 192.

1 GENERAL INFORMATION

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

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

2 BASIS OF PREPARATION

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

Accounting policies applied in the preparation of these consolidated financial statement have been consistently applied, unless otherwise stated. Other than these material accounting policies which are disclosed in the notes to the relevant financial line items or transactions in these consolidated financial statement, other accounting policies have been set out in the summary in Note 38.

2.1 New and amended standards adopted by the Group

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

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

The Group has applied the following amendment in prior years:

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

The Group also elected to adopt the following amendments early:

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

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

2 BASIS OF PREPARATION (Continued)

2.2 New standards and interpretations not yet adopted

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

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

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

Foreign currency risk is the risk that the value of a financial instrument fluctuates because of the changes in foreign exchange rates.

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

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

(ii) Cash flow and fair value interest rate risk

The Group's borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group is also exposed to fair value interest rate risk in relation to borrowings at fixed interest rate. The interest rate profile of the Group's borrowings is disclosed in Note 28. As at 31 December 2023, the Group does not have significant borrowings and thus there is no significant cash flow and fair value interest rate risk exposure identified.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

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

(i) Risk management

Credit risk is managed on a group basis. Substantially all of the Group's cash and cash equivalents are held in major financial institutions located in Germany, Denmark, the UK, and China, which management believes are of high credit quality. There was no recent history of default of cash and cash equivalents from such financial institutions. Management believes the credit risk associated with the Group's cash and cash equivalent is low.

The Group's sales to customers are mostly required to be settled in advance. Trade receivables are mainly from health insurance companies that make regular settlement to the Group. There are no significant concentrations of credit risk.

(ii) Impairment of financial assets

The Group mainly has following types of financial assets that are subject to the expected credit loss model:

- trade receivables from the provision of vision correction services, and
- financial assets at fair value through profit or loss

While cash and cash equivalents, restricted cash and other receivables are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. Given there is no history of default from cash and cash equivalent and other receivables, based on management's assessment of the credit rating of the counterparties, the credit risk from cash and cash equivalent, restricted cash and other receivables are very low.

Trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 36 months before the beginning or the end of the reporting year and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Given the fact that most of the customers are required to make payments in advance for the goods or services provided by the Group, the credit losses experienced by the Group were low and this is expected to be the same in the future given there is no change in revenue terms expected.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

Management assesses the impairment of trade receivables according to trade ageing, management's prior experience and customers' conditions as well as applying management's judgments and estimates when determining the impairment to be recognised. When applying the expected loss model, the historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The loss allowance for trade receivables as at 31 December 2023 and 2022, based on life time expected credit loss model, was determined as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Net impairment loss on financial assets at January 1 *(Note 19)*	**199**	212
Movement in loss allowance for trade receivables	**221**	(13)
Net impairment loss on financial assets at December 31 *(Note 19)*	**420**	199

There was no other financial asset carrying a significant exposure to credit risk.

The reconciliation of loss allowance for trade receivables as at 31 December 2023 is presented in Note 19.

Financial assets at fair value through profit or loss

The Group is also exposed to credit risk in relation to the investments in structured deposit that is measured at fair value through profit or loss. As at 31 December 2023 and 31 December 2022, all of the Group's structured deposit was matured (Note 3.3). Impairment losses on financial assets are recognised in profit or loss.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

(i) Financing arrangements

The undrawn borrowing facilities of the Group as at 31 December 2023 is presented in Note 28.

(ii) Maturities of financial liabilities

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

As at 31 December 2023	Less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total contractual cash flows HK$'000	Carrying amount HK$'000
Trade payables	22,592	–	–	–	22,592	22,592
Accruals and other payables	26,971	–	–	–	26,971	26,971
Borrowings	928	–	–	–	928	928
Contingent consideration payable	6,266	49,367	41,806	–	97,439	92,396
Lease liabilities	72,060	67,351	154,206	128,665	422,282	383,334
	128,817	116,718	196,012	128,665	570,212	526,221

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position, plus net debt, where applicable.

As at 31 December 2023, the gearing ratio is not applicable due to net cash position (2022: same).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

(a) Fair value hierarchy

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

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. The quoted market price incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

Recurring fair value measurements	*Note*	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
At 31 December 2022					
Financial liabilities					
Contingent consideration payable	*16*	–	–	(94,622)	(94,622)
At 31 December 2023					
Financial liabilities					
Contingent consideration payable	*16*	**–**	**–**	**(92,396)**	**(92,396)**

The fair value of the financial assets at fair value through profit or loss is estimated by discounting the future cash flows using the expected yield rate with reference to the benchmark yield rate of the financial investment products of banks.

The fair value of the financial liabilities at fair value through profit or loss is estimated by discounting the future cash flows of contingent liability payable using expected borrowing cost with reference to the 5-year Loan Prime Rate promulgated by the Central Bank of mainland China and historical average credit spread of corresponding period.

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

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

The following table presents the changes in level 3 items for the year ended 31 December 2023 and 31 December 2022:

	Contingent consideration payable HK$'000	Structured deposit HK$'000
Opening balance at 1 January 2022	–	15,944
Additions *(Note 35)*	(101,418)	15,718
Settlements	–	(31,035)
Fair value (losses)/gains on financial instruments at fair value through profit or loss *(Note 9)*	(4,852)	140
– includes unrealised gains recognised in profit or loss	(4,852)	–
Foreign exchange difference in finance income *(Note 35)*	5,613	–
Translation of foreign currency in other comprehensive income/(loss)	6,035	(767)
Closing balance at 31 December 2022	(94,622)	–
Opening balance at 1 January 2023	(94,622)	–
Additions *(Note 35)*	(27,232)	–
Settlements	18,826	–
Fair value gains on financial instruments at fair value through profit or loss *(Note 9)*	15,955	–
– includes unrealised gains recognised in profit or loss	1,075	–
Foreign exchange difference in finance income *(Note 35)*	(1,625)	–
Translation of foreign currency in other comprehensive loss	(3,698)	–
Closing balance at 31 December 2023	**(92,396)**	**–**

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(c) Valuation inputs and relationships to fair value

Description	Fair value at 31 December 2023 HK$'000	Fair value at 31 December 2022 HK$'000	Unobservable inputs	Range of inputs 2022	Range of inputs 2023	Range of inputs 2024	Range of inputs 2025	Range of inputs 2026	Relationship of unobservable inputs to fair value
Contingent consideration payable – London Vision Clinic Partners Ltd. ("LVC")	64,403	94,622	Risk-adjusted discount rate	5.36%	5.26%	5.26%	5.26%	5.26%	The higher the Risk-adjusted discount rate, the lower the fair value
			Expected Revenue growth rate	10%-14%	10%-14%	8%-14%	8%-12%	8%-12%	The higher the expected revenue growth rate, the higher the fair value
Contingent consideration payable – FreeVis LASIK Zentrum Mannheim GmbH ("FreeVis GmbH")	27,993	–	Risk-adjusted discount rate	n/a	n/a	5.26%	5.26%	5.26%	The higher the Risk-adjusted discount rate, the lower the fair value
			Expected Revenue growth rate	n/a	n/a	6%-7%	6%-7%	6%-7%	The higher the expected revenue growth rate, the higher the fair value

(d) Valuation processes

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

The valuation technique is discounted cash flows. Future cash flows of financial assets are estimated and discounted using the expected yield rate with reference to the benchmark yield rate of the financial investment products of banks. Future cash flows of contingent liability payable are estimated and discounted using expected borrowing cost with reference to the 5-year Loan Prime Rate promulgated by the Central Bank of mainland China and historical average credit spread of corresponding period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 15. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates.

Judgment is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of comprehensive income.

(b) Fair values of contingent consideration in business combination (Note 35)

With respect to the fair vale of the contingent consideration payable that arising from the Group's acquisition of LVC and FreeVis GmbH, the Group uses its judgment to select an appropriate method and make assumptions, including the revenue growth rate, adjusted EBIT growth rate and discount rate, which are mainly based on market conditions existing at the end of each reporting period. Changes in assumptions used could materially affect the fair value of these balances and as a result affect the Group's financial condition and results of operation.

(c) Lease term and discount rate determination

The Group leases various properties, equipment and cars. Assets and liabilities arising from a lease are initially measured on a present value basis. Some of the Group's property leases contain extension and termination option or residual value guarantees. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affect this assessment and that is within the control of the lessee.

The Group is also required to exercise considerable judgment in relation to determining the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(d) Depreciation and amortisation

The Group's management determines the residual value, useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual residual value and useful lives of property, plant and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation and amortisation charge where residual value or useful lives are less than previous estimates, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The current estimated useful lives are stated in Note 13(a) and Note 38.7.

(e) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes, including the withholding taxes arising from profit distribution. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and liabilities in the periods in which such estimates are changed.

(f) Recognition of deferred tax assets for carried-forward tax losses

The deferred tax assets include an amount of HK$20,528,000 (Note 30) as at 31 December 2023 which relates to carried-forward tax losses of certain subsidiaries. The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved budgets for these subsidiaries. In determining the future taxable income of the subsidiaries, management exercised judgment and considers it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(g) Impairment of trade and other receivables

The Group follows the guidance of IFRS 9 to determine when a trade and other receivable is impaired. This determination requires significant judgment and estimation. In making this judgment and estimation, the Group evaluates, among other factors, the duration of receivables and the financial health collection history of individual debtors and expected future change of credit risk, including the consideration of factors such as general economy measure, change in macro indicators etc.

5 SEGMENT INFORMATION

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

Description of segments and principal activities

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

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

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

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

5 SEGMENT INFORMATION (Continued)

	Germany segment HK$'000	China segment HK$'000	Denmark segment HK$'000	UK segment HK$'000	Inter-segment elimination HK$'000	Unallocated items HK$'000	Total HK$'000
Segment total assets	1,044,715	326,450	88,555	385,389	(1,093,558)	–	751,551
Unallocated							
Corporate assets							970,522
Deferred tax assets							31,525
Total assets							1,753,598
Segment total liabilities	839,203	361,912	27,951	306,174	(990,399)	–	544,841
Unallocated							
Corporate liabilities							25,358
Deferred tax liabilities							17,891
Total liabilities							588,090

5 SEGMENT INFORMATION (Continued)

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

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

5 SEGMENT INFORMATION (Continued)

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

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

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

	As at 31 December	
	2023 HK$'000	2022 HK$'000
UK	**334,248**	304,171
Germany	**313,010**	189,770
China	**226,867**	121,356
Denmark	**56,753**	56,573
	930,878	671,870

6 REVENUE

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

Breakdown of revenue by product category is as follows:

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

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

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

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

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

6 REVENUE (Continued)

(a) Disaggregation of revenue from contracts with customer

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major business segments and geographical regions.

	Provision of vision correction services				Sales of pharmaceutical products				Others				Total
	Germany HK$'000	China HK$'000	Denmark HK$'000	The UK HK$'000	Germany HK$'000	China HK$'000	Denmark HK$'000	The UK HK$'000	Germany HK$'000	China HK$'000	Denmark HK$'000	The UK HK$'000	HK$'000
Year ended 31 December 2023													
Segment revenue	378,778	144,036	87,919	97,164	17	–	–	–	7,368	280	–	4,321	719,883
Inter-segment revenue	–	–	–	–	–	–	–	–	(5,247)	(280)	–	(67)	(5,594)
Revenue from external customers	378,778	144,036	87,919	97,164	17	–	–	–	2,121	–	–	4,254	714,289
Timing of revenue recognition													
– At a point in time	–	–	–	–	17	–	–	–	–	–	–	–	17
– Over time	378,778	144,036	87,919	97,164	–	–	–	–	2,121	–	–	4,254	714,272
	378,778	144,036	87,919	97,164	17	–	–	–	2,121	–	–	4,254	714,289

6 REVENUE (Continued)

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

	Provision of vision correction services				Sales of pharmaceutical products				Others				Total
	Germany	China	Denmark	The UK	Germany	China	Denmark	The UK	Germany	China	Denmark	The UK	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2022													
Segment revenue	333,732	98,437	65,031	107,566	33	–	83	–	4,501	–	–	2,969	612,352
Inter-segment revenue	–	–	–	–	–	–	–	–	(2,029)	–	–	(32)	(2,061)
Revenue from external customers	333,732	98,437	65,031	107,566	33	–	83	–	2,472	–	–	2,937	610,291
Timing of revenue recognition													
– At a point in time	–	–	–	–	33	–	83	–	–	–	–	–	116
– Over time	333,732	98,437	65,031	107,566	–	–	–	–	2,472	–	–	2,937	610,175
	333,732	98,437	65,031	107,566	33	–	83	–	2,472	–	–	2,937	610,291

(b) Contract liabilities movement

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Balance at beginning of the year	**11,800**	8,115
Acquisition of a subsidiary *(Note 35)*	**–**	7,397
Advance collected from customers during the year	**694,755**	560,054
Revenue recognised from contract liabilities existed at the beginning of the year	**(11,800)**	(8,115)
Revenue recognised from contract liabilities occurred during the year	**(678,980)**	(555,651)
Balance at end of the year	**15,775**	11,800

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

6 REVENUE (Continued)

(c) Accounting policies

The Group's revenue is primarily derived from providing vision correction services, sales of pharmaceutical products, rendering of training service and rental of ophthalmic equipment and operating spaces. Cost incurred in obtaining contracts are included in "selling expenses" immediately when incurred as the related amortisation period is less than 12 months.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(i) Provision of vision correction services

The Group provides vision correction surgery and related pre- and post-surgery eye examination services to its customers. Such vision correction services are considered as one performance obligation given the customer can only benefit from the services together. Revenue from providing vision correction services is recognised over the period in which the services are rendered by reference to the progress towards completion of the performance obligation. The vision correction surgery and related pre- and post-surgery eye examination are performed separately in different dates and each is completed within a day. There is no other substantive activity being provided to the customer in between each service rendered. The Group used output method to measure the progress towards completion of the performance obligation. A free consultation is normally provided to the potential customers visiting the Group and as there was no contract between the potential customer and the Group that creates enforceable rights and obligations at this stage, no transaction price allocated to the consultation and accordingly no revenue recognised for the free consultation. Payments from customers for the vision correction services are normally collected in full before the services are provided. A contract liability is recognised until the related services are completed.

(ii) Sales of pharmaceutical products

The Group sells pharmaceutical products such as eye drops to its customers. Revenue from the sale of goods is recognised when such goods are accepted by the customer, i.e. control of the goods has been transferred to the customer. Payment of the transaction price is due immediately when pharmaceutical products has been accepted by the customer. There is no right of return of the goods for the customer once sold.

(iii) Rental of ophthalmic equipment and operating spaces

The Group leases operating spaces and ophthalmic equipment to freelance doctors for eye surgeries and collects usage fees from such services.

(iv) Rendering of training service

The Group provides training service to customers. Service income is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Training income is included in the category of others in revenue.

7 EXPENSES BY NATURE

	2023 HK$'000	2022 HK$'000
Employee benefit expenses *(Note 8)*	**222,728**	186,319
Raw materials and consumables *(Note 20)*	**84,430**	78,333
Depreciation of property, plant and equipment *(Note 13)*	**82,901**	76,691
Advertising and marketing expenditure	**50,641**	37,661
Electricity and other utility expenses	**28,101**	24,278
Clinic, office and consumption expenses	**21,275**	16,212
Legal and other consulting services fee	**12,530**	17,334
Transportation costs	**11,547**	7,092
Repair and maintenance	**10,145**	9,574
Amortisation of intangible assets *(Note 14)*	**4,449**	4,032
Auditors' remuneration		
– PricewaterhouseCoopers	**3,311**	3,653
– other auditors	**883**	808
Doctors' fee	**2,343**	8,889
Rent on short-term leases *(Note 29)*	**688**	3,110
Rent concession related to COVID-19	**–**	(833)
Others	**5,017**	3,597
Total	**540,989**	476,750

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2023 HK$'000	2022 HK$'000
Wages and salaries	**198,512**	162,032
Contributions to defined contribution pension scheme *(a)*	**21,105**	20,690
Provision for employee benefits and housing scheme *(b)*	**883**	915
Share-based payments *(Note 25)*	**2,228**	2,682
	222,728	186,319

(a) Pension scheme

The Group pays contributions to publicly administered pension insurance plans on a mandatory, contractual basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Housing scheme

In accordance with the mainland China housing reform regulations, the Group is required to make contributions to the Chinese state-sponsored housing fund at 5% – 13% of the salaries of the PRC employees. At the same time, the employees are also required to make a contribution at the same percentage of their salaries out of their payroll. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2022: three) directors whose emoluments are reflected in the analysis presented in Note 8(d). The emoluments payable to the remaining three (2022: two) non-director individuals during the year are as follows:

	2023 HK$'000	2022 HK$'000
Basic salaries and allowances	**15,095**	8,764
Share-based payment	**–**	–
	15,095	8,764

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(c) Five highest paid individuals (Continued)

The emoluments of non-director individuals fell within the following bands:

	Number of individuals	
Non-director individuals	2023	2022
Emolument bands		
HK$4,500,001 to HK$5,000,000 (2023: approximately €518,881 to €576,535) (2022: approximately €541,530 to €601,699)	1	2
HK$5,000,001 to HK$5,500,000 (2023: approximately €576,535 to €634,189) (2022: approximately €601,699 to €661,869)	2	–
	3	2

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(d) Directors' emoluments

	Fees HK$'000	Salaries and bonus HK$'000	Share-based payment HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Year ended 31 December 2023						
Executive Director						
Dr. Jørn Slot Jørgensen (Chairman)	360	2,386	–	–	–	2,746
Dr. Markus Braun	360	1,154	10	–	119	1,643
Mr. Jannik Jonas Slot Jørgensen	360	–	540	–	–	900
Prof. Dan Zoltan Reinstein *(ii)*	360	5,247	–	–	–	5,607
Non-executive Director						
Mr. Marcus Huascar Bracklo	360	–	1,247	–	–	1,607
Independent non-executive Director						
Mr. Hans Helmuth Hennig	360	–	–	–	–	360
Ms. Katherine Rong Xin	360	–	–	–	–	360
Mr. Philip Duncan Wright	360	–	–	–	–	360
	2,880	8,787	1,797	–	119	13,583

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(d) Directors' emoluments (Continued)

	Fees HK$'000	Salaries and bonus HK$'000	Share-based payment HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Year ended 31 December 2022						
Executive Director						
Dr. Jørn Slot Jørgensen (Chairman)	360	2,350	–	–	–	2,710
Dr. Markus Braun	360	1,295	231	–	134	2,020
Dr. Ralf-Christian Lerche *(i)*	360	1,039	113	–	–	1,512
Mr. Jannik Jonas Slot Jørgensen	360	–	270	–	–	630
Prof. Dan Zoltan Reinstein *(ii)*	173	4,355	–	–	–	4,528
Non-executive Director						
Mr. Marcus Huascar Bracklo	360	–	312	–	–	672
Independent non-executive Director						
Mr. Hans Helmuth Hennig	360	–	–	–	–	360
Ms. Katherine Rong Xin	360	–	–	–	–	360
Mr. Philip Duncan Wright	360	–	–	–	–	360
	3,053	9,039	926	–	134	13,152

(i) Dr. Ralf-Christian Lerche resigned as Executive Director of the Company on 2 January 2023. During the year ended 31 December 2022, Dr. Ralf-Christian Lerche received doctors' fees of HK$1,253,000.

(ii) Prof. Dan Zoltan Reinstein was appointed as Executive Director of the Company on 8 July 2022.

No directors waived or agreed to waive any emoluments during the years ended 31 December 2023 and 2022.

During the years ended 31 December 2023 and 2022, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.

There is no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors during the years ended 31 December 2023 and 2022.

Save for contracts amongst group companies and the transactions disclosed above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended 31 December 2023 and 2022.

9 OTHER GAINS/(LOSSES), NET

	2023 HK$'000	2022 HK$'000
Gains/(losses) on fair value change of contingent consideration payable *(Note 3.3, 35)*	**15,955**	(4,852)
Government compensation for employee welfare	**914**	3,183
Net gains on financial assets at fair value through profit or loss *(Note 3.3)*	**–**	140
(Losses)/gains on disposal of property, plant, and equipment	**(382)**	206
Others	**3,948**	622
	20,435	(701)

10 FINANCE EXPENSES, NET

	2023 HK$'000	2022 HK$'000
Finance income		
Interest income	**19,331**	1,138
Foreign exchange gains, net	**–**	5,772
	19,331	6,910
Finance expenses		
Foreign exchange loss, net	**(8,091)**	–
Interest expenses on leases *(Note 29)*	**(9,703)**	(6,960)
Interest expenses on borrowings	**–**	(157)
Other finance expenses	**(4,441)**	(3,620)
	(22,235)	(10,737)
Net finance expenses	**(2,904)**	(3,827)

11 INCOME TAX EXPENSE

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

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

	2023	2022
	HK$'000	HK$'000
Current income tax	**60,396**	50,744
Deferred tax *(Note 30)*	**(3,040)**	(5,282)
Income tax expense	**57,356**	45,462

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

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

12 EARNINGS PER SHARE

(a) Basic earnings per share

For the years ended 31 December 2023 and 2022, basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

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

(b) Diluted earnings per share

For the years ended 31 December 2023 and 2022, diluted earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares and potential ordinary shares during the year.

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

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

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

Potential ordinary share are number of shares considered under Restricted Share Award Scheme in Note 23.

13 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK$'000	Machinery HK$'000	Leasehold improvements HK$'000	Vehicles HK$'000	Others HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2022							
Opening net book amount	195,427	79,836	54,351	–	5,147	20,875	355,636
Acquisition of a subsidiary *(Note 35)*	47,503	6,358	1,051	–	150	–	55,062
Additions	94,207	28,252	5,913	–	627	20,550	149,549
Transfer upon completion	–	2,754	33,777	–	173	(36,704)	–
Depreciation charge	(46,790)	(18,587)	(10,143)	–	(1,171)	–	(76,691)
Disposals	–	(421)	–	–	–	–	(421)
Exchange differences	(19,755)	(5,962)	(3,729)	–	(339)	(1,181)	(30,966)
Closing net book amount	270,592	92,230	81,220	–	4,587	3,540	452,169
As at 31 December 2022							
Cost	441,407	213,994	155,746	2,336	15,235	3,540	832,258
Accumulated depreciation	(170,815)	(121,764)	(74,526)	(2,336)	(10,648)	–	(380,089)
Net book amount	270,592	92,230	81,220	–	4,587	3,540	452,169

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Right-of-use assets HK$'000	Machinery HK$'000	Leasehold improvements HK$'000	Vehicles HK$'000	Others HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2023							
Opening net book amount	270,592	92,230	81,220	–	4,587	3,540	452,169
Acquisition of a subsidiary *(Note 35)*	2,382	3,089	–	–	1,213	–	6,684
Additions	133,356	44,970	22,735	–	1,078	31,599	233,738
Transfer upon completion	–	441	323	–	–	(764)	–
Depreciation charge	(50,031)	(21,233)	(10,680)	–	(957)	–	(82,901)
Disposals	(1,715)	(373)	–	–	(9)	(1,273)	(3,370)
Exchange differences	9,115	3,253	2,910	–	194	435	15,906
Closing net book amount	363,699	122,378	96,508	–	6,105	33,537	622,226
As at 31 December 2023							
Cost	578,500	265,001	181,714	2,336	17,685	33,537	1,078,772
Accumulated depreciation	(214,801)	(142,623)	(85,206)	(2,336)	(11,580)	–	(456,546)
Net book amount	363,699	122,378	96,508	–	6,105	33,537	622,226

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation of property, plant and equipment has been charged to the consolidated statement of comprehensive income as follows:

	2023 HK$'000	2022 HK$'000
Cost of sales	**67,993**	62,696
Selling expenses	**5,085**	4,841
Administrative expenses	**9,823**	9,154
Total	**82,901**	76,691

(a) Depreciation methods and useful lives

Depreciation is calculated using the straight-line method to allocate their cost less accumulated impairment losses, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased equipment, the shorter lease term as follows:

- Right-of-use assets — 2 to 25 years
- Machinery — 3 to 14 years
- Leasehold improvements — 4 to 25 years
- Vehicles — 4 to 6 years
- Others — 3 to 17 years

Leasehold improvements are depreciated over the shorter of their useful life or the lease term, unless the entity expects to use the assets beyond the lease term.

14 INTANGIBLE ASSETS

	Licence HK$'000	Software HK$'000	Trademark HK$'000	Total HK$'000
As at 1 January 2022				
Cost	7,085	1,831	36	8,952
Accumulated amortisation	(3,500)	(895)	(18)	(4,413)
Net book amount	3,585	936	18	4,539
Year ended 31 December 2022				
Opening net book amount	3,585	936	18	4,539
Acquisition of a subsidiary *(Note 35)*	–	373	34,979	35,352
Amortisation charge	(627)	(140)	(3,265)	(4,032)
Exchange difference	(216)	(114)	(2,107)	(2,437)
Net book amount	2,742	1,055	29,625	33,422
As at 31 December 2022				
Cost	6,869	2,090	32,908	41,867
Accumulated amortisation	(4,127)	(1,035)	(3,283)	(8,445)
Net book amount	2,742	1,055	29,625	33,422
Year ended 31 December 2023				
Opening net book amount	**2,742**	**1,055**	**29,625**	**33,422**
Additions	**458**	**178**	**–**	**636**
Acquisition of a subsidiary *(Note 35)*	**–**	**–**	**6,278**	**6,278**
Amortisation charge	**(680)**	**(144)**	**(3,625)**	**(4,449)**
Exchange difference	**99**	**47**	**1,267**	**1,413**
Net book amount	**2,619**	**1,136**	**33,545**	**37,300**
As at 31 December 2023				
Cost	**7,426**	**2,315**	**40,453**	**50,194**
Accumulated amortisation	**(4,807)**	**(1,179)**	**(6,908)**	**(12,894)**
Net book amount	**2,619**	**1,136**	**33,545**	**37,300**

14 INTANGIBLE ASSETS (Continued)

Amortisation of intangible assets has been charged to the consolidated statement of comprehensive income as follows:

	2023 HK$'000	2022 HK$'000
Cost of sales	637	618
Selling expenses	102	58
Administrative expenses	3,710	3,356
Total	4,449	4,032

15 GOODWILL

	As at 31 December	
	2023 HK$'000	2022 HK$'000
LVC *(i)*	172,558	179,352
FreeVis GmbH *(ii)*	91,966	–
Deshijia (Shenzhen) Consulting Management Co., Ltd ("Deshijia Shenzhen") *(iii)*	6,828	6,927
	271,352	186,279

(i) As at 31 December 2023 and 2022, the Group's goodwill of HK$172,558,000 (31 December 2022: HK$179,352,000) was generated from acquisition of LVC (Note 35), which was viewed as one CGU within the UK segment, on 20 January 2022.

(ii) As at 31 December 2023, the Group's goodwill of HK$91,966,000 was generated from acquisition of FreeVis GmbH (Note 35), which was viewed as one CGU within the Germany segment, in August 2023.

(iii) As at 31 December 2023 and 2022, the Group's goodwill of HK$6,828,000 (31 December 2022: HK$6,927,000) was generated from the acquisition of 70% interest in Deshijia Shenzhen (previously called Shenzhen Hero Consulting Management Co., Ltd.), which was viewed as one CGU within China segment, on 1 November 2016.

15 GOODWILL (Continued)

(a) Impairment tests for goodwill

The Group performed impairment reviews for goodwill annually or more frequently if events or changes in circumstances indicated a potential impairment. As at 31 December 2023 and 2022, for impairment review purpose, the carrying value of the CGU is compared to the recoverable amount, which is determined based on value-in-use ("VIU").

The VIU calculations use pre-tax cash flow projections based on financial budgets prepared by the management. The Group believes that it is appropriate to cover a 5-year period in its cash flow projection, because it captures the development stage of the Group's businesses during which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. The management leveraged their extensive experience in the industry and provided forecast based on past performance and their expectation of future business plans and market developments. The discount rate used is pre-tax and reflects specific risks relating to the business.

The cash flows are extrapolated using the long-term growth rate.

The key assumptions used for value-in-use calculations in 2023 and 2022 are as follows:

	2023			2022	
	FreeVis GmbH	LVC	Deshijia Shenzhen	LVC	Deshijia Shenzhen
Revenue growth rate	6%~7%	3%~12%	10%~30%	8%~14%	10%~40%
Long-term growth rate	2%	2%	2%	2%	2%
Gross profit margin	60%~67%	53%~56%	36%~38%	55%~60%	20%~35%
Pre-tax discount rate	20%	18.6%	18.2%	18%	20.5%

15 GOODWILL (Continued)

(a) Impairment tests for goodwill (Continued)

The Group performs sensitivity analysis on the key assumptions used in the impairment test for goodwill. The table below summarised the key assumptions used in the goodwill impairment test and the impacts to the value-in-use calculations upon unfavourable movements of the key assumptions:

(b) Impairment tests for goodwill

LVC

At 31 December 2023

Items	Assumptions used	Movement of key assumptions	Decrease of value-in-use HK$'000
Revenue growth rate	3%~12%	Decrease by 1% point	8,630
Long-term growth rate	2%	Decrease by 1% point	13,090
Gross profit margin	53%~56%	Decrease by 5%	21,598
Pre-tax discount rate	18.6%	Increase by 1% point	15,644

At 31 December 2022

Items	Assumptions used	Movement of key assumptions	Decrease of value-in-use HK$'000
Revenue growth rate	8%~14%	Decrease by 1% point	9,499
Long-term growth rate	2%	Decrease by 1% point	13,754
Gross profit margin	55%~60%	Decrease by 5%	31,148
Pre-tax discount rate	18%	Increase by 1% point	21,639

FreeVis GmbH

At 31 December 2023

Items	Assumptions used	Movement of key assumptions	Decrease of value-in-use HK$'000
Revenue growth rate	6%~7%	Decrease by 1% point	3,963
Long-term growth rate	2%	Decrease by 1% point	5,011
Gross profit margin	60%~67%	Decrease by 5%	7,316
Pre-tax discount rate	20%	Increase by 1% point	5,775

15 GOODWILL (Continued)

(b) Impairment tests for goodwill (Continued)

Deshijia Shenzhen

At 31 December 2023

Items	Assumptions used	Movement of key assumptions	Decrease of value-in-use HK$'000
Revenue growth rate	10%~30%	Decrease by 1% point	192
Long-term growth rate	2%	Decrease by 1% point	688
Gross profit margin	36%~38%	Decrease by 5%	2,202
Pre-tax discount rate	18.2%	Increase by 1% point	1,208

At 31 December 2022

Items	Assumptions used	Movement of key assumptions	Decrease of value-in-use HK$'000
Revenue growth rate	10%~40%	Decrease by 1% point	567
Long-term growth rate	2%	Decrease by 1% point	598
Gross profit margin	25%~35%	Decrease by 5%	1,786
Pre-tax discount rate	20.5%	Increase by 1% point	1,038

(c) Impairment tests for goodwill

Based on management's analysis, the negative movements of the key assumptions in the table above are unlikely to happen and thus no impairment loss is noted for the goodwill arising from acquisition of FreeVis GmbH, LVC and Deshijia Shenzhen for the year ended 31 December 2023.

(d) Accounting policies

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the CGUs level.

16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

Financial assets	*Note*	**As at 31 December** **2023** **HK$'000**	2022 HK$'000
– Cash and cash equivalents	*21*	**720,216**	779,567
– Deposits and other receivables	*18*	**35,783**	24,755
– Trade receivables	*19*	**6,877**	5,568
– Restricted cash	*23*	**168**	2,374
		763,044	812,264

Financial liabilities	*Note*	**As at 31 December** **2023** **HK$'000**	2022 HK$'000
Liabilities at amortised cost			
– Trade payables	*26*	**22,592**	20,043
– Other payables		**26,971**	12,582
– Borrowings	*28*	**928**	283
Contingent consideration payable	*3.3*	**92,396**	94,622
Lease liabilities	*29*	**383,334**	290,128
		526,221	417,658

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets mentioned above.

17 PREPAYMENTS

	As at 31 December **2023** **HK$'000**	2022 HK$'000
Prepayments made for purchase of medical supplies, consumables and services	**10,424**	12,656

18 DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Deposits	16,261	12,357
Amounts due from third parties	7,120	6,025
Capital receivable from non-controlling interests	5,767	5,850
Interest receivable	4,466	–
Prepaid value-added tax	–	141
Others	2,169	382
	35,783	24,755
Less:		
Non-current portion	(3,313)	(3,357)
Current portion	32,470	21,398

The Group's maximum exposure to credit risk at the end of the reporting year was the carrying amount of deposits and other receivables.

The amounts due from third parties and amount due from a related party are unsecured, interest-free and repayable on demand.

The carrying amounts of current and non-current deposits and other are denominated in the following currencies:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
– RMB	13,382	16,462
– EUR	12,263	3,764
– HK$	4,536	–
– GBP	4,258	2,518
– DKK	1,344	2,011
	35,783	24,755

19 TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Trade receivables due from third parties	7,228	5,676
Trade receivables due from related parties	69	91
Total trade receivables, gross	7,297	5,767
Less: provision for impairment	(420)	(199)
Total trade receivables, net	6,877	5,568

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Within 6 months	7,297	5,767

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
– GBP	2,610	2,144
– EUR	2,285	1,097
– RMB	1,847	1,612
– DKK	555	914
	7,297	5,767

19 TRADE RECEIVABLES (Continued)

(i) Fair value of trade receivables

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

(ii) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Given that majority of the Group's sales are paid by customers in advance, the credit loss from trade receivable is considered very low by management. Information about the impairment of trade receivables and the Group's exposure to credit risk, foreign currency exchange risk and cash flow interest rate risk can be found in Note 3.1.

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

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

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

20 INVENTORIES

	As at 31 December	
	2023 HK$'000	2022 HK$'000
Lens	10,261	10,695
Lasik	4,596	4,454
Medication	659	532
Glasses	338	166
Others	312	532
	16,166	16,379

The cost of inventories which was recognised as an expense and was included in "cost of sales" for the year ended 31 December 2023 amounted to HK$84,430,000 (2022: HK$78,333,000).

As at 31 December 2023 and 2022, the carrying amount of the Group's inventories did not exceed the net realisable value, thus no provision for impairment was made.

21 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Cash on hand	217	66
Cash at bank	719,999	779,501
	720,216	779,567

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
– EUR	633,621	672,122
– RMB	53,544	47,141
– DKK	18,793	12,390
– HK$	7,190	1,737
– GBP	6,808	46,169
– US$	260	8
	720,216	779,567

The Group earns interests on cash at bank at floating bank deposit rates with no fixed maturity date, which range from 0% to 0.30% per annum for the year ended 31 December 2023 (2022: 0% to 0.30% per annum).

22 SHARE CAPITAL

	As at 31 December			
	2023	2022	2023	2022
	Shares	Shares	HK$'000	HK$'000
Authorised:				
Balance at the beginning and end of the year	1,000,000,000	1,000,000,000	78,451	78,451
Issued and fully paid:				
Balance at the beginning of the year	333,240,000	329,234,000	26,138	25,826
Issuance *(Note 35)*	–	4,006,000	–	312
Balance at the end of the year	333,240,000	333,240,000	26,138	26,138

23 SHARES HELD FOR SHARE SCHEME

	As at 31 December			
	2023	2022	**2023**	2022
	Shares	Shares	**HK$'000**	HK$'000
Shares held for share scheme	**1,412,650**	1,170,116	**10,505**	11,020

These shares of the Company were acquired and held by an independent professional trustee (the "Trustee") for the purpose of granting shares under the Restricted Share Award Scheme and other equity-based incentive schemes adopted by the Company (see Note 25 for further information). During the year ended 31 December 2023, the Company did not pay (2022: HK$8,360,000) to the Trustee, with a balance of unutilised cash of HK$168,000 as restricted cash as at 31 December 2023 (2022: HK$2,374,000).

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

24 OTHER RESERVES

	Capital reserve-contributed surplus *(i)* HK$'000	Capital reserve-share-based payment *(i)* HK$'000	Currency translation reserve *(ii)* HK$'000	Others *(iii)* HK$'000	Total HK$'000
At 1 January 2022	92,132	9,014	18,838	(3,329)	116,655
Exchange differences on translation of foreign operations	–	–	(80,088)	–	(80,088)
Share-based payment	–	2,682	–	–	2,682
Issue of shares under employee share schemes	–	(4,094)	–	–	(4,094)
At 31 December 2022	92,132	7,602	(61,250)	(3,329)	35,155
At 1 January 2023	**92,132**	**7,602**	**(61,250)**	**(3,329)**	**35,155**
Exchange differences on translation of foreign operations	**–**	**–**	**32,360**	**–**	**32,360**
Appropriations to statutory surplus reserve	**–**	**–**	**–**	**442**	**442**
Share-based payment	**–**	**2,228**	**–**	**–**	**2,228**
Issue of shares under employee share schemes	**–**	**(1,587)**	**–**	**–**	**(1,587)**
Acquisitions of interests in subsidiaries from non-controlling interests (note 31)	**–**	**–**	**–**	**(5,205)**	**(5,205)**
At 31 December 2023	**92,132**	**8,243**	**(28,890)**	**(8,092)**	**63,393**

Nature and purpose of other reserve

(i) *Capital reserve*

Excess amounts contributed by the Group above the par value of the share capital are recorded as capital reserve.

The equity settled share-based payment to employee is recorded in capital reserve-share-based payment.

(ii) *Currency translation reserve*

Exchange differences arising from the difference between functional and presentation currency are recognised in other comprehensive income as described in Note 38.4 and accumulated in a separate reserve within equity.

(iii) *Others*

The balances comprise reserves derived from acquisitions of interests in subsidiaries from non-controlling interests, vesting of restricted shares and appropriations to statutory surplus reserve.

25 SHARE-BASED PAYMENT

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

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

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

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

Expenses arising from share-based payment	2023 HK$'000	2022 HK$'000
Shares issued under employee share scheme	2,228	2,682

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

26 TRADE PAYABLES

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Within 3 months	**18,230**	16,437
Over 3 months but within 6 months	**2,931**	2,559
Over 6 months but within 1 year	**1,431**	1,047
	22,592	20,043

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
– EUR	**12,627**	9,772
– RMB	**5,083**	3,507
– DKK	**2,879**	3,399
– GBP	**1,986**	3,365
– HK$	**17**	–
	22,592	20,043

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

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

27 ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Salary and welfare payable	**15,533**	9,963
Leasehold improvement fee payable	**11,404**	1,163
Professional service fee payable	**6,686**	5,061
Accrued operating expenses	**2,958**	2,019
Payables for value-added tax and other taxes	**1,977**	2,925
Others	**5,923**	4,339
	44,481	25,470

28 BORROWINGS

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Bank overdrafts	**928**	283

The carrying amounts of borrowings are denominated in the following currencies:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
– GBP	**928**	283

The Group's borrowings were repayable on demand.

The Group has the following undrawn borrowing facilities:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Floating rate:		
– expiring beyond one year	**8,673**	8,310

28 BORROWINGS (Continued)

The Group has the following unutilised borrowing facilities available:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Facilities available	**8,673**	8,310

29 LEASE

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

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Right-of-use assets *(i) (Note 13)*		
Properties	**362,849**	270,351
Medical equipment	**850**	241
	363,699	270,592

(i) Right-of-use assets are included in the line item "property, plant and equipment" in the consolidated statements of financial position.

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Lease liabilities		
Current	**69,814**	47,482
Non-current	**313,520**	242,646
	383,334	290,128

29 LEASES (Continued)

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to the leases:

	2023 HK$'000	2022 HK$'000
Depreciation charge of right-of-use assets *(Note 13)*		
Properties	49,700	45,767
Medical equipment	331	1,023
	50,031	46,790
Interest expenses (included in finance expenses) *(Note 10)*	9,703	6,960
Expenses relating to short-term leases *(Note 7)*	688	3,110

The total cash outflow for leases for the year ended 31 December 2023 was HK$59,309,000 (2022: HK$59,173,000).

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

	As at 31 December	
	2023 HK$'000	2022 HK$'000
Commitments in relation to leases are payable as follows:		
Within one year	72,060	52,326
Later than one year but not later than two years	67,351	46,913
Later than two years but not later than five years	154,206	105,900
Later than five years	128,665	110,930
Minimum lease payments	422,282	316,069
Future finance charge	(38,948)	(25,941)
Total lease liabilities	383,334	290,128
The present value of lease liabilities is as follows:		
Within one year	69,814	47,482
Later than one year but not later than two years	63,682	42,064
Later than two years but not later than five years	139,238	100,731
Later than five years	110,600	99,851
	383,334	290,128

29 LEASES (Continued)

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

	2023 HK$'000	2022 HK$'000
Balance at beginning of the year	290,128	216,831
Acquisition of a subsidiary *(Note 35)*	1,823	47,733
Lease payment	(59,309)	(59,173)
Accrued interest *(Note 10)*	9,703	6,960
Increase in right-of-use assets *(Note 13)*	133,356	94,207
Decrease in right-of-use assets *(Note 13)*	(1,893)	–
Rent concessions related to COVID-19 *(Note 7)*	–	(833)
Exchange differences	9,526	(15,597)
Balance at end of the year	383,334	290,128

(e) The Group's leasing activities and how these are accounted for

The Group's leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of 2 to 25 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their respective stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

29 LEASES (Continued)

(e) The Group's leasing activities and how these are accounted for (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used for such purpose. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for lease in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

29 LEASES (Continued)

(e) The Group's leasing activities and how these are accounted for (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentive received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture with an individual value below HK$38,000.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Variable lease payments

Variable lease payments based on an index or a rate are initially measured using the index or the rate at the commencement date. The Group do not forecast future changes of the index/rate; these changes are taken into account when the lease payments change. Variable lease payments that are not based on an index or a rate are not part of the lease liability, but they are recognised in the consolidated statement of comprehensive income when the event or condition that triggers those payments occurs.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

Residual value guarantees

To optimise lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases. The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting year.

30 DEFERRED TAX

(i) Deferred tax assets

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
The balance comprises temporary differences attributable to:		
Unused tax losses	20,528	16,669
Accrued expenses	1,284	1,745
Temporary differences due to leasing	60,175	43,776
Temporary differences due to intercompany transaction	1,943	1,770
Others	347	1,047
Total deferred tax assets	84,277	65,007
Off-setting of deferred tax liabilities pursuant to set-off provisions	(52,752)	(37,502)
Net deferred tax assets	31,525	27,505

Movements	Unused tax losses	Accrued expenses	Temporary differences due to leasing	Temporary differences due to inter-company transaction	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2022	13,917	1,669	34,447	2,066	1,528	53,627
Credited/(charged) to profit or loss	4,082	173	3,810	(173)	(388)	7,504
Acquisition of a subsidiary *(Note 35)*	–	–	8,882	–	–	8,882
Exchange differences	(1,330)	(97)	(3,363)	(123)	(93)	(5,006)
At 31 December 2022	16,669	1,745	43,776	1,770	1,047	65,007
Credited/(charged) to profit or loss	4,033	(434)	13,626	102	(798)	16,529
Acquisition of a subsidiary *(Note 35)*	–	–	565	–	–	565
Exchange differences	(174)	(27)	2,208	71	98	2,176
At 31 December 2023	20,528	1,284	60,175	1,943	347	84,277

30 DEFERRED TAX (Continued)

(i) Deferred tax assets (Continued)

Deferred tax assets are recognised for tax loss carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2023, the Group did not recognise deferred tax assets of HK$7,469,000 (2022: HK$7,579,000) in respect of losses amounting to HK$31,090,000 (2022: HK$30,314,000) that may be carried forward against future taxable income.

The expiry date of the tax losses are as follows:

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Year of expiry of tax losses:		
Tax losses expiring in		
– 2023	**–**	7,231
– 2024	**7,104**	9,049
– 2025	**4,739**	5,667
– 2026	**5,421**	1,230
– 2027	**5,318**	3,589
– 2028	**4,936**	–
	27,518	26,766

(ii) Deferred tax liabilities

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
The balance comprises temporary differences attributable to:		
Accelerated accounting/tax depreciation	**1,726**	2,161
Fair value adjustments of intangible assets arising from acquisition	**7,553**	6,216
Temporary differences relating to accounting or tax treatment of leases	**59,794**	42,430
Others	**1,570**	265
Total deferred tax liabilities	**70,643**	51,072
Off-setting of deferred tax assets pursuant to set-off provisions	**(52,752)**	(37,502)
Net deferred tax liabilities	**17,891**	13,570

30 DEFERRED TAX (Continued)

(ii) Deferred tax liabilities (Continued)

Movements	Accelerated accounting/tax depreciation	Fair value adjustments of intangible assets arising from acquisition	Temporary differences due to leasing	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2022	115	795	33,767	1,475	36,152
Credited/(charged) to profit or loss	1,122	(775)	2,989	(1,114)	2,222
Acquisition of a subsidiary *(Note 35)*	1,025	6,644	8,888	–	16,557
Exchange differences	(101)	(448)	(3,214)	(96)	(3,859)
At 31 December 2022	2,161	6,216	42,430	265	51,072
Credited/(charged) to profit or loss	**(526)**	**(878)**	**13,634**	**1,259**	**13,489**
Acquisition of a subsidiary *(Note 35)*	**–**	**1,872**	**783**	**–**	**2,655**
Exchange differences	**91**	**343**	**2,947**	**46**	**3,427**
At 31 December 2023	**1,726**	**7,553**	**59,794**	**1,570**	**70,643**

31 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration of each of the companies is also its principal place of business, except for the entities incorporated in the Cayman Islands, which have their principal place of business in Hong Kong.

Entity Name	Place of incorporation and type of legal entity	Principal activities	Issued/ paid-in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2023 %	2022 %	2023 %	2022 %
Directly held by the Company:							
EuroEyes Holdings Limited	Cayman Islands/Limited liability company	Investment holding	USD2	100%	100%	–	–
EuroEyes Holdings Asia Limited	Cayman Islands/Limited liability company	Investment holding	USD1	100%	100%	–	–
EuroEyes Deutschland Verwaltungs GmbH	Germany/Limited liability company	Investment holding	EUR25,000	100%	100%	–	–
EuroEyes UK Holding Limited	The UK/Private company Limited by shares	Investment holding	GBP1	100%	100%	–	–
Indirectly held by the Company:							
EuroEyes Deutschland Holding GmbH & Co. KG	Germany/Limited partnership	Investment holding and group-wide administrative activities	EUR25,000	100%	100%	–	–
EuroEyes Deutschland GmbH	Germany/GmbH	Investment holding and group-wide administrative activities	EUR34,000	100%	100%	–	–
EuroEyes AugenLaserZentrum Berlin GmbH	Germany/GmbH	Operation of consultation centres and/or clinics for eye treatments	EUR25,000	100%	100%	–	–
EuroEyes AugenLaserZentrum Betriebs GmbH	Germany/GmbH	Operation of consultation centres and/or clinics for eye treatments	EUR50,000	100%	100%	–	–

31 SUBSIDIARIES (Continued)

Entity Name	Place of incorporation and type of legal entity	Principal activities	Issued/ paid-in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2023	2022	2023	2022
				%	%	%	%
Indirectly held by the Company:							
EuroEyes AugenLaserZentrum Stuttgart GmbH	Germany/GmbH	Operation of consultation centres and/or clinics for eye treatments	EUR25,000	100%	100%	–	–
EuroEyes AugenLaserZentrum Hannover GmbH	Germany/GmbH	Operation of consultation centres and/or clinics for eye treatments	EUR200,000	100%	100%	–	–
EuroEyes AugenLaserZentrum City Hamburg GmbH	Germany/GmbH	Operation of consultation centres and/or clinics for eye treatments	EUR25,000	100%	100%	–	–
EuroEyes ALZ Augenklinik München GmbH	Germany/GmbH	Operation of consultation centres and/or clinics for eye treatments	EUR51,129	100%	100%	–	–
LASIK Germany GmbH	Germany/GmbH	Operation of LASIK centres	EUR25,000	100%	100%	–	–
EuroEyes AugenLaserZentrum Bremen GmbH	Germany/GmbH	Operation of consultation centres and/or clinics for eye treatments	EUR25,000	74%	74%	26%	26%
FreeVis GmbH	Germany/GmbH	Operation of consultation centres and/or clinics for eye treatments	EUR25,000	100%	–	–	–
EUROEYES Aps	Denmark/ApS	Operation of consultation centres and/or clinics for eye treatments	DKK135,000	100%	100%	–	–

31 SUBSIDIARIES (Continued)

Entity Name	Place of incorporation and type of legal entity	Principal activities	Issued/ paid-in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2023	2022	2023	2022
				%	%	%	%
Indirectly held by the Company:							
London Vision Clinic Partners Limited	The UK/Private company limited by shares	Operation of consultation centres and/or clinics for eye treatments	GBP100	100%	100%	–	–
London Vision Clinic Training Limited	The UK/Private company limited by shares	Operation of consultation centres	GBP100	100%	100%	–	–
EuroEyes London Knightsbridge Limited	The UK/Private company limited by shares	Operation of consultation centres and/or clinics for eye treatments	GBP1	100%	100%	–	–
Shanghai Deshijia Eye Medical Co., Ltd.* (上海德視佳眼科醫療有限公司)	Mainland China/Limited liability company (joint venture)	Operation of a clinic for eye treatments	RMB66,000,000	70%	70%	30%	30%
Hangzhou Deshijia Eye Clinic Co., Ltd. * (杭州德視佳眼科門診部有限公司)	Mainland China/Limited liability company (joint venture)	Operation of a clinic for eye treatments	RMB14,000,000	70%	70%	30%	30%
Beijing Deshijia Eye Clinic Co., Ltd. * (北京德視佳眼科診所有限公司)	Mainland China/Limited liability company (joint venture)	Operation of a clinic for eye treatments	RMB20,000,000	70%	70%	30%	30%
Beijing Deshijia Dongbu Eye Clinic Co., Ltd. * (北京德視佳東部眼科診所有限公司)	Mainland China/Limited liability company (joint venture)	Operation of a clinic for eye treatments	RMB10,000,000	70%	70%	30%	30%
Guangzhou Deshijia Eye Clinic Co., Ltd. * (廣州德視佳眼科門診部有限公司)	Mainland China/Limited liability company (joint venture)	Operation of a clinic for eye treatments	RMB30,000,000	70%	70%	30%	30%
Deshijia (Shenzhen) Consulting Management Co., Ltd ** (德視佳(深圳)諮詢管理有限公司)	Mainland China/Limited liability company (joint venture)	Investment holding	RMB30,000,000	71.33%	70%	28.67%	30%

31 SUBSIDIARIES (Continued)

Entity Name	Place of incorporation and type of legal entity	Principal activities	Issued/ paid-in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2023 %	2022 %	2023 %	2022 %
Indirectly held by the Company:							
Shenzhen Deshijia Eye Clinic (深圳德視佳眼科門診部)	Mainland China/Limited liability company (joint venture)	Operation of a clinic for eye treatments	RMB7,000,000	71.33%	70%	28.67%	30%
Chongqing EuroEyes Deshijia Eye Clinic Co., Ltd. *** (重慶德視佳眼科門診有限公司)	Mainland China/Limited liability company (joint venture)	Operation of a clinic for eye treatments	RMB20,000,000	80%	60%	20%	40%
Chengdu Jinjiang EuroEyes Deshijia Eye Clinic Co., Ltd. (成都錦江德視佳眼科門診部有限公司)	Mainland China/Limited liability company	Operation of a clinic for eye treatments	RMB25,000,000	100%	100%	–	–
Euroeyes (Shanghai) Medical Management * (德視佳(上海)醫療管理有限公司)	Mainland China/Limited liability company	Management and investment holding	RMB100,000,000	100%	100%	–	–
EuroEyes Hong Kong Co. Limited	Hong Kong/Private company Limited by shares	Trading of eye clinic equipment and lenses	HK$1	100%	100%	–	–
EuroEyes Hong Kong Holdings Limited	Hong Kong/Private company Limited by shares	Investment holding	HK$1	100%	100%	–	–
EuroEyes Hong Kong Eye Care Group Limited	Hong Kong/Private company Limited by shares	Operation of a clinic for eye treatments	HK$100	99%	–	1%	–
EuroEyes Eye Care Medical Group Limited	Hong Kong/Private company Limited by shares	Investment holding	HK$100	100%	–	–	–

* The English names are for identification purpose only

** On 4 August 2023, the Group acquired 1.33% of ownership interest of Deshijia Shenzhen from the minority shareholder, for a cash consideration of RMB874,000 (equivalent to HKD955,000), which resulted in an increase of ownership interests in Shenzhen Deshijia Eye Clinic, a 100% subsidiary of Deshijia Shenzhen, indirectly.

*** On 15 August 2023, the Group acquired 20% of equity interest of Chongqing EuroEyes Deshijia Eye Clinic Co., Ltd. from minority shareholder for a cash consideration of RMB4,479,000 (equivalent to HKD4,881,000).

31 SUBSIDIARIES (Continued)

(a) Non-controlling interests (NCI)

Set out below is summarised financial information for a subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for the subsidiary are before inter-company eliminations.

	Shanghai Deshijia Eye Medical Co., Ltd.	
	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Summarised statement of financial position		
Current assets	47,308	38,150
Current liabilities	(31,932)	(19,306)
Current net assets	15,376	18,844
Non-current assets	24,717	17,058
Non-current liabilities	(11,757)	(11,966)
Non-current net assets	12,960	5,092
Net assets	28,336	23,936
Accumulated NCI	8,499	7,180

	Shanghai Deshijia Eye Medical Co., Ltd.	
	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Summarised statement of comprehensive income		
Revenue	48,408	28,959
Profit/(Loss) for the year	3,764	(918)
Total comprehensive income/(loss)	3,764	(918)
Profit/(Loss) allocated to NCI	1,129	(275)
Dividends paid to NCI	–	–

31 SUBSIDIARIES (Continued)

(a) Non-controlling interests (NCI) (Continued)

	2023 HK$'000	2022 HK$'000
Summarised statement of cash flows		
Cash flows from/(used in) operating activities	24,501	(558)
Cash flows used in investing activities	(3,786)	(152)
Cash flows used in financing activities	(4,270)	(5,376)
Net increase/(decrease) in cash and cash equivalents	16,445	(6,086)

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

(a) Cash generated from operations

	2023 HK$'000	2022 HK$'000
Profit before tax	190,610	128,980
Adjustments for:		
Depreciation of property, plant and equipment *(Note 13)*	82,901	76,691
Amortisation of intangible assets *(Note 14)*	4,449	4,032
Covid-19-related rent concessions *(Note 7)*	–	(833)
Share-based payment *(Note 7, 25)*	2,228	2,682
Finance expenses, net *(Note 10)*	2,971	3,827
Other (gains)/losses, net *(Note 9)*	(20,435)	701
	262,724	216,080
Changes in working capital:		
Decrease in inventories	29,562	8,225
Decrease in trade receivables	947	1,977
Decrease in deposits, other receivables and prepayments	14,963	10,802
Decrease in trade payables	(30,610)	(10,222)
(Decrease)/increase in other payables	(14,760)	16,466
Increase/(decrease) in contract liabilities	2,799	(16,624)
Cash generated from operations	265,625	226,704

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW (Continued)

(b) Non-cash investing and financing activities

	2023 HK$'000	2022 HK$'000
Addition of right-of-use assets *(Note 13)*	133,356	94,207
Decrease in right-of-use assets	(1,715)	–
Shares issued to employees under the employee share scheme for no cash consideration *(Note 24)*	1,587	4,094
Partial settlement of a business combination through the issue of shares *(Note 35)*	–	35,733
	133,228	134,034

(c) Net cash reconciliation

	As at 31 December	
	2023 HK$'000	2022 HK$'000
Cash and cash equivalents	720,216	779,567
Lease liabilities *(Note 29)*	(383,334)	(290,128)
Net cash	336,882	489,439

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Net cash reconciliation (Continued)

	Cash and cash equivalents HK$'000	Borrowings HK$'000	Lease liabilities HK$'000	Dividend payable HK$'000	Total HK$'000
Net cash as at 1 January 2022	845,636	(4,645)	(216,831)	–	624,160
Cash flows	(24,981)	4,015	59,173	33,097	71,304
Other non-cash movements					
– Exchange differences	(41,088)	787	15,597	–	(24,704)
– Acquisition of a subsidiary *(Note 35)*	–	–	(47,733)	–	(47,733)
– Accrued interest	–	(157)	(6,960)	–	(7,117)
– Increase in right-of-use assets	–	–	(94,207)	–	(94,207)
– Decrease in right-of-use assets	–	–	–	–	–
– Declared dividend paid	–	–	–	(33,097)	(33,097)
– Rent concessions	–	–	833	–	833
Net cash as at 31 December 2022	779,567	–	(290,128)	–	489,439
Cash flows	**(91,194)**	**–**	**59,309**	**39,675**	**7,790**
Other non-cash movements					
– Exchange differences	**31,843**	**–**	**(8,967)**	**–**	**22,876**
– Acquisition of a subsidiary *(Note 35)*	**–**	**–**	**(2,382)**	**–**	**(2,382)**
– Accrued interest	**–**	**–**	**(9,703)**	**–**	**(9,703)**
– Increase in right-of-use assets	**–**	**–**	**(133,356)**	**–**	**(133,356)**
– Decrease in right-of-use assets	**–**	**–**	**1,893**	**–**	**1,893**
– Declared dividend paid	**–**	**–**	**–**	**(39,675)**	**(39,675)**
– Rent concessions	**–**	**–**	**–**	**–**	**–**
Net cash as at 31 December 2023	**720,216**	**–**	**(383,334)**	**–**	**336,882**

33 DIVIDENDS

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

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

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

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

34 COMMITMENTS

(a) Capital commitments

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Leasehold improvements	**3,736**	–

(b) Lease commitments

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Within 1 year	**–**	882

35 BUSINESS COMBINATION

(a) Acquisition of London Vision Clinic Partners Ltd.

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

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

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
Cash paid	128,021
Consideration shares *(ii)*	35,733
Contingent consideration *(iii)*	101,418
Total purchase consideration	265,172

As at the acquisition date of 20 January 2022, the assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value HK$'000
Cash and cash equivalents	36,570
Property, plant and equipment *(Note 13)*	55,062
Trademark *(Note 14)*	34,979
Software *(Note 14)*	373
Inventories	1,336
Receivables	11,477
Contract liabilities *(Note 6)*	(7,397)
Lease liabilities *(Note 29)*	(47,733)
Trade and other payables	(14,129)
Net deferred tax liabilities *(Note 30)*	(7,675)
Net identifiable assets acquired	62,863
Add: goodwill	202,309
	265,172

35 BUSINESS COMBINATION (Continued)

(a) Acquisition of London Vision Clinic Partners Ltd. (Continued)

The goodwill is attributable to London Vision Clinic Partners Ltd.'s strong position and profitability in vision correction industry and synergies expected to arise after the Group's acquisition of this new subsidiary. It has been allocated to the UK segment. None of the goodwill is expected to be deductible for tax purposes.

The fair value of the acquired property, plant and equipment is HK$55,062,000 per final valuations for those assets. Deferred tax liability of HK$6,646,000 has been provided in relation to these fair value appreciation.

(i) Acquisition-related costs

Acquisition-related costs of HK$3,293,000 are included in the administrative expenses in the profit or loss of the year ended 31 December 2022.

(ii) Consideration shares

On 4 February 2022, the consideration of GBP 3,371,000 (equivalent to HK$35,733,000) is settled by way of allotment and issue of ordinary shares at an issue price of HK$8.92 per share.

(iii) Contingent consideration

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

As at 31 December 2023, the contingent consideration has been partially settled and derecognised to HK$64,403,000 (31 December 2022: HK$94,622,000), as the payment of 2022's earn-out amounted to HK$18,826,000 has been made. Meanwhile, the actual sales revenue of the year ended 2023 achieved by LVC is below estimation. The fair value of the contingent consideration was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 5.36% (2022: 5.36%) and assumed probability-adjusted EBIT and revenue growth rate in London Vision Clinic Partners Ltd. from 2022 to 2025 (Note 3.3). The liability is presented within contingent consideration payable in the balance sheet.

During the year ended 31 December 2023, a gain of HK$16,473,000 (2022: a loss of HK$4,852,000) for the changes of fair value of contingent consideration, was recognised in "other gains/(losses), net" (Note 9). Which consisted of (a) a realised fair value changes gain amounted to HK$14,880,000 from the reversal of earn-out for 2023, and (b) a unrealised fair value changes gain amounted to HK$1,593,000 for changes of present value of further earn-out. A loss of HK$1,625,000 (2022: a gain of HK$5,613,000) (Note 3.3) for the change of foreign exchange rate was recognised in "finance expenses".

(iv) Revenue and profit contribution

The acquired business contributed revenues of HK$100,001,874 (period from 20 January 2022 to 31 December 2022: HK$111,170,000) and net profit of HK$10,528,930 to the Group for the year ended 31 December 2023 (period from 20 January 2022 to 31 December 2022: HK$25,476,000).

35 BUSINESS COMBINATION (Continued)

(b) Acquisition of FreeVis GmbH

In August 2023, the Group acquired 100% of the issued shares in FreeVis GmbH, one of the leading companies in the vision correction industry in Mannheim, German ("FreeVis acquisition"). On the same date of the FreeVis acquisition, another clinics business formerly known as Augenrztliche Privatpraxis Prof. Dr. Michael C. Knorz ("PMK business"), which was under common control of the seller, was combined under FreeVis GmbH. Subject to the terms and conditions set out in the share purchase agreement, the consideration, in aggregate, composed of (a) the completion cash consideration and (b) the contingent cash consideration, and subject to the consideration adjustment. As of the acquisition date in August 2023, the fair value of the total consideration was EUR11,683,000 (equivalent to HK$100,473,000).

After the acquisition date in August 2023, the Group obtained the control over FreeVis GmbH, and FreeVis GmbH became a subsidiary of the Group.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
Cash paid	72,897
Other payable	344
Contingent consideration *(ii)*	27,232
Total purchase consideration	100,473

As at the acquisition date, the assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value HK$'000
Cash and cash equivalents	993
Property, plant and equipment *(Note 13)*	6,684
Trademark *(Note 14)*	6,278
Inventories	1,555
Receivables	96
Prepayments	785
Deposits and other receivables	338
Trade payables and other liabilities	(3,759)
Lease liabilities *(Note 29)*	(1,823)
Net deferred tax liabilities *(Note 30)*	(1,872)
Net identifiable assets acquired	9,275
Add: goodwill	91,198
	100,473

35 BUSINESS COMBINATION (Continued)

(b) Acquisition of FreeVis GmbH (Continued)

The goodwill is attributable to FreeVis GmbH's strong position and profitability in vision correction industry and synergies expected to arise after the Group's acquisition of this new subsidiary. It has been allocated to the German segment. None of the goodwill is expected to be deductible for tax purposes.

The fair value of the acquired trademark is HK$6,278,000 in accordance with the valuation report for those assets. Deferred tax liability of HK$1,946,000 has been provided in relation to these fair value appreciation.

(i) Contingent consideration

Pursuant to the conditions of the share purchase agreement, the contingent consideration arrangement requires the Group to pay the former owners of FreeVis GmbH with cash earn out of EUR723,000 (equivalent to HK$6,266,000) per year on the reach of target revenue of each financial year and the key surgeon activities from 2023 to 2027. The fair value of the contingent consideration arrangement of HK$27,232,000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 5.26% and assumed revenue growth rate ranged within 6% to 7% in FreeVis GmbH from 2023 to 2027 (Note 3.3). The liability is presented within contingent consideration payable in the balance sheet.

During the year ended 31 December 2023, a loss of HK$518,000 for the changes of fair value of contingent consideration was recognised in "other gains/(losses), net" (Note 9).

(ii) Revenue and profit contribution

The acquired business contributed revenues of HK$11,852,000 and net profit of HK$2,122,000 to the Group for the period from the acquisition date in August 2023 to 31 December 2023.

(c) Accounting policies

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group, and
- fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

35 BUSINESS COMBINATION (Continued)

(c) Accounting policies (Continued)

The excess of the consideration over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

36 RELATED PARTY TRANSACTIONS

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

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

(a) Transactions with related parties

	2023	2022
	HK$'000	HK$'000
Purchase of right-of-use asset from:		
– London Vision Clinic Limited	**–**	38,849
Rendering services to:		
– Dr Jørgensen und Kollegen GbR	**1,460**	1,171
– London Vision Clinic Limited	**1,265**	1,220
	2,725	2,391

36 RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	As at 31 December	
	2023	2022
	HK$'000	HK$'000
Right-of-use asset:		
– London Vision Clinic Limited	**29,417**	31,168
Lease liability:		
– London Vision Clinic Limited	**30,626**	31,647
Trade receivables:		
– Dr Jørgensen und Kollegen GbR	**69**	91
Lease deposit paid to:		
– London Vision Clinic Limited	**1,379**	208
Other payables:		
– London Vision Clinic Limited	**–**	748

(c) Key management compensation

	2023	2022
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**8,906**	10,292
Directors' fees	**1,440**	1,973
Share-based payments	**550**	926
	10,896	13,191

37 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

(a) Statement of financial position of the Company

	As at 31 December 2023 HK$'000	2022 HK$'000
Assets		
Non-current assets		
Investments in subsidiaries	456,826	456,320
Total non-current assets	456,826	456,320
Current assets		
Prepayments	373	440
Other receivables	671,503	179,940
Restricted cash	168	2,374
Cash and cash equivalents	88,295	440,901
Total current assets	760,339	623,655
Total assets	1,217,165	1,079,975
Equity		
Equity attributable to owners of the Company		
Share capital	26,138	26,138
Shares held for share scheme	(10,505)	(11,020)
Share premium	658,371	659,505
Other reserves	409,593	384,101
Accumulated losses	(15,183)	(24,519)
Total equity	1,068,414	1,034,205
Liabilities		
Current liabilities		
Accruals and other payables	148,751	45,770
Total current liabilities	148,751	45,770
Total liabilities	148,751	45,770
Total equity and liabilities	1,217,165	1,079,975

The balance sheet of the Company was approved by the Board of Directors on 28 March 2024 and was signed on its behalf.

Dr Jørn Slot Jørgensen
Chairman and Chief Executive Officer

Dr Markus Braun
Executive Director and Chief Financial Officer

37 STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

(b) Reserve movements of the Company

	Share premium HK$'000	Other reserves HK$'000	Accumulated losses HK$'000
At 1 January 2022	626,302	457,712	(18,083)
Profit for the year	–	–	26,661
Dividend declared or paid *(Note 33)*	–	–	(33,097)
Share-based payment *(Note 25)*	–	2,682	–
Issue of shares under employee share schemes	(2,218)	(4,094)	–
Issue of ordinary shares as consideration for a business combination, net of transaction costs and tax *(Note 22, 35)*	35,421	–	–
Exchange differences on translation of foreign operations	–	(72,199)	–
At 31 December 2022	659,505	384,101	(24,519)
Profit for the year	–	–	47,245
Dividend declared or paid *(Note 33)*	–	–	(37,909)
Share-based payment *(Note 25)*	–	2,228	–
Issue of shares under employee share schemes	(1,134)	(1,587)	–
Exchange differences on translation of foreign operations	–	24,851	–
At 31 December 2023	658,371	409,593	(15,183)

The reserve movements of the Company was approved by the Board of Directors on 28 March 2024 and was signed on its behalf.

Dr Jørn Slot Jørgensen	**Dr Markus Braun**
Chairman and Chief Executive Officer	*Executive Director and Chief Financial Officer*

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

This note provides a list of significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of EuroEyes International Eye Clinic Limited and its subsidiaries.

38.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

38.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

38.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

38.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, while the functional currency of the Company is EUR.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within finance expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position item presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

38.4 Foreign currency translation (Continued)

(iii) Group companies (Continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(iv) Disposal of foreign operation and partial disposal

On the disposal of foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving losing control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reduction in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

38.5 Revenue

The accounting policies for the Group's revenue from contracts with customers are explained in Note 6.

38.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

The depreciation methods and periods used by the group are disclosed in note 13(a).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 38.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains, net" in the consolidated statement of comprehensive income.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

38.6 Property, plant and equipment (Continued)

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

38.7 Intangible assets

(i) Trademark and licence

Separately acquired trademarks and licences are shown at historical cost. Trademark and licence acquired in a business combination is recognised at fair value at the acquisition date. They have a finite useful life of 10-20 years and subsequently carried at cost less accumulated amortisation and impairment losses. The useful life of the licence includes the renewal periods when there is evidence to support renewal by the Group without significant cost.

(ii) Software

Software is capitalised on the basis of the costs incurred to acquire and bring the software into usage. These costs are amortised using the straight-line method over their estimated useful lives. The software is utilised for the core business of the Group, mainly to introduce the Group's business and increase awareness of the general public. There is no significant reliance on technology for the software. Given the Group's core business has a history of over 20 years in the past and is expected to continue in the foreseeable future, the useful life of software is estimated to be 20 years. Cost associated with maintaining the software are recognised as an expense as incurred.

38.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The accounting policies for the Group's impairment test of goodwill are explained in note 15(d). Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

38.9 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flow from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

38.9 Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss on derecognition is recognised directly in profit or loss. Impairment losses are presented as separate line item in the statement of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "other gains/(losses), net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other gains/(losses), net" and impairment expenses are presented in "net impairment losses on financial assets".

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other gains/(losses), net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "other (losses)/gains, net" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "other (losses)/gains, net" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

38.9 Investments and other financial assets (Continued)

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 19 for further details.

38.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

38.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are determined after deducting rebates and discounts using the first in, first out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

38.12 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 19 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

38.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

38.14 Share capital

Ordinary shares are classified as equity (Note 22). Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

38.15 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

38.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

38.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

38.18 Current and deferred tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and the tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

38.19 Employee benefits expense

(i) Employee leave entitlements

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave. Liabilities for annual leave that is expected to be settled wholly within 12 months after the end of the period in which employees render the related services is recognised in respect of employee's services up to the end of the reporting year and is measured at the amounts expected to be paid when the liabilities are settled.

(ii) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(iv) Share-based payments

Share-based compensation benefits are provided to participants via the Restricted Share Award Scheme. Information relating to this scheme is set out in Note 25.

The fair value of shares granted under the scheme is recognised as an expense with a corresponding increase in equity under "capital reserve – share-based payment". The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The shares are acquired by the Company from the market and held for the share scheme until such time as they are vested (see Note 23).

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

38.19 Employee benefits expense (Continued)

(v) Shares held for share scheme

Where the Company purchases its own equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the Restricted Share Award Scheme are disclosed as shares held for share scheme and deducted from contributed equity.

No gain or loss is recognised in the profit or loss on the purchase, sales, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

38.20 Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

38.21 Contract liabilities

Contract liabilities represent the consideration allocated to services to be delivered in future. Contract liabilities are stated at the consideration allocated less the amount previously recognised as revenue upon the delivery of services to the customers (Note 6).

38 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (Continued)

38.22 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

38.23 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting year but not distributed at the end of the reporting year.

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