

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

## **MediNet Group Limited**

**醫匯集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8161)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020**

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the “**Directors**”) of MediNet Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and the Company’s website at [www.MediNetGroup.com](http://www.MediNetGroup.com).*

## FINANCIAL HIGHLIGHTS

- The revenue of the Company and its subsidiaries amounted to approximately HK\$144.9 million for the year ended 31 March 2020 representing a slight increase of approximately HK\$4.1 million or 2.9% as compared with the year ended 31 March 2019.
- The loss for the year of the Company and its subsidiaries is approximately HK\$14.9 million for the year ended 31 March 2020, representing an increase in net loss of approximately HK\$1.5 million from net loss of approximately HK\$13.4 million for the year ended 31 March 2019.
- The board of Directors does not recommend the payment of any dividend for the year ended 31 March 2020.

## ANNUAL RESULTS

The board (the “**Board**”) of Directors is pleased to announce the audited annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2020 (“**FY2019/20**”) together with the comparative figures for the corresponding period in 2019 (“**FY2018/19**”).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*For the year ended 31 March 2020*

	<i>NOTES</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	<b>144,944</b>	140,834
Other income		<b>944</b>	1,320
Other gains and losses		<b>(7,543)</b>	(2,119)
Medical and dental professional services expenses		<b>(59,793)</b>	(62,850)
Staff costs		<b>(42,817)</b>	(37,932)
Depreciation of property, plant and equipment		<b>(3,550)</b>	(3,325)
Depreciation of right-of-use assets		<b>(10,965)</b>	–
Cost of medical and dental supplies		<b>(13,690)</b>	(13,921)
Rental expenses		<b>(1,600)</b>	(12,538)
Other expenses		<b>(17,785)</b>	(20,601)
Amortisation of other intangible assets		<b>(1,572)</b>	(1,179)
Interest on lease liabilities		<b>(721)</b>	–
		<hr/>	<hr/>
Loss before taxation		<b>(14,148)</b>	(12,311)
Income tax expense	4	<b>(794)</b>	(1,126)
		<hr/>	<hr/>
Loss for the year		<b>(14,942)</b>	(13,437)
		<hr/>	<hr/>
Other comprehensive expense for the year			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(342)</b>	(482)
Reclassification adjustment from foreign currencies translation reserves:			
— release upon liquidation of a subsidiary		<b>273</b>	–
		<hr/>	<hr/>
Total comprehensive expense for the year		<b>(15,011)</b>	(13,919)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share — Basic (Hong Kong cents)	6	<b>(1.44)</b>	(1.29)
		<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		7,942	11,014
Right-of-use assets		8,370	–
Other intangible assets		4,715	6,287
Goodwill		19,483	19,483
Contingent consideration receivable		148	2,800
Rental deposits	7	1,999	3,268
Other receivables	7	–	317
Deferred tax assets		1,220	1,155
		<u>43,877</u>	<u>44,324</u>
Current assets			
Inventories		1,091	750
Accounts and other receivables	7	11,354	12,965
Amounts due from related parties		87	506
Tax recoverable		140	88
Bank balances and cash		15,895	27,486
		<u>28,567</u>	<u>41,795</u>
Current liabilities			
Accounts and other payables	8	10,661	17,291
Contract liabilities		9,802	14,327
Lease liabilities		6,302	–
Provision for reinstatement costs		122	–
Amount due to related parties		130	–
		<u>27,017</u>	<u>31,618</u>
Net current assets		<u>1,550</u>	<u>10,177</u>
Total assets less current liabilities		<u>45,427</u>	<u>54,501</u>

	<b>2020</b>	2019
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	<b>5,544</b>	–
Deferred tax liabilities	<b>918</b>	1,249
Provision for reinstatement costs	<b>724</b>	–
	<u><b>7,186</b></u>	<u>1,249</u>
Net assets	<u><b>38,241</b></u>	<u>53,252</u>
Capital and reserves		
Share capital	<b>10,400</b>	10,400
Reserves	<b>27,841</b>	42,852
Total equity	<u><b>38,241</b></u>	<u>53,252</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the Year ended 31 March 2020*

## 1. GENERAL

MediNet Group Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 20 August 2015. The shares of the Company have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 31 May 2016. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report. The Company’s immediate and ultimate holding company is Medinet International Limited (“Medinet International”), a company incorporated in the British Virgin Islands (“BVI”) which is controlled by the Controlling Shareholder.

The Company acts as an investment holding company.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### **New and Amendments to HKFRSs that are mandatorily effective for the current year**

The Company and its subsidiaries (the “Group”) has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time in the current year.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests In Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

### 3. REVENUE AND SEGMENT INFORMATION

#### A. Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 March 2020		
	Dental business HK\$'000	Medical business HK\$'000	Total HK\$'000
<b>Types of service</b>			
Dental business			
Solutions	6,731	–	6,731
Services	69,846	–	69,846
Sub-total	<u>76,577</u>	<u>–</u>	<u>76,577</u>
Medical business			
Solutions to insurance companies	–	29,297	29,297
Solutions to corporations	–	16,551	16,551
Services	–	22,519	22,519
Sub-total	<u>–</u>	<u>68,367</u>	<u>68,367</u>
Total	<u><u>76,577</u></u>	<u><u>68,367</u></u>	<u><u>144,944</u></u>
<b>Geographical markets</b>			
Hong Kong	75,373	68,367	143,740
The PRC	1,204	–	1,204
Total	<u><u>76,577</u></u>	<u><u>68,367</u></u>	<u><u>144,944</u></u>
<b>Timing of revenue recognition</b>			
A point in time	42,805	51,816	94,621
Over time	33,772	16,551	50,323
Total	<u><u>76,577</u></u>	<u><u>68,367</u></u>	<u><u>144,944</u></u>

**B. Revenue for the year ended 31 March 2019**

<b>Segments</b>	For the year ended 31 March 2019		
	Dental business <i>HK\$'000</i>	Medical business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Types of service</b>			
Dental business			
Solutions	5,532	–	5,532
Services	59,516	–	59,516
Sub-total	65,048	–	65,048
Medical business			
Solutions to insurance companies	–	32,317	32,317
Solutions to corporations	–	19,954	19,954
Services	–	23,515	23,515
Sub-total	–	75,786	75,786
Total	65,048	75,786	140,834
<b>Geographical markets</b>			
Hong Kong	64,010	75,786	139,796
The PRC	1,038	–	1,038
Total	65,048	75,786	140,834
<b>Timing of revenue recognition</b>			
A point in time	34,033	55,832	89,865
Over time	31,015	19,954	50,969
Total	65,048	75,786	140,834

**C. Segment information**

Information reported to Mr. Chan, chief executive officer of the Group, being the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of service provided. The Group’s operating segments are classified as (i) dental solutions and dental services (“Dental business”); and (ii) medical solutions and medical services (“Medical business”) which based on the nature of the operations carried out by the Group. The details of the Group’s operating segments are as follows:

- (i) Dental business                      Provision of dental solutions and dental services
- (ii) Medical business                    Provision of medical solutions to insurance companies, medical solutions to corporation and medical services

These operating segments also represent the Group’s reportable segments. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.



### Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

#### Year ended 31 March 2020

	<b>Dental business HK\$'000</b>	<b>Medical business HK\$'000</b>	<b>Segment total HK\$'000</b>	<b>Eliminations HK\$'000</b>	<b>Total HK\$'000</b>
SEGMENT REVENUE					
External revenue	76,577	68,367	144,944	–	144,944
Inter-segment revenue	<u>1,095</u>	<u>–</u>	<u>1,095</u>	<u>(1,095)</u>	<u>–</u>
Segment revenue	<u>77,672</u>	<u>68,367</u>	<u>146,039</u>	<u>(1,095)</u>	<u>144,944</u>
Segment (loss) profit	<u>(9,581)</u>	<u>3,183</u>	<u>(6,398)</u>		<u>(6,398)</u>
Unallocated expenses					(8,241)
Unallocated income					839
Unallocated loss					<u>(348)</u>
Loss before taxation					<u>(14,148)</u>

	<b>Dental business HK\$'000</b>	<b>Medical business HK\$'000</b>	<b>Segment total HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Additions to right-of-use assets	260	4,373	4,633	–	4,633
Additions to property, plant and equipment	886	1,451	2,337	–	2,337
Depreciation of property, plant and equipment	2,670	864	3,534	16	3,550
Depreciation of right-of-use assets	7,153	3,812	10,965	–	10,965
Amortisation	1,572	–	1,572	–	1,572
Gain (loss) on disposal of property, plant and equipment	–	183	183	(144)	39
Impairment loss on property, plant and equipment	(1,313)	(1)	(1,314)	(33)	(1,347)
Impairment loss on right-of-use assets	<u>(3,378)</u>	<u>–</u>	<u>(3,378)</u>	<u>–</u>	<u>(3,378)</u>

**Year ended 31 March 2019**

	Dental business HK\$'000	Medical business HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
<b>SEGMENT REVENUE</b>					
External revenue	65,048	75,786	140,834	–	140,834
Inter-segment revenue	<u>1,232</u>	<u>–</u>	<u>1,232</u>	<u>(1,232)</u>	<u>–</u>
Segment revenue	<u>66,280</u>	<u>75,786</u>	<u>142,066</u>	<u>(1,232)</u>	<u>140,834</u>
Segment (loss) profit	<u>(2,795)</u>	<u>2,237</u>	<u>(558)</u>		(558)
Unallocated expenses					(11,414)
Unallocated income					1,162
Unallocated loss					<u>(1,501)</u>
Loss before taxation					<u>(12,311)</u>
	Dental business HK\$'000	Medical business HK\$'000	Segment total HK\$'000	Other HK\$'000	Total HK\$'000
<b>OTHER SEGMENT INFORMATION</b>					
Amounts included in the measure of segment profit or loss:					
Additions to property, plant and equipment	2,600	1,118	3,718	–	3,718
Depreciation of property, plant and equipment	2,526	799	3,325	–	3,325
Amortisation	1,179	–	1,179	–	1,179
Loss on written off of property, plant and equipment	<u>(132)</u>	<u>(62)</u>	<u>(194)</u>	<u>–</u>	<u>(194)</u>

Segment (loss) profit represents the loss incurred/profit earned by each segment without allocation of unallocated expenses, income and loss mainly including general office expenses, other income (excluding credit card rebate), interest income, other gains and losses and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Inter-segment sales are priced with reference to prices charged to external parties for similar services.

***Segment assets and liabilities***

No analysis of segment assets or segment liabilities is presented as it is not regularly provided to the CODM of the Group.

## Information about major customers

Revenue from major customers which accounted for 10% or more of the Group's revenue is set out below:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A <sup>1</sup>	<u><b>13,617</b></u>	<u>14,408</u>

<sup>1</sup> Revenue from the provision of Medical business

## Geographical information

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	<b>Revenue from external customers for the year</b>		<b>Non-current assets at 31 March</b>	
	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	<b>143,740</b>	139,796	<b>43,574</b>	37,645
The PRC	<b>1,204</b>	1,038	<b>303</b>	2,407
	<u><b>144,944</b></u>	<u>140,834</u>	<u><b>43,877</b></u>	<u>40,052</u>

*Note:* Non-current assets excluded financial instruments and deferred tax assets.

## 4. INCOME TAX EXPENSE

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Hong Kong profits tax	<b>1,373</b>	1,158
(Overprovision) underprovision in prior year:		
Hong Kong profits tax	<u><b>(183)</b></u>	<u>206</u>
	<b>1,190</b>	1,364
Deferred tax	<u><b>(396)</b></u>	<u>(238)</u>
	<u><b>794</b></u>	<u>1,126</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%. No provision for the PRC enterprise income tax has been made as the Group has no assessable profit in the PRC.

The Group’s subsidiaries operating in Hong Kong are eligible for certain tax concessions. The maximum tax concessions eligible for each subsidiary is HK\$20,000 (2019: HK\$20,000).

The income tax expense for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2020</b> <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Loss before taxation	<u>(14,148)</u>	<u>(12,311)</u>
Tax at Hong Kong Profits Tax rate of 16.5%	(2,334)	(2,031)
Tax effect of expenses not deductible for tax purposes	520	439
Tax effect of income not taxable for tax purposes	(97)	(24)
Tax effect of tax loss not recognised	2,645	3,032
Tax effect of deductible temporary difference not recognised	1,449	248
Utilisation of tax losses previously not recognised	(110)	–
(Overprovision) underprovision in prior year	(183)	206
Income tax at concessionary rate	(165)	(165)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(871)	(519)
Tax concessions	<u>(60)</u>	<u>(60)</u>
Income tax expense for the year	<u>794</u>	<u>1,126</u>

## 5. DIVIDENDS

The directors of the Company do not recommend any dividend for the both years nor propose any dividend since the end of the reporting period.

## 6. LOSS PER SHARE

	<b>2020</b> <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share for the year	<u>14,942</u>	<u>13,437</u>
	<i>’000</i>	<i>’000</i>
Number of shares: Number of ordinary shares for the purpose of calculating basic loss per share	<u>1,040,000</u>	<u>1,040,000</u>

No diluted loss per share for the current and prior year was presented as there were no potential ordinary shares in issue.

## 7. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Accounts receivables	<b>6,141</b>	8,094
Other receivables		
— Other receivables	<b>1,337</b>	2,102
— Prepayments	<b>2,332</b>	2,630
— Rental and utility deposits	<b>3,543</b>	3,724
	<hr/>	<hr/>
Total accounts and other receivables	<b>13,353</b>	16,550
Less: Receivables within twelve months shown under current assets	<b>(11,354)</b>	(12,965)
	<hr/>	<hr/>
Rental deposits and other receivables shown under non-current assets	<b>1,999</b>	3,585
	<hr/> <hr/>	<hr/> <hr/>
Presented in the consolidated statement of financial position:		
— Rental deposits	<b>1,999</b>	3,268
— Other receivables	–	317
	<hr/>	<hr/>
	<b>1,999</b>	3,585
	<hr/> <hr/>	<hr/> <hr/>

Rental deposits were adjusted upon the initial application of HKFRS 16.

As at 1 April 2019, accounts receivables from contracts with customers amounted to HK\$8,094,000.

The customers of the Group would usually settle payments by cash, credit cards and Easy Pay System (“EPS”). For credit card and EPS payments, the banks will normally settle the amounts a few days after the trade date. Payments by customers using medical cards will normally be settled by the medical card issuing companies within 60 to 90 days from the invoice dates.

The following is an aged analysis of accounts receivables based on the invoice date, which approximate the date of revenue recognition:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	<b>2,647</b>	4,362
31 to 60 days	<b>1,288</b>	2,199
61 to 90 days	<b>2,140</b>	1,409
91 to 180 days	<b>66</b>	124
	<hr/>	<hr/>
	<b>6,141</b>	8,094
	<hr/> <hr/>	<hr/> <hr/>

The management of the Group closely monitors the credit quality of accounts receivables and considers the debts that are neither past due nor impaired to be of good credit quality. Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no history of default.

At 31 March 2019, included in the Group’s accounts receivables balance are debtors with aggregate carrying amounts of HK\$124,000 (2018: HK\$223,000) which are past due at the end of the reporting period for which the Group has not recognised an impairment loss because there has not been a significant change in credit quality and the amounts were still considered to be recoverable. The Group does not hold any collateral over these balances.

## 8. ACCOUNTS AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Accounts and other payables</b>		
Accounts payables	6,287	10,892
Other payables	660	377
Accrued expenses	3,714	6,022
	<u>10,661</u>	<u>17,291</u>

The credit period of accounts payables is from 30 to 120 days.

The following is an aged analysis of accounts payables based on the invoice date:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	2,270	5,194
31 to 60 days	4,017	3,011
61 to 90 days	–	2,520
91 to 120 days	–	167
	<u>6,287</u>	<u>10,892</u>

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Contract liabilities</b>		
Medical solutions	4,159	9,460
Dental solutions	3,097	2,030
Dental services	2,546	2,837
	<u>9,802</u>	<u>14,327</u>

Amount of HK\$1,209,000 (2019: HK\$9,918,000) of the revenue has been recognised that relates to carried-forward contract liabilities and relates to performance obligations that were satisfied in prior periods.

As at 1 April 2018, contract liabilities amounted to HK\$11,127,000.

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from medical solutions and dental services.

During the year ended 31 March 2020, HK\$12,638,000 has been recognised as revenue in the current year relating to contract liabilities at the beginning of the year, and management believed that the remaining will be recognised as revenue approximately within two years from 31 March 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

MediNet is one of the well-known corporate healthcare solutions providers in Hong Kong for more than 25 years. We are principally engaged in the provision of medical and dental solutions to corporates and insurance companies. Based on the client's need, budget and scope of healthcare benefits desire to tailor-made the comprehensive suite of healthcare solutions for our contract customers. We self-operate two MediNet Centres, six dental clinics and one DNA genetic laboratory centre in Hong Kong to provide medical and dental services as well as laboratory services to self-paid patients. Currently, the Group also established one high-end dental clinic in Shenzhen (the "**Shenzhen Dental Clinic**") so as to capture the rapid growth and booming healthcare market in the People's Republic of China (the "**PRC**"). Our goal is to create a trusted long-term relationship with clients. We devote every effort to understand our clients well so that their needs are met.

Moreover, the Group changed the proposed use of proceeds from the listing of the Company's shares on GEM of the Stock Exchange (the "**Listing**") to acquire the dental business (the "**Acquired Business**") held by Master Clever Limited in July 2018, a company which is principally engaged in the operation of dental clinics for the provision of dental services. In the period under review, the Acquired Business was in line with the Group's expectations and boosted the revenue. Together with the Shenzhen Dental Clinic, the Group's revenue from dental services to self-paid patients increased by approximately 17.4% as compared with FY2018/19. Meanwhile, the management has revalued the contingent consideration receivable because of the Acquired Business and incurred approximately HK\$2.7 million fair value change of contingent consideration receivable for FY2019/20.

Besides, due to the continuous losses from the PRC division in the past few years, one-off impairment loss of right-of-use assets and property, plant and equipment of approximately HK\$4.7 million has been provided for during FY2019/20. Without taking into account of the fair value change of contingent consideration receivable, impairment loss recognized on property, plant and equipment and right-of-use asset, amortization of other intangible assets and the adoption of HKFRS 16, the loss before tax for FY2018/19 and FY2019/20 amounted to approximately HK\$11.1 million and HK\$4.1 million respectively. It is believed that our financial performance has been improved through the streamline of the operation flow and effective cost control.

With regard to the political unrest and coronavirus outbreak which has put downward pressure on the healthcare business, our management team expects that our revenue will decrease for the coming year in Hong Kong and the PRC. In order to continue to improve our financial performance, we will dedicate to not only broaden our income stream but also improve our operational management and budget control so as to be able to face challenges to foster our business in Hong Kong and the PRC.

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased from approximately HK\$140.8 million for FY2018/19 to approximately HK\$144.9 million for FY2019/20. The following table sets forth a breakdown of the Group's revenue with comparative figures:

	FY2018/19 <i>HK\$'000</i>	FY2019/20 <i>HK\$'000</i>	%
Medical solutions to contract customers	52,271	<b>45,848</b>	<b>(12.3%)</b>
Medical services to self-paid patients	23,515	<b>22,519</b>	<b>(4.2%)</b>
Dental solutions to contract customers	5,532	<b>6,731</b>	<b>21.7%</b>
Dental services to self-paid patients	59,516	<b>69,846</b>	<b>17.4%</b>
	<u>140,834</u>	<u><b>144,944</b></u>	

The revenue of medical solutions to contract customers decreased by approximately 12.3% from approximately HK\$52.3 million for FY2018/19 to approximately HK\$45.8 million for FY2019/20, which was primarily due to the decrease in the number of visits by patients to our affiliated doctors and affiliated auxiliary services providers.

The revenue of medical services to self-paid patients decreased by approximately 4.2% from approximately HK\$23.5 million for FY2018/19 to approximately HK\$22.5 million for FY2019/20 which was primarily due to the decrease in demand from self-paid patients for certain body check up, other testing procedures and vaccination services etc.

The revenue of dental solutions to contract customers increased by approximately 21.7% from approximately HK\$5.5 million for FY2018/19 to approximately HK\$6.7 million for FY2019/20, which was mainly attributable to the increase in the number of contract customers and individuals for dental solutions services.

The revenue of dental services to self-paid patients increased by approximately 17.4% from approximately HK\$59.5 million for FY2018/19 to approximately HK\$69.8 million for FY2019/20 which was primarily due to revenue generated from the Acquired Business and the Shenzhen Dental Clinic.

### Other income

Other income decreased by approximately 28.5% from approximately HK\$1.3 million for FY2018/19 to approximately HK\$0.9 million for FY2019/20 which was due to a decrease in interest income on loan receivables which was redeemed in July 2018 and bank interest income.



## **Other losses**

Other losses significantly increased from approximately HK\$2.1 million for FY2018/19 to approximately HK\$7.5 million for FY2019/20, which was primarily due to the fair value change of contingent consideration receivable of approximately HK\$2.7 million and one-off impairment loss recognised on right-of-use assets and property, plant and machinery at the Shenzhen Dental Clinic of approximately HK\$4.8 million.

## **Medical and dental professional services expenses**

Medical and dental professional services expenses primarily comprise fees paid to (i) affiliated doctors and affiliated auxiliary services providers rendered within our MediNet Network; (ii) external dentists and doctors engaged by the Group; and (iii) third party laboratories for services rendered to the Group.

The Group's medical and dental professional services expenses decreased by approximately 4.9% from approximately HK\$62.9 million for FY2018/19 to approximately HK\$59.8 million for FY2019/20 which was primarily due to decrease in aggregate amount paid to affiliated doctors and affiliated auxiliary services as well as third party laboratories which in line with decrease in the Group's revenue from the provision of medical solutions to contract customers and medical services to self-paid patients.

## **Staff cost**

Staff cost increased by approximately 12.9% from approximately HK\$37.9 million for FY2018/19 to approximately HK\$42.8 million for FY2019/20. The increase was attributable by (i) the increase in staff costs paid to the Directors; (ii) annual increase in salaries for the staff; and (iii) full period recognition of staff paid in relation to the Acquired Business.

## **Depreciation of property, plant and equipment**

Depreciation of property, plant and equipment increased by approximately 6.8% from approximately HK\$3.3 million for FY2018/19 to approximately HK\$3.6 million for FY2019/20, which was primarily due to full period recognition of depreciation expenses of the Acquired Business and additional equipments.

## **Depreciation of right-of-use assets and interest on lease liabilities**

Due to the adoption of HKFRS16 which led to the depreciation of the right-of-use assets and interest on lease liabilities recognized at the commencement date of the lease, on a straight-line basis over the shorter of the estimated useful life and the lease term, amount to approximately HK\$11.0 million and approximately HK\$721,000 respectively for FY2019/20.

### **Cost of medical and dental supplies**

Cost of medical and dental supplies slightly decreased by approximately 1.7% from approximately HK\$13.9 million for FY2018/19 to approximately HK\$13.7 million for FY2019/20, which was principally due to the decrease in the amount of other medical and dental consumables such as drugs and medicine as well as vaccination for the provision of medical services to self-paid patients, which correlates with the decrease in revenue from medical services to self-paid patients.

### **Rental expenses**

Rental expenses decreased by approximately 87.2% from approximately HK\$12.5 million for FY2018/19 to approximately HK\$1.6 million for FY2019/20.

Without taking into account the adoption of HKFRS16 “Leases”, the rental expenses decreased by approximately HK\$322,000 as compared with FY2018/19. The decrease in rental expenses primarily due to rental deduction for the Shenzhen Dental Clinic and dental clinics in Hong Kong during February and March 2020.

### **Other expenses**

Other expenses decreased by approximately 13.7% from approximately HK\$20.6 million for FY2018/19 to approximately HK\$17.8 million for FY2019/20, primarily due to decrease in the amount of professional fee for the Acquired Business incurred in July 2018 and effective cost control to decrease in the amount of general expenses.

### **Amortisation of intangible assets**

Amortisation of intangible assets increased by approximately 33.3% from approximately HK\$1.2 million for FY2018/19 to approximately HK\$1.6 million for FY2019/20, which was primarily due to the full period recognition of right to use trade names and customer who will continue to visit dental clinic for the dental services of the Acquired Business.

### **Income tax expenses**

Income tax expense for the Group decreased by approximately 29.5% from approximately HK\$1.1 million for FY2018/19 to approximately HK\$790,000 for FY2019/20, primarily due to the decrease in tax assessable income.

### **Loss and total comprehensive expenses attributable to the owners of the Company**

Due to the combined effect of the factors mentioned above, we recorded a loss for the year for FY2019/20 of approximately HK\$14.9 million, which represented an increase of approximately HK\$1.5 million as compared with FY2018/19 of approximately HK\$13.4 million.

Although the Group recorded an increase in revenue of approximately HK\$4.1 million for the FY2019/20, it was offset by (i) one-off impairment loss of right-of-use asset and property, plant equipment at the Shenzhen Dental Clinic; (ii) fair value change on contingent consideration receivable; (iii) amortisation of other intangible assets and (iv) the loss incurred on the development of our business in the PRC.

### **Liquidity and financial resources**

As at 31 March 2020, the Group had total assets of approximately HK\$72.4 million (2019: approximately HK\$86.1 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$34.2 million (2019: approximately HK\$32.9 million) and approximately HK\$38.2 million (2019: approximately HK\$53.3 million), respectively.

The current ratio as at 31 March 2020 was approximately 1.1 times (2019: approximately 1.3 times).

### **Treasury policy**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout FY2019/20. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group can meet its funding requirements from time to time.

### **Foreign exchange exposure**

Most of the revenue-generating operations of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. For FY2019/20, the depreciation of Chinese Yuan incurred a slight exchange loss and the Group had not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

### **Capital structure**

As at 31 March 2020, the Company's issued share capital was HK\$10,400,000 and the number of its ordinary shares was 1,040,000,000 of HK\$0.01 each.

### **Segment information**

Segmental information is presented for the Group as disclosed in note 3 to the consolidated financial statements in this announcement.

## Significant investments held, future plans for material investments and capital assets

The Group did not have other significant investment held, future plans for material investment and capital assets as at 31 March 2020.

## Material acquisitions and disposal of subsidiaries, associated and joint ventures

During FY2019/20, the Group did not have any material acquisition or disposal of subsidiaries, associated and joint ventures.

## Contingent liabilities

As at 31 March 2020, the Group did not have any material contingent liabilities (2019: Nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2020, the Group had a total of 103 employees, the table below is a breakdown of the number of our employees by functions as at 31 March 2019 and 31 March 2020:

	2019	2020
Directors and senior management	9	9
— Dentists	8	8
— Dental Hygienists	3	3
— Dental Nurse	29	33
— Other supporting staff	17	16
MediNet Centres operation:		
— Doctors	1	2
— Nurses	6	7
— Other supporting staff	1	1
Other supporting staff ( <i>Note 1</i> )	20	17
PRC operation:		
— Dentists	3	2
— Nurses	5	5
— Other supporting staff	5	1
Total ( <i>Note 2</i> )	<u>106</u>	<u>103</u>

*Note 1:* Other supporting staff include human resources, administration, accounting, information technology and other back-office supporting staff.

*Note 2:* The number of employees in each category does not add up to the total number because 1 (2019: 1) of our employees, who was senior management and our dentist was included in both categories “Director and senior management” and “Dentists”.

The Group remunerates its employees based on their qualification, position, experience, performance and seniority. In addition to salaries, our staff are also entitled to commission incomes which are determined based on certain agreed percentages of the fees or certain fixed amounts for certain types of dental services or medical services provided. Their remuneration packages are normally renewed on an annual basis based on performance appraisals and other relevant factors.

The remuneration packages of the Directors are reviewed by the remuneration committee of the Company (the “**Remuneration Committee**”) according to the relevant Directors’ experience, responsibility, workload and the time devoted to the Group and recommend to the Board from time to time the remuneration and compensation of the Directors and senior management of the Group.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the FY2019/20, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## **DIVIDEND**

The Board does not recommend the payment of any dividend for the FY2019/20 (FY2018/19: Nil).

## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The annual general meeting will be held on 12 August 2020. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from 7 August 2020 to 12 August 2020, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on 6 August 2020.

## **CORPORATE GOVERNANCE PRACTICE**

The Board is responsible for coordinating and supervising the Company and identifying its deviations so as to achieve the success of the Company. The Board has established board committees, and delegated their respective duties in accordance terms and references to board committees. Details of the respective committee’s terms of reference are available at the Company’s and the Stock Exchange’s websites. All Directors have carried out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Board reserves discretion to decide on all major matters relating to policy matters, strategies and budgets, internal control and risk management, discloseable transactions and connected transactions, nomination of Directors and Company Secretary (or joint company secretaries) and other material financial and operation matters. All Directors contributed precious business experience, knowledge and professions to keep the Company functioning with high efficiency. All Directors can obtain comprehensive relevant materials and receive from the Company Secretary (or joint company secretaries) advice and services to ensure the Board procedures and all applicable laws, rules and regulations are followed.

The Board has delegated to the senior management the responsibility for the day-to-day management, administration and operation of the Group, the authorities delegated to managements are being reviewed regularly. The senior management has to be authorized before entering into any material transactions.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") in Appendix 15 of the GEM Listing Rules. During the FY2019/20, to the best knowledge of the Board, the Company has complied with the applicable code provisions set out in the CG Code except Code Provision A.2.1 in the CG Code — segregation of the roles of chairman and chief executive as the Board believes that the vesting of the roles of chairman and chief executive in Mr. Chan Chi Wai, Nelson is beneficial to the Group.

Code provision A.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Chan Chi Wai, Nelson is the chairman of the Board and also our executive director who is responsible under the immediate authority of the Board of the conduct of the business of the Group and is therefore our chief executive for the purpose of the GEM Listing Rules.

Mr. Chan has been managing the Group's business and the overall financial and strategic planning since 1994. The Board believes that the vesting of the roles of Chairman and chief executive in Mr. Chan is beneficial to the business operations and management of the Group and will provide a strong and consistent leadership to the Group. In addition, due to the presence of three independent non-executive Directors which represents more than half of the Board, the Board considers that there is a balance of power and authority such that no one individual has unfettered power of decision. Accordingly, the Company has not segregated the roles of its Chairman and chief executive as required by code provision A.2.1 of the CG Code.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**") as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the FY2019/20.

## AUDIT COMMITTEE

The Company established an Audit Committee on 19 May 2016 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The primary duties of the Audit Committee are (among other things) to review and supervise the financial control, internal control, nominate and monitor external auditors and risk management systems of the Group, and provide advice and comments on the Group's financial reporting matters to the Board.

The Audit Committee comprises the three independent non-executive Directors, namely Dr. Lieu Geoffrey Sek Yiu, Mr. Leung Po Hon and Mr. Wong Wai Leung. Mr. Leung Po Hon currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the audited financial results of the Group for the FY2019/20.

## EVENT AFTER THE REPORTING PERIOD

The outbreak of 2019 Novel Coronavirus (“**COVID-19**”) has grown into a global pandemic during the first quarter of 2020. The Group is closely monitoring and evaluating its potential impact, and is taking precautionary and necessary measures to mitigate its impact on the financial position and operating results of the Group. The outbreak of COVID-19 is expected to have at least, a short-term negative impact on the global economic environment which in turn, is likely to affect the Group's revenue and profit in the first half of 2020. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future.

Save as disclosed above, the Group does not have other significant subsequent event as at the date of this announcement.

## APPRECIATION

The Board would like to extend its sincere thanks to the shareholders of the Company, business partners and customers of the Group for their utmost support to the Group. The Board would also like to take this opportunity to thank all management members and staff for their hard work and dedication throughout the year.

By order of the Board  
**MediNet Group Limited**  
**Chan Chi Wai, Nelson**  
*Chairman and Executive Director*

Hong Kong, 29 June 2020

*As at the date of this announcement, the executive Directors are Mr. Chan Chi Wai Nelson and Ms. Jiang Jie and the independent non-executive Directors are Dr. Lieu Geoffrey Sek Yiu, Mr. Leung Po Hon and Mr. Wong Wai Leung.*