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## **MediNet Group Limited**

**醫匯集團有限公司**

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

**(Stock code: 8161)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 on the Company’s website at [www.MediNetGroup.com](http://www.MediNetGroup.com).*

## **FINANCIAL HIGHLIGHT**

- The revenue of the Group amounted to approximately HK\$65.5 million for the six months ended 30 September 2020, representing a decrease of approximately HK\$11.9 million as compared with the six months ended 30 September 2019.
- The profit for the period of the Group is approximately HK\$3.9 million for the six months ended 30 September 2020, representing an increase of approximately HK\$7.0 million as compared with the six months ended 30 September 2019.
- The Board of Directors does not recommend the payment of interim dividend for the six months ended 30 September 2020.

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

*For the six months ended 30 September 2020*

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2020</b>	2019
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	3	<b>65,466</b>	77,377
Other income	4	<b>3,230</b>	609
Other gain and losses	5	<b>(265)</b>	(34)
Medical and dental professional services expenses		<b>(23,324)</b>	(33,743)
Staff costs		<b>(19,112)</b>	(19,885)
Depreciation of property, plant and equipment		<b>(1,548)</b>	(1,903)
Depreciation of right-of-use assets		<b>(3,985)</b>	(4,830)
Cost of medical and dental supplies		<b>(6,541)</b>	(7,977)
Rental expenses		<b>(955)</b>	(1,072)
Other expenses		<b>(7,645)</b>	(9,845)
Amortisation of intangible assets		<b>(786)</b>	(786)
Interest on lease liabilities		<b>(369)</b>	(336)
		<hr/>	<hr/>
Profit (loss) before taxation	6	<b>4,166</b>	(2,425)
Income tax expense	7	<b>(258)</b>	(700)
		<hr/>	<hr/>
Profit (loss) for the period		<b>3,908</b>	(3,125)
Other comprehensive income (expense) for the period			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Exchange differences arising on translation		<b>82</b>	(286)
Reclassification adjustment from foreign currencies translation reserves: — release upon liquidation of a subsidiary		<b>—</b>	273
		<hr/>	<hr/>
Total comprehensive income (expense) for the period		<b>3,990</b>	(3,138)
		<hr/> <hr/>	<hr/> <hr/>
Profit (loss) per share — Basic (Hong Kong cents)	9	<b>0.38</b>	(0.30)
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	<i>Notes</i>	At <b>30 September 2020</b> <i>HK\$'000</i> <b>(Unaudited)</b>	At 31 March 2020 <i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	<i>10</i>	<b>8,028</b>	7,942
Right-of-use assets		<b>13,531</b>	8,370
Other intangible assets		<b>3,929</b>	4,715
Goodwill		<b>19,483</b>	19,483
Contingent consideration receivable		–	148
Rental deposits	<i>11</i>	<b>1,563</b>	1,999
Deferred tax assets		<b>1,289</b>	1,220
		<hr/> <b>47,823</b>	<hr/> 43,877
<b>Current assets</b>			
Inventories		<b>843</b>	1,091
Accounts and other receivables	<i>11</i>	<b>9,649</b>	11,354
Amounts due from related parties		<b>146</b>	87
Tax recoverable		–	140
Bank balances and cash		<b>24,328</b>	15,895
		<hr/> <b>34,966</b>	<hr/> 28,567
<b>Current liabilities</b>			
Accounts and other payables	<i>12</i>	<b>11,692</b>	10,661
Tax liabilities		<b>433</b>	–
Contract liabilities	<i>12</i>	<b>10,057</b>	9,802
Contingent consideration payable		<b>72</b>	–
Lease liabilities		<b>8,568</b>	6,302
Provision for reinstatement costs		<b>122</b>	122
Amounts due to related parties		–	130
		<hr/> <b>30,944</b>	<hr/> 27,017
Net current assets		<hr/> <b>4,022</b>	<hr/> 1,550
Total assets less current liabilities		<hr/> <b>51,845</b>	<hr/> 45,427

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (*Continued*)  
*At 30 September 2020*

	<i>Notes</i>	<b>At 30 September 2020 HK\$'000 (Unaudited)</b>	<b>At 31 March 2020 HK\$'000 (Audited)</b>
Non-current liabilities			
Lease liabilities		<b>8,027</b>	5,544
Deferred tax liabilities		<b>729</b>	918
Provision for reinstatement costs		<b>858</b>	724
		<b>9,614</b>	7,186
Net assets		<b>42,231</b>	38,241
Capital and reserves			
Share capital	<i>13</i>	<b>10,400</b>	10,400
Reserves		<b>31,831</b>	27,841
		<b>42,231</b>	38,241

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2020*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(note)</i>	Special reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2020 (audited)	10,400	51,853	(1,253)	20,515	(14)	(43,260)	38,241
Profit for the period	-	-	-	-	-	3,908	3,908
Exchange differences arising on translation	-	-	-	-	82	-	82
Total comprehensive income for the period	-	-	-	-	82	3,908	3,990
At 30 September 2020 (unaudited)	<u>10,400</u>	<u>51,853</u>	<u>(1,253)</u>	<u>20,515</u>	<u>68</u>	<u>(39,352)</u>	<u>42,231</u>
At 1 April 2019 (audited)	10,400	51,853	(1,253)	20,515	55	(28,318)	53,252
Loss for the period	-	-	-	-	-	(3,125)	(3,125)
Exchange differences arising on translation	-	-	-	-	(286)	-	(286)
Reclassification adjustments from foreign currencies translation reserves: — Release upon liquidation of a subsidiary	-	-	-	-	273	-	273
Total comprehensive expense for the period	-	-	-	-	(13)	(3,125)	(3,138)
At 30 September 2019 (unaudited)	<u>10,400</u>	<u>51,853</u>	<u>(1,253)</u>	<u>20,515</u>	<u>42</u>	<u>(31,443)</u>	<u>50,114</u>

*Note:* In November 2012, the Group advanced a three-year unsecured, interest-free loan with principal amount of HK\$13,663,000 to MediNet Holdings Limited, the then holding company of Well Being Dental Services Limited, Medinet Services Limited and Medinet Health Centre Limited of which Mr. Chan Chi Wai, Nelson was the ultimate owner and the controlling shareholder. The interest-free loan was initially measured at its fair value of HK\$12,410,000 at an effective interest rate of 3.25% per annum and subsequently carried at amortised cost using effective interest method. The fair value adjustment of HK\$1,253,000 at initial recognition of the interest-free loan were recognised in equity as deemed distribution to a shareholder. The loan was settled during the year ended 31 March 2016.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Six months ended	
	30 September	2019
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	<u>14,549</u>	<u>2,588</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,681)	(613)
(Advance to) repayment from related parties	(59)	191
Interest received	5	15
Refund of rental deposits	<u>250</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,485)</u>	<u>(407)</u>
FINANCING ACTIVITIES		
Repayment of lease liabilities, including related interests	(4,651)	(5,664)
Repayment to a related parties	<u>(130)</u>	<u>-</u>
CASH USED IN FINANCING ACTIVITIES	<u>(4,781)</u>	<u>(5,664)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<b>8,283</b>	(3,483)
Effect of foreign exchange rate changes	150	(276)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>15,895</u>	<u>27,486</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	<u><b>24,328</b></u>	<u>23,727</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for contingent consideration receivable, which is measured at fair value, as appropriate.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2020.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 3. REVENUE AND SEGMENT INFORMATION

Dental solutions and dental services consists of (i) dental solutions provided to corporations, insurance companies and individual customers; and (ii) dental services and invisalign treatment services provided to self-paid patients who pay out of their own expense below.

### Dental solutions

The Group’s dental solutions services represent annual retainer fee derived from annual retainer contracts entered with corporations, insurance companies and individual customers. The customers would generally pay a fixed amount of annual fee per plan member and each plan member would generally be entitled to certain dental services free of charge or at specified prices with or without additional payments when visiting to the Group’s dental clinics throughout a year. The performance obligations of the provision of dental solutions services to the customers are to provide dental solutions services to these customers, while these customers are entitled to consume the dental services simultaneously.

The Group satisfied the performance obligation by providing dental solutions services to corporations, insurance companies and individual customers within the agreed contract period and these customers would be entitled to consume dental services throughout the contract period. As the directors of the Group considered the Group has fulfilled its performance obligations throughout a period of time and revenue is therefore recognised throughout the service period.



### **3. REVENUE AND SEGMENT INFORMATION** *(Continued)*

#### **Dental services**

The Group's general dental services represent dental care services such as scaling and polishing, fillings, intra-oral X-rays and routine oral examination to patients. Generally, the Group charges one-off general dental service fee based on an agreed pricing for a specific dental service. The Group is obliged to perform the general dental service carried out by dentists or hygienists to patients. Upon completion of the performance of general dental services at dental clinics, the Group has fulfilled its performance obligations and revenue is therefore recognised at a point in time.

For invisalign treatment services, the Group satisfies the performance obligation by performing consultation services to move and align patients' teeth under dentists' instruction and control. Revenue is recognised over the time where the patient received and consumed the benefits of the movement and alignment of patients' teeth simultaneously. As the directors considered the Group has fulfilled its performance obligations throughout a period of time and revenue is therefore recognised throughout the service period.

Medical solutions and medical services consist of (i) medical solutions provided to corporations and insurance companies; and (ii) medical services provided to self-paid patients who pay out of their own expense below.

#### **Medical solutions**

The Group's medical solutions represent annual retainer fee derived from Annual Retainer Contracts entered with corporations. The customers would generally pay a fixed amount of annual fee per plan member and each plan member would generally be entitled to certain medical services free of charge or at specified prices for specific medical solutions with or without additional payments when visiting to the Group's medical clinics throughout a year. The performance obligations of the provision of medical solutions to the customers including general practitioner consultation services, immunization services, body checkup and men's health medical services, while these customers are entitled to consume the medical solutions simultaneously. The Group satisfies the performance obligation by providing continuous medical solutions to corporations' employees within the period of Annual Retainer Contracts and corporations' employees would be entitled to consume the medical solutions throughout the contract period. As the directors of the Company considered the Group has fulfilled its performance obligations throughout a period of time and revenue is therefore recognised over time in a pattern which approximates to time elapsed.

The Group's medical solutions to insurance companies represent the provision of medical solutions including general practitioner consultation services, immunization services and body checkup. Generally, the Group charges the insurance companies on a pre-agreed fee rate based on the medical solutions provided. Upon completion of the medical solutions, the Group has fulfilled its performance obligations and revenue is therefore recognised at a point in time.

#### **Medical services**

The Group operates medical clinics to provide general medical and men's health medical services to patients mainly general practitioner consultation services, immunization services, body checkup and men's health medical services. Upon completion of the performance of general medical and men's health services at medical clinics, the Group has fulfilled its performance obligations and revenue is therefore recognised at a point in time.

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

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

#### Six months ended 30 September 2020

	Dental solutions and dental services <i>HK\$'000</i> (Unaudited)	Medical solutions and medical services <i>HK\$'000</i> (Unaudited)	Segment total <i>HK\$'000</i> (Unaudited)	Eliminations <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
SEGMENT REVENUE					
External revenue	37,105	28,361	65,466	–	65,466
Inter-segment revenue	388	–	388	(388)	–
Segment revenue	<u>37,493</u>	<u>28,361</u>	<u>65,854</u>	<u>(388)</u>	<u>65,466</u>
Segment profit	<u>823</u>	<u>1,661</u>	<u>2,484</u>		2,484
Unallocated expenses					(1,503)
Unallocated income					3,230
Unallocated losses					(45)
Profit before taxation					<u>4,166</u>

#### Six months ended 30 September 2019

	Dental solutions and dental services <i>HK\$'000</i> (Unaudited)	Medical solutions and medical services <i>HK\$'000</i> (Unaudited)	Segment total <i>HK\$'000</i> (Unaudited)	Eliminations <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
SEGMENT REVENUE					
External revenue	41,119	36,258	77,377	–	77,377
Inter-segment revenue	458	–	458	(458)	–
Segment revenue	<u>41,577</u>	<u>36,258</u>	<u>77,835</u>	<u>(458)</u>	<u>77,377</u>
Segment profit	<u>462</u>	<u>2,650</u>	<u>3,112</u>		3,112
Unallocated expenses					(5,820)
Unallocated income					477
Unallocated losses					(194)
Loss before taxation					<u>(2,425)</u>

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### Revenue from type of services

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision of healthcare solutions to contract customers, which mainly comprise of corporations and insurance companies:		
Medical solutions		
— Insurance companies	9,413	15,625
— Corporations	7,547	8,542
	<u>16,960</u>	<u>24,167</u>
Dental solutions	2,851	3,010
Provision of healthcare services to self-paid patients, which refer to individual patients who visit the medical centres or dental clinics run by the Group and pay out of their own expenses:		
Medical services	11,401	12,091
Dental services	34,254	38,109
	<u>65,466</u>	<u>77,377</u>

### 4. OTHER INCOME

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	5	15
Rental income	481	461
Government grant	2,714	—
Others	30	133
	<u>3,230</u>	<u>609</u>

## 5. OTHER GAIN AND LOSSES

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss on written off of property, plant and equipment	(45)	(144)
Loss on liquidation of a subsidiary	–	(50)
Fair value change of contingent consideration (payable)/receivable	(220)	160
	<u>(265)</u>	<u>(34)</u>

## 6. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) before taxation has been arrived at after charging:		
Directors' remuneration	2,388	2,238
Salaries and allowance for staff excluding directors	16,179	16,910
Retirement benefit scheme contributions for staffs excluding directors	545	737
Total staff costs	19,112	19,885
Medical and dental professional services expenses	23,324	33,743
Cost of inventories recognised as an expense	6,541	7,977
Operating lease rentals	955	1,072
Auditor's remuneration	200	200

## 7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax	516	829
Deferred tax	(258)	(129)
	<u>258</u>	<u>700</u>

## 7. INCOME TAX EXPENSE (Continued)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduced 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 in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the 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.

## 8. DIVIDENDS

The directors of the Company do not recommend any interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

## 9. PROFIT (LOSS) PER SHARE

	Six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the purpose of calculating basic Profit (loss) per share for the period	<u>3,908</u>	<u>(3,125)</u>
	'000	'000
Number of shares: Weighted average 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 period was presented as there were no dilutive potential ordinary shares in issue.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group has written off certain property, plant and equipment resulting in a loss on written off of property, plant and equipment of approximately HK\$45,000 (six months ended 30 September 2019: HK\$144,000).

In addition, the Group spent approximately HK\$1,681,000 (six months ended 30 September 2019: HK\$613,000), during the period on acquisition of property, plant and equipment for the purpose of expanding and upgrading the Group's capacity for operation.

## 11. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Accounts receivables	5,144	6,141
Other receivables		
— Other receivables	715	1,337
— Prepayments	2,183	2,332
— Rental and utility deposits	3,170	3,543
	<hr/>	<hr/>
Total accounts and other receivables	11,212	13,353
Less: Receivables within twelve months shown under current assets	(9,649)	(11,354)
	<hr/>	<hr/>
Rental deposits shown under non-current assets	1,563	1,999
	<hr/>	<hr/>
Presented in the condensed consolidated statement of financial position		
— Rental deposits	1,563	1,999
	<hr/>	<hr/>

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 or banks within 60 to 90 days from the invoice dates.

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

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Within 30 days	3,292	2,647
31 to 60 days	1,213	1,288
61 to 90 days	630	2,140
91 to 180 days	9	66
	<hr/>	<hr/>
	5,144	6,141
	<hr/>	<hr/>

## 12. ACCOUNTS AND OTHER PAYABLES AND CONTRACT LIABILITIES

### (A) Accounts and other payables

	At 30 September 2019 <i>HK\$'000</i> (Unaudited)	At 31 March 2019 <i>HK\$'000</i> (Audited)
Accounts payables	6,569	6,287
Other payables	1,300	660
Accrued expenses	3,823	3,714
	<u>11,692</u>	<u>10,661</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 at the end of each period:

	At 30 September 2020 <i>HK\$'000</i> (Unaudited)	At 31 March 2020 <i>HK\$'000</i> (Audited)
Within 30 days	4,208	2,270
31 to 60 days	961	4,017
61 to 90 days	1,220	–
91 to 180 days	180	–
	<u>6,569</u>	<u>6,287</u>

### (B) Contract liabilities

Contract liabilities represent advance payments from customers which would be expected to be fully recognised as revenue approximately within two years from the end of reporting period.

## 13. SHARE CAPITAL

The share capital of the Group at 30 September 2020 represented the issued and fully paid share capital of the Company up to 30 September 2020:

	Number of shares	Share capital <i>HK\$</i>
Ordinary share of HK\$0.01 each		
Authorised:		
At 1 April 2019, 31 March 2020 and 30 September 2020	<u>5,000,000,000</u>	<u>50,000,000</u>
Issued and fully paid:		
At 1 April 2019, 31 March 2020 and 30 September 2020	<u>1,040,000,000</u>	<u>10,400,000</u>

## 14. RELATED PARTY TRANSACTIONS

### Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Short-term benefits	3,722	3,460
Post-employments benefits	45	45
	<u>3,767</u>	<u>3,505</u>

Other than the above, the Group entered into the following related party transactions during the period:

Related party	Relationship	Nature of transaction	Six months ended 30 September	
			2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Face Factor Limited	Related company	Rental income	376	461
I-Teeth Limited	Related company	Dental professional services expense	6,341	8,841
		Rental expense	48	48
Karvin Investment Limited	Related company	Rental expense	150	–
Dr. Chiu Chong Po Kenny <sup>1</sup>	Related party	Rental expense	252	252

<sup>1</sup> Dr. Chiu is a key management personnel of the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS

### INTRODUCTION

MediNet is one of the well-known corporate healthcare solutions providers in Hong Kong for more than 25 years. With an enormous medical network and a large team of medical veterans, we provide an extensive range of quality medical/dental services to insurance companies and corporations. We also self-operate two MediNet centres, six dental clinics as well as one DNA genetic laboratory centre in Hong Kong and one high-end dental clinic in Shenzhen (the “**Shenzhen Dental Clinic**”). MediNet offers excellent and satisfying services at a reasonable price to our clients. Our goal is to create a trusted long-term relationship with clients. We devote every effort to understanding our clients well so that their needs are met.

### BUSINESS REVIEW AND OUTLOOK

The outbreak of the coronavirus (the “**Outbreak**”) since January 2020 has significantly affected the business operation of the Group as a result the Group’s revenue decreased by approximately 15.4% when compared with the corresponding period in 2019. However, we turned the loss for the period amounted to approximately HK\$3.1 million for the six months ended 30 September 2019 to profit for the period amounted to approximately HK\$3.9 million for the six months ended 30 September 2020. Such improvement was mainly attributable to (i) we recorded the significantly increase in the revenue of the Shenzhen Dental Clinic by approximately 179.4% when compared with the corresponding period in 2019; (ii) the loss from People’s Republic of China’s (the “**PRC**”) division also declined by approximately 95.5% as compared with the corresponding period in 2019. Such decreased was mainly due to the decrease in staff cost as well as absence of one-off impairment loss in respect of right-of-use assets and property, plant and equipment that were recognized for the year ended 31 March 2020; (iii) the decrease in general and administrative expenses because of effective cost control; and (iv) the receipt of subsidy under the Employment Support Scheme of the Hong Kong SAR Government (the “**Employment Support Scheme**”).

With regard to the Outbreak, we will face put downward pressure on the healthcare business and increase in operation cost such as to secure more personal protective equipment supplies for our frontline staff. Nevertheless, our management team have confidence to overcome all the challenge and continue to seize the opportunity to broaden the sources of income and economise on expenditures as well as maximise the interest of our shareholders.

## FINANCIAL REVIEW

### Revenue

Due to the Outbreak, the Group's revenue decreased from approximately HK\$77.4 million for the six months ended 30 September 2019 to approximately HK\$65.5 million for the six months ended 30 September 2020. The following table sets forth a breakdown of the Group's revenue with comparative figure:

	Six months ended 30 September 2020 <i>HK\$'000</i>	Six months ended 30 September 2019 <i>HK\$'000</i>	Increase/ (decrease) %
Medical solutions to contract customers	16,960	24,167	(29.8%)
Medical services to self-paid patients	11,401	12,091	(5.7%)
Dental solutions to contract customers	2,851	3,010	(5.3%)
Dental services to self-paid patients	34,254	38,109	(10.1%)
	<u>65,466</u>	<u>77,377</u>	

The revenue of medical solutions to contract customers decreased by approximately 29.8% from approximately HK\$24.2 million for the six months ended 30 September 2019 to approximately HK\$17.0 million for the six months ended 30 September 2020, which was primarily due to the decrease in the number of visits of contract customers to the Group's medical centres, affiliated doctors and affiliated auxiliary services providers.

The revenue of medical services to self-paid patients also decreased by approximately 5.7% from approximately HK\$12.1 million for the six months ended 30 September 2019 to approximately HK\$11.4 million for the six months ended 30 September 2020, which was primarily due to the decrease in demand from self-paid patients for certain body check-up services, other testing procedures and vaccination services etc.

The revenue of dental solutions to contract customers decreased by approximately 5.3% from approximately HK\$3.0 million for the six months ended 30 September 2019 to approximately HK\$2.9 million for the six months ended 30 September 2020, which was primarily due to the decrease in the number of contract customers and individuals for dental solutions.

The revenue of dental services to self-paid patients also decreased by approximately 10.1% from approximately HK\$38.1 million for the six months ended 30 September 2019 to approximately HK\$34.3 million for the six months ended 30 September 2020, which was primarily due to the decrease in the number of visits from patients seeking secondary dental services.

## **Other income**

Other income significantly increased by approximately 430.4% from approximately HK\$609,000 for the six months ended 30 September 2019 to approximately HK\$3.2 million for the six months ended 30 September 2020 which was primarily due to the receipt of subsidy under the Employment Support Scheme.

## **Other losses**

Other losses increased by approximately 679.4% from approximately HK\$34,000 for the six months ended 30 September 2019 to approximately HK\$265,000 for the six months ended 30 September 2020 mainly due to fair value change of contingent consideration receivable.

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

Medical and dental professional services expenses primarily comprised of fees paid to (i) affiliated doctors and affiliated auxiliary services providers rendered within the MediNet Network; (ii) engaging external specialist dentist; (iii) third party laboratories for services rendered to the Group; and (iv) the Group's doctors and dentists.

The Group's medical and dental professional services expenses decreased by approximately 30.9% from approximately HK\$33.7 million for the six months ended 30 September 2019 to HK\$23.3 million for the six months ended 30 September 2020, which was primarily due to the dual effect of the decrease in the number of patient visits which was in line with the decrease in Group's consolidated revenue.

## **Staff costs**

Staff costs decreased by approximately 3.9% from approximately HK\$19.9 million for the six months ended 30 September 2019 to HK\$19.1 million for the six months ended 30 September 2020. The decrease in staff cost for the Shenzhen Dental Clinic.

## **Depreciation and Amortisation**

Depreciation of property, plant and equipment decreased from approximately HK\$1.9 million for the six months ended 30 September 2019 to approximately HK\$1.5 million for the six months ended 30 September 2020, which was primarily due to one-off impairment loss incurred in 2019 to write off the property, plant and equipment of the PRC division.

Depreciation of right-of-use assets decreased from approximately HK\$4.8 million for the six months ended 30 September 2019 to approximately HK\$4.0 million for the six months ended 30 September 2020 which was primarily due to one-off impairment loss incurred in 2019 to write off the right-of-use assets of the Shenzhen Dental Clinic.

The Group recorded amortisation of intangible asset amounted to approximately HK\$786,000 for both six months ended 30 September 2019 and 2020.

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

Cost of medical and dental supplies decreased by approximately 18.0% from approximately HK\$8.0 million for the six months ended 30 September 2019 to HK\$6.5 million for the six months ended 30 September 2020, which was primarily due to the decrease in the amount of other medical and dental consumables such as drugs and medicine, vaccination and invisalign clear-aligner treatment by the patients which was in line with the decrease in revenue from medical and dental services to self-paid patients.

### **Rental expenses**

Rental expense decreased by approximately 10.9% from approximately HK\$1.1 million for the six months ended 30 September 2019 to approximately HK\$955,000 for the six months ended 30 September 2020 which was primarily due to rental payment for short-term leases under the adoption of HKFRS16, lease payments on short-term lease are recognised as expenses on a straight-line basis over the lease term.

### **Other expenses**

Other expenses primarily comprises (i) general overhead and administrative expenses such as repair and maintenance expenses, printing costs and insurance expenses etc; (ii) professional and legal fees; (iii) utilities expenses; and (iv) bank charges mainly relating to credit card and instalment charges from bank. Other expenses decreased by approximately 22.3% from approximately HK\$9.8 million for the six months ended 30 September 2019 to approximately HK\$7.6 million for the six months ended 30 September 2020. Such decrease was primarily due to the decrease in professional fees, printing costs and effective cost control on general and administrative expenses.

### **Income tax expense**

Income tax expense for the Group decreased from approximately HK\$700,000 for the six months ended 30 September 2019 to approximately HK\$258,000 for the six months ended 30 September 2020, primarily due to the decrease in tax assessable income.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The current ratio of the Group as at 30 September 2020 and 31 March 2020 were 1.1 times.

## **CAPITAL STRUCTURE**

As at 30 September 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**

Segment information for the Group is presented in note 3 of the notes to the unaudited condensed consolidated financial statements.

## **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 30 September 2020.

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

The Group did not have any material acquisition or disposal of subsidiaries, associated and joint ventures.

## **CONTINGENT LIABILITIES**

As at 30 September 2020, the Group did not have any material contingent liabilities (30 September 2019: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2020, the Group had a total of 107 employees (30 September 2019: 108 employees). The staff costs including directors' remuneration in the form of salaries and other benefits was approximately HK\$19.1 million for the six months ended 30 September 2020 (30 September 2019: approximately HK\$19.9 million). Remuneration is determined with reference to market terms, performance, position, experience and seniority. The remuneration packages are normally renewed on annual basis based on performance appraisals and other relevant factors to ensure that the pay levels of our employees are competitive and are rewarded on a performance related basis.

In addition, the remuneration of the Directors are reviewed by the remuneration committee of the Company and approved by the Board, according to the relevant Director's experience, responsibility, workload and time devoted to the Group.

## DISCLOSURE OF INTERESTS

### A. Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations

As at 30 September 2020, the interests and short positions of the each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), which were required (i) 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 (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

#### (a) Long position in the ordinary shares of the Company

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held, capacity and nature of interest	
		Number of share held (Note 1)	Approximate percentage of the Company's issued share capital
Mr. Chan Chi Wai, Nelson	Interest of controlled company (Note 2)	585,000,000 (L)	56.25%
Ms. Jiang Jie	Interest of spouse (Note 3)	585,000,000 (L)	56.25%

#### Notes:

1. The letter “L” denotes to long position in the shares of the Company.
2. MediNet International Limited is wholly and beneficially owned by Mr. Chan Chi Wai, Nelson (“**Mr. Chan**”). Therefore, Mr. Chan is deemed to be interested in the shares of the Company held by MediNet International Limited under Part XV of the SFO. Mr. Chan is the sole director of MediNet International Limited.
3. Ms. Jiang Jie (“**Ms. Jiang**”) is the spouse of Mr. Chan. Accordingly, Ms. Jiang is deemed to be interested in the shares of the Company in which Mr. Chan is deemed to be interested under Part XV of the SFO.

(b) Long position in the shares of associated corporation of the Company

<b>Name of associated corporation</b>	<b>Name of Director</b>	<b>Capacity/ Nature of interest</b>	<b>Number of shares held (Note 1)</b>	<b>Percentage of issued share capital</b>
MediNet International Limited (Note 2)	Mr. Chan	Beneficial owner	5 (L)	100%
MediNet International Limited (Note 2)	Ms. Jiang	Interest of spouse (Note 3)	5 (L)	100%

*Notes:*

1. The letter “L” denotes to the long position in the shares of the Company.
2. The entire issued share capital of MediNet International Limited is legally and beneficially owned by Mr. Chan.
3. Ms. Jiang is the spouse of Mr. Chan. Ms. Jiang is deemed to be interested in all the shares in which Mr. Chan is interested under Part XV of the SFO.

Save as disclosed above, as at 30 September 2020, none of the Directors nor chief executive of the Company has registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which 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 were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

**B. Substantial shareholders' and other persons' interests and short positions in shares, underlying shares and debentures of the Company**

As at 30 September 2020, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interest or short positions in the shares or underlying shares of the Company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Capacity and nature of interest	Number of ordinary shares held (Note 1)	Approximate percentage of the Company's issued share capital
MediNet International Limited	Beneficial owner (Note 2)	585,000,000 (L)	56.25%
NSD Capital Limited ("NSD Capital")	Beneficial owner (Note 3)	195,000,000 (L)	18.75%
Convoy Asset Management Limited ("CAM")	Interest of a controlled Corporation (Note 3)	195,000,000 (L)	18.75%
Favour Sino Holdings Limited ("Favour Sino")	Interest of a controlled Corporation (Note 3)	195,000,000 (L)	18.75%
Convoy (BVI) Limited ("Convoy (BVI)")	Interest of a controlled Corporation (Note 3)	195,000,000 (L)	18.75%
Convoy Global Holdings Limited (formerly known as Convoy Financial Holdings Limited) ("Convoy Global")	Interest of a controlled Corporation (Note 3)	195,000,000 (L)	18.75%

Notes:

1. The letter "L" denotes to long position in the shares of the Company.
2. MediNet International Limited is wholly and beneficially owned by Mr. Chan. Therefore, Mr. Chan is deemed to be interested in the shares of the Company held by MediNet International Limited under Part XV of SFO. Mr. Chan is the sole director of MediNet International Limited.
3. NSD Capital is an exempted company incorporated in the Cayman Island with limited liability, the management shares of which are wholly owned by CAM, a wholly-owned subsidiary of Favour Sino. Favour Sino is a wholly-owned subsidiary of Convoy (BVI), which is a wholly-owned subsidiary of Convoy Global (a company listed on the Main Board of the Stock Exchange (stock code: 1019)). Therefore, each of CAM, Favour Sino, Convoy (BVI) and Convoy Global is deemed to be interested in the Shares of the Company held by NSD Capital under the SFO.

Save as disclosed above, as at 30 September 2020, none of the substantial shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.



## **OTHER INFORMATION**

### **COMPETING AND CONFLICTS OF INTERESTS**

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the period ended 30 September 2020.

### **PURCHASE, SALES OF REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 September 2020.

### **CORPORATE GOVERNANCE CODE**

Pursuant to the code provision A.2.1 of the Corporate Governance Code (“**CG Code**”), as set out in Appendix 15 of the GEM Listing Rules, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Chan currently assumes the role of both chairman of the Company and chief executive of the Company. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing suitable candidate to assume the role of chief executive when necessary.

As at 30 September 2020, save as disclosed above, the Company has complied with the applicable code provisions of the CG Code.

### **CHANGES OF DIRECTORS' INFORMATION**

The change in the Directors' information subsequent to the date of the annual report for the year ended 31 March 2020, as required to be disclosed pursuant to rule 17.50A(1) of the GEM Listing Rules, is as follows:

Mr. Wong Wai Leung, an independent non-executive Director has been appointed as an independent non-executive director of Zhongchang International Holdings Group Limited (stock code: 859), the issued shares of which are listed on the main board of the Stock Exchange, since 14 May 2020.

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Group has adopted the Model Code for Securities Transactions by directors on terms no less exacting than the required standards of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”). Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the Required Standard of Dealings during the six months ended 30 September 2020.

## **DIVIDEND**

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2020.

## **EVENTS AFTER THE REPORTING PERIOD**

No significant events have taken place since the interim period for the six months ended 30 September 2020.

## **AUDIT COMMITTEE**

The Company established an audit committee (the “**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, (i) to make recommendations to the Board on the appointment, reappointment and removal of the external auditor; (ii) to review and monitor the internal control and risk management systems, the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and (iii) and to monitor the integrity of the Company’s annual report, interim report and quarterly reports before submission to the Board. The Audit Committee consists of 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 unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2020.

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

Hong Kong, 12 November 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.*