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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)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021**

#### **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.**

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*This announcement, for which the directors (the “**Directors**”) of MediNet Group Limited (the “**Company**”) together with the subsidiaries, the “**Group**”) 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 Listed Company Information” 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\$129.5 million for the year ended 31 March 2021 representing a decrease of approximately HK\$15.5 million or 10.7% as compared with the year ended 31 March 2020.
- The profit for the year of the Company and its subsidiaries is approximately HK\$4.8 million for the year ended 31 March 2021, representing an increase in net profit of approximately HK\$19.7 million from net loss of approximately HK\$14.9 million for the year ended 31 March 2020.
- The board of Directors does not recommend the payment of any dividend for the year ended 31 March 2021.

## 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 2021 (“**FY2020/21**”) together with the comparative figures for the corresponding period in 2020 (“**FY2019/20**”).

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

*For the Year ended 31 March 2021*

	<i>NOTES</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	3	<b>129,481</b>	144,944
Other income		<b>6,268</b>	944
Other gains and losses		<b>(151)</b>	(7,543)
Medical and dental professional services expenses		<b>(47,329)</b>	(59,793)
Staff costs		<b>(40,155)</b>	(42,817)
Depreciation of property, plant and equipment		<b>(3,191)</b>	(3,550)
Depreciation of right-of-use assets		<b>(9,760)</b>	(10,965)
Cost of medical and dental supplies		<b>(11,600)</b>	(13,690)
Rental expenses		<b>(790)</b>	(1,600)
Other expenses		<b>(15,626)</b>	(17,785)
Amortisation of other intangible assets		<b>(1,572)</b>	(1,572)
Interest on lease liabilities		<b>(829)</b>	(721)
		<hr/>	<hr/>
Profit (loss) before taxation		<b>4,746</b>	(14,148)
Income tax credit (expense)	4	<b>9</b>	(794)
		<hr/>	<hr/>
Profit (loss) for the year		<b>4,755</b>	(14,942)
		<hr/>	<hr/>
Other comprehensive income (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>52</b>	(342)
Reclassification adjustment from foreign currencies translation reserves:			
— release upon liquidation of a subsidiary		<b>—</b>	273
		<hr/>	<hr/>
Total comprehensive income (expense) for the year		<b>4,807</b>	(15,011)
		<hr/> <hr/>	<hr/> <hr/>
Earnings (loss) per share — Basic (Hong Kong cents)	6	<b>0.46</b>	(1.44)
		<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		6,747	7,942
Right-of-use assets		12,528	8,370
Other intangible assets		3,143	4,715
Goodwill		19,483	19,483
Contingent consideration receivable		–	148
Rental deposits	7	2,290	1,999
Deferred tax assets		1,293	1,220
		<u>45,484</u>	<u>43,877</u>
Current assets			
Inventories		653	1,091
Accounts and other receivables	7	7,715	11,354
Amounts due from related parties		274	87
Tax recoverable		1,110	140
Bank balances and cash		20,652	15,895
		<u>30,404</u>	<u>28,567</u>
Current liabilities			
Accounts and other payables	8	10,604	10,661
Contract liabilities		6,369	9,802
Lease liabilities		8,834	6,302
Provision for reinstatement costs		205	122
Amount due to related parties		–	130
		<u>26,012</u>	<u>27,017</u>
Net current assets		<u>4,392</u>	<u>1,550</u>
Total assets less current liabilities		<u>49,876</u>	<u>45,427</u>

	<i>NOTES</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		<b>5,414</b>	5,544
Deferred tax liabilities		<b>680</b>	918
Provision for reinstatement costs		<b>734</b>	724
		<u><b>6,828</b></u>	<u>7,186</u>
Net assets		<u><b>43,048</b></u>	<u>38,241</u>
Capital and reserves			
Share capital		<b>10,400</b>	10,400
Reserves		<b>32,648</b>	27,841
Total equity		<u><b>43,048</b></u>	<u>38,241</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

### 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 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 Mr. Chan Chi Wai, Nelson, an executive Director.

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

In the current year, the Group has applied the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“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 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

In addition, the Group has early applied the Amendment to HKFRS 16 *Covid-19-Related Rent Concessions* and Amendment to HKFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021*.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Groups’ financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### *Impacts on application of Amendments to HKAS 1 and HKAS 8 “Definition of Material”*

The Group has applied an Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specify reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

### *Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions*

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification.

Consequently, rent concessions received have been recognised in “other income” in profit or loss in the period in which the event or condition that triggers those payments occurred. The application of the amendment had no impact to the opening accumulated losses at 1 April 2020.

### *Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021*

The amendment extends the practical expedient available to lessees in accounting for COVID-19 related rent concessions by one year. The reduction in lease payments could only affect payments originally due on or before 30 June 2021 is extended to 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted.

### *New and amendments to HKFRSs in issue but not yet effective*

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>2</sup>

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2022.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2021.

The Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the Group's financial positions and performance and/or on disclosures to the Group in foreseeable future.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

#### (i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 March 2021		
	Dental business HK\$'000	Medical business HK\$'000	Total HK\$'000
<b>Types of service</b>			
Dental business			
Solutions	6,105	–	6,105
Services	68,286	–	68,286
Sub-total	74,391	–	74,391
Medical business			
Solutions to insurance companies	–	18,948	18,948
Solutions to corporations	–	15,139	15,139
Services	–	21,003	21,003
Sub-total	–	55,090	55,090
Total	74,391	55,090	129,481
<b>Geographical markets</b>			
Hong Kong	71,360	55,090	126,450
The PRC	3,031	–	3,031
Total	74,391	55,090	129,481
<b>Timing of revenue recognition</b>			
A point in time	46,414	41,918	88,332
Over time	27,977	13,172	41,149
Total	74,391	55,090	129,481



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	76,577	–	76,577
Medical business			
Solutions to insurance companies	–	29,297	29,297
Solutions to corporations	–	16,551	16,551
Services	–	22,519	22,519
Sub-total	–	68,367	68,367
Total	76,577	68,367	144,944
<b>Geographical markets</b>			
Hong Kong	75,373	68,367	143,740
The PRC	1,204	–	1,204
Total	76,577	68,367	144,944
<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	76,577	68,367	144,944

**(ii) Performance obligations for contracts with customers**

*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 for specific dental services 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 to the customers including orthodontic treatment, dental laser implant surgery, teeth whitening, other general dental services, scaling and polishing, fillings, intra oral X-rays and routine oral examination to patients, while these customers are entitled to consume the dental services simultaneously.

The Group satisfied the performance obligation by providing dental solutions to corporations, insurance companies and individual customers within the period of Annual Retainer Contracts and these customers would be entitled to consume dental 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.

### *Dental services*

The Group's general dental services represent dental care services such as orthodontic treatment, dental laser implant surgery, teeth whitening, other general dental services, 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. Advance payment will be made by patients for invisalign treatment services. As the directors 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.

### *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. Generally, the Group charges one-off general medical service fee based on an agreed pricing for a specific medical service. 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.

**(iii) Transaction price allocated to the remaining performance obligation for contracts with customers**

The Group's all contracts with customers in relation to dental solutions, dental services, other general dental services, medical solutions to insurance companies, medical solutions to corporation and medical services are for periods of not more than two years. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) in relation to dental services (invisalign treatment services) as at 31 March 2021 and 31 March 2020 and the expected timing of recognising revenue are as follows:

	<b>2021 Dental services HK\$'000</b>
Within one year	1,224
More than one year but not more than two years	<u>679</u>
	<u><b>1,903</b></u>
	2020
	Dental services HK\$'000
Within one year	2,016
More than one year but not more than two years	<u>530</u>
	<u><b>2,546</b></u>

**(iv) 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 2021

	Dental business HK\$'000	Medical business HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
SEGMENT REVENUE					
External revenue	74,391	55,090	129,481	–	129,481
Inter-segment revenue	920	5,309	6,229	(6,229)	–
Segment revenue	<u>75,311</u>	<u>60,399</u>	<u>135,710</u>	<u>(6,229)</u>	<u>129,481</u>
Segment profit (loss)	<u>(847)</u>	<u>2,483</u>	<u>1,636</u>		1,636
Unallocated expenses					(3,104)
Unallocated income					6,268
Unallocated loss					<u>(54)</u>
Profit before taxation					<u>4,746</u>
	Dental business HK\$'000	Medical business HK\$'000	Segment total HK\$'000	Others HK\$'000	Total HK\$'000
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Additions to right-of-use assets	7,143	6,775	13,918	–	13,918
Additions to property, plant and equipment	320	1,722	2,042	–	2,042
Depreciation of property, plant and equipment	1,930	1,261	3,191	–	3,191
Depreciation of right-of-use assets	5,602	4,158	9,760	–	9,760
Amortisation of other intangible assets	1,572	–	1,572	–	1,572
Loss on disposal of property, plant and equipment	–	47	47	–	47

**Year ended 31 March 2020**

	Dental business HK\$'000	Medical business HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
<b>SEGMENT REVENUE</b>					
External revenue	76,577	68,367	144,944	–	144,944
Inter-segment revenue	1,095	–	1,095	(1,095)	–
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>		(6,398)
Unallocated expenses					(8,241)
Unallocated income					839
Unallocated loss					<u>(348)</u>
Loss before taxation					<u>(14,148)</u>
	Dental business HK\$'000	Medical business HK\$'000	Segment total HK\$'000	Others HK\$'000	Total HK\$'000
<b>OTHER SEGMENT INFORMATION</b>					
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 of other intangible assets	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>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. 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:

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

\* No Customer accounted for 10% or more of the Group's revenue in the current year.

<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.

	Revenue from external customers for the year		Non-current assets at 31 March	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong	<b>126,450</b>	143,740	<b>44,180</b>	43,574
The PRC	<b>3,031</b>	1,204	<b>11</b>	303
	<u><b>129,481</b></u>	<u>144,944</u>	<u><b>44,191</b></u>	<u>43,877</u>

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

## 4. INCOME TAX (CREDIT) EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Hong Kong profits tax	<b>339</b>	1,373
Overprovision in prior year:		
Hong Kong profits tax	<u>(32)</u>	<u>(183)</u>
	<b>307</b>	1,190
Deferred tax	<u>(316)</u>	<u>(396)</u>
	<u><b>(9)</b></u>	<u>794</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\$10,000 (2020: HK\$20,000).

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

	<b>2021</b>	2020
	<b>HK\$’000</b>	HK\$’000
Profit (loss) before taxation	<b>4,746</b>	(14,148)
Tax at Hong Kong Profits Tax rate of 16.5%	<b>783</b>	(2,334)
Tax effect of expenses not deductible for tax purposes	<b>58</b>	520
Tax effect of income not taxable for tax purposes	<b>(800)</b>	(97)
Tax effect of tax loss not recognised	<b>408</b>	2,645
Tax effect of deductible temporary difference not recognised	<b>92</b>	1,449
Utilisation of tax losses previously not recognised	<b>(351)</b>	(110)
Overprovision in prior year	<b>(32)</b>	(183)
Income tax at concessionary rate	<b>(100)</b>	(165)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(37)</b>	(871)
Tax concessions	<b>(30)</b>	(60)
Income tax (credit) expense for the year	<b>(9)</b>	794

## 5. DIVIDENDS

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

## 6. EARNINGS (LOSS) PER SHARE

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit (loss) for the year attributable to owners of the Company for the purpose of calculating basic earnings (loss) per share for the year	<u><b>4,755</b></u>	<u>(14,942)</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings (loss) per share	<u><b>1,040,000</b></u>	<u>1,040,000</u>

No diluted earnings (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>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts receivables	<b>3,684</b>	6,141
Other receivables		
— Other receivables	<b>1,064</b>	1,337
— Prepayments	<b>2,106</b>	2,332
— Rental and utility deposits	<u><b>3,151</b></u>	<u>3,543</u>
Total accounts and other receivables	<b>10,005</b>	13,353
Less: Receivables within twelve months shown under current assets	<u><b>(7,715)</b></u>	<u>(11,354)</u>
Rental deposits and other receivables shown under non-current assets	<u><b>2,290</b></u>	<u>1,999</u>
Presented in the consolidated statement of financial position:		
— Rental deposits	<u><b>2,290</b></u>	<u>1,999</u>

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>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	<b>2,583</b>	2,647
31 to 60 days	<b>1,012</b>	1,288
61 to 90 days	<b>49</b>	2,140
91 to 180 days	<b>40</b>	66
	<u><b>3,684</b></u>	<u>6,141</u>

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.

As at 31 March 2020, included in the Group's accounts receivables balance are debtors with aggregate carrying amounts of HK\$66,000 (2019: HK\$124,000) 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**

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Accounts and other payables</b>		
Accounts payables	<b>5,321</b>	6,287
Other payables	<b>1,358</b>	660
Accrued expenses	<b>3,925</b>	3,714
	<u><b>10,604</b></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:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 30 days	2,539	2,270
31 to 60 days	2,752	4,017
61 to 90 days	–	–
91 to 120 days	<u>30</u>	<u>–</u>
	<u><b>5,321</b></u>	<u>6,287</u>
	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Contract liabilities</b>		
Medical services	<b>940</b>	–
Medical solutions	<b>1,393</b>	4,159
Dental solutions	<b>2,133</b>	3,097
Dental services	<u><b>1,903</b></u>	<u>2,546</u>
	<u><b>6,369</b></u>	<u>9,802</u>

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 2021, HK\$8,502,000 (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 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

MediNet is one of the well-established healthcare 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, we provide customised, reliable, coordinated, comprehensive healthcare solutions for our contract customers. We self-operated six dental clinics, two MediNet centres and one genetics laboratory centre in Hong Kong and one top-notch dental clinic in Shenzhen. The goal of MediNet is to help our clients to build a strong body and maintain their health while facing different goals and challenges in their everyday lives. We embrace the spirit of "Guard your health with a caring heart" by striving for the best at all time.

The outbreak of COVID-19 (the "**Outbreak**") has led to a decrease of approximately 10.7% in the Group's revenue when compared with FY2019/20. However, we turned the loss to profit and recorded the profit for the year of approximately HK\$4.8 million for FY2020/21 (FY2019/20: loss for the year of approximately HK\$14.9 million). Such improvement was mainly attributable to (i) the significant increase in the revenue of the dental clinic of the Company in Shenzhen (the "**Shenzhen Dental Clinic**") by approximately 151.7% as compared with FY2019/20; (ii) absence of one-off impairment loss in respect of right-of-use assets and property, plant and equipment that were recognised for FY2019/20 as a result the loss of PRC division significantly decreased by approximately 95.1% as compared with FY2019/20; (iii) staff redeployment and decrease in sales commission to reduce staff cost; (iv) the implementation of the policy of economising on expenditure and saving expenses; and (v) the receipt of subsidy under the Employment Support Scheme of the Hong Kong SAR Government (the "**ESS**").

There is uncertainty as to whether the Outbreak can be controlled in the next few months in Hong Kong, we will continue to face different challenges and difficulties so we will not only strengthen the cost control, broaden sources of income and economise on expenditure but also continue to improve the service quality to create sustainable value to our stakeholders.

## FINANCIAL REVIEW

### Revenue

Due to the Outbreak, the Group's revenue decreased by approximately 10.7% from approximately HK\$144.9 million for FY2019/20 to approximately HK\$129.5 million for FY2020/21. The following table sets forth a breakdown of the Group's revenue with comparative figures:

	FY2019/20 <i>HK\$'000</i>	FY2020/21 <i>HK\$'000</i>	%
Medical solutions to contract customers	45,848	<b>34,087</b>	<b>(25.7%)</b>
Medical services to self-paid patients	22,519	<b>21,003</b>	<b>(6.7%)</b>
Dental solutions to contract customers	6,731	<b>6,105</b>	<b>(9.3%)</b>
Dental services to self-paid patients	69,846	<b>68,286</b>	<b>(2.2%)</b>
	<u>144,944</u>	<u><b>129,481</b></u>	

The revenue of medical solutions to contract customers decreased by approximately 25.7% from approximately HK\$45.8 million for FY2019/20 to approximately HK\$34.1 million for FY2020/21, which was primarily due to the decrease in the number of visits by patients to our affiliated doctors and affiliated auxiliary services providers and the number of contract customers.

The revenue of medical services to self-paid patients decreased by approximately 6.7% from approximately HK\$22.5 million for FY2019/20 to approximately HK\$21.0 million for FY2020/21 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 decrease in demand was due to the fear of the Outbreak.

The revenue of dental solutions to contract customers decreased by approximately 9.3% from approximately HK\$6.7 million for FY2019/20 to approximately HK\$6.1 million for FY2020/21, which was mainly attributable to the decrease in the number of contract customers and individuals for dental solutions services.

The revenue of dental services to self-paid patients slightly decreased by approximately 2.2% from approximately HK\$69.8 million for FY2019/20 to approximately HK\$68.3 million for FY2020/21.

### Other income

Other income significantly increased from approximately HK\$0.9 million for FY2019/20 to approximately HK\$6.3 million for FY2020/21 which was mainly due to the receipt of subsidy under the ESS and the adoption of HKFRS16 "COVID-19-related rent concession".

### **Other gains and losses**

Other losses significantly decreased from approximately HK\$7.5 million for FY2019/20 to approximately HK\$0.2 million for FY2020/21, which was primarily due to the absence of one-off impairment loss recognised on right-of-use assets and property, plant and machinery at the Shenzhen Dental Clinic and the decrease in fair value change of contingent consideration receivable.

### **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 20.8% from approximately HK\$59.8 million for FY2019/20 to approximately HK\$47.3 million for FY2020/21 which was primarily due to the dual effect of the decrease in the number of patient visits 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 decreased by approximately 6.2% from approximately HK\$42.8 million for FY2019/20 to approximately HK\$40.2 million for FY2020/21. The decrease was primarily due to staff redeployment in Hong Kong and PRC division and the decrease in the sales commission paid as a result of decrease in revenue.

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

Depreciation of property, plant and equipment decreased by approximately 10.1% from approximately HK\$3.6 million for FY2019/20 to approximately HK\$3.2 million for FY2020/21, which was primarily due to one-off impairment loss incurred in FY2019/20 to write off the property, plant and equipment of the PRC division.

### **Rental and depreciation of right-of-use assets and Interest on lease liabilities**

Due to one-off impairment loss incurred in FY2019/20 to write off the right-of-use assets of the Shenzhen Dental Clinic and rental concessions granted by landlords of various premises, the depreciation of right-of-use assets and rental expenses decreased by approximately 11.0% and 50.6% from approximately HK\$11.0 million and HK\$1.6 million for FY2019/20 to approximately HK\$9.8 million and HK\$0.8 million for FY2020/21 respectively.

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

Cost of medical and dental supplies decreased by approximately 15.3% from approximately HK\$13.7 million for FY2019/20 to approximately HK\$11.6 million for FY2020/21, which was principally due to the decrease in the amount of other medical and dental consumables such as drugs and medicine, vaccination and invisalign clear-aligner for the provision of medical services and dental services to self-paid patients, which correlates with the decrease in revenue from medical services and dental services to self-paid patients.

## **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 12.1% from approximately HK\$17.8 million for FY2019/20 to HK\$15.6 million for FY2020/21. Such decrease was primarily due to the decrease in professional fees, printing costs and effective cost control implemented by the Group on general expenses.

## **Amortisation of intangible assets**

Amortisation of intangible assets remained unchanged for both years of approximately HK\$1.6 million.

## **Income tax credit (expense)**

Income tax expense for the Group decreased from income tax expenses of approximately HK\$794,000 for FY2019/20 to income tax credit of approximately HK\$9,000 for FY2020/21, primarily due to the decrease in tax assessable income.

## **Liquidity and financial resources**

As at 31 March 2021, the Group had total assets of approximately HK\$75.9 million (2020: approximately HK\$72.4 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$32.8 million (2020: approximately HK\$34.2 million) and approximately HK\$43.0 million (2020: approximately HK\$38.2 million), respectively.

The current ratio as at 31 March 2021 was approximately 1.2 times (2020: approximately 1.1 times).

## **Treasury policy**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout FY2020/21. 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**

All of the revenue-generating operations of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. For FY2020/21, the depreciation of Chinese Yuan incurred the slightly exchange gain 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 2021, 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 2021.

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

During FY2020/21, the Group did not have any material acquisition or disposal of subsidiaries, associated and joint ventures.

### **Contingent liabilities**

As at 31 March 2021, the Group did not have any material contingent liabilities (2020: Nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2021, the Group had a total of 110 employees (2020: 103 employees), the table below is a breakdown of the number of our full time/part-time employees by functions as at 31 March 2020 and 31 March 2021:

	2020	2021
Directors and senior management	9	9
— Dentists	8	8
— Dental Hygienists	3	2
— Dental Nurse	33	39
— Other supporting staff	16	17
MediNet Centres operation:		
— Doctors	2	2
— Nurses	7	8
— Other supporting staff	1	4
Other supporting staff ( <i>Note 1</i> )	17	12
PRC operation:		
— Dentists	2	3
— Nurses	5	6
— Other supporting staff	1	1
	<hr/>	<hr/>
Total ( <i>Note 2</i> )	<u>103</u>	<u>110</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 (2020: 1) of our employees, who was senior management and our dentist was included in both categories “Director and senior management” and “Dentists”.

For FY2020/21, the relevant staff cost (including Directors’ remuneration in the form of salaries and other benefits) was approximately HK\$40.2 million (FY2019/20: approximately HK\$42.8 million).

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 FY2020/21, 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 FY2020/21 (FY2019/20: Nil).

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

The annual general meeting will be held on 12 August 2021. 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 9 August 2021 to 12 August 2021, 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 2021.

## **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 Board is subject to code provision D.3.1 concerning corporate governance. The Board has reviewed and discussed the corporate governance policy of the Group, and was satisfied with the performance of the corporate governance policy.

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 FY2020/21, 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 FY2020/21.

## **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) 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 FY2020/21.

#### **EVENT AFTER THE REPORTING PERIOD**

No significant events have taken place since the FY2020/21 to 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, 25 June 2021

*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.*