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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 2022

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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 for at least seven days from the date of its publication and the Company’s website at www.MediNetGroup.com.

FINANCIAL HIGHLIGHTS

- The revenue of the Company and its subsidiaries amounted to approximated HK\$121.1 million for the year ended 31 March 2022 representing a decrease of approximately HK\$8.4 million or 6.5% as compared with the year ended 31 March 2021.
- The loss for the year attributable to owners of the Company was approximately HK\$6.2 million for the year ended 31 March 2022 as compared to the profit for the year attributable to owners of the Company was approximately HK\$4.8 million for year ended 31 March 2021.
- The board of Directors does not recommend the payment of any dividend for the year ended 31 March 2022.

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 2022 (“**FY2021/22**”) together with the comparative figures for the corresponding period in 2021 (“**FY2020/21**”).

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

For the Year ended 31 March 2022

	<i>NOTES</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Revenue	3	121,068	129,481
Other income		1,219	6,268
Other gains and losses		(138)	(151)
Medical and dental professional services expenses		(43,936)	(47,329)
Staff costs		(42,549)	(40,155)
Depreciation of property, plant and equipment		(2,955)	(3,191)
Depreciation of right-of-use assets		(9,621)	(9,760)
Cost of medical and dental supplies		(11,692)	(11,600)
Rental expenses		(1,142)	(790)
Other expenses		(14,767)	(15,626)
Amortisation of other intangible assets		(1,572)	(1,572)
Interest on lease liabilities		(650)	(829)
(Loss) profit before taxation		(6,735)	4,746
Income tax credit	4	358	9
(Loss) profit for the year		(6,377)	4,755
(Loss) profit for the year attributable to:			
Owners of the Company		(6,216)	4,755
Non-controlling interest		(161)	–
		(6,377)	4,755
(Loss) earnings per share — Basic and Diluted (Hong Kong cents)	6	(0.60)	0.46
Other comprehensive (expense) income for the year			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(33)	52
Total comprehensive (expense) income for the year		(6,410)	4,807
Total comprehensive (expense) income attributable to:			
Owners of the Company		(6,249)	4,807
Non-controlling interests		(161)	–
		(6,410)	4,807

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Property, plant and equipment		4,565	6,747
Right-of-use assets		13,128	12,528
Other intangible assets		1,571	3,143
Goodwill		19,483	19,483
Rental deposits	7	1,730	2,290
Deferred tax assets		1,364	1,293
		<u>41,841</u>	<u>45,484</u>
Current assets			
Inventories		492	653
Accounts and other receivables	7	9,511	7,715
Amounts due from a related party		361	274
Tax recoverable		655	1,110
Bank balances and cash		15,600	20,652
		<u>26,619</u>	<u>30,404</u>
Current liabilities			
Accounts and other payables	8	9,360	10,604
Contract liabilities		7,448	6,369
Lease liabilities		7,590	8,834
Provision for reinstatement costs		438	205
Amount due to a related party		739	–
Tax payable		200	–
		<u>25,775</u>	<u>26,012</u>
Net current assets		<u>844</u>	<u>4,392</u>
Total assets less current liabilities		<u>42,685</u>	<u>49,876</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	5,257	5,414
Deferred tax liabilities	337	680
Provision for reinstatement costs	453	734
	<u>6,047</u>	<u>6,828</u>
Net assets	<u>36,638</u>	<u>43,048</u>
Capital and reserves		
Share capital	10,400	10,400
Reserves	26,399	32,648
	<u>36,799</u>	<u>43,048</u>
Equity attributable to owners of the Company	36,799	43,048
Non-controlling interests	(161)	–
	<u>36,638</u>	<u>43,048</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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 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 periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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In addition, the Group has early applied the Amendment to HKFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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 positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 Leases (“HKFRS 16”) by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior years.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost.

Impacts on application of the agenda decision of the Committee — Cost necessary to sell inventories (HKAS 2 Inventories)

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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

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.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 March 2022		
	Dental business HK\$'000	Medical business HK\$'000	Total HK\$'000
Types of service			
Dental business			
Solutions	6,322	–	6,322
Services	67,879	–	67,879
Sub-total	74,201	–	74,201
Medical business			
Solutions to insurance companies	–	20,062	20,062
Solutions to corporations	–	9,277	9,277
Services	–	17,528	17,528
Sub-total	–	46,867	46,867
Total	74,201	46,867	121,068
Geographical markets			
Hong Kong	72,101	46,867	118,968
The PRC	2,100	–	2,100
Total	74,201	46,867	121,068
Timing of revenue recognition			
A point in time	50,028	39,419	89,447
Over time	24,173	7,448	31,621
Total	74,201	46,867	121,068

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

(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 2022 and 31 March 2021 and the expected timing of recognising revenue are as follows:

	2022 Dental services HK\$'000
Within one year	1,295
More than one year but not more than two years	<u>287</u>
	<u>1,582</u>
	2021
	Dental services HK\$'000
Within one year	1,224
More than one year but not more than two years	<u>679</u>
	<u>1,903</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 2022

	Dental business <i>HK\$'000</i>	Medical business <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT REVENUE					
External revenue	74,201	46,867	121,068	–	121,068
Inter-segment revenue	<u>958</u>	<u>4,965</u>	<u>5,923</u>	<u>(5,923)</u>	<u>–</u>
Segment revenue	<u>75,159</u>	<u>51,832</u>	<u>126,991</u>	<u>(5,923)</u>	<u>121,068</u>
Segment loss	<u>(3,325)</u>	<u>(637)</u>	<u>(3,962)</u>		<u>(3,962)</u>
Unallocated expenses					(3,992)
Unallocated income					<u>1,219</u>
Loss before taxation					<u>(6,735)</u>
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Additions to right-of-use assets			4,973	5,249	10,222
Additions to property, plant and equipment			689	83	772
Depreciation of property, plant and equipment			1,825	1,130	2,955
Depreciation of right-of-use assets			5,378	4,243	9,621
Amortisation of other intangible assets			1,572	–	1,572
Bad debts written off			<u>–</u>	<u>168</u>	<u>168</u>

Year ended 31 March 2021

	Dental business <i>HK\$'000</i>	Medical business <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT REVENUE					
External revenue	74,391	55,090	129,481	–	129,481
Inter-segment revenue	<u>920</u>	<u>5,309</u>	<u>6,229</u>	<u>(6,229)</u>	<u>–</u>
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 <i>HK\$'000</i>	Medical business <i>HK\$'000</i>	Total <i>HK\$'000</i>

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
Additions to property, plant and equipment	320	1,722	2,042
Depreciation of property, plant and equipment	1,930	1,261	3,191
Depreciation of right-of-use assets	5,602	4,158	9,760
Amortisation of other intangible assets	1,572	–	1,572
Loss on disposal of property, plant and equipment	<u>–</u>	<u>47</u>	<u>47</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

No individual customer accounted for over 10% of the Group's total revenue for both years.

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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Hong Kong	118,968	126,450	38,733	44,180
The PRC	2,100	3,031	14	11
	<u>121,068</u>	<u>129,481</u>	<u>38,747</u>	<u>44,191</u>

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

4. INCOME TAX CREDIT

	2022 HK\$'000	2021 HK\$'000
Current tax:		
Hong Kong profits tax	55	339
Underprovision (overprovision) in prior year:		
Hong Kong profits tax	<u>1</u>	<u>(32)</u>
Deferred tax	<u>56</u> <u>(414)</u>	<u>307</u> <u>(316)</u>
	<u>(358)</u>	<u>(9)</u>

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 (2021: HK\$10,000).

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

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
(Loss) profit before taxation	<u>(6,735)</u>	<u>4,746</u>
Tax at Hong Kong Profits Tax rate of 16.5%	(1,111)	783
Tax effect of expenses not deductible for tax purposes	111	58
Tax effect of income not taxable for tax purposes	(17)	(800)
Tax effect of tax loss not recognised	628	408
Tax effect of deductible temporary difference not recognised	130	92
Utilisation of tax losses previously not recognised	(11)	(351)
Underprovision (overprovision) in prior year	1	(32)
Income tax at concessionary rate	–	(100)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(69)	(37)
Tax concessions	<u>(20)</u>	<u>(30)</u>
Income tax credit for the year	<u>(358)</u>	<u>(9)</u>

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. (LOSS) EARNINGS PER SHARE

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
(Loss) profit for the year attributable to owners of the Company for the purpose of calculating basic (loss) earnings per share for the year	<u>(6,216)</u>	<u>4,755</u>
	<i>’000</i>	<i>’000</i>
Number of shares:		
Number of ordinary shares for the purpose of calculating basic (loss) earnings per share	<u>1,040,000</u>	<u>1,040,000</u>

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

The Company had no potentially dilutive ordinary shares in issue both years ended 31 March 2022 and 2021.

7. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accounts receivables	4,945	3,684
Less: Allowance for ECL	<u>(113)</u>	<u>–</u>
	4,832	3,684
Other receivables		
— Other receivables	1,088	1,064
— Prepayments	2,069	2,106
— Rental and utility deposits	<u>3,252</u>	<u>3,151</u>
Total accounts and other receivables	11,241	10,005
Less: Receivables within twelve months shown under current assets	<u>(9,511)</u>	<u>(7,715)</u>
Rental deposits and other receivables shown under non-current assets	<u>1,730</u>	<u>2,290</u>
Presented in the consolidated statement of financial position:		
— Rental deposits	<u>1,730</u>	<u>2,290</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	2,446	2,583
31 to 60 days	2,166	1,012
61 to 90 days	210	49
91 to 180 days	<u>10</u>	<u>40</u>
	<u>4,832</u>	<u>3,684</u>

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are assessed by using a provision matrix based on the credit risk characteristic and the ageing of trade receivables. The Group considers the historical loss rates in the past three years and adjusts for forward looking factors in calculating the ECL rates.

As at 31 March 2022, included in the Group's accounts receivables balance are debtors with aggregate carrying amount of HK\$220,000 (2021: HK\$89,000) which are past due as at the reporting date. Out of the past due balances, HK\$10,000 (2021: HK\$40,000) has been past due over 90 days or more and is not considered as in default. The directors of the Company are in the view that there have been no significant increase in credit risk nor default because of good repayment records for those customers and continuous business with the Group.

8. ACCOUNTS AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Accounts and other payables		
Accounts payables	4,948	5,321
Other payables	1,231	1,358
Accrued expenses	3,181	3,925
	<u>9,360</u>	<u>10,604</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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	1,846	2,539
31 to 60 days	2,936	2,752
61 to 90 days	55	–
91 to 120 days	111	30
	<u>4,948</u>	<u>5,321</u>

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Contract liabilities		
Medical services	880	940
Medical solutions	1,603	1,393
Dental solutions	3,383	2,133
Dental services	1,582	1,903
	<u>7,448</u>	<u>6,369</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 2022, HK\$5,197,000 (2021: HK\$8,502,000) 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 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

MediNet is one of the well-known corporate healthcare solution 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 customized, reliable, coordinated, comprehensive healthcare solutions for our contract customers. We also self-operated six dental clinics, two medical centres and one genetics laboratory centre in Hong Kong and one top-notch dental clinic in Shenzhen. Our goal is to help our clients to build a strong body and maintain their health while facing different goals and challenges in their everyday lives.

In FY2021/22, Hong Kong experienced a severe 5th wave of the Covid-19 pandemic, which weighed on Hong Kong economic activities. The Group's revenue was approximately HK\$121.1 million for FY2021/22, as compared with approximately HK\$129.5 million for FY2020/21, representing a decrease by approximately 6.5% or approximately HK\$8.4 million. The loss for the year attributable to owners of the Company was approximately HK\$6.2 million (FY2020/21: profit attributable to owners of the Company approximately HK\$4.8 million). The decreased was mainly due to (i) the outbreak of the 5th wave of Covid-19, which led to the revenue from private patients to decrease significantly during February and March 2022; (ii) the increase in staff costs due to employment of additional dentists and a team of technicians under a new subsidiary of the Group established for the production of invisible braces for patients; and (iii) the absence of subsidy under ESS operated by the Hong Kong Government for the FY2021/22 (FY2020/21: approximately HK\$4.5 million).

While the Group recorded a loss for FY2021/22, the attendance of patients has gradually improved after the peak of the 5th wave of Covid-19 in March 2022. During the FY2021/22, the Group established a new subsidiary for the production of invisible braces to patients, which is expected to create new business opportunity for the Group. Our management team will further strengthen our business and continue to seize the opportunity to broaden our sources of income and careful management of expenditure in order to create sustainable value to shareholder, client, staff and society.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 6.5% from approximately HK\$129.5 million for FY2020/21 to approximately HK\$121.1 million for FY2021/22. The following table sets forth a breakdown of the Group's revenue with comparative figures:

	FY2020/21 HK\$'000	FY2021/22 HK\$'000	%
Medical solutions to contract customers	34,087	29,339	(13.9)%
Medical services to self-paid patients	21,003	17,528	(16.5)%
Dental solutions to contract customers	6,105	6,322	3.6%
Dental services to self-paid patients	68,286	67,879	(0.6)%
	<u>129,481</u>	<u>121,068</u>	

The revenue of medical solutions to contract customers decreased by approximately 13.9% from approximately HK\$34.1 million for FY2020/21 to approximately HK\$29.3 million for FY2021/22, which was primarily due to the decrease of patients visiting our affiliated doctors and auxiliary services providers and the decrease in the number of contract customers.

The revenue of medical services to self-paid patients decreased by approximately 16.5% from approximately HK\$21.0 million for FY2020/21 to approximately HK\$17.5 million for FY2021/22 which was primarily due to the outbreak of 5th wave of Covid-19 which led to the reduction in revenue from private patients.

The revenue of dental solutions to contract customers increased by approximately 3.6% from approximately HK\$6.1 million for FY2020/21 to approximately HK\$6.3 million for FY2021/22, which was mainly attributable to the increase in the number of contract customers and individuals for dental solutions services.

The revenue of dental services to self-paid patients slightly decreased by approximately 0.6% from approximately HK\$68.3 million for FY2020/21 to approximately HK\$67.9 million for FY2021/22.

Other income

Other income significantly decreased from approximately HK\$6.3 million for FY2020/21 to approximately HK\$1.2 million for FY2021/22 which was mainly due to the absence of subsidy under ESS for the year FY2021/22 (FY2020/21: HK\$4.5 million).

Other gains and losses

Other loss decreased by approximately HK\$13,000 from approximately HK\$151,000 for FY2020/21 to approximately HK\$138,000 for FY2021/22.

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 7.2% from approximately HK\$47.3 million for FY2020/21 to approximately HK\$43.9 million for FY2021/22 which was in line with decrease in the Group's revenue.

Staff cost

Staff cost increased by approximately 5.7% from approximately HK\$40.2 million for FY2020/21 to approximately HK\$42.5 million for FY2021/22. The increase was primarily due to the employment of additional dentists and a team of technicians under a new subsidiary of the Group established for the production of invisible braces to patients.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment decreased by approximately 6.3% from approximately HK\$3.2 million for FY2020/21 to approximately HK\$3.0 million for FY2021/22.

Rental expenses

Rental expense increased by approximately HK\$0.3 million from approximately HK\$0.8 million for FY2020/21 to approximately HK\$1.1 million for FY2021/22 which was primarily due to rental payment for short-term leases under the adoption of HKFRS 16 where lease payments on short-term lease are recognized as expenses on a straight-line basis over the lease term.

Depreciation of right-of-use assets

The depreciation of right-of-use assets decreased by approximately 2.0% from approximately HK\$9.8 million for FY2020/21 to approximately HK\$9.6 million for FY2021/22.

Cost of medical and dental supplies

Cost of medical and dental supplies slightly increased by approximately 0.9% from approximately HK\$11.6 million for FY2020/21 to approximately HK\$11.7 million for FY2021/22.

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 5.1% from approximately HK\$15.6 million for FY2020/21 to HK\$14.8 million for FY2021/22. Such decrease was primarily due to the 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

Income tax credit for the Group increased from income tax credit of approximately HK\$9,000 for FY2020/21 to income tax credit of approximately HK\$358,000 for FY2021/22, primarily due to the decrease in tax assessable income.

Liquidity and financial resources

As at 31 March 2022, the Group had total assets of approximately HK\$68.5 million (2021: approximately HK\$75.9 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$31.8 million (2021: approximately HK\$32.8 million) and approximately HK\$36.8 million (2021: approximately HK\$43.0 million), respectively.

The current ratio as at 31 March 2022 was approximately 1.0 time (2021: approximately 1.2 times).

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout FY2021/22. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group can meet its funding requirements from time to time.

Foreign exchange exposure

Most of the revenue-generating operations of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. The Group had not maintained any hedging policy against the foreign currency risk. However, the management will consider hedging significant currency exposure should the need arise.

Capital structure

As at 31 March 2022, 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 2022.

Material acquisitions and disposal of subsidiaries, associated and joint ventures

During FY2021/22, the Group did not have any material acquisition or disposal of subsidiaries, associated and joint ventures.

Contingent liabilities

As at 31 March 2022, the Group did not have any material contingent liabilities (2021: Nil).

EMPLOYEES AND REMUNERATION POLICIES

The table below is a breakdown of the number of our full time/part-time employees, contract dentists and dental hygienists by functions as at 31 March 2021 and 31 March 2022:

	2021	2022
Director & Senior Management	9	8
Employed and Contract Dentists	17	19
Employed and Contract Dental Hygienists	3	4
Dental Nurses	39	35
Dental supporting staff	17	10
Medical Doctors	2	2
Medical Nurses	8	9
Medical supporting staff	4	3
Other supporting staff (<i>Note</i>)	12	15
PRC Dentists	3	2
PRC Nurses	6	4
PRC supporting staff	1	3
Total	<u>121</u>	<u>114</u>

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

For FY2021/22, the relevant staff cost including Directors' remuneration in the form of salaries and other benefits was approximately HK\$42.5 million (FY2020/21: approximately HK\$40.2 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 FY2021/22, 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 FY2021/22 (FY2020/21: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting will be held on 11 August 2022. 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 8 August 2022 to 11 August 2022, 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 5 August 2022.

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 to the terms of 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 the 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 A.2.1 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 (the "CG Code") in Appendix 15 of the GEM Listing Rules. During the FY2021/22, 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 C.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 C.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 C.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 FY2021/22.

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 (resigned on 1 July 2021), Mr. Leung Po Hon, Mr. Wong Wai Leung and Mr. Kwok Sze Chi (appointed on 1 July 2021). 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 FY2021/22.

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place since the FY2021/22 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, 27 June 2022

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 Mr. Kwok Sze Chi, Mr. Leung Po Hon and Mr. Wong Wai Leung.