

# MediNet

## Group Ltd

醫匯集團有限公司

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 8161



ANNUAL REPORT  
年報 2020

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

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Chan Chi Wai, Nelson (*Chairman*)  
Ms. Jiang Jie

#### Independent non-executive Directors

Dr. Lieu Geoffrey Sek Yiu  
Mr. Leung Po Hon  
Mr. Wong Wai Leung

### AUDIT COMMITTEE MEMBERS

Mr. Leung Po Hon (*Chairman*)  
Dr. Lieu Geoffrey Sek Yiu  
Mr. Wong Wai Leung

### NOMINATION COMMITTEE MEMBERS

Mr. Leung Po Hon (*Chairman*)  
Mr. Wong Wai Leung  
Mr. Chan Chi Wai, Nelson

### REMUNERATION COMMITTEE MEMBERS

Mr. Wong Wai Leung (*Chairman*)  
Mr. Leung Po Hon  
Mr. Chan Chi Wai, Nelson

### COMPLIANCE OFFICER

Mr. Chan Chi Wai, Nelson

### COMPANY SECRETARY

Mr. Leung Man Fai

### AUTHORISED REPRESENTATIVES

Mr. Chan Chi Wai, Nelson  
Mr. Leung Man Fai

### LEGAL ADVISER

*As to Hong Kong Law*  
Michael Li & Co  
*Solicitors, Hong Kong*

### INDEPENDENT AUDITOR

D & PARTNERS CPA LIMITED  
*Certified Public Accountants*

### REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3601, 36/F, Citicorp Centre  
18 Whitfield Road, Causeway Bay  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East, Hong Kong

### PRINCIPAL BANKER

Nanyang Commercial Bank, Limited

### COMPANY WEBSITE

[www.MediNetGroup.com](http://www.MediNetGroup.com)  
(information of this website does not form part of this report)

### STOCK CODE

8161



# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the “**Board**”) of Directors (the “**Directors**”) of the Company and its subsidiaries (collectively the “**Group**”), I am delighted to present this annual report of the Group to you.

## A YEAR OF REVIEW

We are all facing the toughest time during the financial year ended 31 March 2020 (“**FY2019/20**”), with political unrest in Hong Kong and the outbreak of the coronavirus which seriously impacted Hong Kong’s economy and social well being. Thus, our medical/dental clinics have recorded a decrease in patient volume which affected our financial performance.

Although we recorded a slight increase in our revenue, our net loss also increased by approximately 11.2% as compared with the financial year ended 31 March 2019 (“**FY2018/19**”). A net loss which was primarily attributable to (i) one-off impairment loss of right-of-use assets and property, plant and equipment at our dental clinic in Shenzhen (the “**Shenzhen Dental Clinic**”); (ii) fair value change on contingent consideration receivable; and (iii) amortization of other intangible assets. Such provision and amortization as well as fair value changes are non-cash items and will not have an impact on the cash flow of the Group.

Even though, the Shenzhen Municipal Health Commission enforced all medical and dental clinics in Shenzhen to close for almost two months during the coronavirus outbreak, our revenue from the Shenzhen Dental Clinic still increased by approximately 16.0% as compared with FY2018/19. Despite that the development of the business in the People’s Republic of China (the “**PRC**”) and the Shenzhen Dental Clinic is still squeezing our profit, our management team believes that the dental division in the PRC will perform well in the long run due to significant market demand of healthcare services in PRC, so we will continue to focus on establishing or acquiring small dental clinics in our strategic sites in the future.

Nevertheless, the Board would like to express their utmost gratitude to all our frontline doctors, dentists, clinical staff and our administration team for their professionalism as we have continued to open up all our medical and dental clinics during the coronavirus outbreak.

## FORWARD

Looking ahead, we will face more challenges such as a decrease in patient volume, an unemployment rate, increase in operation cost etc. would be expected. We are confident that we can overcome the challenges by leveraging our efficient operational management as well as cost controls in the hope that the outbreak will be over soon and similar kind of epidemics would not happen again in the near future.

## WORDS OF THANKS

Last but not least, on behalf of the Board, I would like to extend my heartfelt thanks to all our staff for their contribution and dedication to the Group as well as the shareholders, business partners and clients for their continuous support to the Group. We are positive and confident about the future and will work hard to provide high quality services to our customer and substantial returns to our shareholders.

**Chan Chi Wai, Nelson**  
*Chairman*

29 June 2020



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

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

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

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

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

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

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

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

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

### Other income

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

### Other losses

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## Medical and dental professional services expenses

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

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

## Staff cost

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

## Depreciation of property, plant and equipment

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

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

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

## Cost of medical and dental supplies

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

## Rental expenses

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

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

## Other expenses

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## Amortisation of intangible assets

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

## Income tax expenses

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

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

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

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

## Liquidity and financial resources

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

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

## Treasury policy

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

## Foreign exchange exposure

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

## Capital structure

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Segment information

Segmental information is presented for the Group as disclosed in note 5 to the consolidated financial statements in this report.

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

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

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

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

## Contingent liabilities

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

## EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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



# MANAGEMENT DISCUSSION AND ANALYSIS

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.

## Principal risks and uncertainties

The Group’s financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

### Strategy Risk

As part of business strategy, the Group has recently begun to development dental services in the PRC. As the Group has very limited experience in the PRC market, such as strain on managerial operational, financial resources, regulatory, political environment as well as competition with existing dentists or services providers in the PRC and also there is no assurance that it will boost up our revenue in the PRC.

### Reputation Risk

Doctors, dentists and affiliated doctor and auxiliary in our Group, could become the subject to claims, complaints, regulatory or professional investigations arising from medical or dental disputes or malpractice allegations brought by customers, which may harm the Group’s business, result of operations, financial conditions, brand and reputation.

### Compliance Risk

Our business operations, Doctors, Dentists and affiliated doctor in our Group in Hong Kong and PRC are subject to extensive law, regulations and licensing requirement, any failure to comply with such regulation or law could result in penalties or harm the Group’s business results of operations, financial conditions, brand and reputation.



# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## DIRECTORS

### Executive Directors

Mr. Chan Chi Wai, Nelson (*Chairman*)

Ms. Jiang Jie

### Independent Non-executive Directors

Dr. Lieu Geoffrey Sek Yiu

Mr. Leung Po Hon

Mr. Wong Wai Leung

### Board of Directors

The Board currently consists five Directors comprising two executive Directors and three independent non-executive Directors. The responsibilities of Directors include but are not limited to (i) convening general meeting, reporting on the Board's work at these meeting, implementing the Shareholders' resolutions passed at these meeting; (ii) determining business operation, financial, capital and investment plans; (iii) determining internal management structure, setting down fundamental management rules; (iv) appointing and discharging members of senior management, determining Directors' remuneration and formulating the proposals for profit distributions and for the increase or reduction of registered capital; and (v) taking responsibilities pursuant to the relevant laws, regulation and the articles and association of the Company (the "**Articles of Association**").

### Executive Directors

**Mr. CHAN Chi Wai, Nelson** (陳志偉), aged 63, is the chairman of the Board, an executive Director, our compliance officer and one of the controlling shareholders of the Company. He is responsible for the overall business development and financial and strategic planning of the Group. He was appointed as a Director on 20 August 2015 and was re-designated as our executive Director, chairman of the Board and compliance officer on 19 May 2016. He is also a director of all of the subsidiaries of the Company.

Mr. Chan has more than 35 years of experience in the corporate medical and dental solutions industry in Hong Kong. Prior to founding the Group in 1994, Mr. Chan had been employed by Bupa Ltd (at which his last position was manager) from 1983 to 1988 and HSBC Medical Insurance Limited (formerly known as Carlingford Medical Insurance Limited) (at which his last position was Medical Insurance Consultant) from 1989 to 1993. Mr. Chan received a Master of Business Administration from Buckinghamshire New University in February 2017 through distance learning. Mr. Chan is the spouse of Ms. Jiang, an executive Director.

**Ms. JIANG Jie** (姜洁), aged 38, is an executive Director and is principally responsible for our business development and customer relationship management. Ms. Jiang was appointed as a Director on 20 August 2015 and was re-designated as our executive Director on 19 May 2016. She is also a director of all of the subsidiaries of the Company, except for Well Being Dental Services Limited and Master Clever Ltd.

Ms. Jiang attended Shandong Province Qingdao The 16th Secondary School (山東省青島第十六中學) in the People's Republic of China from September 1994 to July 1997 and obtained a certificate of graduation (畢業證書) in July 1997. She also attended Shandong Province Wuzi School (山東省物資學校) (which was merged into University of Jinan (濟南大學) in April 2001) in the People's Republic of China from September 1997 to July 2000 with a major in corporate management (企業管理) and obtained a certificate of graduation (畢業證書) from it in July 2000.

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

Ms. Jiang joined the Group in September 2009 and has since then accumulated more than 10 years of experience in the operation of the Group. Since joining our Group, Ms. Jiang has been in charge of our business development and customer relationship management, including but not limited to the liaison with existing and potential customers as well as other business development activities such as our corporate websites operation and the distribution of brochures and pamphlets in our MediNet Centres and Dental Clinics. Ms. Jiang is the spouse of Mr. Chan.

Each of Mr. Chan and Ms. Jiang has entered into a service contract with the Company and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

## Independent Non-executive Directors

**Dr. LIEU Geoffrey Sek Yiu (廖錫堯)**, aged 70, was appointed as an independent non-executive Director on 19 May 2016. Dr. Lieu is the founder and a Chairman Emeritus of the Institute for Health Policy and Systems Research, a non-profit independent organization established in 1997 which aims to promote, conduct and exchange timely information on health services and policy research in Hong Kong. From January 2002 to December 2014, Dr. Lieu was the Chairman of Hong Kong Healthcare Corporation Limited. From January 1991 to June 2000, Dr. Lieu was the Deputy Director (Management) of the Hong Kong Hospital Authority, a statutory body established under the Hospital Authority Ordinance (Chapter 113 of the Laws of Hong Kong) in 1990.

Dr. Lieu currently holds adjunct and visiting academic appointments at a number of post-graduate educational institutions, including The University of Minnesota School of Public Health, The Hong Kong Polytechnic University Faculty of Health and Social Sciences and The Hong Kong University SPACE institute for China Business.

Dr. Lieu graduated from St. Olaf College, the United States with a Bachelor of Arts degree in May 1972. He obtained a Master's degree in Health Administration from Washington University in St. Louis, the United States in May 1974. He also obtained a Doctorate degree in Business Administration from The Hong Kong Polytechnic University in December 1999.

Dr. Lieu was an independent non-executive director of Yi Hua Holdings Limited (stock code: 2213) from 31 May 2019 to 22 January 2020.

**Mr. LEUNG Po Hon (梁寶漢)**, aged 56, was appointed as an independent non-executive Director on 19 May 2016. Mr. Leung is currently a practicing accountant. Mr. Leung was admitted as a member of the HKICPA in January 1993 and a fellow member of the Association of Chartered Certified Accountants since January 1997.

Mr. Leung graduated from The Hong Kong Polytechnic University with a Professional Diploma in Accountancy in November 1987. He also obtained a Master's degree of Business Administration from University of Bradford, the United Kingdom in December 1990. Mr. Leung has more than 20 years of experience in accounting, auditing and financial management.

Mr. Leung currently holds the following positions in companies listed on the Stock Exchange:

| Company                                   | Stock code | Position currently held by Mr. Leung | Appointment date |
|-------------------------------------------|------------|--------------------------------------|------------------|
| Flying Financial Service Holdings Limited | 8030       | Independent non-executive director   | 15 August 2014   |
| Kingbo Strike Limited                     | 1421       | Independent non-executive director   | 13 November 2015 |

## DIRECTORS AND SENIOR MANAGEMENT PROFILE

Mr. Leung previously held the following position in company listed on the Stock Exchange:

| Company                                                                                                         | Stock code | Position previously held by Mr. Leung | Appointment date | Resignation date |
|-----------------------------------------------------------------------------------------------------------------|------------|---------------------------------------|------------------|------------------|
| China Ding Yi Feng Holdings Limited<br>(Formerly known as China Investment Fund International Holdings Limited) | 612        | Independent non-executive director    | 1 May 2015       | 9 May 2016       |
| Success Dragon International Holdings Limited                                                                   | 1182       | Independent non-executive director    | 16 July 2015     | 29 August 2016   |
| China Graphene Group Limited                                                                                    | 63         | Independent non-executive director    | 6 November 2015  | 9 November 2017  |

**Mr. WONG Wai Leung (黃偉樑)**, aged 42, was appointed as an independent non-executive Director on 19 May 2016. Mr. Wong is currently an executive director, the chief financial officer and company secretary of Qinqin Foodstuffs Group (Cayman) Company Limited, a company principally engaging in the manufacturing, distribution and sale of food and snacks products in the PRC, since March 2016 up to the present and is responsible for corporate development, investment, accounting and financial matters. He is also a director of Lianjie Sports Investments Limited, a private company which manages investments and trusts for a family office. He was previously employed by Ernst & Young Hong Kong from September 2000 to August 2009. He has been a member of the HKICPA since July 2004 and a fellow member of the Association of Chartered Certified Accountants since September 2010.

Mr. Wong received a Bachelor of Business Administration degree from The Hong Kong University of Science and Technology in Hong Kong in November 2000. He has over 19 years of experience in accounting, auditing and financial management.

Mr. Wong currently holds the following positions in companies listed on the Stock Exchange:

| Company                                          | Stock code | Position currently held by Mr. Wong | Appointment date |
|--------------------------------------------------|------------|-------------------------------------|------------------|
| Qinqin Foodstuffs Group (Cayman) Company Limited | 1583       | Executive director                  | 22 March 2016    |
| Vertical International Holdings Limited          | 8375       | Independent non-executive director  | 24 October 2017  |
| Zhongchang International Holdings Group Limited  | 859        | Independent non-executive director  | 13 May 2020      |

Each of our independent non-executive Directors has entered into a letter of appointment with the Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of our independent non-executive Directors is appointed with an initial term of three years commencing from 31 May 2016 (the "Listing Date") subject to termination in certain circumstances as stipulated in relevant letters of appointment.

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

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## Senior management

The following are the senior management team of the Group:

**Ms. LI Christine (李依皓)**, aged 46, is our general manager and is primarily responsible for the overall management of the Group's day-to-day operations and the implementation of our business strategies. She joined our Group in August 1995 and has since then accumulated more than 20 years of experience in the operation of the Group. Ms. Li has received a degree of Bachelor of Social Science from the Chinese University of Hong Kong in December 1995. She has not held any directorships in any public listed companies in the past three years.

**Ms. NGAN Pui Shan, Jane (顏佩珊)**, aged 45, is our financial controller. She is primarily responsible for our financial reporting, financial planning, treasury, financial control and overall company secretarial matters. She joined the Group in September 1996 and has since then accumulated more than 20 years of experience in the Group's operation. Ms. Ngan received a Bachelor of Arts (Honours) degree in Accounting from Edinburgh Napier University in Scotland in April 2004 through distance learning. She also received a degree of Master of Corporate Governance from the Hong Kong Polytechnic University in September 2015. She has been a member of the Association of Chartered Certified Accountants since May 2012 and a member of the Hong Kong Institute of Chartered Secretaries since December 2016. She has not held any directorships in any public listed companies in the past three years.

**Mr. WONG Siu Kay (黃兆基)**, aged 49, is one of our dentists and a director of Well Being Dental and Master Clever Ltd. He is primarily responsible for the operation of our dental clinics and the provision of dental services. He joined the Group in July 1997 and has since then accumulated more than 20 years of experience in the operation of the Group. He has been a Registered Dental Practitioner since August 1996. Mr. Wong obtained a degree of Bachelor of Dental Surgery from The University of Hong Kong in November 1996. He has not held any directorships in any public listed companies in the past three years.

## Company Secretary

**Mr. LEUNG Man Fai (梁文輝)**, aged 63, was appointed as the company secretary of the Company (the "Company Secretary") on 22 November 2015. Mr. Leung graduated from Manchester Polytechnic, the United Kingdom with a degree of Bachelor of Arts in Accounting and Finance awarded by the Council for National Academic Awards of the United Kingdom in July 1988. He also obtained a degree of Master of Commerce in Accounting from the University of New South Wales in May 1990. Mr. Leung has been the director of IBC Certified Public Accountants Limited since August 2008 up to the present. He was the executive director, finance manager and company secretary of Lerado Group (Holding) Company Limited (which is listed on the Stock Exchange with stock code 1225) from July 1995 to August 2014. He was previously employed by Chewy International Foods Ltd. as a financial controller from January 1993 to January 1995. Mr. Leung has been a member of the HKICPA since June 1991.



# CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the corporate governance report of the Group for the FY2019/20.

The Directors and the management of the Group recognise the importance of sound corporate governance to the long term success and continuing development of the Group. Therefore, the Board is committed to upholding good corporate standards and procedures, so as to improve the accountability system and transparency of the Group, protect the interests and create value for shareholders of the Company.

## INTRODUCTION

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

## BOARD OF DIRECTORS

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, knowledges 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.



# CORPORATE GOVERNANCE REPORT

## Board Composition

The Board currently comprises five Directors, of which two are executive Directors, and three are independent non-executive Directors. The composition of the Board is as follows:

### Executive Directors

Mr. Chan Chi Wai, Nelson (*Chairman*)

Ms. Jiang Jie

### Independent non-executive Directors

Dr. Lieu Geoffrey Sek Yiu

Mr. Leung Po Hon

Mr. Wong Wai Leung

During the FY2019/20, there was no change in the composition of the Board.

The biographical details of the Directors and their relationship (if any) are set out in the section headed “Directors and Senior Management Profile” on pages 11 to 14 of this report.

The list of Directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time. Independent non-executive directors are also listed out in all corporate communications issued by the Company pursuant to the GEM Listing Rules. The Company should maintain on its website and on the Stock Exchange’s website an updated list of directors identifying their role and function and whether they are independent non-executive directors.

Save as disclosed in this annual report, as far as the Company has knowledge, there is no relationship (including financial, business, family or other material relationship(s)) among the Board members.

During FY2019/20, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors, accounting for at least one third of Board, with at least one independent non-executive director possessing the appropriate professional qualifications, accounting or related financial management expertise.

Prior to their respective appointment, each of the independent non-executive Directors has submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. According to the guidelines set out in the provision 5.09 of GEM Listing Rules, the Company has also received written confirmation from each of the independent non-executive Directors in respect of their independence. The Company considers that all independent non-executive Directors are being considered to be independent by reference to the factors stated in the GEM Listing Rules.

# CORPORATE GOVERNANCE REPORT

## Appointment and re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The nomination committee of the Company (the “**Nomination Committee**”) is responsible for reviewing the Board composition, considering and formulating the relevant procedures for nomination and appointment of Directors and monitoring the appointment and succession planning of Directors and assessing the independence of the independent non-executive directors.

## DIRECTORS’ SECURITIES TRANSACTIONS

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

## Board Meeting, General Meeting and Procedures

### Attendance and Number of Board meetings

Pursuant to the code provision A.1.1 of the CG Code, the Board meeting should be held at least four times a year at approximately quarterly intervals. Regular Board meetings will normally involve the active participation, either in person or through electronic means of communications of a majority of Directors entitled to be present.

The attendance of the Directors at the general meeting of the Company, meetings of Board, the audit committee of the Company (the “**Audit Committee**”), the remuneration committee of the Company (the “**Remuneration Committee**”) and the Nomination Committee during the year are set out below:

| Director                                   | Number of meetings attended/held |               |                         |                                |                              |
|--------------------------------------------|----------------------------------|---------------|-------------------------|--------------------------------|------------------------------|
|                                            | General meeting                  | Board meeting | Audit Committee meeting | Remuneration Committee meeting | Nomination Committee meeting |
| <b>Executive Directors</b>                 |                                  |               |                         |                                |                              |
| Mr. Chan Chi Wai, Nelson                   | 1/1                              | 8/8           |                         | 1/1                            | 1/1                          |
| Ms. Jiang Jie                              | 0/1                              | 4/8           |                         |                                |                              |
| <b>Independent non-executive Directors</b> |                                  |               |                         |                                |                              |
| Dr. Lieu Geoffrey Sek Yiu                  | 1/1                              | 8/8           | 4/4                     |                                |                              |
| Mr. Leung Po Hon                           | 1/1                              | 8/8           | 4/4                     | 1/1                            | 1/1                          |
| Mr. Wong Wai Leung                         | 1/1                              | 8/8           | 4/4                     | 1/1                            | 1/1                          |



# CORPORATE GOVERNANCE REPORT

## Practices and Guidelines of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to the Directors in advance. The Company has arrangement to ensure that the Directors have opportunity to propose matters to be discussed into the meeting agenda.

Notice of regular Board meetings are normally served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board documents together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meetings to keep the Directors apprised of the latest development and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management attend all regular Board meeting and where necessary, other Board and committee meeting to advise on business developments, financial and accounting matters, regulatory compliance matters, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Minutes of Board meetings and meetings of committees should record in sufficient detail the matters considered and decision reached, including any concerns raised by Directors or dissenting views expressed. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Director's inspection.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

## CHAIRMAN AND CHIEF EXECUTIVE

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.

## BOARD DIVERSITY POLICY

The Company has a board diversity policy whereby it recognizes and embraces the benefits of a diversity of Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge.



# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

The Board established three committees namely the Audit Committee, the Nomination Committee and the Remuneration Committee to oversee particular aspects of the Group's affairs. Each of the three committee has its defined scope of duties and terms of reference.

The majority of members of the Audit Committee, the Nomination Committee and the Remuneration Committee are independent non- executive Directors.

The Board committees have sufficient resources to perform its duties and are able to seek independent professional advice in appropriate circumstances at the Company's expense.

## AUDIT COMMITTEE

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

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

During the FY2019/20, the Audit Committee held 4 meetings to consider and approve the following:

- (i) to review the quarterly, half-year and annual financial statements before submission to the Board, with a focus on compliance with accounting standards, the GEM Listing Rules and other requirements in relation to financial reporting;
- (ii) to discuss the effectiveness of the internal control systems throughout the Group, including financial, operational and compliance controls, and risk management; and
- (iii) to review the accounting principles and practices adopted by the Group and other financial reporting matters.

## NOMINATION COMMITTEE

The Company established a Nomination Committee on 19 May 2016 and has formulated its written terms of reference by reference to the CG Code.

The Nomination Committee has three members, namely Mr. Chan Chi Wai, Nelson and also two independent non-executive Directors, namely Mr. Leung Po Hon and Mr. Wong Wai Leung. Mr. Leung Po Hon currently serves as the chairman of the Nomination Committee. The principal duties of the Nomination Committee include, among other things:

- to nominate the Director having regard to the Director's contribution and perform;
- to determine on an annual basis whether or not a Director is independent;
- to review the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy;
- to decide whether or not a Director is able to and has been adequately carrying out his duties as a Director; and
- to review and assess the adequacy of the corporate governance guidelines of the Company and to recommend any proposed changes to the Board for approval.

# CORPORATE GOVERNANCE REPORT

The Nomination Committee has adopted a nomination policy (the “**Nomination Policy**”) which sets out the procedures and criteria for the selection, appointment and reappointment of Directors. In evaluating and selecting a candidate for directorship, the Nomination Committee has to consider, among others, character and integrity, willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee of the Company, diversity including but not limited to gender, age, cultural and education background, professional experience, skills, knowledge and length of services; and such other relevant factors that the Nomination Committee may consider appropriate.

The Nomination Committee will also give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy, so as to develop and review measurable objectives for implementing the Board Diversity Policy and to monitor the progress on achieving these objectives.

During the FY2019/20, the Nomination Committee held 1 meeting to consider and approve the following:

- (i) to review the structure, size and composition of the Board;
- (ii) to assess the independence of independent non-executive Directors; and
- (iii) to re-elect Mr. Jiang Jie and Dr. Lieu Geoffrey Sek Yiu as Directors at the 2019 annual general meeting of the Company.

## REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 19 May 2016 and has formulated its written terms of reference in compliance with the GEM Listing Rules. The Remuneration Committee has three members, namely Mr. Chan Chi Wai, Nelson and also two independent non-executive directors, namely Mr. Leung Po Hon and Mr. Wong Wai Leung and Mr. Wong Wai Leung currently serves as the chairman of Remuneration Committee.

The primary duties of the Remuneration Committee are (among other things) (i) to make recommendation to the Board the terms of remuneration packages, bonuses and other compensation (including benefits in kind, pension rights and compensation payments, or any compensation payable for loss or termination of their office or appointment) payable to the Directors and senior management; (ii) to make recommendations to the Board on the Group’s policy and structure for all remuneration of the Directors and senior management; and (iii) to assess performance of the executive directors and approve the terms of the service contracts of the Directors.

For the FY2019/20, the Remuneration Committee held 1 meeting to consider and approve the remuneration of the Directors and senior management.

Remuneration paid to senior management of the Company for the FY2019/20 by band are as follows:

| Remuneration band (HK\$)  | Number of individuals |
|---------------------------|-----------------------|
| HKD500,001–HKD1,000,000   | 5                     |
| HKD1,000,001–HKD1,500,000 | 3                     |
| HKD1,500,001–HKD2,000,000 | 1                     |



# CORPORATE GOVERNANCE REPORT

## DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that the Directors keep abreast of the relevant industry knowledge and skills as well as regulatory updates.

The Directors are regularly briefed on the latest changes and development of the GEM Listing Rules, corporate governance practices and other regulatory regime with written materials, as well as attending seminars on the professional knowledge and the latest development of the regulatory requirements related to director's duties and responsibilities.

All Directors participated in continuous professional developments in relation to regulatory update, the duties and responsibilities of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending seminars to develop professional skills.

## COMPANY SECRETARY

Mr. Leung Man Fai was appointed as the Company Secretary on 22 November 2015. He is responsible for ensuring a good information flow within the Board and the compliance of the Board policy and procedures.

Mr. Leung Man Fai undertook totally not less than 15 hours of relevant professional training requirements under Rule 5.15 of the GEM Listing Rules during FY2019/20.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the financial statements for the FY2019/20.

The Board is responsible to present a balanced, clear and understandable assessment in the Company's annual and interim report, price-sensitive announcement and other financial disclosures required under the GEM Listing Rules and other requirements from relevant regulations.

Senior management provides explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining the internal control and risk management systems of the Group and for reviewing their effectiveness. The Board is committed to implementing effective and sound internal control and risk management systems to safeguard the interests of shareholders and the Group's assets. As part of the process of the annual review, the Board has performed evaluation of the Group's accounting and financial reporting function to ensure that there is adequacy of resources, qualifications and experience of staff of the function, and their training programmes and budget. Moreover, the Board has employed an independent firm of professionals, BT Corporate Governance Limited ("**BTCCG**"), to conduct an annual review of the systems of internal control and risk management of the Group which covered all relevant financial, operational and compliance controls within an established framework.

The Group's internal control and risk management systems are designed in consideration of the nature of business as well as the organisation structure of the Group as a whole. The systems are designed to manage rather than eliminate the risk of failure in operational systems and to provide reasonable, but not absolute, assurance against material misstatement or loss. The systems are further designed to safeguard the Group's assets, maintain appropriate accounting records and financial reporting, maintain efficiency of operations and ensure compliance with applicable laws and regulations.

# CORPORATE GOVERNANCE REPORT

An internal control review report and an enterprise risk assessment report issued by BTCG were tabled before the members of the Audit Committee during the Audit Committee meeting held on 29 June 2020. The principal purposes of the internal control review and the enterprise risk assessment carried out by BTCG were to obtain sufficient knowledge and understanding about the attitude, awareness and actions of management and the Board concerning the factors of the control environment and risk management mechanism. Based on the findings and comments by BTCG and the Audit Committee, the Board considered the internal control and risk management systems effective and adequate and was of the opinion that there were no significant areas of concern that might affect the Company's shareholders.

The Company will continue to engage external independent professionals to review the Group's systems of internal control and risk management annually and further enhance the Group's systems as appropriate.

The Group has established internal control procedures which aim at providing the directors and relevant employees with guidelines on assessing, reporting and disseminating inside information in addition to keeping confidentiality of the inside information. Inside information is disseminated to relevant persons on a need-to-know basis, and the Group reviews the existing policy and practice from time to time to ensure full compliance with the regulatory requirements.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

## ROLE OF COMPLIANCE OFFICER

Mr. Chan Chi Wai Nelson is the chairman of the Board, an executive Director and the compliance officer of the Company. His biographical details are set out on page 11 of this report.

The compliance officer is responsible for establishing a formal mechanism for risk assessment and management, monitoring the effectiveness of the Company's internal control system and procedures and assessing the remediation status.

## EXTERNAL AUDITOR'S REMUNERATION

The Audit Committee is responsible for considering the appointment of the external auditor.

During the FY2019/20, Deloitte Touche Tohmatsu (the "Deloitte") has resigned as the auditor of the Company with effect from 15 October 2019 and D & PARTNERS CPA Limited (the "D&P") has been appointed as the auditor of the Company with effect from 15 October 2019 to fill the causal vacancy, following the resignation of Deloitte. For the details of the change of auditor, please refer to the announcement of the Company dated 15 October 2019.

The remuneration paid or payable to the Company's auditor, Messrs. D & PARTNERS CPA Limited as set out as follows:

| Services render                | Paid/payable fee<br>HK\$'000 |
|--------------------------------|------------------------------|
| Statutory audit services — D&P | 700                          |
| Non-statutory audit services   |                              |
| Others                         | 20                           |
|                                | 720                          |



# CORPORATE GOVERNANCE REPORT

## DIVIDEND POLICY

The Company has adopted a dividend policy with effect from 1 January 2019. Pursuant to the dividend policy, the Board shall take into account, inter alia, the following factors in deciding whether to propose a dividend and in determining the dividend amount:

- (i) the operating results and financial condition of the Group;
- (ii) the Group's liquidity position;
- (iii) the Group's capital requirement for business operations and future development;
- (iv) the retained earnings and distributable reserves of the Group;
- (v) the shareholders' expectation and industry's norm;
- (vi) the general market conditions; and
- (vii) any other factors that the Board may consider appropriate.

Declaration and payment of dividend by the Company is also subject to the laws of Cayman, the Byelaws and any applicable laws, rules and regulations.

The dividend policy will continue to be reviewed from time to time by the Board and there can be no assurance that any dividend will be proposed or declared in any given period.

## SHAREHOLDERS' RIGHTS

### Right to convene extraordinary general meeting

Pursuant to the Articles of Association, any shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right to submit a written requisition requiring an extraordinary general meeting (the "EGM") to be called by the Board. The written requisition (i) must state the purposes of the EGM, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified with the Company's share registrars and upon their confirmation that the requisition is proper and in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice to all shareholders. On the contrary, if the requisition has been verified as not in order, the requisitionists will be advised of this outcome and accordingly, the EGM will not be convened as requested.

If the Board does not within twenty-one days from the date of the deposit of the requisition proceed duly to convene an EGM, the requisitionists or any of them representing more than one-half of the total voting rights of all of them may convene an EGM, but any EGM so convened shall not be held after expiration of two months from the said date of deposit of the requisition. An EGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in any EGM to be convened by the Board.



# CORPORATE GOVERNANCE REPORT

## Right to put forward proposals at general meeting

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his or her proposal (the “**Proposal**”) with his or her detailed contact information at the Company’s principal place of business in Hong Kong.

The request will be verified with the Company’s branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

## Right to make enquiries to the Board

Shareholders may send their enquiries and concerns, in written form, to the Board by addressing them to the Company Secretary at Unit 3601, 36/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong. Shareholders may also make enquiries to the Board at the general meeting of the Company. In addition, shareholders can contact Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, if they have any enquiries about their shareholdings and entitlements to dividend.

## CONSTITUTIONAL DOCUMENTS

During the FY2019/20, there had been no significant change in the Company’s constitutional documents. The Articles of Association are available on the websites of the Stock Exchange and the Company.

## INVESTOR RELATIONS

The Company believes that maintaining effective communication with the investment industry is crucial to having a deeper understanding of the Company’s business and its development among investors. To achieve this goal and increase transparency, the Company will continue to adopt proactive measures to foster better investor relations and communications. As such, the purpose for the Company to formulate investor relations policies is to let investors have access to the information of the Group in a fair and timely manner, so that they can make an informed decision.

We welcome investors to write to the Company or send their inquiries to the Company’s website [www.MediNetGroup.com](http://www.MediNetGroup.com) to share their opinions with the Board. The Company’s website also discloses the latest business information of the Group to investors and the public.

## ACCOUNTABILITY AND AUDIT FINANCIAL REPORTING

The management provides such explanation and information to the Board and reports to the Board on the financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities (as set out in the Independent Auditor’s Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. As at the date of this report, the Board was not aware of any material uncertainties relating to any events or conditions that might cast significant doubt upon the Group’s ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by the external auditor about their reporting responsibility is set out in the section headed “Independent Auditor’s Report” of this report.



# REPORT OF THE DIRECTORS

## PRINCIPAL ACTIVITIES

The principal activities of the Group are the provision of corporate medical and dental solutions to contract customers through the design and administration of tailored medical and/or dental benefits plans to provide the provision of different combinations of medical and/or dental services through the MediNet Network and/or our own operated MediNet Centres and dental clinics.

## BUSINESS REVIEW

A review of the business of the Group during FY2019/20 with an analysis of the Group's performance using financial key performance indicators and outlook are provided in "Management Discussion and Analysis" on page 5. Description of the risk management and internal control can be found in "Corporate Governance Report" on page 21 to page 22.

## FINANCIAL REVIEW

A summary of the published results and of the assets and liability of the Group for the last five years is set out on page 124.

## ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporate environment that pays close attention to conserving natural resources. The Group strives to minimize its impact on the environment so we encourage our staff not only to save water and electricity consumption and also recycle of office supplies and other materials. The environmental policies and performance are provided in "Environmental, Social and Governance Report" on page 33 to page 51.

## COMPLIANCE WITH LAWS AND REGULATIONS

The Group is aware of the importance of complying with the relevant laws, regulations and code of professional conduct therefore the Company has established and operated according to the provisions and codes. During the FY2019/20, as far as the Directors are aware, the Company is in compliance with the Securities and Futures Ordinance, the GEM Listing Rules and other relevant codes and regulations.

## RELATIONSHIPS WITH STAKEHOLDERS

The Group understands that it is important to maintain good relationship with its employees, customers, suppliers, governments and business associates to fulfil its long-term goals and development. To enhance its competitiveness, the Group aims at delivering high quality services to its customers constantly and to continue establishing a caring environment to employees and emphasis the personal development of its employees. During the FY2019/20, there was no material or significant dispute between the Group and its stakeholders.

## PRINCIPAL RISKS AND UNCERTAINTIES

Risks and uncertainties involved in the business operations of the Group may affect the Group's financial conditions or growth prospects. The Group has been focusing on the control of risks and uncertainties with the aim of understanding and addressing the concerns of stakeholders. For details, please refer to the section headed "Management discussion and analysis — Principal risks and uncertainties" in this report.



# REPORT OF THE DIRECTORS

## RESULTS AND APPROPRIATIONS

The Group's financial performance for the FY2019/20 is set out in the consolidated statement of profit or loss and other comprehensive income on page 57 of this report and the financial position of the Group as at 31 March 2020 are set out in the consolidated statement of financial position on page 58 of this report.

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

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

## CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 March 2020, the Group did not have any material contingent liabilities, legal proceedings or potential proceedings.

## GOING CONCERN

Based on the current financial position and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the consolidated financial statements were prepared on a "going concern" basis.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the FY2019/20 are set out in note 13 to the consolidated financial statements.

## BANK BORROWINGS

As at 31 March 2020, we did not have any short-term or long-term bank borrowings.

## SHARE CAPITAL

Details of movements in the Company's share capital during the FY2019/20 are set out in note 25 to the consolidated financial statements in this report.

## RESERVES

Details of change in reserves of the Group and the Company are set out on page 60 of the consolidated statement of changes in equity of this report.

## DISTRIBUTABLE RESERVES

As at 31 March 2020, the Company's reserves available for distribution to shareholders comprising share premium plus accumulated losses, amounted to approximately HK\$27.8 million.



# REPORT OF THE DIRECTORS

## DIRECTORS

The directors of the Company during the FY2019/20 and up to the date of this report were:

### Executive Directors

Mr. Chan Chi Wai, Nelson (*Chairman*)  
Ms. Jiang Jie

### Independent non-executive Directors

Dr. Lieu Geoffrey Sek Yiu  
Mr. Leung Po Hon  
Mr. Wong Wai Leung

## DONATIONS

During the FY2019/20, the Group made HK\$24,000 charitable donations.

## EVENT AFTER THE REPORTING PERIOD

No significant events have taken place since the FY2019/20.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the latest practicable date prior to the issue of this report.

## MAJOR CUSTOMERS AND SUPPLIERS

During the FY2019/20, sales to the Group's five largest customers accounted for approximately 19.7% of total sales and sales to the largest customer included therein amounted to approximately 9.4% of total sales. The Group's largest supplier and five largest suppliers accounted for approximately 21.4% and 37.9% of the Group's total purchases respectively.

None of the Directors or any of their close associates (as defined in the GEM Listing Rules), or any of the shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or its five largest suppliers during the FY2019/20.

## CHARGE ON ASSETS

As at 31 March 2020, the Group had no charge of assets (as at 31 March 2019: Nil).



# REPORT OF THE DIRECTORS

## **DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE**

During the year, the Group has carried transactions with its related party as detailed in note 27(i) to the consolidated financial statements. Save for as disclosed above, no other transaction, arrangement or contract of significance to which the Company or any of its subsidiaries, its holding companies or a subsidiary of its holding companies was a party or were parties and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the FY2019/20.

## **COMPETING INTERESTS**

The Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the FY2019/20.

## **CONFIRMATION OF INDEPENDENCE**

The Company has received from each of the independent non-executive Directors a confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors were independent during the period from their respective appointments and up to the date of this report.

## **MANAGEMENT CONTRACTS**

No contracts, other than employment contracts, concerning the management and administration of the whole and any part of the Company's business were entered into or existed during the FY2019/20.

## **PERMITTED INDEMNITY PROVISION**

The Articles and Association provides that the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts. In addition, the Company has arranged for appropriate and sufficient insurance coverage on directors' liabilities in respect of legal actions taken against the Directors arising out of corporate activities.

# REPORT OF THE DIRECTORS

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 March 2020, the interests and short positions of the each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

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

Notes:

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

# REPORT OF THE DIRECTORS

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

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

Notes:

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

Save as disclosed above, as at 31 March 2020, none of the Directors nor chief executive of the Company has registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

# REPORT OF THE DIRECTORS

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2020, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interest or short positions in the shares or underlying shares of the Company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

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

Notes:

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

Save as disclosed above, as at 31 March 2020, none of the substantial shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS" above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## TRANSACTIONS DISCLOSED IN ACCORDANCE WITH THE GEM LISTING RULES

Details of the related party transactions undertaken in the normal course of business are provided under note 25 to the consolidated financial statements, and none of which constitutes a discloseable connected transaction or continuing connected transaction as defined under Chapter 20 of the GEM Listing Rules.



# REPORT OF THE DIRECTORS

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

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

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

A full corporate governance report is set out on pages 15 to 24 of this report.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders unless otherwise required by the Stock Exchange.

## DIVIDEND

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

## AUDITOR

Messrs. D & PARTNERS CPA Limited was appointed as auditor of the Company with effect from 15 October 2019 to fill the casual vacancy following the resignation of Messrs. Deloitte Touche Tohmatsu and to hold office until the conclusion of the forthcoming annual general meeting of the Company. Save as disclosed above, there were no other change in the auditor of the Company during the past three years.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. D & PARTNERS CPA Limited as the auditor of the Company.

On behalf of the Board

**Chan Chi Wai, Nelson**

*Chairman*

Hong Kong, 29 June 2020

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

### Report Profile

MediNet Group Limited (hereafter, the “**Company**”, “**we**” or “**us**”) and its subsidiaries (collectively known as the “**Group**”) are pleased to present our Environmental, Social and Governance (“**ESG**”) Report. The content of this Report herein focuses on providing an overview of the ESG performance of our major operations for the year from 1 April 2019 to 31 March 2020 (the “**Reporting Period**”).

The principal activities of the Group are the provision of corporate medical and dental solutions to contract customers through the design and administration of tailored medical and/or dental benefits plans to provide the provision of different combinations of medical and/or dental services through the MediNet Network and/or our own operated medical centres (“**MediNet Centres**”) and dental clinics (“**Dental Clinics**”).

### Reporting Period and Scope

Unless otherwise stated, this Report covers the following:

- (i) MediNet Centres located in Central and Tsim Sha Tsui;
- (ii) Dental Clinics located in Causeway Bay, Central, Kwun Tong, Mongkok, Tsim Sha Tsui, Cheung Sha Wan and Shenzhen; and
- (iii) The head office located in Causeway Bay.

During this Reporting Period, there were some material ESG issues which may have a significant impact on:

- The medical and/or dental industry;
- The current or future environment or society;
- Our financial performance/business operations; and/or
- Our stakeholders’ interests and their assessments, decisions and actions.

This Report is prepared in accordance with the ESG Reporting Guide as set out in Appendix 20 to the GEM Listing Rules of The Stock Exchange of Hong Kong Limited (“**HKEX**”).

### Feedback

We set high standards for transparency and work hard to live up with our stakeholders’ expectations. For details in relation to our financial performance and corporate governance during the Reporting Period, please visit our website: <http://www.medinetgroup.com/web/en/index.php>. If you have any questions or comments, please send us your views via mail at Unit 3601, 36/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Approach

The Group is committed to working towards sustainability and understands the importance of sustainable development on business and community. The Group pays close attention to the impact of our daily operations on the environment and society in which we operate our business, and aims to set an example for the community. We look at issues that may have a reputational impact on, or may pose a risk to, the Group in the short-, medium-or long-term.

When we operate our business, we strive to strike a balance among the interests of all stakeholders, the economy, the environment, the society and corporate governance. We actively develop opportunities with a focus on work ethic to ensure continuous success and growth that would benefit our suppliers, consumers and the environment as a whole.

We believe that the success of the Group is based not only on the performance of our operations and activities, but also based upon our responsibility and commitment to our employees, suppliers, customers, the community and the environment. We expect greater challenges to come, such as the increased demand for higher standards of waste treatment is expected to be imposed by regulators. The Group has established various environmental and social policies in order to support the Group's sustainable growth. With the Thorough understanding of the ESG risks and opportunities, we will better position ourselves in allocating our resources to diminish and recycle different kinds of waste.

## Our Stakeholders

As a medical service provider, we are an integral part of the society and play an important role in regard to the lives of people in Hong Kong. Therefore, we conduct our business in a responsible and sustainable manner, as we value the well-being of our stakeholders.

We have adopted a proactive approach in stakeholders' engagement. We aim to review our stakeholder engagement plan on a regular basis to ensure that all of our stakeholders are well informed about our key issues and concerns of our environmental and social aspects. Our identified stakeholders and the means for communication and responses are listed below.

### Employees

- Training and seminars
- Face to face meetings
- Internal memos
- Employees suggestion box

### Investors

- Seminars and interviews
- Financial reports
- Operational reports for investors, media and analysis

### Customers

- Annual customer survey
- Clinic visits
- Customer hotline

### Communities & NGOs

- Donation box
- Employee voluntary activities
- Public event

### HKEX

- Meetings
- Training
- Roadshows
- Workshops
- Programs

### Government

- Interaction and visits
- Tax returns
- Government inspections

### Media & Public

- Newsletter on the Group's website

### Suppliers

- Face to face meetings
- Product assessments
- Annual supplier assessment

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENT

### Overview

We manage our operations in an environmentally and socially responsible manner. We understand that a healthy environment depends on us and we should set a good example for society.

The Group is committed to protecting and developing sustainability, minimizing adverse impact on the environment by promoting and adopting a set of management policies and measures. The Group understands that our use of electricity and water, and generation of clinical wastes from our business operations consume natural resources and pose risks to the public health and the environment. Therefore, electricity and water saving initiatives are promoted and implemented in our workplace, and clinical wastes are treated cautiously.

During the Reporting Period, we complied with all relevant laws and regulations to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on us.

### Emissions

As we provide medical and dental solutions to our customers, we do not own or control any stationary or mobile combustion sources, and thus, there is no significant air or water pollutants discharges into water and land during our daily operations. Therefore, no data with regard to air emission were recorded during the Reporting Period.

Yet, greenhouse gases emissions are mainly from the consumption of purchased electricity to support the operations of our offices and clinics, such as the lighting and magnifiers, air-conditioning system and sterilization system. The comparative statistics of greenhouse gas emissions recorded between current and previous reporting periods are detailed below.

| Scope of Greenhouse Gas Emission | Emission sources      | Emission (in tonnes of CO <sub>2</sub> e) |         | Emission per floor area <sup>1</sup> (tonnes of CO <sub>2</sub> /sq.m.) |         |
|----------------------------------|-----------------------|-------------------------------------------|---------|-------------------------------------------------------------------------|---------|
|                                  |                       | 2019/20                                   | 2018/19 | 2019/20                                                                 | 2018/19 |
| Scope 1                          |                       |                                           |         |                                                                         |         |
| Direct Emission                  | N/A                   | N/A                                       | N/A     | N/A                                                                     | N/A     |
| Scope 2                          |                       |                                           |         |                                                                         |         |
| Indirect Emission                | Purchased Electricity | 163.11                                    | 149.44  | 0.10                                                                    | 0.11    |
| Scope 3                          |                       |                                           |         |                                                                         |         |
| Other Indirect Emission          | Paper consumption     | 8.67                                      | 10.22   | 0.01                                                                    | 0.01    |

<sup>1</sup> As all electricity usage is based on our clinics and office as defined in the section of "Reporting Period and Scope"; thus, the floor area refers to that of our clinics and office accordingly.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

It is our Group's objective to reduce energy consumption and emissions. We understand that energy consumption is equivalent to greenhouse gas emission to a certain extent. Reducing energy consumption helps to manage our carbon footprint. The Group adopts green practices in our operations. For the details of energy efficient practices, please refer to the section of "ENERGY EFFICIENCY".

## Waste Management

During the Reporting Period, we complied with all relevant laws and regulations that have a significant impact on us relating to the management of clinical waste, including but not limited to "Waste Disposal Ordinance (Chapter 354)", "Hazardous Chemicals Control Ordinance" and the "Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O)" in Hong Kong, which require clinic wastes to be properly disposed of and collected. Our employees follow standard procedures and guidelines to dispose of the wastes produced and put them into specific containers which are carefully coded with defined colours, separately sealed with ties and do not exceed 5 kg weight on any occasion. To ensure that we comply with the relevant laws and regulations, we have engaged a qualified waste disposal and recycling company licensed by the Environmental Protection Department to handle disposal of hazardous wastes, including expired and unwanted pharmaceutical products.

We have established an internal policy that aims to ensure safe disposal of hazardous substances and waste. The Group regularly disposes different groups of wastes, e.g. Group 1 (used or contaminated sharps), Group 3 (human and animal tissues), Group 5 (dressings) and Group 6 (other wastes) of clinical waste as defined in the Waste Disposal Ordinance (Chapter 354).

All used syringes, needles, cartridges, ampoules and other sharp instruments are stored in a special sharp container in each clinic. Throughout the Reporting Period, we have approximately produced 408 kilograms of clinical waste in total, on average, 45.33 kilograms of clinical waste per MediNet Centre/Dental Clinic. The reason of significant increase of clinical waste for the year mainly refers to the clinical waste produced by the Dental Clinic which opened in Shenzhen and full period recognition of the Acquired Business.

When the conventional X-ray radiography is applied, X-ray developer is used and as a result, chemical waste (spent alkaline) is generated. All the used X-ray developer is stored in a separate plastic container and collected by approved waste collector, which is authorized by Environmental Protection Department. Throughout the Reporting Period, we have approximately produced 12.9 litres of chemical waste in total, on average, 1.84 litres of chemical waste per dental clinics.

The comparative statistics of clinical waste and chemical waste recorded between current and previous reporting periods are detailed below.

|                           | 2019/20 | 2018/19 |
|---------------------------|---------|---------|
| Clinical Waste (in kg)    | 408     | 143     |
| Chemical Waste (in litre) | 12.90   | 34.60   |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The major non-hazardous waste produced by our business activities is paper consumed for administrative purposes. We encourage our employees to reduce paper consumption whenever possible, and work towards a paperless environment.

| Year ended 31 March 2020                          | 2019/20      |               | 2018/19      |               |
|---------------------------------------------------|--------------|---------------|--------------|---------------|
|                                                   | Copier paper | Letter-headed | Copier paper | Letter-headed |
| Weight (in tonnes)                                | 1.59         | 0.21          | 1.70         | 0.43          |
| Intensity (tonnes/sq.m. floor area <sup>2</sup> ) | 0.0009       | 0.0001        | 0.0012       | 0.0003        |

To reduce the generation of waste, we are committed to reducing the use of copier paper for internal administrative work. The following is the measures adopted during our daily operations:

- Double-sided printing is set as the default settings on computers, single-sided printing has to be manually selected;
- For any papers that have been used for single-sided printing, they should be reused when there is no confidential information on the printed side of the paper; and
- Staff members are encouraged to circulate documents through electronic means such as email or encrypted universal serial bus (“USB”).

## Use of Resources

Environmental protection is a key focus of the Group. We are committed to upholding high environmental standards to fulfil relevant requirements under applicable laws and ordinances in our daily operations. We also adopt a responsible approach to ensure good environmental and human health.

The Group understands that responsible use of energy is more than just consuming less energy. It also means that to make the most from the energy we consume, whilst delivering safe and quality services to our consumers. We manage and reduce electricity and water usage by better planning and execution with an aim to minimize adverse impacts on the environment.

The Group is not involved in any manufacturing activities. Hence, the impact on the environment and natural resources is insignificant.

<sup>2</sup> As paper is used in our clinics and office as defined in the section of “Reporting Period and Scope”; thus, the floor area refers to that section accordingly.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENERGY EFFICIENCY

As mentioned, electricity is mainly consumed for the operations of our offices and clinics, such as the lighting and magnifiers, air-conditioning system and sterilization system. The following shows the comparative figures of electricity consumption between the current and previous reporting periods.

| Year ended 31 March 2020                       | 2019/20    | 2018/19    |
|------------------------------------------------|------------|------------|
| Electricity consumption (in kWh)               | 241,650.50 | 229,027.20 |
| Intensity (kWh/sq.m. floor area <sup>3</sup> ) | 229.69     | 135.88     |
| Intensity (kWh/number of employees)            | 2,138.50   | 2,899.08   |

Due to the Dental Centre in Shenzhen, and full period recognition of Acquired Business, the electricity consumption figure has increased from 229,027 kWh to 241,651 kWh.

We encourage our staff members to save electricity at the workplace. We inform our staff members to turn off the lights during lunch hours and after office hours, so that lights are only on when it is necessary. Moreover, all electrical appliances should be off when they are not in use. Written notices such as “Save Energy” are put on the walls in the working area to remind our staff members on resources saving. Indoor temperature is maintained at 24 degrees Celsius or above to reduce unnecessary use of energy.

## Water Usage

As our daily operations do not involve production, the water usage is relatively low as compared to manufacturing companies, the existing supply of water meets our daily operational needs for the purpose of domestic use and we do not have any issue in sourcing water. The following shows the comparative figures of water consumption between the current and previous reporting periods.

| Year ended 31 March 2020                                   | 2019/20  | 2018/19  |
|------------------------------------------------------------|----------|----------|
| Total consumption (cubic meters)                           | 1,057.00 | 1,129.99 |
| Consumption per floor area (cubic meters/sq.m. floor area) | 0.62     | 0.67     |

We have adopted a wide range of measures to lessen the use of water, including regular checking on water taps and pipes to avoid unnecessary leakage, installation of water-efficient fittings, and promotion of the awareness of water scarcity issues among our employees in order for them to use water wisely.

## Medical Packaging

To reduce the carbon footprint and contribute to save the planet, the Group encourages its customers to minimize the usage of plastic bags. We suggest our customers to bring their own bags. For the packaging materials we use, the majority of them are recyclable or biodegradable.

<sup>3</sup> As all electricity usage is based on our clinics and office as defined in the section of “Reporting Period and Scope”; thus, the floor area refers to that section accordingly.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## EMPLOYMENT

During the Reporting Period, the Group strictly complied with the relevant laws and regulations in Hong Kong that have a significant impact on us, including but not limited to, “Employment Ordinance”, the “Minimum Wage Ordinance”, and the “Employees’ Compensation Ordinance” in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

We see our employees as the most valuable assets of the Group, and focus our efforts on providing a safe and enjoyable working environment for them. The objective of Human Resources Department is to reward and recognize outstanding employees by providing competitive remuneration packages with basic salary, and to promote career development and progression within the Group by providing adequate training and opportunities.

As at 31 March 2020, the employee profiles by gender, age, rank and geographical location are shown as follows:

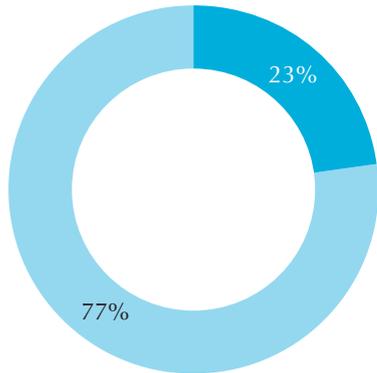
|                                     | 2019/20 | 2018/19 |
|-------------------------------------|---------|---------|
| Total workforce                     | 103     | 106     |
| Breakdowns by gender                |         |         |
| Female                              | 88      | 87      |
| Male                                | 15      | 19      |
| Breakdowns by age                   |         |         |
| < 25                                | 12      | 16      |
| 25–29                               | 22      | 17      |
| 30–39                               | 18      | 22      |
| 40–49                               | 32      | 34      |
| > 50                                | 19      | 17      |
| Breakdowns by rank                  |         |         |
| Top management                      | 9       | 9       |
| Middle management                   | 21      | 35      |
| General staff                       | 73      | 62      |
| Breakdowns by geographical location |         |         |
| Hong Kong                           | 95      | 93      |
| PRC                                 | 8       | 13      |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The comparative figures between current and previous reporting periods on the staff turnover rate by gender and age are shown as follows:

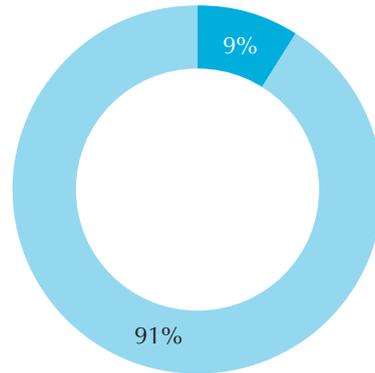
**Employee Turnover by Gender 2019/20**

■ Male ■ Female



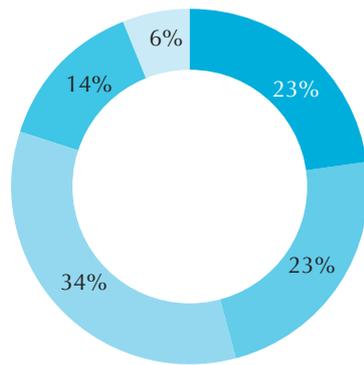
**Employee Turnover by Gender 2018/19**

■ Male ■ Female



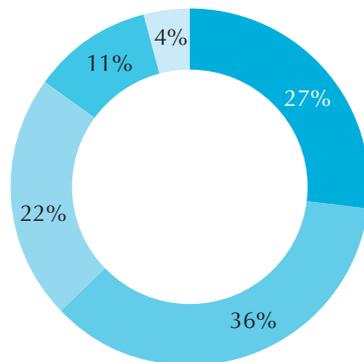
**Employee Turnover by Age 2019/20**

■ Below 25 ■ 25–29 ■ 30–39 ■ 40–49 ■ Above 50



**Employee Turnover by Age 2018/19**

■ Below 25 ■ 25–29 ■ 30–39 ■ 40–49 ■ Above 50





# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## HEALTH AND SAFETY

The Group is subject to the workplace laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards in Hong Kong.

Management makes great effort in strengthening the Group's occupational health and safety performance to protect employees from hazards. For example, our doctors, dentists and nurses wear gloves, surgical masks, protective goggles and gowns to prevent any infections. In case of injuries or accidents, the Group will make corresponding medical arrangement for the employees concerned.

Dosimeters are provided to our dentists and dental nurses to measure and monitor the exposure of ionizing radiation and all the personnel are alerted if the dose rate thresholds are exceeded.

Apart from employees' compensation insurance, the Group provides other benefits to its employees, such as training and education on a regular basis. We strive to provide a comfortable and safe environment to our employees, customers and business partners.

During the Reporting Period, no case of fatality and work injury case in the workplace and no lost day due to work injury was reported.

## DEVELOPMENT AND TRAINING

The Group offers a wide range of training courses and development support to improve the employees' long-term career growth, development and advancement prospects.

The Group has implemented a "Training Procedure" to facilitate development of our employees' potential. We maintain a schedule for training courses which are planned in advance. In determination of the training schedule, we consider the feedback provided by our employees.

The employee development and training policies adopted by the Group are as follows:

- Newly recruited employees are required to attend an orientation training program, which covers corporate culture, business profiles, operation policies and procedures;
- A designated senior manager is responsible for checking the quality of service provided by the staff members at the reception and providing the internal training, which ensures that all staff members are aware how to use electronic devices (i.e. computer, printer, etc.) and internal customers' filing system;
- Nurses are required to attend regular and ad hoc internal training courses that are necessary to discharge their duties at work, including, but not limited to, product knowledge, customer services and new legislations and regulations relevant to our business operations;
- Sponsorships are offered to doctors and dentists for them to attend external training courses regarding new techniques, tools, and technologies, etc. that are relevant to our business.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following shows the comparative figures in relation to training between current and previous Reporting Periods:

Average training hours completed

By gender

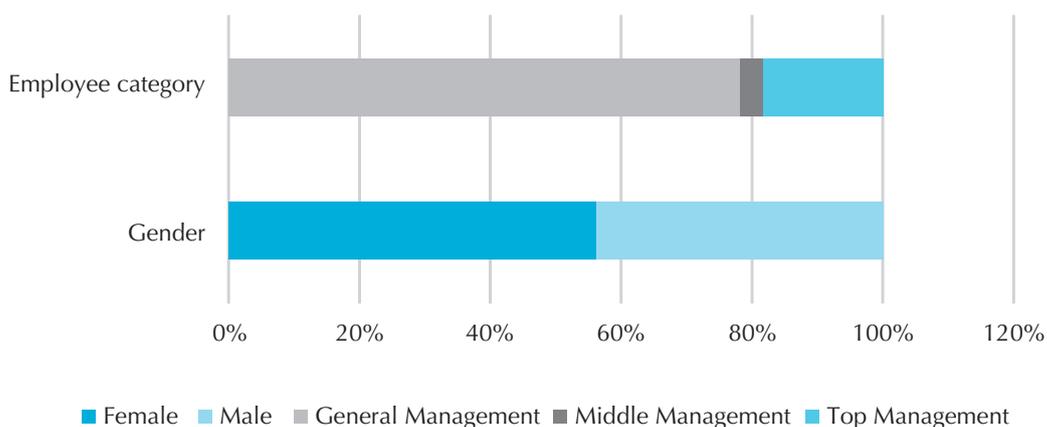
|        | 2019/20 | 2018/19 |
|--------|---------|---------|
| Female | 2.34    | 5.59    |
| Male   | 2.42    | 4.63    |

By rank

|                   |      |      |
|-------------------|------|------|
| Top management    | 2.61 | 3.24 |
| Middle management | 2.33 | 6.33 |
| General staff     | 6.00 | 6.71 |

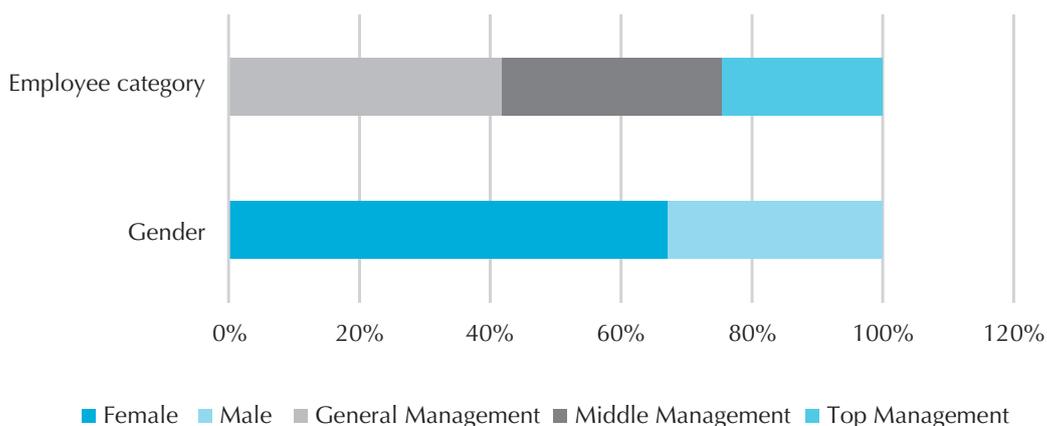
**Year ended 31 March 2020**

**The percentage of employees trained by gender and employee category**



**Year ended 31 March 2019**

**The percentage of employees trained by gender and employee category**





# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## LABOUR STANDARDS

During the Reporting Period, we complied with all relevant laws and regulations that have a significant impact on us such as “Employment Ordinance” in Hong Kong. The Group strictly prohibits any recruitment of child and forced labour and ensures that the employment agreements signed with our employees are on a fair, equal, voluntary and mutually agreed basis.

We recruit new doctors and dentists based on their qualifications, experience, reputation, specialized area of study or practice, level of dedication, previous compliance records and whether they can fit into our corporate culture. We also place great emphasis on training and retention of our professional team members. All our doctors have practising licences and certificates.

The Group is well aware that child and forced labour violates fundamental human rights and so, it prohibits the use of child or forced labour. During the staff recruitment process, responsible staff members collect ID documents from the candidates to ensure that their age meets the requirements as stated in the Employment Ordinance. The Group only executes the requirements stipulated in the standard employment agreements and does not use any unlawful or unfair means to restrict the Staff benefits enjoyed by the employees. Employees who are in breach of rules, or commit serious dereliction of duty, malpractice or criminal offence are immediately dismissed.

During the Reporting Period, no case related to child or forced labour was found.

The Group constantly monitors its employees’ performance. Newly recruited employees are admitted as permanent employees after successful completion of a 3-month probation period. A minimum 7 days annual leave is granted to all permanent employees. We also offer our permanent employees with medical and dental schemes as well as inpatient insurance.

## SUPPLY CHAIN MANAGEMENT

Our suppliers primarily include distributors of orthodontic appliances, pharmaceutical and medical consumables. During the reporting period, we have 170 suppliers (2019: 73 suppliers) which are all primarily located in Hong Kong.

The Group is committed to providing high quality and services to its customers, supported by a strict supply chain management system which is subject to regular assessments as for the environmental and social risks. Suppliers are urged to take measures to reduce their environmental and social risks.

The Group has developed a “New Supplier and Subcontractor Evaluation Procedure” and a “Purchase and Payment Policy and Procedure” to evaluate its new suppliers, and in this respect a “non-conforming report” is prepared to record failure on the part of our existing suppliers. In particular, Environmental-friendly drugs at high quality standard would be more favorable and preferable so as to promote environmental protection along its supply chain. The Group also has a “Purchasing Control Procedure” and an “Equipment Management Procedure” in place in order to monitor the quality of products that clinics purchased from the suppliers.

The evaluation team is responsible for monitoring the quality of suppliers’ work. In selecting pharmaceutical drugs and other suppliers, we perform assessment on the potential suppliers, including past history of the suppliers’ quality, quantity, time of delivery, source of the products, price and suppliers’ reputation in the industry. Suppliers should cooperate in a fair, honest and responsible manner. Renewal of suppliers’ contracts is subject to satisfactory results upon review of their sales performance during the contract period.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## PRODUCT AND SERVICE RESPONSIBILITY

The Group has implemented a “Work Instruction Control Procedure” which covers standard procedures of the provision of service and products. During the Reporting Period, the Group complied with various regulations relevant to the operation process of the business areas such as health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

According to the “Purchasing Control Procedure”, the clinic in charges are responsible for consolidating requests from the doctors and dentists so as to evaluate the materials needs to support the clinical operations, and submit the “Dental/Clinic Material Order Information” to the Head Nurse for a bulk ordering. We purchase high quality drugs and medicines from approved suppliers only. Clinic members will undergo incoming material inspection in accordance with our “Material Handling Procedure” to ensure the quality of the medical consumables. For any defective products received, we will request a recall.

When a new material, instrument, equipment or drug is launched in the market that could show improvement in results, effectiveness or efficiency, and save costs, according to the “New Material, Instrument, Equipment, Drug Procedure”, doctors/dentists can establish an evaluation team to do a research about the product. After completion of the evaluation, the results are recorded on the “Sample Request and Evaluation Form”. Any newly accepted item is registered in the approval list and the Head Nurse can proceed with the purchases.

Pharmaceuticals are handled with special precautions. The Group has specific standards for pharmaceuticals storage in different compartments and the labelling of packages. Topical medications and dangerous drugs are stored separately from general medications. Dangerous drugs are handled in accordance to the “Dangerous Drugs Ordinance (Cap. 134)” in Hong Kong.

According to the “Prescription and Dispensary of Drug Procedure”, the doctors/dentists prescribe medication according to patients’ history and needs. Our nurses are responsible for checking the expiry dates and visual condition of the drugs and medicines to ensure that product quality is maintained. In case if any defect is found, a report is filed to the Head Nurse who will then inform the Head office and return the defective products to the suppliers.

The information about the medicines and drugs is passed to the doctors/dentists for benefits of the patient. A nurse labels the package of the drugs with the drug name, dosage, date and any particulars according to the dentists/doctors’ prescription for the patients. Receptionist provides patients with information about the drug dosage and particulars only after obtaining approval from the doctors/dentists.

In addition, our customers’ information is stored in a tailor-made IT system to protect our patients’ personal information, and different authority access levels are created in order to assure confidentiality of such information.

During the Reporting Period, we complied with the provisions of the “Personal Data (Privacy) Ordinance” in collecting, processing and using the customers’ personal data. Furthermore, contracts, entered into with our patients, also stipulate confidential obligations regarding the customer’s personal information and the information cannot be used for any purposes other than stipulated in the contracts concerned. Moreover, we conduct related employee training on a regular basis to keep customers’ privacy and information safe.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the reporting period, the Group strictly complied with various laws, regulations, rules and procedural standards, and non-compliance related to quality and safety to our products/services was not noted.

We respect the rights of other companies' intellectual property and we do not use intellectual property of others without their authorization.

### ADVERTISING

Pursuant to "Code of Professional Conduct" published by the Medical Council of Hong Kong, no advertising for our medical and dental services due to canvassing is allowed. Our doctors and dentists also follow code of conduct to render the services with an aim to maintain the standard of medical care and public trust in the medical profession.

### COMPLAINTS

The Group works to create a good client experience by providing quality products and services that suit customers' needs.

The Group provides relevant training to enhance the skills of its employees in handling customer enquiries and complaints. We have developed and implemented the relevant operating policies and procedures such as: "Client Satisfaction Monitoring procedure", "Client Satisfaction Survey Procedure", "Client Complaint Handling Policy", etc.

We welcome feedback from our customers and provide them with various ways of solving their issues. Customer complaints are followed up and addressed in a timely manner by the relevant parties depending on the nature of the complaint. Customer suggestions are taken into the consideration for improving our business operations.

During the Reporting Period, we did not have any material medical disputes from the Medical Council of Hong Kong.

### ANTI-CORRUPTION

During the Reporting Period, the Group strictly complied with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering in Hong Kong that have a significant impact on us, including but not limited to, "Prevention of Bribery Ordinance".

Our "Whistle-blowing Procedures" encourage and enable our employees and other stakeholders to report on observed and suspected non-compliance and questionable practices in confidence without retribution. Reported cases will be investigated and followed up by management of the Group.

Regular training regarding anti-corruption and whistle-blowing provided to all employees strengthens their awareness. No employees, including the directors, management, and all full-time, part-time, hourly, or temporary workers, are permitted to solicit or accept any form of benefits or do anything that might be deemed as a bribery whether directly or indirectly. Should such benefits be accepted by any employees, their objective attitude would be hampered, they might be enticed to perpetuate violations of rules and/or have biased judgements or misconducts. As a result, the interests of the Group may be harmed. These measures can serve as a deterrent to prevent bribery or other misbehaviors.

During the Reporting Period, no corruption case was noted or reported.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## COMMUNITY INVESTMENT

The Group understands that its investment decisions have an indirect impact on the environment and society. The Group explores different opportunities of incorporating environmental and social elements into its investment decisions and operations, with reference to the best practices in the industry and internationally recognized ESG standards.

We have a donation box in every clinic to collect donations from the customers/public in support of the Orbis in Hong Kong. It is a convenient channel for the public to help to better plan for long-term rehabilitation services and operations in Hong Kong.

We care about the community. During the Reporting Period, we donated HK\$24,000 to various NGOs, such as Oxfam and Orbis. The donations support the community initiatives in offering assistance to the disadvantaged group.

The Group is committed to fulfilling its corporate social responsibility not just via charity donation programs, but maintaining a high level of community involvement. We provided health care talks to our corporate clients and also free health care seminars regarding health care and treatments. A tooth care (dental) course with distribution of free toothbrushes and toothpastes was also provided to our clients during the Reporting Period.

## HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDE CONTENT INDEX

| Aspect             | Description                                                                                                                                                                                                                                                                      | Chapter          | Remarks |
|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------|
| A. Environmental   |                                                                                                                                                                                                                                                                                  |                  |         |
| A1 Emissions       |                                                                                                                                                                                                                                                                                  |                  |         |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | <i>Overview</i>  |         |
| KPI A1.1           | The types of emissions and respective emissions data.                                                                                                                                                                                                                            | <i>Emissions</i> |         |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Aspect              | Description                                                                                                                                                                | Chapter                                                 | Remarks                                                                         |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------------------------------|
| KPI A1.2            | Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).                                        | <i>Emissions</i>                                        |                                                                                 |
| KPI A1.3            | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).                                           | <i>Waste Management</i>                                 |                                                                                 |
| KPI A1.4            | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).                                       | <i>Waste Management</i>                                 |                                                                                 |
| KPI A1.5            | Description of measures to mitigate emissions and results achieved.                                                                                                        | <i>Energy Efficiency</i>                                |                                                                                 |
| KPI A1.6            | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.                                                             | <i>Waste Management</i>                                 |                                                                                 |
| A2 Use of Resources |                                                                                                                                                                            |                                                         |                                                                                 |
| General Disclosure  | Policies on the efficient use of resources, including energy, water and other raw materials.                                                                               | <i>Use of Resources, Energy Efficiency, Water Usage</i> |                                                                                 |
| KPI A2.1            | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). | <i>Energy Efficiency</i>                                |                                                                                 |
| KPI A2.2            | Water consumption in total and intensity (e.g. per unit of production volume, per facility).                                                                               | <i>Water Usage</i>                                      |                                                                                 |
| KPI A2.3            | Description of energy use efficiency initiatives and results achieved.                                                                                                     | <i>Energy Efficiency</i>                                |                                                                                 |
| KPI A2.4            | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.                                    | <i>Water Usage</i>                                      |                                                                                 |
| KPI A2.5            | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.                                                   | <i>Medical Packaging</i>                                | <i>As a medical service provider, the use of packaging material is minimal.</i> |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Aspect                                   | Description                                                                                                                                                                                                                                                                                                                      | Chapter                  | Remarks                                                                                                                              |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| A3 The Environment and Natural Resources |                                                                                                                                                                                                                                                                                                                                  |                          |                                                                                                                                      |
| General Disclosure                       | Policies on minimizing the issuer's significant impact on the environment and natural resources.                                                                                                                                                                                                                                 | <i>Not material</i>      | <i>As a medical service provider, we consider our operation is not impacting the environment and natural resource significantly.</i> |
| KPI A3.1                                 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.                                                                                                                                                                                              |                          |                                                                                                                                      |
| B. Social                                |                                                                                                                                                                                                                                                                                                                                  |                          |                                                                                                                                      |
| B1 Employment                            |                                                                                                                                                                                                                                                                                                                                  |                          |                                                                                                                                      |
| General Disclosure                       | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | <i>Employment</i>        |                                                                                                                                      |
| KPI B1.1                                 | Total workforce by gender, employment type, age group and geographical region.                                                                                                                                                                                                                                                   | <i>Employment</i>        |                                                                                                                                      |
| KPI B1.2                                 | Employee turnover rate by gender, age group and geographical region.                                                                                                                                                                                                                                                             | <i>Employment</i>        |                                                                                                                                      |
| B2 Health and Safety                     |                                                                                                                                                                                                                                                                                                                                  |                          |                                                                                                                                      |
| General Disclosure                       | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to providing a safe working environment and protecting employees from occupational hazards.                                                                               | <i>Health and Safety</i> |                                                                                                                                      |
| KPI B2.1                                 | Number and rate of work-related fatalities.                                                                                                                                                                                                                                                                                      | <i>Health and Safety</i> |                                                                                                                                      |
| KPI B2.2                                 | Lost days due to work injury.                                                                                                                                                                                                                                                                                                    | <i>Health and Safety</i> |                                                                                                                                      |
| KPI B2.3                                 | Description of occupational health and safety measures adopted, how they are implemented and monitored.                                                                                                                                                                                                                          | <i>Health and Safety</i> |                                                                                                                                      |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Aspect                             | Description                                                                                                                                                                               | Chapter                         | Remarks |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------|
| <b>B3 Development and Training</b> |                                                                                                                                                                                           |                                 |         |
| General Disclosure                 | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.                                                                 | <i>Development and Training</i> |         |
| KPI B3.1                           | The percentage of employees trained by gender and employee category (e.g. senior management, middle management).                                                                          | <i>Development and Training</i> |         |
| KPI B3.2                           | The average training hours completed per employee by gender and employee category.                                                                                                        | <i>Development and Training</i> |         |
| <b>B4 Labour Standards</b>         |                                                                                                                                                                                           |                                 |         |
| General Disclosure                 | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor. | <i>Labour Standards</i>         |         |
| KPI B4.1                           | Description of measures to review employment practices to avoid child and forced labor.                                                                                                   | <i>Labour Standards</i>         |         |
| KPI B4.2                           | Description of steps taken to eliminate such practices when discovered.                                                                                                                   | <i>Labour Standards</i>         |         |
| <b>B5 Supply Chain Management</b>  |                                                                                                                                                                                           |                                 |         |
| General Disclosure                 | Policies on managing environmental and social risks of the supply chain.                                                                                                                  | <i>Supply Chain Management</i>  |         |
| KPI B5.1                           | Number of suppliers by geographical region.                                                                                                                                               | <i>Supply Chain Management</i>  |         |
| KPI B5.2                           | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.                           | <i>Supply Chain Management</i>  |         |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Aspect                    | Description                                                                                                                                                                                                                                                                                | Chapter                                                 | Remarks                                                                                                                           |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| B6 Product Responsibility |                                                                                                                                                                                                                                                                                            |                                                         |                                                                                                                                   |
| General Disclosure        | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | <i>Product and Service Responsibility, Advertising,</i> |                                                                                                                                   |
| KPI B6.1                  | Percentage of total products sold or shipped subject to recalls for safety and health reasons.                                                                                                                                                                                             | <i>Not Applicable</i>                                   | <i>As a medical service provider, we mainly provide medical and/or dental service to our clients, not much products are sold.</i> |
| KPI B6.2                  | Number of products and service related complaints received and how they are dealt with.                                                                                                                                                                                                    | <i>Complaints</i>                                       |                                                                                                                                   |
| KPI B6.3                  | Description of practices relating to observing and protecting intellectual property rights.                                                                                                                                                                                                | <i>Product and Service Responsibility</i>               |                                                                                                                                   |
| KPI B6.4                  | Description of quality assurance process and recall procedures.                                                                                                                                                                                                                            | <i>Product and Service Responsibility</i>               |                                                                                                                                   |
| KPI B6.5                  | Description of consumer data protection and privacy policies, how they are implemented and monitored.                                                                                                                                                                                      | <i>Product and Service Responsibility</i>               |                                                                                                                                   |
| B7 Anti-corruption        |                                                                                                                                                                                                                                                                                            |                                                         |                                                                                                                                   |
| General Disclosure        | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer<br>relating to bribery, extortion, fraud and money laundering.                                                                                  | <i>Anti-corruption</i>                                  |                                                                                                                                   |
| KPI B7.1                  | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.                                                                                                                         | <i>Anti-corruption</i>                                  |                                                                                                                                   |
| KPI B7.2                  | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.                                                                                                                                                                                 | <i>Anti-corruption</i>                                  |                                                                                                                                   |

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

| Aspect                  | Description                                                                                                                                                                            | Chapter                     | Remarks |
|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|---------|
| B8 Community Investment |                                                                                                                                                                                        |                             |         |
| General Disclosure      | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | <i>Community Investment</i> |         |
| KPI B8.1                | Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).                                                                             | <i>Community Investment</i> |         |
| KPI B8.2                | Resources contributed (e.g. money or time) to the focus area.                                                                                                                          | <i>Community Investment</i> |         |



# INDEPENDENT AUDITOR'S REPORT

## **P** D & PARTNERS CERTIFIED PUBLIC ACCOUNTANTS

TO THE SHAREHOLDERS OF MEDINET GROUP LIMITED

醫匯集團有限公司

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

### OPINION

We have audited the consolidated financial statements of MediNet Group Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 57 to 123, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

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

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Revenue recognition</b></p> <p>We identified revenue recognition as a key audit matter as revenue is one of the key performance indicators of the Group and the Group's revenue from provision of medical solutions to insurance companies involves significant volume of transactions recorded in the Group's operational system. The recognition of such revenue is highly dependent on the information data generated from the operational system to the accounting system of the Group. Hence, it gives rise to an inherent risk that such revenue could be misstated or subject to manipulation.</p> <p>For the year ended 31 March 2020, the Group recognised revenue of approximately HK\$29,297,000 (2019: HK\$32,317,000) in respect of provision of medical solutions to insurance companies. Details of revenue from provision of medical solutions to insurance companies are set out in note 5 to the consolidated financial statements.</p> | <p>Our procedures in relation to revenue recognition included:</p> <ul style="list-style-type: none"><li>• Understanding and testing the controls over the validity of the data from the operational system and transmission of the information data from the operational system to the accounting system;</li><li>• Engaging external computer specialists to verify the accuracy of consultation fee to be billed to insurance companies, by extracting relevant data from the operational system to recalculate the amount of the transactions recorded in the accounting system for selected months;</li><li>• Selecting samples of revenue transaction and checking to annual retainer contracts and settlement documents; and</li><li>• Performing analytical review procedures on revenue deriving from the provision of medical solutions and identifying and obtaining explanation for fluctuation noted.</li></ul> |
| <p><b>Impairment assessment of goodwill</b></p> <p>We identified the valuation of goodwill allocated to Master Clever (as defines in note 31) which engaged in provision of dental services business as a key audit matter due to the complexity and significant judgements involved in the management's impairment assessment process.</p> <p>As details in the notes 4 and 15 to the consolidation financial statements, in determining the amount of impairment for goodwill requires an estimation of the recoverable amount, which is the value in use of the cash-generating unit ("CGU") to which goodwill has been allocated and the Group engages an independent external valuer to perform such valuation. The value in use is based on the cash flow forecast of the CGU and take into account the key assumptions used by management which including discount rate, growth rate, budgeted sales and gross margin.</p>                               | <p>Our audit procedures in relation to the impairment of goodwill by the management included:</p> <ul style="list-style-type: none"><li>• Understanding the relevant key controls over the assessment of impairment of goodwill;</li><li>• Assessing the competence, capabilities and objectivity of the independent qualified valuer;</li><li>• Assessing the appropriateness of the discount rate used;</li><li>• Evaluating the appropriateness of the key assumptions in the cash flow forecast, including growth rate, budgeted sales and gross margin, by discussing with the management with reference to their expectations for market development and comparing with the most recent financial performance available; and</li><li>• Evaluating the historical accuracy of the cash flow forecast and actual performance for the year and future prospect from the CGU.</li></ul>                                    |



# INDEPENDENT AUDITOR'S REPORT

## OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 24 June 2019.

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.



# INDEPENDENT AUDITOR'S REPORT

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

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

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



# INDEPENDENT AUDITOR'S REPORT

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

### **D & PARTNERS CPA LIMITED**

*Certified Public Accountants*

#### **Heung Wai Keung**

Practising Certificate Number: P06700

Hong Kong

29 June 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March 2020

|                                                                           | NOTES | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---------------------------------------------------------------------------|-------|------------------|------------------|
| Revenue                                                                   | 5     | <b>144,944</b>   | 140,834          |
| Other income                                                              | 6     | <b>944</b>       | 1,320            |
| Other gains and losses                                                    | 7     | <b>(7,543)</b>   | (2,119)          |
| Medical and dental professional services expenses                         | 8     | <b>(59,793)</b>  | (62,850)         |
| Staff costs                                                               | 8     | <b>(42,817)</b>  | (37,932)         |
| Depreciation of property, plant and equipment                             | 8     | <b>(3,550)</b>   | (3,325)          |
| Depreciation of right-of-use assets                                       | 8     | <b>(10,965)</b>  | –                |
| Cost of medical and dental supplies                                       | 8     | <b>(13,690)</b>  | (13,921)         |
| Rental expenses                                                           | 8     | <b>(1,600)</b>   | (12,538)         |
| Other expenses                                                            |       | <b>(17,785)</b>  | (20,601)         |
| Amortisation of other intangible assets                                   |       | <b>(1,572)</b>   | (1,179)          |
| Interest on lease liabilities                                             |       | <b>(721)</b>     | –                |
| Loss before taxation                                                      | 8     | <b>(14,148)</b>  | (12,311)         |
| Income tax expense                                                        | 9     | <b>(794)</b>     | (1,126)          |
| Loss for the year                                                         |       | <b>(14,942)</b>  | (13,437)         |
| Other comprehensive expense for the year                                  |       |                  |                  |
| <i>Item that may be subsequently reclassified to profit or loss:</i>      |       |                  |                  |
| Exchange differences arising on translation of foreign operations         |       | <b>(342)</b>     | (482)            |
| Reclassification adjustment from foreign currencies translation reserves: |       |                  |                  |
| — release upon liquidation of a subsidiary                                |       | <b>273</b>       | –                |
| Total comprehensive expense for the year                                  |       | <b>(15,011)</b>  | (13,919)         |
| Loss per share — Basic                                                    |       |                  |                  |
| (Hong Kong cents)                                                         | 12    | <b>(1.44)</b>    | (1.29)           |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

|                                       | NOTES | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---------------------------------------|-------|------------------|------------------|
| <b>Non-current assets</b>             |       |                  |                  |
| Property, plant and equipment         | 13    | 7,942            | 11,014           |
| Right-of-use assets                   | 14    | 8,370            | –                |
| Other intangible assets               | 16    | 4,715            | 6,287            |
| Goodwill                              | 15    | 19,483           | 19,483           |
| Contingent consideration receivable   | 31    | 148              | 2,800            |
| Rental deposits                       | 18    | 1,999            | 3,268            |
| Other receivables                     | 18    | –                | 317              |
| Deferred tax assets                   | 23    | 1,220            | 1,155            |
|                                       |       | <b>43,877</b>    | 44,324           |
| <b>Current assets</b>                 |       |                  |                  |
| Inventories                           | 17    | 1,091            | 750              |
| Accounts and other receivables        | 18    | 11,354           | 12,965           |
| Amounts due from related parties      | 19    | 87               | 506              |
| Tax recoverable                       |       | 140              | 88               |
| Bank balances and cash                | 20    | 15,895           | 27,486           |
|                                       |       | <b>28,567</b>    | 41,795           |
| <b>Current liabilities</b>            |       |                  |                  |
| Accounts and other payables           | 21    | 10,661           | 17,291           |
| Contract liabilities                  | 21    | 9,802            | 14,327           |
| Lease liabilities                     | 22    | 6,302            | –                |
| Provision for reinstatement costs     | 24    | 122              | –                |
| Amount due to related parties         | 19    | 130              | –                |
|                                       |       | <b>27,017</b>    | 31,618           |
| Net current assets                    |       | <b>1,550</b>     | 10,177           |
| Total assets less current liabilities |       | <b>45,427</b>    | 54,501           |
| <b>Non-current liabilities</b>        |       |                  |                  |
| Lease liabilities                     | 22    | 5,544            | –                |
| Deferred tax liabilities              | 23    | 918              | 1,249            |
| Provision for reinstatement costs     | 24    | 724              | –                |
|                                       |       | <b>7,186</b>     | 1,249            |
| Net assets                            |       | <b>38,241</b>    | 53,252           |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

|                      | NOTE | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|----------------------|------|------------------|------------------|
| Capital and reserves |      |                  |                  |
| Share capital        | 25   | <b>10,400</b>    | 10,400           |
| Reserves             |      | <b>27,841</b>    | 42,852           |
| <b>Total equity</b>  |      | <b>38,241</b>    | 53,252           |

The consolidated financial statements on pages 57 to 123 were approved and authorised for issue by the board of directors on 29 June 2020 and are signed on its behalf by:

**Chan Chi Wai, Nelson**  
*DIRECTOR*

**Jiang Jie**  
*DIRECTOR*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March 2020

|                                                                                                                         | Attributable to owners of the Company |                              |                                        |                                |                                 |                                   |                      | Total<br>HK\$'000 |
|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------|------------------------------|----------------------------------------|--------------------------------|---------------------------------|-----------------------------------|----------------------|-------------------|
|                                                                                                                         | Share<br>capital<br>HK\$'000          | Share<br>premium<br>HK\$'000 | Other<br>reserve<br>HK\$'000<br>(note) | Special<br>reserve<br>HK\$'000 | Exchange<br>reserve<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Subtotal<br>HK\$'000 |                   |
| At 1 April 2018                                                                                                         | 10,400                                | 51,853                       | (1,253)                                | 20,515                         | 537                             | (14,881)                          | 67,171               | 67,171            |
| Loss for the year                                                                                                       | -                                     | -                            | -                                      | -                              | -                               | (13,437)                          | (13,437)             | (13,437)          |
| Exchange differences arising on translation                                                                             | -                                     | -                            | -                                      | -                              | (482)                           | -                                 | (482)                | (482)             |
| Loss and total comprehensive expense for the year                                                                       | -                                     | -                            | -                                      | -                              | (482)                           | (13,437)                          | (13,919)             | (13,919)          |
| At 31 March 2019                                                                                                        | 10,400                                | 51,853                       | (1,253)                                | 20,515                         | 55                              | (28,318)                          | 53,252               | 53,252            |
| Loss for the year                                                                                                       | -                                     | -                            | -                                      | -                              | -                               | (14,942)                          | (14,942)             | (14,942)          |
| Exchange differences arising on translation                                                                             | -                                     | -                            | -                                      | -                              | (342)                           | -                                 | (342)                | (342)             |
| Reclassification adjustment from foreign currencies translation reserves:<br>— release upon liquidation of a subsidiary | -                                     | -                            | -                                      | -                              | 273                             | -                                 | 273                  | 273               |
| Loss and total comprehensive expense for the year                                                                       | -                                     | -                            | -                                      | -                              | (69)                            | (14,942)                          | (15,011)             | (15,011)          |
| At 31 March 2020                                                                                                        | 10,400                                | 51,853                       | (1,253)                                | 20,515                         | (14)                            | (43,260)                          | 38,241               | 38,241            |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 March 2020

|                                                                                                | NOTE | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|------------------------------------------------------------------------------------------------|------|------------------|------------------|
| <b>OPERATING ACTIVITIES</b>                                                                    |      |                  |                  |
| Loss before taxation                                                                           |      | (14,148)         | (12,311)         |
| Adjustments for:                                                                               |      |                  |                  |
| Interest income                                                                                |      | (25)             | (241)            |
| Amortisation of other intangible assets                                                        |      | 1,572            | 1,179            |
| Depreciation of property, plant and equipment                                                  |      | 3,550            | 3,325            |
| Depreciation of right-of-use assets                                                            |      | 10,965           | –                |
| Gain on disposal of property, plant and equipment                                              |      | (39)             | –                |
| Loss on written off of property, plant and equipment                                           |      | –                | 194              |
| Interests on lease liabilities                                                                 |      | 721              | –                |
| Impairment loss on property, plant and equipment                                               |      | 1,347            | –                |
| Impairment loss on right-of-use assets                                                         |      | 3,378            | –                |
| Loss on liquidation of a subsidiary                                                            |      | 50               | –                |
| Fair value change of contingent consideration receivable                                       |      | 2,652            | 424              |
| Operating cash flows before movements in working capital                                       |      | 10,023           | (7,430)          |
| Increase in inventories                                                                        |      | (341)            | (27)             |
| Decrease in accounts and other receivables                                                     |      | 6,295            | 997              |
| Decrease (increase) in amount due from a related party                                         |      | 419              | (32)             |
| (Decrease) increase in accounts and other payables                                             |      | (5,821)          | 3,264            |
| (Decrease) increase in contract liabilities                                                    |      | (4,525)          | 1,033            |
| Cash generated from (used) in operations                                                       |      | 6,050            | (2,195)          |
| Hong Kong Profits Tax paid                                                                     |      | (1,242)          | (626)            |
| <b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>                                            |      | <b>4,808</b>     | <b>(2,821)</b>   |
| <b>INVESTING ACTIVITIES</b>                                                                    |      |                  |                  |
| Payment of rental deposits                                                                     |      | (3,407)          | –                |
| Purchase of property, plant and equipment                                                      |      | (2,337)          | (3,718)          |
| Proceeds from rental disposal of property, plant and equipment                                 |      | 510              | –                |
| Repayment from related parties                                                                 |      | 130              | 308              |
| Interest received                                                                              |      | 25               | 390              |
| Advances to related parties                                                                    |      | –                | (308)            |
| Proceeds from settlement of a loan receivable                                                  |      | –                | 5,000            |
| Withdrawal of short-term bank deposits                                                         |      | –                | 35,000           |
| Acquisition of a subsidiary                                                                    | 31   | –                | (29,253)         |
| <b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>                                            |      | <b>(5,079)</b>   | <b>7,419</b>     |
| <b>FINANCING ACTIVITY</b>                                                                      |      |                  |                  |
| Repayment of lease liabilities, including related interests                                    |      | (11,043)         | –                |
| <b>CASH USED IN FINANCING ACTIVITY</b>                                                         |      | <b>(11,043)</b>  | <b>–</b>         |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>                                    |      | <b>(11,314)</b>  | <b>4,598</b>     |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>                                      |      | <b>27,486</b>    | <b>23,272</b>    |
| Effect of foreign exchange rate changes                                                        |      | (277)            | (384)            |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR,<br/>represented by bank balances and cash</b> |      | <b>15,895</b>    | <b>27,486</b>    |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 1. GENERAL

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

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 32.

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

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

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

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

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

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.

### 2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“HKAS 17”), and the related interpretations.

#### Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

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

### 2.1 HKFRS 16 Leases (Continued)

#### As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019

As at 1 April 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.13%.

|                                                                                                              | At 1 April 2019<br>HK\$'000 |
|--------------------------------------------------------------------------------------------------------------|-----------------------------|
| Operating lease commitments disclosed as at 31 March 2019                                                    | 19,419                      |
| Add: Lease liabilities resulting from lease modifications of existing leases (note)                          | 2,164                       |
| Less: Recognition exemption — short-term leases                                                              | (1,668)                     |
|                                                                                                              | 19,915                      |
| Lease liabilities relating to operating lease recognised upon application of HKFRS 16 and as at 1 April 2019 | 18,885                      |
| Of which are:                                                                                                |                             |
| Current lease liabilities                                                                                    | 10,155                      |
| Non-current lease liabilities                                                                                | 8,730                       |
|                                                                                                              | 18,885                      |

Note: The Group renewed the leases of certain clinics by entering into new lease contracts which commence after date of initial application. These new contracts are accounted as lease modifications of the existing contracts upon application of HKFRS 16.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

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

### 2.1 HKFRS 16 Leases (Continued)

#### As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

|                                                                                         | NOTES | Right-of-use assets<br>HK\$000 |
|-----------------------------------------------------------------------------------------|-------|--------------------------------|
| Right-of-use assets relating to operating lease recognised upon application of HKFRS 16 |       | 18,885                         |
| Adjustments on rental deposits at 1 April 2019                                          | (a)   | 254                            |
| Less: Accrued lease liabilities relating to rent free period at 1 April 2019            | (b)   | (898)                          |
|                                                                                         |       | <hr/>                          |
|                                                                                         |       | 18,241                         |

Notes:

- (a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$254,000 was adjusted to refundable rental deposits paid and right-of-use assets.
- (b) Rent free period

These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities under trade and other payables as at 1 April 2019 was adjusted to right-of-use assets at transition.

#### As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

The initial application of HKFRS 16 as a lessor has no material impact on the Group's consolidated financial position as at 1 April 2019 and its consolidated statement of profit or loss and other comprehensive income and statements of cash flow for the current year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

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

### 2.1 HKFRS 16 Leases (Continued)

As a lessor (Continued)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

|                                             | Carrying<br>amounts<br>previously<br>reported at<br>31 March 2019<br>HK\$'000 | Adjustments<br>HK\$'000 | Carrying<br>amounts under<br>HKFRS 16 at<br>1 April 2019<br>HK\$'000 |
|---------------------------------------------|-------------------------------------------------------------------------------|-------------------------|----------------------------------------------------------------------|
| <b>Non- current assets</b>                  |                                                                               |                         |                                                                      |
| Right-of-use assets                         | –                                                                             | 18,241                  | 18,241                                                               |
| Rental deposits                             | 3,268                                                                         | (254)                   | 3,014                                                                |
| <b>Current liabilities</b>                  |                                                                               |                         |                                                                      |
| Trade and other payables — accrued expenses | (6,022)                                                                       | 898                     | (5,124)                                                              |
| Lease liabilities                           | –                                                                             | (10,155)                | (10,155)                                                             |
| <b>Non-current liabilities</b>              |                                                                               |                         |                                                                      |
| Lease liabilities                           | –                                                                             | (8,730)                 | (8,730)                                                              |

Note: For the purpose of reporting cash flows for the year ended 31 March 2020, movements have been computed based on opening statement of financial positions as at 1 April 2019 as disclosed above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

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

### 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 <sup>1</sup>                                                                   |
| Amendment to HKFRS 16                      | Covid-19-Related Rent Concessions <sup>5</sup>                                                     |
| Amendments to HKFRS 3                      | Definition of a Business <sup>2</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 and HKAS 8            | Definition of Material <sup>4</sup>                                                                |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform <sup>4</sup>                                                        |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 June 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 April 2020.

Except for the new HKFRS mentioned below, 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.

### Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The amendment is issued in June 2020 and is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including interim or annual financial statements not authorised for issue as at 4 June 2020, the date of the amendment is issued.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concessions 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

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

### New and amendments to HKFRSs in issue but not yet effective (Continued)

#### Amendment to HKFRS 16 Covid-19-Related Rent Concessions (Continued)

A lease 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 if the changes were not lease modifications. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment is expected to have impact on the financial positions and performance of the Group if the Group would elect to early apply the amendment for the Group’s annual period beginning on 1 April 2020.

#### Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16) and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Business combination** *(Continued)*

When a consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash generating units (“CGUs”) (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

### **Intangible assets**

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation**

#### **Output method**

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

The Group uses time elapsed output method for dental solutions, medical solutions to corporations and invisalign treatment of dental services in measuring the progress of the performance obligation.

#### **Property, plant and equipment**

Property, plant and equipment held for use in the production of services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation of property, plant and equipment is recognised so as to write off the cost less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **Leases**

##### **Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

**The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)**

#### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

#### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of certain clinics that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

#### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment loss, and adjusted for any measurement at lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use as a separate line item on the consolidated statement of financial position.

#### *Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Leases** *(Continued)*

#### **The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)** *(Continued)*

##### **Lease liabilities**

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Leases** *(Continued)*

#### **The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)** *(Continued)*

##### **Lease modifications**

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### **The Group as lessee (prior to 1 April 2019)**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### The Group as a lessor (upon applications of HKFRS 16 in accordance with transactions in note 2)

#### Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

#### Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

#### Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

#### Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

#### Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

### The Group as lessor (prior to 1 April 2019)

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### Financial assets

#### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

#### **Classification and subsequent measurement of financial assets** *(Continued)*

##### *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

##### *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

#### **Impairment of financial assets**

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including account and other receivables, amounts due from related parties and bank balance and cash) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivables and amount due from a related party of trade nature. The ECL on these assets are assessed individually for all debtors.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

#### **Impairment of financial assets** *(Continued)*

##### *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

##### *Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

#### **Impairment of financial assets** *(Continued)*

##### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower; or
- (b) a breach of contract, such as a default or past due event; or
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

##### *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries made are recognised in profit or loss.

##### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For amount due from a related party of trade nature, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 April 2019) or HKAS 17 (prior to 1 April 2019).

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivables and amount due from a related party of trade nature where the corresponding adjustment is recognised through a loss allowance account.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Financial instruments** *(Continued)*

#### **Financial assets** *(Continued)*

##### ***Derecognition of financial assets***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

#### **Financial liabilities and equity**

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

#### **Financial liabilities**

Financial liabilities including accounts and other payables and amount due to related parties are subsequently measured at amortised cost, using the effective interest method.

##### ***Derecognition of financial liabilities***

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### **Impairment on tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Impairment on tangible and intangible assets other than goodwill** *(Continued)*

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of CGU, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGU, with the recoverable amount of the group of CGU. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGU. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGU. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **Retirement benefit costs**

Payments to defined contribution retirement benefit plans, including Mandatory Provident Fund Scheme (“MPF Scheme”) in Hong Kong and government-managed retirement benefit schemes in the Mainland China (the “PRC”), are recognised as an expense when employees have rendered service entitling them to the contributions.

### **Short-term employee benefits**

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from (loss) profit before taxation because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Taxation** *(Continued)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies requirements of HKAS 12 *Income Taxes* to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

### **Reinstatement provisions**

Provision for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets, estimates are regularly reviewed and adjusted as appropriate for new circumstances.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from the end of the reporting period.

### Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU (or group of CGU) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a group of CGU) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise. As at 31 March 2020, the carrying amount of goodwill is HK\$19,483,000 (2019: HK\$19,483,000) (net of accumulated impairment loss of HK\$Nil (2019: HK\$Nil)). Details of the recoverable amount calculation are disclosed in note 15.

### Annual retainer contracts

The Group's contracts related to medical solutions to corporations and dental solutions would pay a fixed fee to the Group generally in advance for (i) unlimited or specified number of visit in relation to a specified range of medical and dental solutions within a specified period; and (ii) for other medical and dental solutions not covered in (i), generally at a discounted price within such specified period, through (a) medical centres and dental clinics owned and operated by the Group, or (b) medical centres and auxiliary service providers not owned nor operated by the Group but agreed to provide various medical solutions to the contract customers of the Group under a network of healthcare service providers maintained by the Group (the "Annual Retainer Contracts"). The level of solutions to be rendered under the Annual Retainer Contracts is uncertain and depends on uncertain future events. The Group has to consider whether the cost of meeting its contractual obligations to provide the solutions under the Annual Retainer Contracts may exceed the revenue it will receive and the probability of such risk (the "Risk"), when assessing the pricing and provisioning for such contracts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Annual retainer contracts (Continued)

The frequency and severity of the Risk are affected by many factors, including, *inter alia*, the health status and awareness of the persons covered by the Annual Retainer Contracts and that of the general public in Hong Kong, the outbreak/potential outbreak of any epidemic, climatic changes, the duration of those contracts (which in general are of short duration), as well as a diversity of social, industrial and economic factors. The risk associated with such factors (including any undue concentration thereof and the probability of the occurrence of certain events affected by them) on the actual utilisation ratio for individual contracts is the key source of uncertainty that needs to be estimated. During both years, no cost of respective annual retainer contracts exceeded the revenue.

The Group manages the Risk through periodic review of the estimated and actual utilisation ratio of individual contracts and revises the relevant fee schedules and whether or not to renew such Annual Retainer Contracts after assessment.

### Contingent consideration receivable

The Group acquired a subsidiary during the year ended 31 March 2019 and entitled to a contingent consideration receivable as detailed in note 30. The determination of the amount involves the estimation of the expected future cash flows that will flow into the Group using discounted cash flow method. When the actual future cash flows are less than expected, or change in facts and circumstances which results in a downward revision of future cash flows, a material impact on the fair value of contingent consideration receivable will arise. As at 31 March 2020, the fair value of contingent consideration receivable was HK\$148,000 (2019: HK\$2,800,000) and the fair value change of contingent consideration receivable of HK\$2,652,000 (2019: HK\$424,000) was recognised in profit or loss.

### Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, which is the value in use, (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including profitability of the clinics. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the asset belongs. The Group has material leasehold improvements and right-of-use assets used in the clinics which are subject to impairment test is carried out against clinics which were underperformed.

As at 31 March 2020, impairment losses of HK\$1,347,000 and HK\$3,378,000 in respect of property, plant and equipment and right-of-use assets have been recognised respectively. No impairment loss was provided during the year ended 31 March 2019. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in notes 13 and note 14 respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 5. REVENUE AND SEGMENT INFORMATION

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

| Segments                             | For the year ended 31 March 2020 |                              |                   |
|--------------------------------------|----------------------------------|------------------------------|-------------------|
|                                      | Dental business<br>HK\$'000      | Medical business<br>HK\$'000 | Total<br>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           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

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

### (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 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

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

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

#### **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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

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

### (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 2020 and 31 March 2019 and the expected timing of recognising revenue are as follows:

|                                                | 2020<br>Dental services<br>HK\$'000 |
|------------------------------------------------|-------------------------------------|
| Within one year                                | 2,016                               |
| More than one year but not more than two years | 530                                 |
|                                                | <b>2,546</b>                        |

|                                                | 2019<br>Dental services<br>HK\$'000 |
|------------------------------------------------|-------------------------------------|
| Within one year                                | 1,584                               |
| More than one year but not more than two years | 1,253                               |
|                                                | <b>2,837</b>                        |

### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### (iv) Segment information (Continued)

#### Segment revenue and results

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

#### Year ended 31 March 2020

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### (iv) Segment information (Continued)

#### Segment revenue and results (Continued)

##### Year ended 31 March 2019

|                       | Dental<br>business<br>HK\$'000 | Medical<br>business<br>HK\$'000 | Segment<br>total<br>HK\$'000 | Eliminations<br>HK\$'000 | Total<br>HK\$'000 |
|-----------------------|--------------------------------|---------------------------------|------------------------------|--------------------------|-------------------|
| SEGMENT REVENUE       |                                |                                 |                              |                          |                   |
| External revenue      | 65,048                         | 75,786                          | 140,834                      | –                        | 140,834           |
| Inter-segment revenue | 1,232                          | –                               | 1,232                        | (1,232)                  | –                 |
| Segment revenue       | 66,280                         | 75,786                          | 142,066                      | (1,232)                  | 140,834           |
| Segment (loss) profit | (2,795)                        | 2,237                           | (558)                        |                          | (558)             |
| Unallocated expenses  |                                |                                 |                              |                          | (11,414)          |
| Unallocated income    |                                |                                 |                              |                          | 1,162             |
| Unallocated loss      |                                |                                 |                              |                          | (1,501)           |
| Loss before taxation  |                                |                                 |                              |                          | (12,311)          |

|                                                            | Dental<br>business<br>HK\$'000 | Medical<br>business<br>HK\$'000 | Segment<br>total<br>HK\$'000 | Other<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------------------------------|--------------------------------|---------------------------------|------------------------------|-------------------|-------------------|
| OTHER SEGMENT INFORMATION                                  |                                |                                 |                              |                   |                   |
| Amounts included in the measure of segment profit or loss: |                                |                                 |                              |                   |                   |
| Additions to property, plant and equipment                 | 2,600                          | 1,118                           | 3,718                        | –                 | 3,718             |
| Depreciation of property, plant and equipment              | 2,526                          | 799                             | 3,325                        | –                 | 3,325             |
| Amortisation                                               | 1,179                          | –                               | 1,179                        | –                 | 1,179             |
| Loss on written off of property, plant and equipment       | (132)                          | (62)                            | (194)                        | –                 | (194)             |

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

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

### (iv) Segment information *(Continued)*

#### 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<br>HK\$'000 | 2019<br>HK\$'000 |
|-------------------------|------------------|------------------|
| Customer A <sup>1</sup> | <b>13,617</b>    | 14,408           |

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 6. OTHER INCOME

|                                    | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|------------------------------------|------------------|------------------|
| Rental income                      | 813              | 919              |
| Interest income on loan receivable | –                | 100              |
| Bank interest income               | 25               | 141              |
| Credit card rebate                 | 105              | 158              |
| Sundry income                      | 1                | 2                |
|                                    | <b>944</b>       | <b>1,320</b>     |

## 7. OTHER GAINS AND LOSSES

|                                                          | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|----------------------------------------------------------|------------------|------------------|
| Impairment loss on property, plant and equipment         | (1,347)          | –                |
| Impairment loss on right-of-use assets                   | (3,378)          | –                |
| Gain on disposal of property, plant and equipment        | 39               | –                |
| Loss on written off of property, plant and equipment     | –                | (194)            |
| Loss on liquidation of a subsidiary                      | (50)             | –                |
| Exchange loss, net                                       | (155)            | (1,501)          |
| Fair value change of contingent consideration receivable | (2,652)          | (424)            |
|                                                          | <b>(7,543)</b>   | <b>(2,119)</b>   |

## 8. LOSS BEFORE TAXATION

|                                                                        | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|------------------------------------------------------------------------|------------------|------------------|
| Loss before taxation has been arrived at after charging:               |                  |                  |
| Directors' remuneration (note 10)                                      | 4,951            | 4,176            |
| Salaries and allowance for staff excluding directors                   | 36,534           | 32,239           |
| Retirement benefit scheme contributions for staffs excluding directors | 1,332            | 1,517            |
|                                                                        | <b>42,817</b>    | <b>37,932</b>    |
| Depreciation of property, plant and equipment                          | 3,550            | 3,325            |
| Depreciation of right-of-use assets                                    | 10,965           | –                |
| Impairment loss on property, plant and equipment                       | 1,347            | –                |
| Impairment loss on right-of-use assets                                 | 3,378            | –                |
| Medical and dental professional services expenses (note i)             | 59,793           | 62,850           |
| Cost of inventories recognised as an expense                           | 13,690           | 13,921           |
| Minimum lease payments in respect of rental premises                   | 1,600            | 12,538           |
| Auditor's remuneration                                                 | 700              | 800              |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 8. LOSS BEFORE TAXATION *(Continued)*

Notes:

- (i) Medical and dental professional services expenses mainly include laboratory charges, fee paid to external doctors employed by clinics not operated by the Group and charges by external auxiliary services providers who provide services to the Group's contract customers.
- (ii) Staff costs mainly include payments to the employees of the Group including doctors, dentists and other staffs.

## 9. INCOME TAX EXPENSE

|                                               | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|-----------------------------------------------|------------------|------------------|
| Current tax:                                  |                  |                  |
| Hong Kong profits tax                         | 1,373            | 1,158            |
| (Overprovision) underprovision in prior year: |                  |                  |
| Hong Kong profits tax                         | (183)            | 206              |
|                                               | 1,190            | 1,364            |
| Deferred tax (note 23)                        | (396)            | (238)            |
|                                               | 794              | 1,126            |

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 9. INCOME TAX EXPENSE (Continued)

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

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

Details of deferred taxation are set out in note 23.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

Mr. Chan and Ms. Jiang Jie, who is the spouse of Mr. Chan, were appointed as the executive directors of the Company on 20 August 2015. Mr. Chan was the chief executive of the Company and his emoluments disclosed below include those for service rendered by him as the chief executive.

### Directors and Chief Executive

#### 2020

|                                            | Executive directors  |                           | Independent non-executive directors |                     |                       | Total<br>HK\$'000 |
|--------------------------------------------|----------------------|---------------------------|-------------------------------------|---------------------|-----------------------|-------------------|
|                                            | Mr. Chan<br>HK\$'000 | Ms. Jiang Jie<br>HK\$'000 | Dr. Lieu<br>Geoffrey<br>Sek Yiu     | Mr. Leung<br>Po Hon | Mr. Wong<br>Wai Leung |                   |
|                                            |                      |                           | HK\$'000                            | HK\$'000            | HK\$'000              |                   |
| Fees                                       | –                    | –                         | 180                                 | 180                 | 180                   | 540               |
| Other emoluments                           | –                    | –                         | –                                   | –                   | –                     | –                 |
| Salaries and allowances                    | 1,875                | 1,300                     | –                                   | –                   | –                     | 3,175             |
| Other benefits and allowances              | 1,200                | –                         | –                                   | –                   | –                     | 1,200             |
| Retirement benefit<br>scheme contributions | 18                   | 18                        | –                                   | –                   | –                     | 36                |
| <b>Total emoluments</b>                    | <b>3,093</b>         | <b>1,318</b>              | <b>180</b>                          | <b>180</b>          | <b>180</b>            | <b>4,951</b>      |

#### 2019

|                                            | Executive directors  |                           | Independent non-executive directors |                     |                       | Total<br>HK\$'000 |
|--------------------------------------------|----------------------|---------------------------|-------------------------------------|---------------------|-----------------------|-------------------|
|                                            | Mr. Chan<br>HK\$'000 | Ms. Jiang Jie<br>HK\$'000 | Dr. Lieu<br>Geoffrey<br>Sek Yiu     | Mr. Leung<br>Po Hon | Mr. Wong<br>Wai Leung |                   |
|                                            |                      |                           | HK\$'000                            | HK\$'000            | HK\$'000              |                   |
| Fees                                       | –                    | –                         | 180                                 | 180                 | 180                   | 540               |
| Other emoluments                           |                      |                           |                                     |                     |                       |                   |
| Salaries and allowances                    | 1,200                | 1,200                     | –                                   | –                   | –                     | 2,400             |
| Other benefits and allowances              | 1,200                | –                         | –                                   | –                   | –                     | 1,200             |
| Retirement benefit<br>scheme contributions | 18                   | 18                        | –                                   | –                   | –                     | 36                |
| <b>Total emoluments</b>                    | <b>2,418</b>         | <b>1,218</b>              | <b>180</b>                          | <b>180</b>          | <b>180</b>            | <b>4,176</b>      |

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 10. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES (Continued)

### Employees

The five highest paid individuals of the Group included two directors (2019: two directors) of the Company for the year. The emoluments of the remaining three (2019: three) highest paid individuals for both years are as follows:

|                                         | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|-----------------------------------------|------------------|------------------|
| Salaries and allowances                 | 2,940            | 3,139            |
| Retirement benefit scheme contributions | 54               | 54               |
|                                         | <b>2,994</b>     | <b>3,193</b>     |

The number of these highest paid individuals whose emolument fell within the following bands is as follows:

|                                | 2020<br>Number of<br>individuals | 2019<br>Number of<br>individuals |
|--------------------------------|----------------------------------|----------------------------------|
| Nil to HK\$1,000,000           | 1                                | 1                                |
| HK\$1,000,001 to HK\$1,500,000 | 2                                | 2                                |
|                                | <b>3</b>                         | <b>3</b>                         |

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration and no payment of inducement fees or compensation for loss of office to a director during the year.

## 11. DIVIDENDS

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

## 12. LOSS PER SHARE

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 13. PROPERTY, PLANT AND EQUIPMENT

|                                                      | Leasehold<br>improvements<br>HK\$'000 | Professional<br>equipment<br>HK\$'000 | Furniture<br>and<br>fixtures<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------------------------|---------------------------------------|---------------------------------------|------------------------------------------|-------------------------------|-------------------|
| <b>COST</b>                                          |                                       |                                       |                                          |                               |                   |
| At 1 April 2018                                      | 8,030                                 | 11,669                                | 4,550                                    | 3,714                         | 27,963            |
| Additions                                            | 1,187                                 | 1,664                                 | 867                                      | –                             | 3,718             |
| Eliminated on written off                            | (235)                                 | (3)                                   | (55)                                     | –                             | (293)             |
| Acquired on acquisition of a<br>subsidiary (note 31) | 950                                   | 105                                   | 1,605                                    | –                             | 2,660             |
| Exchange realignment                                 | (39)                                  | (94)                                  | (8)                                      | –                             | (141)             |
| At 31 March 2019                                     | 9,893                                 | 13,341                                | 6,959                                    | 3,714                         | 33,907            |
| Additions                                            | 27                                    | 748                                   | 213                                      | 1,349                         | 2,337             |
| Disposal                                             | (243)                                 | (205)                                 | (25)                                     | (2,064)                       | (2,537)           |
| Exchange realignment                                 | (50)                                  | (128)                                 | (3)                                      | –                             | (181)             |
| At 31 March 2020                                     | 9,627                                 | 13,756                                | 7,144                                    | 2,999                         | 33,526            |
| <b>DEPRECIATION AND IMPAIRMENT</b>                   |                                       |                                       |                                          |                               |                   |
| At 1 April 2018                                      | 4,629                                 | 8,113                                 | 3,653                                    | 3,287                         | 19,682            |
| Provided for the year                                | 1,580                                 | 1,220                                 | 387                                      | 138                           | 3,325             |
| Eliminated on written off                            | (74)                                  | (3)                                   | (22)                                     | –                             | (99)              |
| Exchange realignment                                 | (4)                                   | (10)                                  | (1)                                      | –                             | (15)              |
| At 31 March 2019                                     | 6,131                                 | 9,320                                 | 4,017                                    | 3,425                         | 22,893            |
| Provided for the year                                | 1,296                                 | 1,841                                 | 242                                      | 171                           | 3,550             |
| Eliminated on disposal                               | (98)                                  | (86)                                  | (25)                                     | (1,857)                       | (2,066)           |
| Impairment                                           | 387                                   | 939                                   | 21                                       | –                             | 1,347             |
| Exchange realignment                                 | (38)                                  | (100)                                 | (2)                                      | –                             | (140)             |
| At 31 March 2020                                     | 7,678                                 | 11,914                                | 4,253                                    | 1,739                         | 25,584            |
| <b>CARRYING VALUES</b>                               |                                       |                                       |                                          |                               |                   |
| At 31 March 2020                                     | 1,949                                 | 1,842                                 | 2,891                                    | 1,260                         | 7,942             |
| At 31 March 2019                                     | 3,762                                 | 4,021                                 | 2,942                                    | 289                           | 11,014            |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation is provided to write off the cost of items of property, plant and equipment, over their estimated useful lives, using the straight-line method at the following rates per annum:

|                        |                                                         |
|------------------------|---------------------------------------------------------|
| Leasehold improvements | 20% or over the term of the lease, whichever is shorter |
| Professional equipment | 20%                                                     |
| Furniture and fixtures | 20%                                                     |
| Motor vehicles         | 20%                                                     |

As certain clinics in Hong Kong and PRC did not perform as expected, the management of the Group concluded there was an indication for impairment and conducted impairment assessment on recoverable amounts of property, plant and equipment and right-of-use assets of relevant clinics. The Group estimates the recoverable amount of these clinics, each represents an individual CGU, to which the asset belongs when it is not possible to estimate the recoverable amount individually.

The recoverable amount of CGUs has been determined based on a value in use calculation.

Based on the result of the assessment, no impairment loss was recognised on the clinics which recoverable amount is not less than the CGU's carrying amount. Furthermore, since the Group estimates certain clinics with impairment indicators would not generate a net cash inflow in the future, an impairment loss of HK\$1,347,000 and HK\$3,378,000 has been recognised against the carrying amount of property, plant and equipment and right-of-use assets during the year ended 31 March 2020, respectively. No impairment loss was provided for the year ended 31 March 2019. The remaining lease term of these clinics are to end within 4 years from the end of the reporting period.

## 14. RIGHT-OF-USE ASSETS

|                                                                                                                                             | Offices and<br>clinics<br>HK\$'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| <b>As at 1 April 2019</b>                                                                                                                   |                                    |
| Carrying amount                                                                                                                             | 18,241                             |
| <b>As at 31 March 2020</b>                                                                                                                  |                                    |
| Carrying amount                                                                                                                             | 8,370                              |
| <b>For the year ended 31 March 2020</b>                                                                                                     |                                    |
| Depreciation charge                                                                                                                         | 10,965                             |
| Impairment loss recognised (note 13)                                                                                                        | 3,378                              |
| Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16 | 1,600                              |
| Total cash outflow for leases                                                                                                               | 12,643                             |
| Additions to right-of-use assets                                                                                                            | 4,633                              |



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 15. GOODWILL (Continued)

### Impairment testing on goodwill (Continued)

#### For the year ended 31 March 2019 and 31 March 2020 (Continued)

The recoverable amount of the relevant CGU is determined based on a value in use calculation. The Group engaged independent qualified valuer to assist in determining the value in use of the relevant CGU. The calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and at a pre-tax discount rate of 13.8% as at 31 March 2020 (2019: 12.8%). The CGU's cash flows beyond the 5-year period are extrapolated using a growth rate of 3.0% as at 31 March 2020 (2019: 2.0%) that is with reference to the historical performance of the relevant CGU and the relevant industry growth forecasts that do not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

During the year, the Group has determined no impairment loss on goodwill in the profit or loss after assessment. Management believes that any reasonably possible change in any of the key assumptions of cash flow projections would not cause the carrying amount of CGU to exceed the recoverable amount of CGU.

## 16. OTHER INTANGIBLE ASSETS

|                                                   | Right to use<br>trade names<br>HK\$'000 | Customer<br>relationship<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------------------------|-----------------------------------------|--------------------------------------|-------------------|
| <b>COST</b>                                       |                                         |                                      |                   |
| At 1 April 2018                                   | –                                       | –                                    | –                 |
| Acquired on acquisition of a subsidiary (note 31) | 4,291                                   | 3,175                                | 7,466             |
| At 31 March 2019 and 31 March 2020                | 4,291                                   | 3,175                                | 7,466             |
| <b>AMORTISATION</b>                               |                                         |                                      |                   |
| At 1 April 2018                                   | –                                       | –                                    | –                 |
| Charge for the year                               | 678                                     | 501                                  | 1,179             |
| At 31 March 2019                                  | 678                                     | 501                                  | 1,179             |
| Charge for the year                               | 904                                     | 668                                  | 1,572             |
| At 31 March 2020                                  | 1,582                                   | 1,169                                | 2,751             |
| <b>CARRYING VALUES</b>                            |                                         |                                      |                   |
| At 31 March 2020                                  | 2,709                                   | 2,006                                | 4,715             |
| At 31 March 2019                                  | 3,613                                   | 2,674                                | 6,287             |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 16. OTHER INTANGIBLE ASSETS (Continued)

The right to use trade names represents the right to operate dental clinics to provide services under the trade names of (i) Dr. Kenny CP Chiu & Dental Surgeons and (ii) Invisible Orthodontic & Laser Implant Centre. Customer relationship represents existing customers who will continue to visit dental clinics for dental services.

Right to use trade names and customer relationship acquired in the business combination are identified and recognised as intangible assets. The right to use trade names and customer relationship acquired in the business acquisition are recognised at fair value at the acquisition date. The right to use trade names and customer relationship have finite useful lives. The aggregate amount of right to use trade names and customer relationship are amortised over the period of the remaining useful lives of the right to use trade names and customer relationship, which are assessed as being fifty seven months.

## 17. INVENTORIES

|                         | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|-------------------------|------------------|------------------|
| Pharmaceutical products | 1,091            | 750              |

## 18. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

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

Rental deposits were adjusted upon the initial application of HKFRS 16, details of the adjustments are set out in Note 2.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 18. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS (Continued)

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:

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

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

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

Details of impairment assessment of accounts and other receivables are set out in note 30.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 19. AMOUNTS DUE FROM (TO) RELATED PARTIES

Amounts due from (to) related parties are as follows:

|                                                    | As at<br>31 March<br>2020<br>HK\$'000 | As at<br>31 March<br>2019<br>HK\$'000 | Maximum balance<br>outstanding<br>during the year |                  |
|----------------------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------------------|------------------|
|                                                    |                                       |                                       | 2020<br>HK\$'000                                  | 2019<br>HK\$'000 |
| <b>Amounts due from (to) related parties</b>       |                                       |                                       |                                                   |                  |
| Medinet International <sup>1</sup>                 | –                                     | 7                                     | 7                                                 | 7                |
| Daily Wise International Limited <sup>1</sup>      | –                                     | 3                                     | 3                                                 | 3                |
| Face Factor Limited (“Face Factor”) <sup>1,3</sup> | 87                                    | 191                                   | 421                                               | 257              |
| I-Teeth Limited (“I-Teeth”) <sup>2</sup>           | (130)                                 | 305                                   | 305                                               | 305              |
|                                                    | <b>(43)</b>                           | 506                                   |                                                   |                  |

1. Mr. Chan is the director and also the controlling shareholder of these companies. Medinet International is the ultimate holding company of the Company.
2. The company is wholly-owned by a key management personnel of the Group.
3. These balances are of trade nature HK\$40,000 (2019: HK\$77,000) is aged within 30 days and HK\$47,000 (2019: HK\$114,000) is aged within 60 to 90 days.

The amounts due from (to) related parties are unsecured, interest-free and repayable on demand.

Details of impairment assessment of amounts due from related parties are set out in note 30.

## 20. BANK BALANCES AND CASH

Bank balances carried interest at prevailing market interest rate of 0.01% (2019: 0.01%) per annum.

Details of impairment assessment of bank balances are set out in note 30.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 21. ACCOUNTS AND OTHER PAYABLES AND CONTRACT LIABILITIES

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

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

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 22. LEASE LIABILITIES

| Lease liabilities payables                                                     | 2020<br>HK\$'000 |
|--------------------------------------------------------------------------------|------------------|
| Within one year                                                                | 6,302            |
| Within a period for more than one year but not more than two years             | 4,581            |
| Within a period for more than two years but not more than five years           | 963              |
|                                                                                | 11,846           |
| Less: Amount due for settlement with 12 months shown under current liabilities | (6,302)          |
|                                                                                | 5,544            |

Lease liabilities that are denominated in currencies other than the functional currencies of the relevant group entities amounted to HK\$3,675,000 as at 31 March 2020.

## 23. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon:

|                                       | Accelerated tax<br>depreciation<br>HK\$'000 | Tax losses<br>HK\$'000 | Intangible<br>assets<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------------------|---------------------------------------------|------------------------|----------------------------------|-------------------|
| At 1 April 2018                       | (119)                                       | 1,155                  | –                                | 1,036             |
| Credit to profit or loss              | 43                                          | –                      | 195                              | 238               |
| Acquisition of a subsidiary (note 31) | (136)                                       | –                      | (1,232)                          | (1,368)           |
| At 31 March 2019                      | (212)                                       | 1,155                  | (1,037)                          | (94)              |
| Credit to profit or loss              | 137                                         | –                      | 259                              | 396               |
| At 31 March 2020                      | (75)                                        | 1,155                  | (778)                            | 302               |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 23. DEFERRED TAXATION (Continued)

The following is the analysis of the deferred tax balances in the consolidated statement of financial position for financial reporting purposes:

|                          | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|--------------------------|------------------|------------------|
| Deferred tax assets      | 1,220            | 1,155            |
| Deferred tax liabilities | (918)            | (1,249)          |
|                          | <b>302</b>       | <b>(94)</b>      |

At the end of the reporting period, the Group has unused tax losses of HK\$37,414,000 (2019: HK\$24,588,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$7,001,000 (2019: HK\$7,001,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$30,413,000 (2019: HK\$17,587,000) due to the unpredictability of future profit streams. The unused tax losses can be carried forward up to five years from the year in which the loss was originated, to offset future taxable profits, other tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK\$1,449,000 (2019: HK\$248,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

## 24. PROVISION FOR REINSTATEMENT COSTS

|                                    | 2020<br>HK\$'000                                          |
|------------------------------------|-----------------------------------------------------------|
| Analysed for reporting purpose as: |                                                           |
| Non-current liabilities            | 724                                                       |
| Current liabilities                | 122                                                       |
|                                    | <b>846</b>                                                |
|                                    |                                                           |
|                                    | <b>Provision for<br/>reinstatement costs<br/>HK\$'000</b> |
| At 1 April 2019                    | –                                                         |
| Additions                          | 846                                                       |
|                                    |                                                           |
| At 31 March 2020                   | 846                                                       |

Provision for reinstatement costs represents the present value of the estimated cost for the restoration work of the Group's leased clinics and offices agreed to be carried out upon the expiry of the relevant leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 25. SHARE CAPITAL

|                                               | Number<br>of shares | Share<br>capital<br>HK\$ |
|-----------------------------------------------|---------------------|--------------------------|
| Ordinary share of HK\$0.01 each               |                     |                          |
| Authorised:                                   |                     |                          |
| 1 April 2018, 31 March 2019 and 31 March 2020 | 5,000,000,000       | 50,000,000               |
| Issued and fully paid:                        |                     |                          |
| 1 April 2018, 31 March 2019 and 31 March 2020 | 1,040,000,000       | 10,400,000               |

## 26. OPERATING LEASES

### The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

|                                                | 2019<br>HK\$'000 |
|------------------------------------------------|------------------|
| Minimum lease payments under operating leases: |                  |
| Within one year                                | 11,046           |
| In the second to fifth year inclusive          | 8,373            |
|                                                | 19,419           |

### The Group as lessor

Property rental income earned during the year was HK\$803,000 (2019: HK\$919,000). The property is rented to Face Factor, a related company of the Group. Please refer to notes 19 and 27 for details.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

|                                                | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|------------------------------------------------|------------------|------------------|
| Minimum lease payments under operating leases: |                  |                  |
| Within one year                                | 132              | 780              |
| In the second to fifth year inclusive          | –                | 132              |
|                                                | 132              | 912              |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 27. RELATED PARTY DISCLOSURES

- (i) In addition to the balances and commitments disclosed elsewhere in the consolidated financial statements, the Group entered into the following related party transactions:

| Name of related companies/party                      | Relationship    | Nature of transactions               | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|------------------------------------------------------|-----------------|--------------------------------------|------------------|------------------|
| Face Factor                                          | Related company | Rental income                        | 803              | 919              |
| I-Teeth                                              | Related company | Dental professional services expense | 15,780           | 13,095           |
| I-Teeth                                              | Related company | Rental expense                       | 96               | 72               |
| Dr. Chiu Chong Po Kenny<br>("Dr. Chiu") <sup>1</sup> | Related party   | Rental expense                       | 504              | 378              |

1. Dr. Chiu is a key management personnel of the Group.

### (ii) Compensation of key management personnel

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

|                           | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|---------------------------|------------------|------------------|
| Short-term benefits       | 7,855            | 7,279            |
| Post-employments benefits | 90               | 90               |
|                           | <b>7,945</b>     | <b>7,369</b>     |

Further details of the directors' emoluments are included in note 10.

## 28. RETIREMENT BENEFITS PLAN

The Group participates in the MPF Scheme for all its qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

According to the relevant laws and regulation in the PRC, the Group is required to contribute a certain percentage of the salaries of their employees located in the PRC to the state-managed retirement benefit scheme. The only obligations of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total expenses of HK\$1,368,000 (2019: HK\$1,553,000) recognised in profit or loss represent contributions paid or payable to the above schemes by the Group for the year ended 31 March 2020.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost and the risks associated with each class of the capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

## 30. FINANCIAL INSTRUMENTS

### Categories of financial instruments

|                                    | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|------------------------------------|------------------|------------------|
| <b>Financial assets</b>            |                  |                  |
| Financial assets at amortised cost | 27,003           | 41,912           |
| Financial assets at FVTPL          | 148              | 2,800            |
| <b>Financial liabilities</b>       |                  |                  |
| Amortised cost                     | 7,077            | 11,269           |
| Lease liabilities                  | 11,846           | –                |

### Financial risk management objectives and policies

The Group's major financial instruments include accounts and other receivables, amounts due from related parties, bank balances, contingent consideration receivable and accounts and other payables and amount due to related parties. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 30. FINANCIAL INSTRUMENTS *(Continued)*

### **Financial risk management objectives and policies** *(Continued)*

#### **Market risk**

##### ***Interest rate risk***

The Group is exposed to cash flow interest rate risk relates primarily to variable-rate bank balances (see note 20) due to the fluctuation of the prevailing market interest rate. The Group currently does not have a policy on hedging interest rate risk. However, management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

##### *Sensitivity analysis*

No sensitivity analysis on interest rate risk on bank balances is presented as the directors of the Company consider the sensitivity on interest rate risk on bank balances is insignificant.

##### ***Foreign currency risk***

The Group has no significant foreign currency risk as the activities of the group entities are denominated in HK\$ and Renminbi which are also the functional currency of the relevant group entities.

#### **Credit risk and impairment assessment**

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to account and other receivables, amount due from related parties and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on accounts balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited as such amounts are placed in banks with high credit ratings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 30. FINANCIAL INSTRUMENTS *(Continued)*

### Financial risk management objectives and policies *(Continued)*

#### Credit risk and impairment assessment *(Continued)*

The directors of the Company consider that the credit risk on amounts due from related parties is limited because they regularly monitor the financial position of these related parties through involvement in their management and operations. In addition, advances are only made to related parties having good financial standings.

Other than the concentration of credit risk on amounts due from related parties and liquid funds which are deposited with several banks with high credit ratings, the Group has no significant concentration of credit risk on accounts receivables and other receivables, with exposure over a number of counterparties.

The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Descriptions                                                                                                                                                                                                                    | Trade receivables                  | Other financial assets             |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|
| Low risk               | The counterparty has a low risk of default and does not have any past-due amounts.                                                                                                                                              | Lifetime ECL — not credit-impaired | 12m ECL                            |
| Watch list             | The counterparty has amounts past-due but is continuously settling after due date and with continuous business transactions with the Company.                                                                                   | Lifetime ECL — not credit-impaired | 12m ECL                            |
| Doubtful               | There have been significant increases in credit risk since initial recognition through information developed internally or external resources while the counterparty is with continuous business transactions with the Company. | Lifetime ECL — not credit-impaired | Lifetime ECL — not credit-impaired |
| Loss                   | There is evidence indicating that asset is credit-impaired.                                                                                                                                                                     | Lifetime ECL — credit-impaired     | Lifetime ECL — credit-impaired     |
| Write-off              | There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery.                                                                                           | Amount is written off              | Amount is written off              |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 30. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

| 2019                                      | Notes | Internal credit rating | 12m or lifetime ECL         | 2020<br>Gross carrying amount<br>HK'000 | 2019<br>Gross carrying amount<br>HK'000 |
|-------------------------------------------|-------|------------------------|-----------------------------|-----------------------------------------|-----------------------------------------|
| <b>Financial assets at amortised cost</b> |       |                        |                             |                                         |                                         |
| Accounts receivables                      | 18    | Note (i)               | Lifetime ECL                | 6,141                                   | 8,094                                   |
| Other receivables                         | 18    | Note (ii)              | 12m ECL                     | 4,880                                   | 5,826                                   |
| Amounts due from related parties          | 19    | Note (ii)              | Lifetime ECL (trade nature) | 87                                      | 191                                     |
|                                           |       |                        | 12m ECL                     | –                                       | 315                                     |
|                                           |       |                        |                             | 87                                      | 506                                     |
| Bank balances                             | 20    | N/A<br>Note (iii)      | 12m ECL                     | 15,860                                  | 27,264                                  |

Notes:

- (i) For accounts receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items individually.
- (ii) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.
- (iii) For the purposes of internal credit risk management, the Group uses external credit ratings of the banks to assess whether credit risk has increased significantly since initial recognition.

#### Accounts receivables

The directors of the Company are of the view that the credit risks of accounts receivables are minimal as there are from creditworthy medical card issuing companies and corporations with no history of defaults. The credit risk is insignificant. No impairment is made for these receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 30. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies (Continued)

#### Other receivables and amounts due from related parties

The Group considered the credit risk on the other receivables and amounts due from related parties at the end of the reporting period using the past due information and concluded that there has been no significant increase in credit risk since initial recognition. Accordingly, no loss allowance is made for other receivables and amounts due from related parties as the amount of ECL with respect to these balances is considered insignificant.

#### Bank balances

The Group considered the credit risk on bank balances is limited since they are placed with banks with high external credit ratings. Accordingly, no loss allowance is made for bank balances as the amount of ECL with respect to these balances is considered insignificant.

#### Liquidity risk

Ultimate responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

#### Liquidity and interest risk tables

|                               | Weighted<br>average<br>interest rate<br>% | On demand<br>or less than<br>3 months<br>HK\$'000 | Over 3 months<br>but not more<br>than 1 year<br>HK\$'000 | Over 1 year<br>but not more<br>than 2 years<br>HK\$'000 | Over 2 years<br>but not more<br>than 5 years<br>HK\$'000 | Total<br>undiscounted<br>cash flows<br>HK\$'000 | Carrying<br>amounts<br>HK\$'000 |
|-------------------------------|-------------------------------------------|---------------------------------------------------|----------------------------------------------------------|---------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------|---------------------------------|
| <b>At 31 March 2020</b>       |                                           |                                                   |                                                          |                                                         |                                                          |                                                 |                                 |
| Accounts and other payables   | -                                         | 6,864                                             | 83                                                       | -                                                       | -                                                        | 6,947                                           | 6,947                           |
| Amount due to related parties | -                                         | 130                                               | -                                                        | -                                                       | -                                                        | 130                                             | 130                             |
|                               | -                                         | 6,994                                             | 83                                                       | -                                                       | -                                                        | 7,077                                           | 7,077                           |
| Lease liabilities             | 5.04                                      | 2,497                                             | 4,228                                                    | 4,731                                                   | 984                                                      | 12,440                                          | 11,846                          |
| <b>At 31 March 2019</b>       |                                           |                                                   |                                                          |                                                         |                                                          |                                                 |                                 |
| Accounts and other payables   | -                                         | 11,269                                            | -                                                        | -                                                       | -                                                        | 11,269                                          | 11,269                          |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 30. FINANCIAL INSTRUMENTS *(Continued)*

### Fair value measurements of financial instruments

#### Fair value of the Group's financial asset that is measured at fair value on a recurring basis

A financial asset of the Company is measured at fair value at the end of reporting period. The following table gives information about how the fair value of this financial asset is determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

|                                     | Fair value at             |                           | Fair value hierarchy | Valuation techniques and key inputs                                                                                                                                                 | Significant unobservable input                                                                                                                                                                                     |
|-------------------------------------|---------------------------|---------------------------|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                     | 31 March 2020<br>HK\$'000 | 31 March 2019<br>HK\$'000 |                      |                                                                                                                                                                                     |                                                                                                                                                                                                                    |
| <b>Financial asset</b>              |                           |                           |                      |                                                                                                                                                                                     |                                                                                                                                                                                                                    |
| Contingent consideration receivable | 148                       | 2,800                     | Level 3              | Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow into the Group arising from the contingent consideration. | Discount rate of 13.8% (2019: 14.0%) (Note i)<br><br>Probability-adjusted profits with a range from HK\$5,941,000 to HK\$8,911,000 at 31 March 2020 (31 March 2019: from HK\$3,235,000 to HK\$3,873,000) (Note ii) |

Notes:

- A slight increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the contingent consideration receivable, and vice versa. A 1% increase in the discount rate holding all other variables constant would decrease the carrying amount of the contingent consideration receivable by HK\$145,000 (2019: HK\$130,000).
- A slight increase in the probability-adjusted profits used in isolation would result in a decrease in the fair value measurement of contingent consideration receivable, and vice versa.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 30. FINANCIAL INSTRUMENTS (Continued)

### Reconciliation of Level 3 measurement of financial asset

|                                           | Contingent consideration receivable<br>HK\$'000 |
|-------------------------------------------|-------------------------------------------------|
| At 1 April 2018                           | –                                               |
| Acquisition of a subsidiary (note 31)     | 4,590                                           |
| Settled with related party balance (note) | (1,366)                                         |
| Fair value change                         | (424)                                           |
| At 31 March 2019                          | 2,800                                           |
| Fair value change                         | (2,652)                                         |
| At 31 March 2020                          | 148                                             |

Note: The amount has been offset with the amount due to a related party, I-teeth of HK\$1,061,000 and the remaining HK\$305,000 is included in amount due from a related party.

### Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in these consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

## 31. ACQUISITION OF A SUBSIDIARY

Pursuant to the acquisition agreement entered into among Medinet (BVI) Limited (“Medinet BVI”), a wholly-owned subsidiary of the Company, Tradewide Investments Limited (the “Vendor”) and Mr. Chau Kai Man (the guarantor), of which the latter two parties are independent third parties of the Group, Medinet BVI agreed to acquire the entire equity interest of Master Clever Limited (“Master Clever”), the then wholly-owned subsidiary of the Vendor, at a cash consideration of HK\$32,000,000. The transaction was completed in July 2018 and the fair value of the identifiable assets acquired and liabilities recognised for Master Clever at date of acquisition amounted to HK\$7,927,000. Master Clever is engaged in the provision of dental services mainly including orthodontic treatment, dental laser implant surgery, teeth whitening, invisalign treatment services and other general dental services. Master Clever was acquired so as to continue the expansion of the Group's dental services.

Prior to the acquisition, the business of Master Clever was carried on by I-Teeth which was wholly-owned by Dr. Chiu.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 31. ACQUISITION OF A SUBSIDIARY (Continued)

### Net consideration

|                                            | HK\$'000 |
|--------------------------------------------|----------|
| Cash                                       | 32,000   |
| Contingent consideration receivable (note) | (4,590)  |
| Net consideration                          | 27,410   |

Note: The contingent consideration receivable is classified as financial assets at FVTPL and measured at fair value.

Acquisition-related costs amounting to HK\$697,000 have been excluded from the net consideration and have been recognised as an expense in the current year, within the other expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Pursuant to the agreement, each of Dr. Chiu and I-Teeth jointly and severally guarantees to the Group that Master Clever's net profit before taxation after adjusting certain costs and expenses (the "Adjusted Net Profit") shall not be less than HK\$7,000,000 ("Guaranteed Net Profit") for each of the three financial years ending 31 December 2020. In the event that the Adjusted Net Profit for a financial year is less than the Guaranteed Net Profit, Dr. Chiu and I-Teeth shall pay the shortfall to the Group.

### Assets acquired and liabilities recognised at the date of acquisition:

|                                         | HK\$'000 |
|-----------------------------------------|----------|
| Property, plant and equipment           | 2,660    |
| Intangible assets                       | 7,466    |
| Accounts and other receivables          | 1,270    |
| Bank balances and cash                  | 2,747    |
| Accounts and other payables             | (1,415)  |
| Deferred tax liabilities                | (1,368)  |
| Contract liabilities                    | (2,167)  |
| Amount due to a related party – I-Teeth | (1,061)  |
| Tax payable                             | (205)    |
|                                         | 7,927    |

The fair value of accounts and other receivables at the date of acquisition amounted to HK\$1,270,000. The gross contractual amounts of those accounts and other receivables acquired amounted to HK\$1,270,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 31. ACQUISITION OF A SUBSIDIARY (Continued)

### Goodwill arising on acquisition:

|                                 | HK\$'000 |
|---------------------------------|----------|
| Net consideration               | 27,410   |
| Less: net assets acquired       | (7,927)  |
| Goodwill arising on acquisition | 19,483   |

Goodwill arose in the acquisition of Master Clever because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Master Clever. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

### Net cash outflow on acquisition of Master Clever

|                                                  | HK\$'000 |
|--------------------------------------------------|----------|
| Cash consideration paid                          | 32,000   |
| Less: cash and cash equivalent balances acquired | (2,747)  |
|                                                  | 29,253   |

Included in the loss for the year is a profit of HK\$2,758,000 attributable to the additional business generated by Master Clever. Revenue for the year includes HK\$41,367,000 generated from Master Clever.

Had the acquisition been completed on 1 April 2018, total Group revenue for the year ended 31 March 2019 would have been approximately HK\$166,541,000, and loss for the year would have been approximately HK\$13,080,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2018, nor is it intended to be a projection of future results.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 32. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2020 and 2019 are as follows:

| Name of subsidiary                                              | Place and date of incorporation/ establishment/ operations | Issued and fully paid share capital | Attributable equity interest held by of the Company |      | Principal activities                                                         |
|-----------------------------------------------------------------|------------------------------------------------------------|-------------------------------------|-----------------------------------------------------|------|------------------------------------------------------------------------------|
|                                                                 |                                                            |                                     | 2020                                                | 2019 |                                                                              |
| Medinet BVI                                                     | BVI<br>12 August 2015                                      | US\$1,000<br>ordinary shares        | 100%                                                | 100% | Investment holding                                                           |
| Well Being Dental Services Limited                              | Hong Kong<br>22 December 1994                              | HK\$10,000,000<br>ordinary shares   | 100%                                                | 100% | Provision of dental solutions and dental services                            |
| Medinet Services Limited                                        | Hong Kong<br>29 March 1994                                 | HK\$10,000,000<br>ordinary shares   | 100%                                                | 100% | Provision of medical solutions services                                      |
| Medinet Health Centre Limited                                   | Hong Kong<br>9 December 1998                               | HK\$500,000<br>ordinary shares      | 100%                                                | 100% | Provision of medical consultation service                                    |
| Men's Health Solutions Limited                                  | Hong Kong<br>20 October 2003                               | HK\$10,000<br>ordinary shares       | 100%                                                | 100% | Provision of medical consultation service                                    |
| Medinet Genetics Limited                                        | Hong Kong<br>12 December 2017                              | HK\$2,000,000<br>ordinary shares    | 100%                                                | 100% | Inactive                                                                     |
| Medinet Privilege Limited                                       | Hong Kong<br>22 August 2016                                | HK\$10,000<br>ordinary shares       | 100%                                                | 100% | Provision of online service to sell dental and medical consultation services |
| Master Clever Limited                                           | Hong Kong<br>30 June 2016                                  | HK\$1<br>ordinary shares            | 100%                                                | 100% | Provision of dental services                                                 |
| Jiangmen Medinet Clinic Limited**<br>江門醫匯綜合門診部有限公司              | PRC<br>29 September 2017                                   | RMB5,000,000<br>registered capital  | — <sup>#</sup>                                      | 100% | Inactive                                                                     |
| Shenzhen Medinet Dental Clinic Limited**<br>深圳醫匯卓越時代口腔門診部       | PRC<br>23 August 2017                                      | RMB3,000,000<br>registered capital  | 100%                                                | 100% | Provision of dental solutions and dental services                            |
| Medinet Medical Services (Shenzhen) Limited**<br>醫匯醫療服務(深圳)有限公司 | PRC<br>23 February 2017                                    | HK\$1,000,000<br>registered capital | 100%                                                | 100% | Provision of medical consultation service                                    |

The Company disposed of POM Healthcare Management Limited ("POM") to the non-controlling shareholder of POM on 22 May 2017 at a consideration of approximately HK\$3,000. The amounts of net assets attributable to POM comprise of amount due from a shareholder of HK\$5,000, amount due to a director of HK\$12,000 and other receivables of HK\$244,000.

\*\* English translation for identification purpose only.

<sup>#</sup> The company was liquidated in the current year.

Except for Medinet BVI, all of the above subsidiaries are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activity, including both cash and non-cash changes. Liabilities arising from financing activity is those for which cash flows was, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

|                                         | Lease liabilities<br>HK\$'000 |
|-----------------------------------------|-------------------------------|
| At 1 April 2018 and 31 March 2019       | –                             |
| Adjustment upon application of HKFRS 16 | 18,885                        |
| As at 1 April 2019 (restated)           | 18,885                        |
| Financing cash flows                    | (11,043)                      |
| Finance costs                           | 721                           |
| New leases entered or modified          | 3,472                         |
| Exchange realignment                    | (189)                         |
| At 31 March 2020                        | 11,846                        |

## 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

|                                   | 2020<br>HK\$'000 | 2019<br>HK\$'000 |
|-----------------------------------|------------------|------------------|
| Non-current assets                |                  |                  |
| Investment in a subsidiary        | 19,636           | 43,278           |
| Amount due from a subsidiary      | 15,066           | 28,682           |
|                                   | <b>34,702</b>    | 71,960           |
| Current assets                    |                  |                  |
| Amounts due from subsidiaries     | 4,785            | 3,457            |
| Other receivables and prepayments | 207              | 182              |
| Bank balances                     | 1,515            | 173              |
|                                   | <b>6,507</b>     | 3,812            |
| Current liabilities               |                  |                  |
| Accruals                          | 111              | 11               |
| Amounts due to subsidiaries       | 28,831           | 22,538           |
|                                   | <b>28,942</b>    | 22,549           |
| Net current liabilities           | <b>(22,435)</b>  | (18,737)         |
| Net assets                        | <b>12,267</b>    | 53,223           |
| Capital and reserves              |                  |                  |
| Share capital                     | 10,400           | 10,400           |
| Reserves                          | 1,867            | 42,823           |
| Total equity                      | <b>12,267</b>    | 53,223           |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2020

## 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movement in the Company's reserves:

|                                                      | Share<br>premium<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|------------------------------------------------------|------------------------------|--------------------------------|-----------------------------------|-------------------|
| At 1 April 2018                                      | 125,065                      | 796                            | (8,974)                           | 116,887           |
| Loss and total comprehensive expense<br>for the year | –                            | –                              | (74,064)                          | (74,064)          |
| At 31 March 2019                                     | 125,065                      | 796                            | (83,038)                          | 42,823            |
| Loss and total comprehensive expense<br>for the year | –                            | –                              | (40,956)                          | (40,956)          |
| At 31 March 2020                                     | 125,065                      | 796                            | (123,994)                         | 1,867             |

## 35. SUBSEQUENT EVENT

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

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

# FINANCIAL SUMMARY

For the five years ended 31 March 2016, 2017, 2018, 2019 and 2020

## RESULTS

|                               | 2016<br>HK\$'000 | 2017<br>HK\$'000 | 2018<br>HK\$'000 | 2019<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| Revenue                       | 92,576           | 99,206           | 97,830           | 140,834          | <b>144,944</b>   |
| Profit (loss) before taxation | 58               | (3,638)          | (13,178)         | (12,311)         | <b>(14,148)</b>  |
| Income tax (expense) credit   | (2,314)          | (865)            | 474              | (1,126)          | <b>(794)</b>     |
| Profit (loss) for the year    | (2,256)          | (4,503)          | (12,704)         | (13,437)         | <b>(14,942)</b>  |

## ASSETS AND LIABILITIES

|                   | 2016<br>HK\$'000 | 2017<br>HK\$'000 | 2018<br>HK\$'000 | 2019<br>HK\$'000 | 2020<br>HK\$'000 |
|-------------------|------------------|------------------|------------------|------------------|------------------|
| Total assets      | 47,747           | 100,862          | 90,942           | 86,119           | <b>72,444</b>    |
| Total liabilities | (25,153)         | (21,761)         | (23,771)         | (32,867)         | <b>(34,203)</b>  |
| Net assets        | 22,594           | 79,101           | 67,171           | 53,252           | <b>38,241</b>    |



***MediNet***

***Group Ltd***

醫匯集團有限公司