

# 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

START

ANNUAL REPORT 年報

2022

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

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

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

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

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

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent non-executive Directors

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

## AUDIT COMMITTEE MEMBERS

Mr. Leung Po Hon (*Chairman*)  
Mr. Wong Wai Leung  
Mr. Kwok Sze Chi

## 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, I am delighted to present this annual report of the Group to you.

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of MediNet Group Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”), I am pleased to present the annual report of the Group for the year ended 31 March 2022 (the Year (“**FY2021/22**”).

## A YEAR OF REVIEW

Due to the ongoing Covid-19 pandemic especially in the months of February and March 2022, all businesses in the Group regardless of corporate or individual spending have been gravely impacted.

The management has been actively exploring any business opportunity, so that we can diversify our source of revenue. Meanwhile, we will maintain a close relationship with our existing clientele.

Recently, we have developed our own brand of invisible braces, which aims to compete against other players in the market. We are optimistic that we have the expertise and resources to gain a foothold in providing high quality and affordable price for potential customers in Hong Kong.

I have confidence that as soon as the pandemic is under control in the near future, our business will be able to regain the strength and the revenue will be increased back to the normal range. And the Board would like to express their utmost gratitude to all our frontline doctors, dentists, clinical staff and our administration team for their professionalism during the coronavirus outbreak.

## PROSPECTS

Going forward, we will continue to focus on providing medical and dental services to corporate clients and mass market.

## APPRECIATION

Lastly, on behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to all shareholders, customers and business partners for their unwavering trust and support and to our dedicated staff for their close cooperation, the devotion to work and the selfless contribution to the Group.

**Chan Chi Wai, Nelson**

*Chairman*

27 June 2022

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

MediNet is one of the well-known corporate healthcare solution providers in Hong Kong for more than 25 years. We are principally engaged in the provision of medical and dental solutions to corporates and insurance companies. Based on the client's need, budget and scope of healthcare benefits desire, we provide customized, reliable, coordinated, comprehensive healthcare solutions for our contract customers. We also self-operated six dental clinics, two medical centres and one genetics laboratory centre in Hong Kong and one top-notch dental clinic in Shenzhen. Our goal is to help our clients to build a strong body and maintain their health while facing different goals and challenges in their everyday lives.

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

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

## FINANCIAL REVIEW

### Revenue

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

## Other income

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

## Other gains and losses

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

## Medical and dental professional services expenses

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

The Group's medical and dental professional services expenses decreased by approximately 7.2% from approximately HK\$47.3 million for FY2020/21 to approximately HK\$43.9 million for FY2021/22 which was in line with decrease in the Group's revenue.

## Staff cost

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

## Depreciation of property, plant and equipment

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

## Rental expenses

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Depreciation of right-of-use assets

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

## Cost of medical and dental supplies

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

## Other expenses

Other expenses primarily comprises (i) general overhead and administrative expenses such as repair and maintenance expenses, printing costs and insurance expenses etc; (ii) professional and legal fees; (iii) utilities expenses; and (iv) bank charges mainly relating to credit card and instalment charges from bank. Other expenses decreased by approximately 5.1% from approximately HK\$15.6 million for FY2020/21 to HK\$14.8 million for FY2021/22. Such decrease was primarily due to the effective cost control implemented by the Group on general expenses.

## Amortisation of intangible assets

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

## Income tax credit

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

## Liquidity and financial resources

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

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

## Treasury policy

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

## Foreign exchange exposure

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



# MANAGEMENT DISCUSSION AND ANALYSIS

## Capital structure

As at 31 March 2022, the Company's issued share capital was HK\$10,400,000 and the number of its ordinary shares was 1,040,000,000 of HK\$0.01 each.

## Segment information

Segmental information is presented for the Group as disclosed in note 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 2022.

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

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

## Contingent liabilities

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

## EMPLOYEES AND REMUNERATION POLICIES

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

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

## 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 expansion, the Group has established a dental clinic in Shenzhen since 2018. The revenue has also been seriously affected by the Covid-19 pandemic. However, we have successfully negotiated for a substantial rent reduction. Still, the prospect of making profit is still uncertain.

### 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

Mr. Leung Po Hon

Mr. Wong Wai Leung

Mr. Kwok Sze Chi (appointed on 1 July 2021)

Dr. Lieu Geoffrey Sek Yiu (resigned on 1 July 2021)

### 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 65, 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.

As at 31 March 2021, Mr. Chan is interested in 585,000,000 Shares, representing 56.25% of the entire issued share capital of the Company. Save as disclosed, Mr. Chan does not have any interest or short position 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.

**Ms. JIANG Jie (姜洁)**, aged 40, 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 PRC 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 PRC 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 the 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.

As at 31 March 2022, Ms. Jiang is deemed to be interested in 585,000,000 Shares, representing 56.25% of the entire issued share capital of the Company. Save as disclosed, Ms. Jiang does not have any interest or short position 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.

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

**Mr. LEUNG Po Hon (梁寶漢)**, aged 58, 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 25 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
Kingbo Strike Limited	1421	Independent non-executive director	13 November 2015

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
Flying Financial Service Holdings Limited	8030	Independent non-executive director	13 November 2015	19 November 2020

## DIRECTORS AND SENIOR MANAGEMENT PROFILE

**Mr. WONG Wai Leung (黃偉樑)**, aged 44, 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 20 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

Mr. Wong was an independent non-executive director of Zhongchang International Holdings Group Limited (stock code: 859), from 13 May 2020 to 12 May 2021.

**Mr. KWOK Sze Chi (郭思治)**, aged 67 was appointed as an independent non-executive Director on 1 July 2021. Mr. Kwok is currently a vice chairman of The Hong Kong Institute of Financial Analysts and Professional Commentators and director of The Institute of Securities Dealers. He has also obtained the licence of Type 1, 4 and 9 regulated activities of SFC.

Having served the securities industry for over 40 years, Mr. Kwok has professional knowledge and investment experience in different types of investment products such as securities, stock/index options, warrants etc. In addition, he has been invited to appear on television and newspaper as well as financial websites to explain market trends and macro economies analysis.

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

Company	Stock code	Position currently held by Mr. Kwok	Appointment date	Resignation date
Victory City International Holdings Limited	539	Independent non-executive director	31 March 2006	24 February 2021

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 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 48, 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.

**Dr. WONG Siu Kay (黃兆基)**, aged 51, is one of our dentists and a director of Well Being Dental Services Limited and Master Clever Limited. 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. Dr. 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 65, 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.

Mr. Leung has been an independent Non-executive Director of Vital Innovations Holdings Limited (stock code: 6133), since 30 December 2020 and also has been an independent non-executive director of China Regenerative Medical International Limited (stock code: 8158), since 30 December 2021.

# 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 FY2021/22.

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 (the "CG Code") in Appendix 15 of the GEM Listing Rules. During the FY2021/22, to the best knowledge of the Board, the Company has complied with the applicable code provisions set out in the CG Code except Code Provision C.2.1 in the CG Code — segregation of the roles of chairman and chief executive as the Board believes that the vesting of the roles of chairman and chief executive in Mr. Chan Chi Wai, Nelson is beneficial to the Group.

## 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 to the terms of references to board committees. Details of the respective committee's terms of reference are available at the Company's and the Stock Exchange's websites. All Directors have carried out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Board reserves the discretion to decide on all major matters relating to policy matters, strategies and budgets, internal control and risk management, discloseable transactions and connected transactions, nomination of Directors and Company Secretary (or joint company secretaries) and other material financial and operation matters. All Directors contributed precious business experience, 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 A.2.1 concerning corporate governance. The Board has reviewed and discussed the corporate governance policy of the Group, and was satisfied with the performance of the corporate governance policy.

# 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

Mr. Leung Po Hon  
Mr. Wong Wai Leung  
Mr. Kwok Sze Chi (appointed on 1 July 2021)  
Dr. Lieu Geoffrey Sek Yiu (resigned on 1 July 2021)

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 10 to 13 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 FY2021/22, 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 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.

## 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.

Code provision B.2.2 states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.



# CORPORATE GOVERNANCE REPORT

The Nomination Committee took into consideration criteria such as difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the Board when considering the appointment of new Directors. Currently, all Directors are appointed for a specific term of three years.

Pursuant to Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any persons as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

In addition, pursuant to Article 16.19 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. Chan Chi Wai Nelson and Mr. Leung Po Hon will retire from office at the AGM and, being eligible, offer themselves for re-election.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Model Code") as its own code governing securities transactions of the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the FY2021/22.

## Board Meeting, General Meeting and Procedures

### Attendance and Number of Board meetings

Pursuant to the code provision C.5.1 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				Nomination Committee meeting
	General meeting	Board meeting	Audit Committee meeting	Remuneration Committee meeting	
<b>Executive Directors</b>					
Mr. Chan Chi Wai, Nelson	1/1	8/8		2/2	1/1
Ms. Jiang Jie	0/1	8/8			
<b>Independent non-executive Directors</b>					
Mr. Leung Po Hon	1/1	8/8	4/4	2/2	1/1
Mr. Wong Wai Leung	1/1	8/8	4/4	2/2	1/1
Mr. Kwok Sze Chi	1/1	6/6	3/3	2/2	1/1
Dr. Lieu Geoffrey Sek Yiu		2/2	1/1		

### 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.

# CORPORATE GOVERNANCE REPORT

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

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

## 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.

## 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.

# CORPORATE GOVERNANCE REPORT

## AUDIT COMMITTEE

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

The Audit Committee comprises the three independent non-executive Directors, namely Dr. Lieu Geoffrey Sek Yiu (resigned on 1 July 2021), Mr. Leung Po Hon, Mr. Wong Wai Leung and Mr. Kwok Sze Chi (appointed on 1 July 2021). Mr. Leung Po Hon currently serves as the chairman of the Audit Committee.

During the FY2021/22, 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, an executive Director, namely Mr. Chan Chi Wai, Nelson and 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.

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.

# CORPORATE GOVERNANCE REPORT

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 FY2021/22, 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 Ms. Jiang Jie, Mr. Wong Wai Leung and Mr. Kwok Sze Chi as Directors at the 2021 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, an executive Director, namely Mr. Chan Chi Wai, Nelson and 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 FY2021/22, the Remuneration Committee held 2 meetings to consider and approve the remuneration of the Directors and senior management.

Remuneration paid to Directors and senior management of the Company for the FY2021/22 by band are as follows:

Remuneration band (HK\$)	Number of individuals
HKD500,001–HKD1,000,000	4
HKD1,000,001–HKD1,500,000	2
HKD3,000,000–HKD3,500,000	1

## 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.

# CORPORATE GOVERNANCE REPORT

According to the records provided by the Directors, a summary of training received by the Directors during FY2021/22 is as follows:

Director's Name	Reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements/attending briefing sessions
<b>Executive Directors</b>	
Mr. Chan Chi Wai, Nelson	✓
Ms. Jiang Jie	✓
<b>Independent non-executive Directors</b>	
Mr. Leung Po Hon	✓
Mr. Wong Wai Leung	✓
Mr. Kwok Sze Chi	✓

## 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 FY2021/22.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the financial statements for the FY2021/22.

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 BTCCG were tabled before the members of the Audit Committee during the Audit Committee meeting held on 27 June 2022. The principal purposes of the internal control review and the enterprise risk assessment carried out by BTCCG 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 BTCCG 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 10 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 FY2021/22, the Company engaged D & PARTNERS CPA Limited (the "D&P") as the external auditor.

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 HK\$'000
Audit services	
— Audit services in connection with the consolidated financial statements	500
Non-audit services	
— Review of interim condensed consolidated financial statements	150
	650

# 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 the Cayman Islands, the Articles of Association 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 FY2021/22, 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 FY2021/22 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 14 to page 23.

## 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 120.

## 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 32 to page 52.

## 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 FY2021/22, as far as the Directors are aware, the Company is in compliance with the Securities and Futures Ordinance (the "SFO"), 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 FY2021/22, 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 FY2021/22 is set out in the consolidated statement of profit or loss and other comprehensive income on page 59 of this report and the financial position of the Group as at 31 March 2022 are set out in the consolidated statement of financial position on page 60 of this report.

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting will be held on 11 August 2022. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from 8 August 2022 to 11 August 2022, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 5 August 2022.

## CONTINGENT LIABILITIES, LEGAL AND POTENTIAL PROCEEDINGS

As at 31 March 2022, 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 FY2021/22 are set out in note 13 to the consolidated financial statements.

## BANK BORROWINGS

As at 31 March 2022, 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 FY2021/22 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 62 of the consolidated statement of changes in equity of this report.

## DISTRIBUTABLE RESERVES

As at 31 March 2022, the Company's reserves available for distribution to shareholders comprising share premium plus accumulated losses, amounted to approximately HK\$2.6 million.

# REPORT OF THE DIRECTORS

## DIRECTORS

The directors of the Company during the FY2021/22 and up to the date of this report were:

### Executive Directors

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

Ms. Jiang Jie

### Independent non-executive Directors

Mr. Leung Po Hon

Mr. Wong Wai Leung

Mr. Kwok Sze Chi (appointed on 1 July 2021)

Dr. Lieu Geoffrey Sek Yiu (resigned on 1 July 2021)

## DONATIONS

During the FY2021/22, the Group made HK\$24,000 charitable donations.

## EVENT AFTER THE REPORTING PERIOD

No significant events have taken place since the FY2021/22 to the date of this report.

## 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 FY2021/22, sales to the Group's five largest customers accounted for approximately 15.2% of total sales and sales to the largest customer included therein amounted to approximately 7.8% of total sales. The Group's largest supplier and five largest suppliers accounted for approximately 19.4% and 42.5% 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 FY2021/22.

## CHARGE ON ASSETS

As at 31 March 2022, the Group had no charge of assets (as at 31 March 2021: Nil).

# REPORT OF THE DIRECTORS

## CHANGE OF DIRECTORS AND INFORMATION OF DIRECTORS

The changes in Directors and information of the Directors subsequent to the Listing Date, as required to be disclosed pursuant to Rule 17.50A (1) of the GEM Listing Rules, are set out below:

Name of Director	Details of Changes
Mr. Kwok Sze Chi	As disclosed in the Company's announcement dated 30 June 2021 and 28 July 2021, Mr. Kwok Sze Chi was appointed as independent non-executive Director, member of the audit committee of the Company.
Mr. Lieu Geoffrey Sek Yiu	As disclosed in the Company's announcement dated 30 June 2021, Mr. Lieu Geoffrey Sek Yiu resigned as independent non-executive director, member of audit committee of the Company due to retirement.

## 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 FY2021/22.

## 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 FY2021/22.

## 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 FY2021/22.

## 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 2022, 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 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/ Nature of interest	Number of shares held (Note 1)	Percentage of issued share capital
Medinet International Limited (Note 2)	Mr. Chan	Beneficial owner	5 (L)	100%
Medinet International Limited (Note 2)	Ms. Jiang	Interest of spouse (Note 3)	5 (L)	100%

Notes:

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

Save as disclosed above, as at 31 March 2022, 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 2022, 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:

1. The letter "L" denotes to long position in the shares of the Company.
2. Medinet International Limited is wholly and beneficially owned by Mr. Chan. Therefore, Mr. Chan is deemed to be interested in the shares of the Company held by Medinet International Limited under Part XV of SFO. Mr. Chan is the sole director of Medinet International Limited.
3. NSD Capital is an exempted company incorporated in the Cayman Island with limited liability, the management shares of which are wholly owned by CAM, a wholly-owned subsidiary of Favour Sino. Favour Sino is a wholly-owned subsidiary of Convoy (BVI), which is a wholly-owned subsidiary of Convoy Global. 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 2022, 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 27(i) 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 FY2021/22, 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 14 to 23 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 FY2021/22 (FY2020/21: Nil).

## AUDITOR

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, 27 June 2022



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

### Scope and Boundary

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 the Group’s major operations for the year from 1 April 2021 to 31 March 2022 (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 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**”). The Group also provides a wide-range of genetic tests in our wholly-owned DNA genetic laboratory (“**MediNet Genetics**”).

There is no change in the reporting scope or boundary covered in this ESG report from previous year. Unless otherwise stated, this ESG 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;
- (iii) DNA Genetics laboratory located in Wong Chuk Hang;
- (iv) The head office located in Causeway Bay.

In the course of preparing this ESG Report, the Group has conducted thorough review and assessment towards its existing environmental and social policies with aims to achieve better performance in aspects of environment, social, corporate governance and operation in the future and make more contributions to the communities where it operates.

The ESG Report was approved by the Board on 27 June 2022.

### Feedback

The Group has set high standards for transparency and work hard to live up with its stakeholders’ expectations. For details in relation to the Group’s financial performance and corporate governance during the Reporting Period, please visit the Group’s website: <http://www.medinetgroup.com/>. 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.

### Preparation Basis of the ESG Report

This ESG Report is prepared in accordance with the ESG Reporting Guide as set out in Appendix 20 to the GEM Listing Rules on the HKEX and has complied with the “Mandatory Disclosure Requirements” and “Comply or Explain Provisions”, as well as the principles of materiality, quantitative, balance and consistency. In preparing the ESG Report, the Group has adopted the international standards and emission factors specified in the ESG guidance materials issued by the HKEX for computing the relevant Key Performance Indicators (“**KPIs**”), and there is no change from previous year in the way the Report has been prepared. The application of materiality is detailed in the subsection headed “Materiality Assessment”.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Management Approach

The Group is committed to working towards sustainability and understands the importance of sustainable development on businesses and the community. The Group pays close attention to the impact of its daily operations on the environment and society in which it operates the businesses, and aims to set an example for the community and the industry. In order to formulate the Group's business strategies for the environment, society and governance, the Group will identify events that may cause a negative impact on the Group or that pose risks to the Group in the short, medium and long term. In addition, the Group strives to strike a balance between the interests of all stakeholders, the economy, the environment, the society and corporate governance. The Group actively develops opportunities with a focus on work ethic to ensure continuous success and growth that would benefit its suppliers, consumers and the environment as a whole.

The Group believes that the success of the Group is based not only on the performance of its operations and activities, but also based upon its responsibility and commitment to the employees, suppliers, customers, the community and the environment. The Group has established various environmental and social policies in order to support its sustainable growth. With the thorough understanding of the ESG risks and opportunities, the Group will better position itself in allocating its resources to diminish and prevent the negative impacts brought by different environmental and social risks.

## Statement of the Board

As a medical service provider and a responsible corporate citizen, the Group acknowledges that prudent environmental and societal management is of great importance to sustainable economic growth. This ESG Report summarizes the strategy, practice and vision of the Group in respect of issues related to ESG, and conveys the Group's devotion for sustainability. To address the global concern about climate change that affects not only the environmental systems but also our daily lives, the Group has considered sustainability and climate-related issues while incorporated them into our risk management system to enhance our resilience and adaptive capacity to potential environmental and social challenges. All potential risks that may have impacts on the Group's businesses are covered and evaluated in the annual enterprise risk assessment.

The Group continues to strengthen its ESG governance capabilities. The Board has overall responsibility for the Group's ESG strategy and reporting, and has overall oversight of relevant risks and opportunities. The ESG Working Group is responsible for review, formulate and approve the framework, standard, priority and goals for the Group's sustainable development, and report regularly to the Board the relevant tasks carried out for sustainable development; identify the relevant issues that have a significant impact on the operation of the Group and/or the interests of other important stakeholders; supervise the development and implementation of the strategies, policies and measures for sustainable development of the Group; evaluate and review the adequacy, effectiveness and sustainability performance of the Group's sustainable development policies and practices at least once a year or when necessary, and report and propose strategies for improvement to the Board. The implementation of various ESG strategies is supervised by the managers of the functional departments, who are responsible for overseeing the daily implementation and reporting such implementation to the ESG Working Group on a regular basis.

In the future, the Board will continue to monitor and improve the Group's sustainability initiatives and performance, and strive to create long-term value for all stakeholders and the communities in which it operates.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Governance Structure

Board	The Board is responsible for the overall decision-making, oversees the formulation, administration, and assessment of the ESG strategies.
ESG Working Group	The ESG Working Group is responsible for assisting the Board in managing and monitoring the ESG matters on a daily basis.
Functional Department	Functional department is responsible for the execution of implemented measures to achieve the set strategies and targets.

## Our Stakeholders

As a medical service provider, the Group is an integral part of the society and plays an important role in regard to people's lives. Therefore, the Group strives to conduct our businesses in a responsible and sustainable manner, as well as highly values the well-being of our stakeholders.

The Group has adopted a proactive approach in stakeholders' engagement. The Group reviews the stakeholder engagement plan on a regular basis to ensure that all of our stakeholders are well informed about the key issues and concerns the Group faces in the environmental and social aspects. The stakeholders identified by the Group and the means for communication and responses are listed below.

<b>Employees</b> <ul style="list-style-type: none"> <li>• Training and seminars</li> <li>• Face to face meetings</li> <li>• Internal memos</li> <li>• Employees' suggestion box</li> </ul>	<b>HKEX</b> <ul style="list-style-type: none"> <li>• Meetings</li> <li>• Training</li> <li>• Roadshows</li> <li>• Workshops</li> <li>• Programs</li> </ul>
<b>Investors</b> <ul style="list-style-type: none"> <li>• Seminars and interviews</li> <li>• Financial reports</li> <li>• Operational reports for investors, media and analysis</li> </ul>	<b>Government</b> <ul style="list-style-type: none"> <li>• Interaction and visits</li> <li>• Tax returns</li> <li>• Government inspections</li> </ul>
<b>Customers</b> <ul style="list-style-type: none"> <li>• Annual customer survey</li> <li>• Clinic visits</li> <li>• Customer hotline</li> </ul>	<b>Media &amp; Public</b> <ul style="list-style-type: none"> <li>• Newsletter on the Group's website</li> </ul>
<b>Communities &amp; NGOs</b> <ul style="list-style-type: none"> <li>• Donation box</li> <li>• Employee voluntary activities</li> <li>• Public event</li> </ul>	<b>Suppliers</b> <ul style="list-style-type: none"> <li>• Face to face meetings</li> <li>• Product assessments</li> <li>• Annual supplier assessment</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Materiality Assessment

The Group has identified ESG issues that have potential or actual impact on its sustainable development from various sources, such as issues identified in previous ESG report, internal policies, industrial trends and the Sustainability Accounting Standards Board's Materiality Map<sup>1</sup>. The Group focuses on material ESG issues which may have a significant impact on:

- The medical and/or dental industry;
- The current or future environment or society;
- The Group's financial performance/business operations; and/or
- Stakeholders' interests and their assessments, decisions and actions.

The ESG issues have been analyzed with reference to an array of factors, including the Group's overall strategy, development, and goals and targets. The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective level of impact. During the Reporting Period, the material ESG issues have been identified as follows:

- Waste Management;
- Employment; and
- Product and Service Responsibility.

## ENVIRONMENT

### Overview

The Group manages its operations in an environmentally and socially responsible manner. As a medical service provider, the Group's business operations do not have a significant impact on the environment. However, the Group is still highly 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 its use of electricity and water, and generation of clinical wastes from its business operations consume natural resources and may pose risks to the public health and the environment. Therefore, electricity and water saving initiatives are promoted and implemented in its workplace, and clinical wastes are treated cautiously.

During the Reporting Period, the Group has complied with all relevant laws and regulations in Hong Kong and the People's Republic of China ("PRC") in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. The relevant laws and regulations include but not limited to the Environmental Protection Law of the PRC, the Atmospheric Pollution Prevention and Control Law of the PRC, the Water Pollution Prevention and Control Law of the PRC, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, the Energy Conservation Law of the PRC, the Air Pollution Control Ordinance in Hong Kong, the Water Pollution Control Ordinance in Hong Kong, the Waste Disposal Ordinance in Hong Kong and the Hazardous Chemicals Control Ordinance in Hong Kong.

<sup>1</sup> Sustainability Accounting Standards Board's Materiality Map, <https://materiality.sasb.org/>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Emissions

As the Group provides medical and dental solutions to its customers, the Group does not own or control any stationary or mobile combustion sources, and thus, there is no air emission and direct greenhouse gas emission (Scope 1) generated during our daily operations.

Yet, greenhouse gases emissions are mainly from the consumption of purchased electricity to support the operations of the Group's 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 (tonnes of CO <sub>2</sub> /sq.m.)	
		2021/22	2020/21	2021/22	2020/21
Scope 2					
Indirect Emission	Purchased Electricity <sup>2</sup>	<b>114.17</b>	119.18	<b>0.060</b>	0.060
Scope 3					
Other Indirect Emission	Paper consumption	<b>6.57</b>	7.10	<b>0.003</b>	0.010
<b>Total Emission</b>		<b>120.74</b>	126.28	<b>0.063</b>	0.070

Owing to the Group's successful energy efficiency practices, the greenhouse gas emissions produced by the Group and their emission intensities has decreased as compared to the previous Reporting Period. The Group strives to reduce its energy consumption and emissions as it helps to manage our carbon footprint. In the next Reporting Period, the Group aims to maintain the total greenhouse gas emission intensity at/below 0.063 tonnes of CO<sub>2</sub>e per square meter. The Group will continue to adopt green practices in its operations, which is detailed in the below section headed "ENERGY EFFICIENCY".

## Waste Management

During the Reporting Period, the Group has complied with all relevant laws and regulations that may have significant impact on the Group relating to the management of clinical waste, including but not limited to the Waste Disposal Ordinance (Chapter 354), Hazardous Chemicals Control Ordinance and the Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O) in Hong Kong, which require clinical wastes to be properly disposed of and collected, as well as the Law on the Prevention and Control of Environmental Pollution of Solid Waste in the PRC.

Employees of the Group 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 the Group has complied with the relevant laws and regulations, the Group has engaged qualified waste disposal and recycling companies licensed by the Environmental Protection Department of Hong Kong and the Shenzhen Environmental Protection Bureau to handle the disposal of hazardous wastes, including expired and unwanted pharmaceutical products.

<sup>2</sup> 3 Dental Clinic, 1 MediNet Centre and the head office in Hong Kong of our Group share the office with independent parties, and there is no separate meter for each individual office unit. Electricity consumptions of our Group are proportionally borne based on the floor area.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has 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. During the Reporting Period, the Group have produced 1,044 kilograms of clinical waste in total, on average, 104.4 kilograms of clinical waste per MediNet Centre/Dental Clinic/laboratory.

When the conventional X-ray radiography is applied, X-ray developer is used and as a result, chemical waste (spent alkaline) is generated. During the Reporting Period, new X-ray radiography is applied so that spent alkaline was no longer produced. Hence, no chemical waste was resulted during the Reporting Period.

The Group will continue to provide regular training to its employees regarding proper disposal of waste and explore new technology, equipment or procedure that may reduce the generation of waste from its daily operation. In the next Reporting Period, the Group will make continuous efforts in upholding its strict hazardous waste disposal standards and strive to maintain the intensity of total hazardous waste produced at/below 104.4 kilograms per MediNet Centre/Dental Clinic/laboratory.

The comparative statistics of clinical waste and chemical waste recorded in the current and previous Reporting Periods are detailed below.

	2021/22	2020/21
Clinical Waste (in kg)	<b>1,044.00</b>	940.00
Intensity (kg/clinic)	<b>104.40</b>	94.00
Chemical Waste (in litre)	<b>0.00</b>	17.50
Intensity (litre/dental clinic <sup>3</sup> )	<b>0.00</b>	2.50

The non-hazardous waste produced by the Group's business activities is paper consumed for administrative purposes. The Group always encourages its employees to reduce paper consumption whenever possible, and work towards a paperless environment. The comparative statistics of paper consumption recorded in the current and previous Reporting Periods are detailed below.

	2021/22			2020/21		
	Copier paper	Letter-headed	Receipt	Copier paper	Letter-headed	Receipt
Weight (in tonnes)	<b>1.13</b>	<b>0.13</b>	<b>0.11</b>	1.36	0.12	0.23
Intensity (tonnes/sq.m. floor area)	<b>0.0006</b>	<b>0.0001</b>	<b>0.0001</b>	0.0006	0.0001	0.0001
<b>Total Intensity (tonnes/sq.m. floor area)</b>			<b>0.0008</b>			0.0008

<sup>3</sup> Only dental clinics generate chemical waste; thus, the intensity calculation was based on the dental clinics of the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

To reduce the generation of non-hazardous waste, the Group is committed to reducing the use of copier paper for internal administrative work. The Group has adopted the following measures during its 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”).

The Group will make continuous efforts to create a more paperless working environment and maintain the intensity of total non-hazardous waste produced at/below 0.0008 tonnes per square meter.

## USE OF RESOURCES

The Group highly values environmental protection and is committed to upholding high environmental standards to fulfil relevant requirements under applicable laws and ordinances in its daily operations. During the Reporting Period, the Group has complied with the Environmental Protection Law of the PRC, the Energy Conservation Law of the PRC and other related provisions of the laws and regulations concerning environmental protection.

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

Since the Group is not involved in any manufacturing activities, the impact on the environment and natural resources is immaterial.

## ENERGY EFFICIENCY

### Electricity Usage

The source of electricity consumption of the Group comes from the operations of its offices and clinics, such as the lighting, magnifiers, air-conditioning system and sterilization system. The following shows the comparative figures of electricity consumption between the current and previous Reporting Periods.

	2021/22	2020/21
Electricity consumption (in kWh)	213,051.65	216,477.21
Intensity (kWh/sq.m.)	108.04	193.45

The Group encourages its staff members to save electricity at the workplace. All staff members are informed 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 turned off when they are not in use. Written notices such as “Save Energy” are put on the walls in the working area to remind staff members of saving energy. Indoor temperature is maintained at 24 degrees Celsius or above to reduce unnecessary use of energy. The Group will make continuous efforts in working towards the target of maintaining the intensity of total electricity consumption at/below 108.04 kWh per square meter in the next Reporting Period.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Water Usage

As daily operations of the Group do not involve production activities, the Group has maintained a relatively low level of water usage. The existing supply of water meets the daily operational needs of the Group for the purpose of domestic use and the Group does not have any issue in sourcing water.

As the water consumption of the Group's head office and 3 dental clinics is charged as part of the rent with no independent water meter, the water consumption disclosed excludes head office and those clinics. The following shows the comparative figures of water consumption between the current and previous Reporting Periods.

	2021/22	2020/21
Water consumption (cubic meters) <sup>5</sup>	<b>761.01</b>	1,243.58
Intensity (cubic meters/sq.m.)	<b>0.55</b>	0.90

The Group has adopted a wide range of measures to lessen the use of water, including regular checks on water taps and pipes to avoid unnecessary leakage, installation of water-efficient fittings, and promotion of the awareness of water scarcity issues among employees in order for them to use water wisely. The Group will make continuous efforts in working towards the target of maintaining the intensity of total water consumption at/below 0.55 cubic meters per square meter in the next Reporting Period.

## Medical Packaging

Due to the Group's business nature, the Group does not involve any significant utilization of packaging materials in the ordinary course of business. To reduce the carbon footprint and contribute to saving the planet, the Group also encourages its customers to minimize the usage of plastic bags by suggesting them to bring their own bags to the clinics.

## Climate Change













As a part of the Group's ESG strategies formulation, the Board has an overall responsibility for overseeing the Group's climate-related risks and opportunities. The ESG Working Group regularly review and identify climate-related issues that may pose risks to the Group in the short, medium and long term. In the Group's annual enterprise risk assessment, all potential risks arisen from climate change are covered and evaluated comprehensively. The Group has considered the potential climate-related risks in respect of the recommendations of the Task Force on Climate-related Financial Disclosure.

The potential physical risks and transition risks from climate change, which may pose adverse financial impacts on the Group's businesses, and its corresponding mitigation strategies are shown below:

<sup>5</sup> Reasonable assumption was made for incomplete records (i.e. using consumption average of other months).



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Risk Type	Potential Financial Impact	Short-term (This Reporting Period)	Medium-term (1–3 years)	Long-term (4–10 years)	Mitigation Strategy
Transition Risks	<u>Policy and Legal</u> Increased compliance costs and potential disruption related to new climate-related regulations.				Regularly monitor the regulatory environment and strictly adhere to the Group's emission-reduction measures to maintain a low emission level.
	<u>Technology</u> Transition costs to more energy-efficient clinical equipment and technologies, which include costs to adopt and deploy new processes, capital investment, research and development expenditures and write-offs or early retirement of existing assets.				Continue to keep abreast of the latest development in clinical technologies and energy-efficient equipment.
Physical Risks	<u>Acute</u> Extreme weather conditions such as flooding and storms that lead to supply chain disruption, disruption to daily operation and loss of property and revenue.				Maintain a large supplier base and set up safety measures and contingency plans in regards to extreme climate events.
	<u>Chronic</u> Increased operating costs related to increased need for cooling and heating due to changing temperatures.				Strengthen the environmental awareness of employees to ensure that they strictly adhere to the Group's energy conservation measures.

It is expected that both the physical and transition risks do not have a material impact on the Group's operation. Nevertheless, the Group will continue to monitor the climate-related risks and implement relevant measures to minimize the climate-related risks.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## EMPLOYMENT

During the Reporting Period, the Group has strictly complied with the laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare. The employment-related laws and regulations include but not limited to the Employment Ordinance in Hong Kong, the Minimum Wage Ordinance in Hong Kong, the Employees' Compensation Ordinance in Hong Kong, the Labor Contract Law of the PRC, the Labor Law of the PRC, the Law on the Protection of Rights and Interests of Women in the PRC, the Social Insurance Law of the PRC and the Law of the PRC on the Protection of Disabled Persons.

The Group firmly believes that employees are 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.

For the recruitment and promotion process, the Group ensures that employees are free from discrimination or deprivation of opportunities on the basis of gender, ethnic background, religion, skin color, sexual orientation, age, marital status, family status and physical ability. The Group aims to create an equal and diversified employment environment for all its employees. Employees and candidates are assessed based on their competence, skills, qualification and performance. Newly recruited employees are admitted as permanent employees after successful completion of a 3-months probation period. A minimum 7 days annual leave is granted to all permanent employees. The Group also offers all its permanent employees with medical and dental schemes as well as inpatient insurance.

In addition, the Group has formulated a set of benefits to reward employees for the value and contribution they gave to support the development of the Group. The Group also constantly reviews its employees' performance. Performance evaluation is carried out for each of the employee annually to act as a communication platform between employees and the management, and to assist the employees in focusing on his/her personal objectives and achievements. The Group welcomes feedback from its employee through private meeting, email or anonymous letter to the Department Head, Financial Controller or General Manager.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at 31 March 2022, the Group had a total 98 full time employees. the employee profiles by gender, age and geographical location are shown as follows:

	2021/22
<b>Total workforce</b>	<b>98</b>
<b>Breakdown by gender</b>	
Female	83
Male	15
<b>Breakdown by age</b>	
< 25	10
25–29	18
30–39	16
40–49	26
> 50	28
<b>Breakdown by geographical location</b>	
Hong Kong	90
PRC	8

As at 31 March 2022, the employee turnover rate by gender, age and geographical location are shown as follows:

	2021/22
<b>Total turnover rate</b>	<b>41%</b>
<b>Turnover rate by gender</b>	
Female	45%
Male	20%
<b>Turnover rate by age</b>	
< 25	120%
25–29	56%
30–39	50%
40–49	19%
> 50	18%
<b>Turnover rate by geographical location</b>	
Hong Kong	32%
PRC	138%

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## HEALTH AND SAFETY

The Group has complied with the workplace laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards in Hong Kong and the PRC, including but not limited to the Occupational Safety and Health Ordinance (Chapter 509) in Hong Kong and Law of the Prevention and Control of Occupational Diseases in the PRC.

Management of the Group 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 occupational training and education on a regular basis. The Group strives to provide a comfortable and safe environment to our employees, customers and business partners.

In addition, in the midst of COVID-19 pandemic, the Group has formulated the Pandemic Prevention Memo, which sets out the early warning system and safety measures for the pandemic. The Group has implemented a series of precautionary measures to ensure the safety of our employees, including but not limited to, regular office cleaning and sanitizing, and provision of hand sanitizers and face masks.

During the Reporting Period, the Group strictly complied with various laws, regulations, rules and procedural standard. No case of fatality and work injury case in the workplace and no lost day due to work injury was reported over the last 3 Reporting Periods, including this Reporting Period.

## 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 its employees' potential. The Group also maintains a schedule for training courses which are planned in advance. In determination of the training schedule, the Group consider its employees' feedback to ensure that the courses cater to their needs.

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 services provided by the staff members at the reception, and providing internal training which ensures that all staff members know how to use electronic devices (i.e. computer, printer, etc.) and internal customers' filing system;

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- 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 business operations of the Group;
- 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 business operations of the Group.

As at 31 March 2022, the percentage of employees trained are as follow:

	2021/22
<b>Percentage of employees trained</b>	<b>48%</b>
<b>By gender</b>	
Male	9%
Female	91%
<b>By employment category</b>	
Top management	15%
Middle management	19%
General staff	66%

As at 31 March 2022, the average training hours completed per employee are as follows:

	2021/22 Hours
<b>Average training hours per employee</b>	<b>3.28</b>
<b>By gender</b>	
Male	2.60
Female	3.40
<b>By employment category</b>	
Top management	5.00
Middle management	2.47
General staff	3.30

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## LABOUR STANDARDS

During the Reporting Period, the Group has complied with all relevant labor standards such as the Employment Ordinance in Hong Kong, the Labor Law of the PRC, the Law of the PRC on the Protection of Minors and the Provisions on the Prohibition of Using Child Labor in the PRC. The Group strictly prohibits any recruitment of child and forced labor, and ensures that the employment agreements signed with its employees are on fair, equal, voluntary and mutually agreed basis.

The Group recruits new doctors and dentists base on their qualifications, experience, reputation, specialized area of study and practice, level of dedication, previous compliance records and whether they can fit into our corporate culture. The Group also places great emphasis on training and retention of its professional team members. All doctors of the Group must have practicing licenses and certificates.

The Group is well aware that child and forced labor violates fundamental human rights and so, it prohibits the use of child or forced labor. During the staff recruitment process, responsible staff members collect identification documents from the candidates to ensure that their age meets the requirements as stated in the labor standards. 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, the Group did not use any child or forced labor, nor receive any related complaints.

## SUPPLY CHAIN MANAGEMENT

Suppliers of the Group primarily include distributors of orthodontic appliances, pharmaceutical and medical consumables. During the Reporting Period, The Group has 150 suppliers (2021: 188 suppliers) which are all primarily located in Hong Kong.

The Group is committed to providing high quality products 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 established a “New Supplier and Subcontractor Evaluation Procedure” to evaluate all its new suppliers, and in this respect a “non-conforming report” is prepared to record failure on the part of our existing suppliers. In selecting pharmaceutical drugs and other suppliers, the Group performs assessments on the potential suppliers, including past history of the suppliers’ quality, quantity, time of delivery, source of the products, compliance with relevant laws and regulations, price and reputation in the industry. Moreover, suppliers that offer environmental-friendly drugs at high quality standards are rated by the Group as more favorable and preferable, so as to promote environmental protection along its supply chain.

The Group 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 Group also has a dedicated evaluation team responsible for monitoring the quality of all suppliers and the Group expects its suppliers to cooperate in a fair, honest and responsible manner. Renewal of suppliers’ contracts is subject to satisfactory results upon review of their 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 has 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. The relevant regulations include but not limited to the PRC Law on Protection of the Rights and Interest of Consumers, the Tort Law of the PRC, Trade Description Ordinance in Hong Kong, Pharmacy and Poisons Ordinance in Hong Kong and Medical Clinics Ordinance in Hong Kong.

According to the “Purchasing Control Procedure”, the heads of clinics are responsible for consolidating requests from the doctors and dentists in order to evaluate the materials needed to support clinical operations, and submit a “Dental/Clinic Material Order Information” to the Head Nurse for a bulk ordering. The Group only purchases high quality drugs and medicines from approved suppliers. Clinic members will perform incoming material inspection in accordance with our “Material Handling Procedure” to ensure the quality of medical consumables. For any defective products received, the Group will request a recall from the suppliers.

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 conduct research about the new 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 in Hong Kong. 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.

According to the “Prescription and Dispensary of Drug Procedure”, the doctors/dentists prescribe medication according to patients’ history and needs. The 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 of any defective product, a report is filed to the Head Nurse who will then inform the head office and return the defective products to the suppliers.

During the reporting period, the Group strictly complied with various laws, regulations, rules and procedural standards. No products sold or shipped was subject to recalls for safety and health reasons.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## INTELLECTUAL PROPERTY AND PRIVACY PROTECTION

In terms of consumer data protection and privacy, customer information of the Group is stored in a tailor-made IT system to protect its patients' personal information. Different authority access levels are created in order to assure confidentiality of such information. During the Reporting Period, the Group has complied with the Personal Data (Privacy) Ordinance in Hong Kong and the Cybersecurity Law of the PRC in collecting, processing and using the customers' personal data. Furthermore, contracts with our customers also stipulate confidential obligations. Customers' personal information cannot be used for any purposes other than stipulated in the contracts concerned. Moreover, the Group conducts employee training relating to customer privacy and data protection as part of the new employee orientation.

In terms of intellectual property rights protection, the Group respects the rights of other companies' intellectual property and the Group does not use intellectual property of others without their authorization. During the Reporting Period, the Group has complied with relevant laws and regulations including but not limited to the Trade Marks Ordinance in Hong Kong, Copyright Ordinance in Hong Kong, Trademark Law of the PRC and Patent Law of the PRC. The Group has also adopted practices to avoid infringement of its intellectual property rights, such as registering intellectual property rights that are material to its business operation and stipulating confidentiality terms in all its employee agreements

## ADVERTISING

Pursuant to the Code of Professional Conduct published by the Medical Council of Hong Kong, no advertising for medical and dental services is allowed. The Group's doctors and dentists strictly follow the code of conduct to render services with an aim to maintain the standard of medical care and public trust in the medical profession.

## COMPLAINTS

The Group strives to create excellent 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. Moreover, the Group has established and implemented relevant operating policies and procedures including "Client Satisfaction Monitoring Procedure", "Client Satisfaction Survey Procedure" and "Client Complaint Handling Policy".

The Group welcomes feedback from its 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, the Group did not have any material medical disputes from the Medical Council of Hong Kong and did not receive any product- and service-related complaint.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ANTI-CORRUPTION

During the Reporting Period, the Group has strictly complied with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering, including but not limited to the Prevention of Bribery Ordinance in Hong Kong, the Anti-Money Laundering Law of the PRC, the Anti-Unfair Competition Law of the PRC and the Criminal Law of the PRC.

During the recruitment process of all new employees, the Human Resources Department of the Group conducts comprehensive background checks on the prospective employees to investigate whether they have previously committed fraud or other illegal act. Moreover, the Group has established a “Whistle-blowing Procedures” to encourage and enable its employees and other stakeholders to report on observed or suspected non-compliance and questionable practices in confidence without retribution. Reported cases will be investigated and followed up by management of the Group in a timely manner.

No employee, including the directors, management, and all full-time, part-time, hourly, or temporary workers, is 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.

Since the Group’s business is not highly exposed to the risk of corruption, no training of such area was held during the Reporting Period. All directors received trainings on corporate governance prior to the Group’s listing or at the time of joining the Group, so that they are aware of their duties and responsibilities on integrity. The Group will provide and subsidize training of anti-corruption to its employees and directors when necessary. During the Reporting Period, the Group is not aware of any non-compliance case relating to corruption, bribery, extortion, fraud or money laundering.

## COMMUNITY INVESTMENT

The Group cares about the community and demonstrates its spirit of giving back to society. The Group’s focus area of contribution is health and well-being of the community. Donation boxes are set up in all clinics to collect donations from the customers in support of the Orbis in Hong Kong. It is a convenient channel for the public to help better plan for long-term rehabilitation services and operations in Hong Kong. During the Reporting Period, the Group donated HK\$24,000 to various Non-governmental Organizations, 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. The Group 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.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## HKEX ENVIRONMENTAL, SOCIAL AND GOVERNANCE GUIDE CONTENT INDEX

Aspect	Description	Chapter/Section	Remarks
<b>A. Environmental</b>			
<b>A1 Emissions</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  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>	
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (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 emissions target(s) set and steps taken to achieve them.	<i>Energy Efficiency</i>	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	<i>Waste Management</i>	

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	Description	Chapter/Section	Remarks
<b>A2 Use of Resources</b>			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	<i>Use of Resources,</i> <i>Energy Efficiency,</i> <i>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 target(s) set and steps taken to achieve them.	<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>	
<b>A3 The Environment and Natural Resources</b>			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	<i>Overview,</i> <i>Use of Resources</i>	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	<i>Overview,</i> <i>Use of Resources</i>	
<b>A4 Climate Change</b>			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	<i>Climate Change</i>	
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	<i>Climate Change</i>	

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	Description	Chapter/Section	Remarks
<b>B. Social</b>			
<b>B1 Employment</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  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 (for example, full- or part-time), age group and geographical region.	<i>Employment</i>	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	<i>Employment</i>	
<b>B2 Health and Safety</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  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 occurred in each of the past three years including the reporting year.	<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>	
<b>B3 Development and Training</b>			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work.	<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>	

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	Description	Chapter/Section	Remarks
<b>B4 Labour Standards</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor	<i>Labor Standards</i>	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	<i>Labor Standards</i>	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	<i>Labor 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>	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	<i>Supply Chain Management</i>	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	<i>Supply Chain Management</i>	
<b>B6 Product and Service Responsibility</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer 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</i>	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	<i>Product and Service Responsibility</i>	

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspect	Description	Chapter/Section	Remarks
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>Intellectual Property and Privacy Protection</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>Intellectual Property and Privacy Protection</i>	
<b>B7 Anti-corruption</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer 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>	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	<i>Anti-Corruption</i>	
<b>B8 Community Investment</b>			
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



**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 59 to 119, which comprise the consolidated statement of financial position as at 31 March 2022, 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 2022, 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 2022, the Group recognised revenue of approximately HK\$20,062,000 (2021: HK\$18,948,000) 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>• Verifying 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>• Performing review on revenue deriving from the provision of medical solutions and identifying and obtaining explanation for fluctuation noted; and</li><li>• Selecting samples of revenue transaction and checking to annual retainer contracts and settlement documents.</li></ul>
<p><b>Impairment assessment of goodwill</b></p> <p>We identified the valuation of goodwill allocated to Master Clever 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>• 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;</li><li>• Assessing the competence, capabilities and objectivity of the independent qualified valuer;</li><li>• Evaluating the historical accuracy of the cash flow forecast and actual performance for the year and future prospect from the CGU; and</li><li>• Assessing the appropriateness of the discount rate used.</li></ul>



# INDEPENDENT AUDITOR'S REPORT

## 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, actions taken eliminate threats or safeguard applied.

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.

The engagement partner on the audit resulting in the independent auditor's report is Lau, Ming Tak Simeon.

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

*Certified Public Accountants*

**Lau, Ming Tak Simeon**

Practising Certificate Number: P07579

Hong Kong

27 June 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Revenue	5	<b>121,068</b>	129,481
Other income	6	<b>1,219</b>	6,268
Other gains and losses	7	<b>(138)</b>	(151)
Medical and dental professional services expenses	8	<b>(43,936)</b>	(47,329)
Staff costs	8	<b>(42,549)</b>	(40,155)
Depreciation of property, plant and equipment	8	<b>(2,955)</b>	(3,191)
Depreciation of right-of-use assets	8	<b>(9,621)</b>	(9,760)
Cost of medical and dental supplies	8	<b>(11,692)</b>	(11,600)
Rental expenses	8	<b>(1,142)</b>	(790)
Other expenses		<b>(14,767)</b>	(15,626)
Amortisation of other intangible assets		<b>(1,572)</b>	(1,572)
Interest on lease liabilities		<b>(650)</b>	(829)
(Loss) profit before taxation	8	<b>(6,735)</b>	4,746
Income tax credit	9	<b>358</b>	9
(Loss) profit for the year		<b>(6,377)</b>	4,755
(Loss) profit for the year attributable to:			
Owners of the Company		<b>(6,216)</b>	4,755
Non-controlling interest		<b>(161)</b>	–
		<b>(6,377)</b>	4,755
(Loss) earnings per share — Basic and Diluted (Hong Kong cents)	12	<b>(0.60)</b>	0.46
Other comprehensive (expense) income for the year <i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(33)</b>	52
Total comprehensive (expense) income for the year		<b>(6,410)</b>	4,807
Total comprehensive (expense) income attributable to:			
Owners of the Company		<b>(6,249)</b>	4,807
Non-controlling interests		<b>(161)</b>	–
		<b>(6,410)</b>	4,807

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	4,565	6,747
Right-of-use assets	14	13,128	12,528
Other intangible assets	16	1,571	3,143
Goodwill	15	19,483	19,483
Rental deposits	18	1,730	2,290
Deferred tax assets	23	1,364	1,293
		<b>41,841</b>	45,484
<b>Current assets</b>			
Inventories	17	492	653
Accounts and other receivables	18	9,511	7,715
Amounts due from a related party	19	361	274
Tax recoverable		655	1,110
Bank balances and cash	20	15,600	20,652
		<b>26,619</b>	30,404
<b>Current liabilities</b>			
Accounts and other payables	21	9,360	10,604
Contract liabilities	21	7,448	6,369
Lease liabilities	22	7,590	8,834
Provision for reinstatement costs	24	438	205
Amount due to a related party	19	739	–
Tax payable		200	–
		<b>25,775</b>	26,012
Net current assets		<b>844</b>	4,392
Total assets less current liabilities		<b>42,685</b>	49,876
<b>Non-current liabilities</b>			
Lease liabilities	22	5,257	5,414
Deferred tax liabilities	23	337	680
Provision for reinstatement costs	24	453	734
		<b>6,047</b>	6,828
Net assets		<b>36,638</b>	43,048

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	NOTE	2022 HK\$'000	2021 HK\$'000
Capital and reserves			
Share capital	25	10,400	10,400
Reserves		26,399	32,648
Equity attributable to owners of the Company		36,799	43,048
Non-controlling interests		(161)	–
		36,638	43,048

The consolidated financial statements on pages 59 to 119 were approved and authorised for issue by the board of directors on 27 June 2022 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 2022

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Special reserve	Exchange reserve	Accumulated losses	Subtotal		
	HK\$'000	HK\$'000	HK\$'000 (note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2020	10,400	51,853	(1,253)	20,515	(14)	(43,260)	38,241	–	38,241
Profit for the year	–	–	–	–	–	4,755	4,755	–	4,755
Exchange differences arising on translation	–	–	–	–	52	–	52	–	52
Profit and total comprehensive income for the year	–	–	–	–	52	4,755	4,807	–	4,807
At 31 March 2021	10,400	51,853	(1,253)	20,515	38	(38,505)	43,048	–	43,048
Loss for the year	–	–	–	–	–	(6,216)	(6,216)	(161)	(6,377)
Exchange differences arising on translation	–	–	–	–	(33)	–	(33)	–	(33)
Loss and total comprehensive expense for the year	–	–	–	–	(33)	(6,216)	(6,249)	(161)	(6,410)
At 31 March 2022	10,400	51,853	(1,253)	20,515	5	(44,721)	36,799	(161)	36,638

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 2022

	2022 HK\$'000	2021 HK\$'000
<b>OPERATING ACTIVITIES</b>		
(Loss) profit before taxation	(6,735)	4,746
Adjustments for:		
Interest income	(3)	(7)
Amortisation of other intangible assets	1,572	1,572
Depreciation of property, plant and equipment	2,955	3,191
Depreciation of right-of-use assets	9,621	9,760
Loss on disposal of property, plant and equipment	–	47
Covid-19-related rent concession received	(758)	(602)
Interests on lease liabilities	650	829
Gain arising from termination of lease	(166)	–
Impairment losses recognised arising from Expected Credit Losses (“ECL”) on account receivables	113	–
Bad debts written off	168	–
Fair value change of contingent consideration receivable	–	148
Operating cash flows before movements in working capital	7,417	19,684
Decrease in inventories	161	438
(Increase) decrease in accounts and other receivables	(1,438)	3,515
Increase in amount due from a related party	(87)	(187)
Decrease in accounts and other payables	(1,250)	(64)
Decrease (increase) in provision for reinstatement costs	3	(93)
Decrease (increase) in contract liabilities	1,079	(3,433)
Increase in amount due to a related party	739	–
Cash generated from operations	6,624	19,860
Hong Kong Profits Tax refund (paid)	598	(1,272)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>7,222</b>	<b>18,588</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(772)	(2,042)
Payment of rental deposits	(3)	(370)
Interest received	3	7
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(772)</b>	<b>(2,405)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of lease liabilities, including related interests	(11,557)	(11,568)
Repayment to related parties	–	(130)
<b>CASH USED IN FINANCING ACTIVITIES</b>	<b>(11,557)</b>	<b>(11,698)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,107)</b>	<b>4,485</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>20,652</b>	<b>15,895</b>
Effect of foreign exchange rate changes	55	272
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash</b>	<b>15,600</b>	<b>20,652</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 1. GENERAL

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

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 31.

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

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

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

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

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

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

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

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 30.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

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

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

## 3. 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 2022

## 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 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

### **Basis of consolidation** *(Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. 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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

### **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 2022

## 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 2022

## 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**

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 2022

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

### *Leases (Continued)*

#### **The Group as a lessee**

##### ***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 2022

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

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

#### **The Group as a lessee** *(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.

##### **Lease modifications**

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

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

#### **The Group as a lessee** *(Continued)*

##### **Lease modifications** *(Continued)*

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.

##### **Covid-19-related rent concessions**

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- 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 2022; and
- there is no substantive change to other terms and conditions of the lease.

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

#### **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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

### **The Group as a lessor** *(Continued)*

#### **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.

### **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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 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 2022

## 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.

###### ***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 party 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 2022

## 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 2022

## 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.

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 2022

## 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 party 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 2022

## 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 2022

## 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 profit (loss) 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 2022

## 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 2022

## 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 2022, the carrying amount of goodwill is HK\$19,483,000 (2021: HK\$19,483,000) (net of accumulated impairment loss of HK\$Nil (2021: 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 2022

## 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.

### Provision of ECL for accounts receivables

The Group uses individual assessment to calculate ECL for the accounts receivables. The provision rates are based on external credit ratings considering the individual debtor's historical default rate, adjusted after considering forward-looking information that is reasonable and supportable available without undue costs or effort that are specific to each debtor. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivables are disclosed in note 18.

### Impairment of property, plant and equipment and right-of use assets

The recoverable amount calculation requires the management of the Group to estimate higher of fair value less costs of disposal and value in use of those assets as the recoverable amount.

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 judgement 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, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. 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 cash generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Where the actual future cash flows are less than expected, a material impairment loss may arise. The fair value less costs of disposal of certain assets have been determined from market available information.

As at 31 March 2022, the carrying amount of property, plant and equipment was HK\$4,565,000 (2021: HK\$6,747,000), and the carrying amount of right-of-use assets was HK\$13,128,000 (2021: HK\$12,528,000). Based on the management assessment, no impairment loss was provided for property, plant and equipment, leasehold improvements and right-of-use assets in the both years. Details are set out in notes 13 and 14 respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 5. REVENUE AND SEGMENT INFORMATION

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 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, insurance companies and individual customers. The customers would generally pay a fixed amount of annual fee per plan member and each plan member would generally be entitled to certain dental services free of charge or at specified prices for specific dental services with or without additional payments when visiting to the Group's dental clinics throughout a year. The performance obligations of the provision of dental solutions to the customers including orthodontic treatment, dental laser implant surgery, teeth whitening, other general dental services, scaling and polishing, fillings, intra oral X-rays and routine oral examination to patients, while these customers are entitled to consume the dental services simultaneously.

The Group satisfied the performance obligation by providing dental solutions to corporations, insurance companies and individual customers within the period of Annual Retainer Contracts and these customers would be entitled to consume dental solutions throughout the contract period. As the directors of the Company considered the Group has fulfilled its performance obligations throughout a period of time and revenue is therefore recognised over time in a pattern which approximates to time elapsed.

#### Dental services

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 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 2022

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

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

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

## 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 2022

	Dental business HK\$'000	Medical business HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
SEGMENT REVENUE					
External revenue	74,201	46,867	121,068	–	121,068
Inter-segment revenue	958	4,965	5,923	(5,923)	–
Segment revenue	75,159	51,832	126,991	(5,923)	121,068
Segment loss	(3,325)	(637)	(3,962)		(3,962)
Unallocated expenses					(3,992)
Unallocated income					1,219
Loss before taxation					(6,735)

	Dental business HK\$'000	Medical business HK\$'000	Segment total HK\$'000	Total HK\$'000
OTHER SEGMENT INFORMATION				
Amounts included in the measure of segment profit or loss:				
Additions to right-of-use assets	4,973	5,249	10,222	10,222
Additions to property, plant and equipment	689	83	772	772
Depreciation of property, plant and equipment	1,825	1,130	2,955	2,955
Depreciation of right-of-use assets	5,378	4,243	9,621	9,621
Amortisation of other intangible assets	1,572	–	1,572	1,572
Bad debts written off	–	168	168	168

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### (iv) Segment information (Continued)

#### Segment revenue and results (Continued)

##### Year ended 31 March 2021

	Dental business HK\$'000	Medical business HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
SEGMENT REVENUE					
External revenue	74,391	55,090	129,481	–	129,481
Inter-segment revenue	920	5,309	6,229	(6,229)	–
Segment revenue	75,311	60,399	135,710	(6,229)	129,481
Segment profit (loss)	(847)	2,483	1,636		1,636
Unallocated expenses					(3,104)
Unallocated income					6,268
Unallocated loss					(54)
Profit before taxation					4,746

	Dental business HK\$'000	Medical business HK\$'000	Segment total HK\$'000	Others HK\$'000	Total HK\$'000
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Additions to right-of-use assets	7,143	6,775	13,918	–	13,918
Additions to property, plant and equipment	320	1,722	2,042	–	2,042
Depreciation of property, plant and equipment	1,930	1,261	3,191	–	3,191
Depreciation of right-of-use assets	5,602	4,158	9,760	–	9,760
Amortisation of other intangible assets	1,572	–	1,572	–	1,572
Loss on disposal of property, plant and equipment	–	47	47	–	47

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 2022

## 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

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

#### Geographical information

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

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

	Revenue from		Non-current assets	
	external customers for the year		at 31 March	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	<b>118,968</b>	126,450	<b>38,733</b>	44,180
The PRC	<b>2,100</b>	3,031	<b>14</b>	11
	<b>121,068</b>	129,481	<b>38,747</b>	44,191

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 6. OTHER INCOME

	2022 HK\$'000	2021 HK\$'000
Rental income	360	1,078
Bank interest income	3	7
Covid-19-related rent concession (note i)	758	602
Sundry income	98	52
Government subsidy (note ii)	–	4,529
	<b>1,219</b>	<b>6,268</b>

Note i: As disclosed in note 2, the Group has early adopted Amendments to HKFRS 16 “Covid-19-Related Rent Concessions” and applies the practical expedients introduced by the amendments to all eligible rent concessions received by the Group during the year. During the year ended 31 March 2022 and 2021, the rent concessions received by the Group are in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to prevent the spread of Covid-19.

Note ii: During the current year, no government grants have been recognised (2021: HK\$4,529,000 in respect of Covid-19 related subsidies which relates to Employment Support Scheme provided by the Hong Kong government).

## 7. OTHER GAINS AND LOSSES

	2022 HK\$'000	2021 HK\$'000
Loss on disposal of property, plant and equipment	–	(47)
Exchange (loss) gain, net	(24)	47
Fair value change of contingent consideration receivable	–	(148)
Impairment losses recognised arising from ECL on account receivables	(113)	–
Bad debt written-off	(168)	–
Gain arising from termination of leases	166	–
Others	1	(3)
	<b>(138)</b>	<b>(151)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 8. (LOSS) PROFIT BEFORE TAXATION

	2022 HK\$'000	2021 HK\$'000
(Loss) profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration (note 10)	5,729	5,241
Salaries and allowance for staff excluding directors	35,337	33,750
Retirement benefit scheme contributions for staff excluding directors	1,483	1,164
<b>Total staff costs (note ii)</b>	<b>42,549</b>	<b>40,155</b>
Depreciation of property, plant and equipment	2,955	3,191
Depreciation of right-of-use assets	9,621	9,760
Medical and dental professional services expenses (note i)	43,936	47,329
Cost of inventories recognised as an expense	11,692	11,600
Minimum lease payments in respect of rental premises	1,142	790
Covid-19-related rent concession	(758)	(602)
Auditor's remuneration	650	708

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 staff.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 9. INCOME TAX CREDIT

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

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

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

The Group's subsidiaries operating in Hong Kong are eligible for certain tax concessions. The maximum tax concessions eligible for each subsidiary is HK\$10,000 (2021: HK\$10,000).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 9. INCOME TAX CREDIT (Continued)

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

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

Details of deferred taxation are set out in note 23.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 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

2022

	Executive directors		Independent non-executive directors				Total HK\$'000
	Mr. Chan HK\$'000	Ms. Jiang Jie HK\$'000	Dr. Lieu Geoffrey Sek Yiu HK\$'000 (Note (i))	Mr. Leung Po Hon HK\$'000	Mr. Wong Wai Leung HK\$'000	Mr. Kwok Sze Chi HK\$'000 (Note (ii))	
Fees	–	–	45	180	180	135	540
Other emoluments							
Salaries and allowances	2,060	1,542	–	–	–	–	3,602
Other benefits and allowances	1,344	214	–	–	–	–	1,558
Performance related incentive payments (Note (iii))	–	–	–	–	–	–	–
Retirement benefit scheme contributions	11	18	–	–	–	–	29
<b>Total emoluments</b>	<b>3,415</b>	<b>1,774</b>	<b>45</b>	<b>180</b>	<b>180</b>	<b>135</b>	<b>5,729</b>

2021

	Executive directors		Independent non-executive directors			Total HK\$'000
	Mr. Chan HK\$'000	Ms. Jiang Jie HK\$'000	Dr. Lieu Geoffrey Sek Yiu HK\$'000	Mr. Leung Po Hon HK\$'000	Mr. Wong Wai Leung HK\$'000	
Fees	–	–	180	180	180	540
Other emoluments						
Salaries and allowances	1,981	1,394	–	–	–	3,375
Other benefits and allowances	1,290	–	–	–	–	1,290
Performance related incentive payments (Note (iii))	–	–	–	–	–	–
Retirement benefit scheme contributions	18	18	–	–	–	36
<b>Total emoluments</b>	<b>3,289</b>	<b>1,412</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>5,241</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.

Note (i): Dr. Lieu Geoffrey Sek Yiu was resigned as an independent non-executive director with effect from 1 July 2021.

Note (ii): Mr. Kwok Sze Chi was appointed as an independent non-executive director with effect from 1 July 2021.

Note (iii): The performance related incentive payments are determined by reference to the Group's operating results, individual performance and prevailing market conditions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

### Employees

The five highest paid individuals of the Group included two directors (2021: two directors) of the Company for the year. The emoluments of the remaining three (2021: three) highest paid individuals for both years are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and allowances	4,033	4,042
Retirement benefit scheme contributions	54	54
	<b>4,087</b>	4,096

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

	2022 Number of individuals	2021 Number of individuals
HK\$1,000,001 to HK\$1,500,000	3	2
HK\$1,500,001 to HK\$2,000,000	–	1
	<b>3</b>	3

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

## 12. (LOSS) EARNINGS PER SHARE

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Professional equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>					
At 1 April 2020	9,627	13,756	7,144	2,999	33,526
Additions	878	848	316	–	2,042
Disposal	(944)	–	(648)	–	(1,592)
Exchange realignment	2	11	1	–	14
At 31 March 2021	9,563	14,615	6,813	2,999	33,990
Additions	19	599	154	–	772
Exchange realignment	36	90	8	–	134
At 31 March 2022	9,618	15,304	6,975	2,999	34,896
<b>DEPRECIATION</b>					
At 1 April 2020	7,678	11,914	4,253	1,739	25,584
Provided for the year	992	1,613	316	270	3,191
Eliminated on disposal	(940)	–	(605)	–	(1,545)
Exchange realignment	2	11	–	–	13
At 31 March 2021	7,732	13,538	3,964	2,009	27,243
Provided for the year	827	1,601	257	270	2,955
Exchange realignment	36	89	8	–	133
At 31 March 2022	8,595	15,228	4,229	2,279	30,331
<b>CARRYING VALUES</b>					
At 31 March 2022	1,023	76	2,746	720	4,565
At 31 March 2021	1,831	1,077	2,849	990	6,747

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%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

### Impairment review for the year ended 31 March 2022 and 2021

For the year ended 31 March 2022, the Group has performed impairment assessment on property, plant and equipment. Certain clinics were loss making during the year due to the economic downturn and the COVID-19 outbreak and the operation may continue to be affected by the uncertainties that brought by the COVID-19 outbreak. Impairment assessment is performed on clinics with operating losses which is considered as an impairment indicator for the years ended 31 March 2022.

The recoverable amount of cash-generating units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective subsidiary covering the following 5 years with a pre-tax discount rate is 13.5% to 15.0% as at 31 March 2022, respectively. The annual growth rate used is 3% to 4%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the relevant industry. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on the cash-generating units' past performance and management expectations for the market development.

As at 31 March 2022, based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU is higher than the carrying amount. No impairment loss on both property, plant and equipment, right-of-use assets had recognised during the year (2021: Nil).

## 14. RIGHT-OF-USE ASSETS

	Offices and clinics HK\$'000	
<b>As at 1 April 2021</b>		
Carrying amount		12,528
<b>As at 31 March 2022</b>		
Carrying amount		13,128
<b>For the year ended 31 March 2022</b>		
Depreciation charge		9,621
<b>For the year ended 31 March 2021</b>		
Depreciation charge		9,760
	Year ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
Expense relating to short-term leases	1,142	790
Total cash outflow for leases	12,699	12,358
Additions to right-of-use assets	10,221	13,918

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 14. RIGHT-OF-USE ASSETS *(Continued)*

For both years, the Group leases various offices and clinics. Lease contracts are entered into the following ranges of fixed terms:

Offices and clinics	1–5 years
---------------------	-----------

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 is depreciated from commencement date to the end of the useful life. The remaining right-of-use assets are depreciated on a straight-line basis over the terms of the leases.

As at 31 March 2022, the Group regularly entered into short-term leases for clinics. The short-term lease expense incurred during the year amounted to HK\$1,142,000 (2021: HK\$790,000).

As at 31 March 2022 and 2021, the Group had no lease with variable lease payment. The lease agreements do not impose any extension or termination options which are exercisable only by the Group and not by the respective lessors.

As at 31 March 2022 and 2021, the Group does not provide residual value guarantees in relation to leases arrangements. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

As at 31 March 2022 and 2021, the Group has no leases that are committed but not yet commenced.

The maturity of lease liabilities is presented in note 30.

### **Rent concessions**

The rent concession occurred as a direct consequence of Covid-19 pandemic and met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient under HKFRS 16.46A.

These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK\$758,000 (2021: HK\$602,000) were recognised as negative variable lease payments.

As at 31 March 2022, management carried out a review of the recoverable amounts of its property, plant and equipment and right-of-use assets. Details of the impairment assessment on the Group's property, plant and equipment and right-of-use assets as at 31 March 2022 are disclosed in note 13.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 15. GOODWILL

HK\$'000

CARRYING VALUE

At 31 March 2021 and 31 March 2022

19,483

The Group tests for impairment of goodwill annually and in the financial year in which the acquisition takes place, or more frequently if there are indications that goodwill might be impaired.

### Impairment testing on goodwill

#### For the years ended 31 March 2021 and 31 March 2022

Management considers that the subsidiary engaging in the provision of Dental business represents a separate CGU for the purpose of goodwill impairment testing.

The amount of goodwill as at 31 March 2021 and 31 March 2022 is allocated to Master Clever Limited which engaged in provision of dental services business as follows:

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 15.0% as at 31 March 2022 (2021: 12.0%). The CGU's cash flows beyond the 5-year period are extrapolated using a growth rate of 5.0% as at 31 March 2022 (2021: 5.0%) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 16. OTHER INTANGIBLE ASSETS

	Right to use trade names HK\$'000	Customer relationship HK\$'000	Total HK\$'000
<b>COST</b>			
At 1 April 2020, 31 March 2021 and 31 March 2022	4,291	3,175	7,466
<b>AMORTISATION</b>			
At 1 April 2020	1,582	1,169	2,751
Charge for the year	904	668	1,572
At 31 March 2021	2,486	1,837	4,323
Charge for the year	904	668	1,572
At 31 March 2022	3,390	2,505	5,895
<b>CARRYING VALUES</b>			
At 31 March 2022	901	670	1,571
At 31 March 2021	1,805	1,338	3,143

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. Such other intangible assets are amortised on a straight-line basis over the following periods:

Right to use trade names	57 months
Customer relationship	57 months

## 17. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Pharmaceutical products	492	653



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 18. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 19. AMOUNTS DUE FROM (TO) A RELATED PARTY

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

	As at 31 March 2022 HK\$'000	As at 31 March 2021 HK\$'000	Maximum balance outstanding during the year 2022 HK\$'000	2021 HK\$'000
<b>Amounts due from (to) related parties</b>				
Face Factor Limited ("Face Factor") <sup>1, 2, 3</sup>	361	274	368	368
Times Insurance Consultants Limited ("Times Insurance") <sup>2</sup>	(739)	–	–	–
	<b>(378)</b>	274		

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. The balance is of trade nature. HK\$361,000 (2021: HK\$274,000) is aged within 30 days and HK\$Nil (2021: HK\$Nil) 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% (2021: 0.01%) per annum.

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

## 21. ACCOUNTS AND OTHER PAYABLES AND CONTRACT LIABILITIES

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 21. ACCOUNTS AND OTHER PAYABLES AND CONTRACT LIABILITIES (Continued)

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

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

	2022 HK\$'000	2021 HK\$'000
<b>Contract liabilities</b>		
Medical services	880	940
Medical solutions	1,603	1,393
Dental solutions	3,383	2,133
Dental services	1,582	1,903
	<b>7,448</b>	<b>6,369</b>

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

During the year ended 31 March 2022, HK\$5,197,000 (2021: HK\$8,502,000) has been recognised as revenue in the current year relating to contract liabilities at the beginning of the year, and management believed that the remaining will be recognised as revenue approximately within two years from 31 March 2022.

## 22. LEASE LIABILITIES

Lease liabilities payables	2022 HK\$'000	2021 HK\$'000
Within one year	7,590	8,834
Within a period for more than one year but not more than two years	3,893	3,653
Within a period for more than two years but not more than five years	1,364	1,761
	<b>12,847</b>	<b>14,248</b>
Less: Amount due for settlement with 12 months shown under current liabilities	(7,590)	(8,834)
	<b>5,257</b>	<b>5,414</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 23. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Intangible assets HK\$'000	Total HK\$'000
At 1 April 2020	(75)	1,155	(778)	302
Credit to profit or loss	52	–	259	311
At 31 March 2021	(23)	1,155	(519)	613
Credit to profit or loss	155	–	259	414
At 31 March 2022	132	1,155	(260)	1,027

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

	2022 HK\$'000	2021 HK\$'000
Deferred tax assets	1,364	1,293
Deferred tax liabilities	(337)	(680)
	<b>1,027</b>	613

At the end of the reporting period, the Group has unused tax losses of HK\$49,741,000 (2021: HK\$46,002,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$7,001,000 (2021: HK\$7,001,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$42,740,000 (2021: HK\$39,001,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK\$13,845,000 (2021: HK\$13,021,000) that can be carried forward for one to five years for the year ended 31 March 2022. Other unrecognised tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK\$1,346,000 (2021: HK\$558,000). 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 24. PROVISION FOR REINSTATEMENT COSTS

	2022 HK\$'000	2021 HK\$'000
Analysed for reporting purpose as:		
Non-current liabilities	453	734
Current liabilities	438	205
	<b>891</b>	939

	Provision for reinstatement costs HK\$'000
At 1 April 2020	846
Additions	188
Utilisation	(95)
At 31 March 2021	939
Additions	51
Utilisation	(99)
At 31 March 2022	891

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 2022

## 25. SHARE CAPITAL

	Number of shares	Share capital HK\$
<b>Authorised:</b>		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	5,000,000,000	50,000,000
<b>Issued and fully paid:</b>		
At 1 April 2020, 31 March 2021 and 31 March 2022	1,040,000,000	10,400,000

## 26. OPERATING LEASING ARRANGEMENTS

### The Group as lessor

Property rental income earned during the year was HK\$360,000 (2021: HK\$1,078,000). 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:

	2022 HK\$'000	2021 HK\$'000
Minimum lease payments under operating leases:		
Within one year	420	878
In the second to fifth year inclusive	–	1,047
	420	1,925

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 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	2022 HK\$'000	2021 HK\$'000
Face Factor	Related company	Rental income	360	833
I-Teeth	Related company	Dental professional services expense	12,526	13,267
I-Teeth	Related company	Rental expense	96	96
Times Insurance	Related company	Commission expense	309	–
Dr. Chiu Chong Po Kenny ("Dr. Chiu") <sup>1</sup>	Related party	Rental expense	504	503
Karvin Investment	Related company	Rental expense	300	300

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:

	2022 HK\$'000	2021 HK\$'000
Short-term benefits	7,353	8,281
Post-employments benefits	72	90
	<b>7,425</b>	<b>8,371</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\$1,468,000 (2021: HK\$1,200,000) recognised in profit or loss represent contributions paid or payable to the above schemes by the Group for the year ended 31 March 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 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

	2022 HK\$'000	2021 HK\$'000
<b>Financial assets</b>		
Financial assets at amortised cost	<b>25,133</b>	25,674
<b>Financial liabilities</b>		
Amortised cost	<b>8,972</b>	6,679
Lease liabilities	<b>12,847</b>	14,248

### Financial risk management objectives and policies

The Group's major financial instruments include accounts and other receivables, rental and utility deposits, amounts due from related parties, bank balances, 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 2022

## 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.

##### **Accounts receivables**

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

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.

##### **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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 30. FINANCIAL INSTRUMENTS *(Continued)*

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

#### 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.

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	Accounts 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 2022

## 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:

	Notes	Internal credit rating	12m or lifetime ECL	2022 Gross carrying amount HK'000	2021 Gross carrying amount HK'000
<b>Financial assets at amortised cost</b>					
Accounts receivables	18	Note (i)	Lifetime ECL	<b>4,945</b>	3,684
Deposits and other receivables	18	Note (ii)	12m ECL	<b>4,340</b>	1,064
Amounts due from related parties	19	Note (ii)	Lifetime ECL	<b>361</b>	274
Bank balances	20	N/A Note (iii)	12m ECL	<b>15,567</b>	20,619

Notes:

- (i) For accounts receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL.
- (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.

The following table shows the movement in lifetime ECL that has been recognised for accounts receivables under the simplified approach.

	Life time ECL — not credit impaired HK\$'000
As at 1 April 2021	—
— New financial assets originated	113
As at 31 March 2022	113

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 30. FINANCIAL INSTRUMENTS *(Continued)*

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

#### 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 average interest rate %	On demand or less than 3 months HK\$'000	Over 3 months but not more than 1 year HK\$'000	Over 1 year but not more than 2 years HK\$'000	Over 2 years but not more than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
<b>At 31 March 2022</b>							
Accounts and other payables	-	8,972	-	-	-	8,972	8,972
Lease liabilities	4.70	2,373	6,422	4,316	1,397	14,508	12,847
<b>At 31 March 2021</b>							
Accounts and other payables	-	6,649	30	-	-	6,679	6,679
Lease liabilities	5.15	2,978	6,312	3,818	1,800	14,908	14,248

#### Fair value measurements of financial instruments

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

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 31. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2022 and 2021 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
			2022	2021	
Medinet BVI	BVI 12 August 2015	US\$1,000 ordinary shares	100%	100%	Investment holding
Well Being Dental Services Limited	Hong Kong 22 December 1994	HK\$10,000,000 ordinary shares	100%	100%	Provision of dental solutions and dental services
Medinet Services Limited	Hong Kong 29 March 1994	HK\$10,000,000 ordinary shares	100%	100%	Provision of medical solutions services
Medinet Health Centre Limited	Hong Kong 9 December 1998	HK\$500,000 ordinary shares	100%	100%	Provision of medical consultation service
Men's Health Solutions Limited	Hong Kong 20 October 2003	HK\$10,000 ordinary shares	100%	100%	Provision of medical consultation service
Medinet Genetics Limited	Hong Kong 12 December 2017	HK\$2,000,000 ordinary shares	100%	100%	Provision of laboratory services
Medinet Privilege Limited	Hong Kong 22 August 2016	HK\$10,000 ordinary shares	100%	100%	Provision of online service to sell dental and medical consultation services
Master Clever Limited	Hong Kong 30 June 2016	HK\$1 ordinary shares	100%	100%	Provision of dental services
Shenzhen Medinet Dental Clinic Limited* 深圳醫匯卓越時代口腔門診部	PRC 23 August 2017	RMB3,000,000 registered capital	100%	100%	Provision of dental solutions and dental services
Medinet Medical Services (Shenzhen) Limited* 醫匯醫療服務(深圳)有限公司	PRC 23 February 2017	HK\$1,000,000 registered capital	100%	100%	Provision of medical consultation service
Great Smile Limited	Hong Kong 11 August 2021	HK\$300,000 ordinary shares	70%	–	Provision of invisible orthodontic braces

\* English translation for identification purpose only.

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 2022

## 32. 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.

	Amount due to related parties HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
As at 1 April 2020	130	11,846	11,976
Financing cash flows	(130)	(11,568)	(11,698)
Finance costs	–	829	829
New leases entered or modified	–	13,520	13,520
COVID-19-related rent concession (Note 6)	–	(602)	(602)
Exchange realignment	–	223	223
At 31 March 2021	–	14,248	14,248
Financing cash flows	–	(11,557)	(11,557)
Finance costs	–	650	650
New leases entered	–	10,183	10,183
COVID-19-related rent concession (Note 6)	–	(758)	(758)
Exchange realignment	–	81	81
At 31 March 2022	–	12,847	12,847

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

## 33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK\$'000	2021 HK\$'000
Non-current assets		
Investment in a subsidiary	20,481	21,099
Amount due from a subsidiary	4,548	8,102
	<b>25,029</b>	29,201
Current assets		
Amounts due from subsidiaries	6,211	4,454
Other receivables and prepayments	193	185
Bank balances	412	1,368
	<b>6,816</b>	6,007
Current liabilities		
Accruals and other payables	20	6
Amounts due to subsidiaries	18,014	21,646
	<b>18,034</b>	21,652
Net current liabilities	<b>(11,218)</b>	(15,645)
Net assets	<b>13,811</b>	13,556
Capital and reserves		
Share capital	10,400	10,400
Reserves	3,411	3,156
Total equity	<b>13,811</b>	13,556

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

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

Movement in the Company's reserves:

	Share premium HK\$'000 (Note i)	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2020	125,065	796	(123,994)	1,867
Profit and total comprehensive expense for the year	–	–	1,290	1,290
At 31 March 2021	125,065	796	(122,704)	3,157
Profit and total comprehensive income for the year	–	–	254	254
At 31 March 2022	125,065	796	(122,450)	3,411

Note:

- (i) As at 31 March 2016, share premium of the Company represents the difference between the nominal value of the shares allotted and issued by the Company for acquisition of Medinet (BVI) and the carrying amount of Medinet (BVI) on 11 November 2015.

## 34. LITIGATION

In July 2021, a patient ("the plaintiff") sued Shenzhen MediNet Dental Clinic Limited ("Shenzhen MediNet") for negligence, as the plaintiff fell down in the clinic. Shenzhen MediNet tried to negotiate a settlement but failed to reach an unanimous consent between both parties. Currently, Shenzhen MediNet is waiting for the 2nd court session. Based on and after consideration of the legal advice obtained and the possible business and financial impacts, the directors are of the view that there is no present obligation to make any provision for the case at this stage. Furthermore, no contingent liabilities can be determined at the moment.



# FINANCIAL SUMMARY

For the five years ended 31 March 2018, 2019, 2020, 2021 and 2022

## RESULTS

	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Revenue	97,830	140,834	144,944	129,481	<b>121,068</b>
(Loss) profit before taxation	(13,178)	(12,311)	(14,148)	4,746	<b>(6,735)</b>
Income tax credit (expense)	474	(1,126)	(794)	9	<b>358</b>
(Loss) profit for the year	(12,704)	(13,437)	(14,942)	4,755	<b>(6,377)</b>

## ASSETS AND LIABILITIES

	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Total assets	90,942	86,119	72,444	75,888	<b>68,460</b>
Total liabilities	(23,771)	(32,867)	(34,203)	(32,840)	<b>(31,822)</b>
Net assets	67,171	53,252	38,241	43,048	<b>36,638</b>
Equity attributable to owners of the Company	67,171	53,252	38,241	43,048	<b>36,799</b>
Non-controlling interests	–	–	–	–	<b>(161)</b>
	67,171	53,252	38,241	43,048	<b>36,638</b>



**MediNet**

**Group Ltd**

醫匯集團有限公司