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MediNet Group Limited

醫匯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8161)

UPDATE ON PERFORMANCE OF PROFIT GUARANTEE IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE IN AND SHAREHOLDER'S LOANS DUE BY MASTER CLEVER LIMITED

This announcement is made by MediNet Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) pursuant to Rule 14.36B of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”).

Reference is made to the announcement of the Company dated 5 July 2018 and the circular of the Company dated 31 January 2019 (the “**Circular**”) in relation to the Acquisition. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Circular.

Pursuant to the Business Transfer Agreement, each of I-Teeth and Dr. Chiu jointly and severally guarantees to the Target Company the Guaranteed Net Profit (the “**Profit Guarantee**”), representing the Adjusted Net Profit of the Target Company of not less than HK\$7 million for each of the three financial years ending 31 December 2020. In the event that the Adjusted Net Profit for a financial year is less than the Guaranteed Net Profit, I-Teeth and Dr. Chiu shall pay the Shortfall, representing the difference between the Adjusted Net Profit of that financial year and the Guaranteed Net Profit to the Target Company in cash within 10 Business Days after the audited financial statements for the Target Company of that financial year are made available to I-Teeth and Dr. Chiu. For the purpose of calculating the Shortfall, the Excess Amount, being the amount of the Adjusted Net Profit in excess of the Guaranteed Net Profit for a financial year, shall be carried forward to the subsequent financial year as if it were part of the Adjusted Net Profit for such subsequent financial year and the Excess Amount shall not have any retrospective effect.

As disclosed in the Circular, the Adjusted Net Profit shall be determined by adding the net profit (loss) before tax of the Target Company for the financial year as shown in the audited financial statements for the Target Company with the Add-Back Items and subtracting the Excluded Items.

Whereas Add-Back Items shall mean the aggregate of the following items incurred and recorded in the financial statements of the Target Company (to the extent the same had been taken into account in the calculation of the net profit (loss) of the Target Company) for that financial year:

- (a) the costs and expenses incurred by the Target Company in the negotiation, preparation, execution and completion of the Business Transfer Agreement and/or the transactions contemplated thereunder and any financing costs for the payment of the consideration by the Target Company thereunder;
- (b) any administrative, management or other costs and expenses payable to or charged by any Affiliates of the Target Company (including any fee or remuneration payable to the directors of the Target Company (other than Dr. Chiu);
- (c) the part of the costs incurred for accounting staff from time to time engaged by the Target Company together with the audit fee payable to the auditors of the Target Company which is in excess of HK\$200,000;
- (d) any provisions, write-offs, impairments, depreciation or similar items (or the reversal thereof) arising from (i) the Business Transfer Agreement and/or the transactions contemplated thereunder and/or the Guaranteed Net Profit not being met; and (ii) assets of the Target Company in relation to the Business purchased before Completion;
- (e) the amount of the Adjusted Net Profit in the immediately preceding financial year in excess of the Guaranteed Net Profit; and
- (f) any non-recurring or exceptional expenses incurred or committed (whether or not in relation to the Business) without the prior written consent of I-Teeth or Dr. Chiu.

Further, the administrative, management or other costs and expenses payable to or charged by any Affiliates of the Target Company would be added back. Based on the Group's existing policy, the Company will provide or third parties providers which are engaged by the Company will provide certain services including but not limited to administrative services, legal advice and financial and compliance advice to the Target Company and other subsidiaries of the Company from time to time. The total cost of providing such service fees will be allocated to the subsidiaries of the Company based on their revenue. The Excluded Items shall mean (to the extent the same has been taken into account in the calculation of the net profit (loss) of the Target Company) the Shortfall and any interest accrued thereon payable or paid to the Target Company.

For further details of the Profit Guarantee and the calculation of the Adjusted Net Profit, please refer to the section headed "Profit guarantee under the Business Transfer Agreement" of the Circular.

Set out below is the performance of the Profit Guarantee during the three financial years ended 31 December 2020:

	Financial year ended 31 December		
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Adjusted Net Profit	5,634	8,430	6,920
Add: Excess Amount carried forward	–	–	1,430
Less: Guaranteed Net Profit	<u>(7,000)</u>	<u>(7,000)</u>	<u>(7,000)</u>
Shortfall	(1,366)	–	–
Add: Compensation by I-Teeth	<u>1,366</u> ^{Note}	<u>–</u>	<u>–</u>
Excess Amount	–	1,430	1,350

Note: The Shortfall for the financial year ended 31 December 2018 of approximately HK\$1,366,000 was settled in full by way of (i) set-off against the amount due from the Target Company to I-Teeth in the amount of approximately HK\$1,061,000; and (ii) cash payment on 28 June 2019 in the amount of approximately HK\$305,000.

As illustrated above, the Guaranteed Net Profit has been achieved in each of the financial year ended 31 December 2019 and 2020. Despite the Shortfall for the financial year ended 31 December 2018, full settlement of the Shortfall has been made by I-Teeth, and hence, the Directors are of the view that I-Teeth and Dr. Chiu have fulfilled their obligations under the Profit Guarantee.

REMEDIAL ACTIONS

The Company acknowledges that the disclosure and announcement requirements in respect of the performance of the Profit Guarantee as required under Rule 14.36B of the Listing Rules have been inadvertently delayed. The failure to make timely disclosure was due to the misapprehension of the of the Listing Rules by the Company which was under the impression that the actual performance of I-Teeth, namely the settlement of the Shortfall, have met the Profit Guarantee, and would not require the Company to make further disclosures under Rule 14.36B of the Listing Rules, thus, leading to the delay in announcement.

The Company emphasises that such delay is a one-off event and that the Company had no intention to withhold information from the Shareholders. The Company also takes the above non-compliance of the Listing Rules seriously and has undertaken and/or implemented the following remedial actions:

- (i) the Board has engaged external advisers to seek advice on the implications under the Listing Rules in relation to the delay in disclosure and to assist in the preparation of this announcement to keep all Shareholders informed;

- (ii) the Company has requested the Directors and senior management to avoid delay in disclosure should transactions or matters of similar nature arises in the future; and
- (iii) the Company will work closely with its external advisers and seek their advices as and when appropriate in relation to potential transactions or matters of similar nature in the future.

The Board is of the view that the implementation of the aforesaid will effectively prevent the reoccurrence of similar non-compliance events, the Board will also review and enhance its internal control policies as and when appropriate to ensure strict compliance with the Listing Rules.

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

Hong Kong, 16 November 2023

As at the date of this announcement, the executive Directors are Mr. Chan Chi Wai Nelson and Ms. Jiang Jie; and the independent non-executive Directors are Mr. Leung Po Hon, Mr. Wong Wai Leung and Mr. Kwok Sze Chi.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk for at least 7 days from the date of its publication. This announcement will also be published on the Company's website at www.MediNetGroup.com.