MediNet Group Limited
醫匯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8161)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

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

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk, and in the case of the announcement, on the "Latest Company Announcements" page for at least 7 days from the day of its posting. This announcement will also be published on the Company's website at www.MediNetGroup.com.

FINANCIAL HIGHLIGHTS

For the year ended 31 March 2017

- The revenue of the Company and its subsidiaries (collectively the "**Group**") amounted to approximately HK$99.2 million for the year ended 31 March 2017 representing an increase of approximately HK$6.6 million or 7.2% as compared with the year ended 31 March 2016.

- The loss of the Group is approximately HK$4.5 million for the year ended 31 March 2017, representing an increase in net loss of approximately HK$2.2 million or 99.6% from net loss of approximately HK$2.3 for the year ended 31 March 2016.

- The Board does not recommend the payment of any dividend for the year ended 31 March 2017.

ANNUAL RESULTS

The board of Directors (the "**Board**") of the Company hereby announces the audited consolidated results of the Group for the financial year ended 31 March 2017 ("**FY2016/17**") together with the comparative figures for the financial year ended 31 March 2016 ("**FY2015/16**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	NOTES	**2017** *HK$'000*	2016 *HK$'000*
Revenue	*4*	**99,206**	92,576
Other income		**981**	2,262
Other gains and losses		**114**	(1,301)
Medical and dental professional services expenses		**(50,125)**	(44,803)
Staff costs		**(25,064)**	(19,496)
Depreciation of property, plant and equipment		**(1,454)**	(2,224)
Cost of medical and dental supplies		**(4,036)**	(2,900)
Rental expenses		**(6,787)**	(4,395)
Other expenses		**(12,283)**	(8,684)
Finance costs		**–**	(534)
Listing expenses		**(4,190)**	(10,443)
(Loss) profit before taxation		**(3,638)**	58
Income tax expense	*5*	**(865)**	(2,314)
Loss for the year		**(4,503)**	(2,256)
Other comprehensive income for the year			
Item that will not be subsequently reclassified to profit or loss:			
Surplus on revaluation of a land and building		**–**	1,652
Total comprehensive expense for the year		**(4,503)**	(604)
Loss for the year attributable to:			
Owners of the Company		**(4,261)**	(2,256)
Non-controlling interest		**(242)**	–
		(4,503)	(2,256)
Total comprehensive expense attributable to:			
Owners of the Company		**(4,261)**	(604)
Non-controlling interest		**(242)**	–
		(4,503)	(604)
Loss per share — Basic (Hong Kong cents)	*7*	**(0.43)**	(0.29)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2017

	NOTES	**2017** **HK$'000**	2016 *HK$'000*
Non-current assets			
Property, plant and equipment		**4,635**	1,896
Loan receivables		**13,000**	–
Rental deposits	*8*	**2,295**	652
Other receivables	*8*	**2,312**	–
Deferred tax assets		**180**	83
		22,422	2,631
Current assets			
Inventories		**465**	504
Held-for-trading investments		**–**	3,413
Accounts and other receivables	*8*	**11,432**	18,133
Amount due from a director		**142**	660
Amounts due from related parties		**–**	352
Amount due from a non-controlling interest		**5**	–
Tax recoverable		**1,394**	–
Short-term bank deposits		**35,000**	–
Bank balances and cash		**30,002**	22,054
		78,440	45,116
Current liabilities			
Accounts and other payables	*9*	**21,735**	24,550
Taxation payable		**–**	602
		21,735	25,152
Net current assets		**56,705**	19,964
Total assets less current liabilities		**79,127**	22,595
Non-current liability			
Deferred tax liabilities		**26**	1
		26	1
Net assets		**79,101**	22,594
Capital and reserves			
Share capital		**10,400**	– +
Reserves		**68,938**	22,594
Equity attributable to owners of the Company		**79,338**	22,594
Non-controlling interest		**(237)**	–
Total equity		**79,101**	22,594

+ Less than HK$1,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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 Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 31 May 2016. The addresses of the registered office and principal place of business of the Company are disclosed in the corporation information section of the annual report. The Company's immediate and ultimate holding company is Medinet International Limited, a company incorporated in the British Virgin Islands ("BVI") which is controlled by the Controlling Shareholder.

The Company acts as an investment holding company.

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

2. REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Historically, all the entities comprising the Group were controlled by Mr. Chan and held by him directly or indirectly. In preparation for the listing of the Company's shares on the Stock Exchange, the entities now comprising the Group underwent a group reorganisation (the "Reorganisation") to enable the Company to become the holding company of the Group which involves the principle steps of the Reorganisation.

After the Reorganisation, the Company became the holding company of the companies now comprising the Group on 11 November 2015. The Company and its subsidiaries have been under the common control of Mr. Chan throughout the year ended 31 March 2016 or since their respective date of incorporation, where there is a shorter period. The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of the Group.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows which include the results, changes in equity and cash flows of the companies now comprising the Group for the year ended 31 March 2016 have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the year ended 31 March 2016, or since the respective date of incorporation of the relevant entity where this is a shorter period.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

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

New and amendments to HKFRSs issued 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 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedger accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Group:

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2017, the application of HKFRS 9 in the future may have an impact on the measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit loss which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$24,523,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

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

4. REVENUE AND SEGMENT INFORMATION

Information reported to the management 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; and (ii) medical solutions and medical services 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 solutions and dental services	Provision of dental solutions and dental services by dental clinics owned and operated by the Group
(ii) Medical solutions and medical services	Provision of medical solutions and operation of medical centres offering outpatient general services and men's health treatments through (a) medical centres owned and operated by the Group, or (b) medical centres and auxiliary services providers not owned nor operated by the Group but agreed to provide various medical services to the contract customers of the Group

These operating segments also represent the Group's reportable segments. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

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

Year ended 31 March 2017

	Dental solutions and dental services *HK$'000*	Medical solutions and medical services *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
SEGMENT REVENUE					
External revenue	**24,299**	**74,907**	**99,206**	**–**	**99,206**
Inter-segment revenue	**810**	**–**	**810**	**(810)**	**–**
Segment revenue	**25,109**	**74,907**	**100,016**	**(810)**	**99,206**
Segment profit	**1,089**	**6,933**	**8,022**		**8,022**
Unallocated expenses					**(8,271)**
Unallocated income					**827**
Unallocated loss					**(26)**
Listing expenses					**(4,190)**
Loss before taxation					**(3,638)**
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Depreciation	**392**	**1,062**	**1,454**		**1,454**
Gain on disposal of property, plant and equipment	**–**	**140**	**140**		**140**

Year ended 31 March 2016

	Dental solutions and dental services *HK$'000*	Medical solutions and medical services *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Total *HK$'000*
SEGMENT REVENUE					
External revenue	23,951	68,625	92,576	–	92,576
Inter-segment revenue	581	–	581	(581)	–
Segment revenue	24,532	68,625	93,157	(581)	92,576
Segment profit	2,640	9,900	12,540		12,540
Unallocated expenses					(2,318)
Unallocated income					2,114
Unallocated losses					(1,301)
Finance costs					(534)
Listing expenses					(10,443)
Profit before taxation					58
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Depreciation	502	839	1,341		1,341

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of unallocated expenses, income and losses mainly including certain depreciation, general office expenses, listing expenses, other service income, dividend income, interest income, other gains and losses, finance costs and income tax expense. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Inter-segment sales are priced with reference to prices charged to external parties for similar services.

Segment assets and liabilities

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM of the Group.

The following is an analysis of the Group's revenue by type of services:

Revenue from type of services

	2017	2016
	HK$'000	*HK$'000*
Provision of healthcare solutions to contract customers, which mainly comprise of corporations and insurance companies:		
Medical solutions		
— Insurance companies	**34,858**	34,247
— Corporations	**22,463**	19,148
	57,321	53,395
Dental solutions	**6,936**	7,839
Provision of healthcare services to self-paid patients, which refer to individual patients who visit the medical centres or dental clinics run by the Group and pay out of their own expenses:		
Medical services	**17,586**	15,230
Dental services	**17,363**	16,112
	99,206	92,576

Geographical information

The Group's operations are located in Hong Kong. All of the Group's revenue from external customers based on the location of the Group's operations is from Hong Kong.

As the Group's operation and markets are located in Hong Kong, the non-current assets are mainly situated in Hong Kong, except for certain non-current assets situated in the People's Republic of China ("PRC") for the preparation of the Group's future operations in the PRC.

5. INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current tax	**926**	2,230
Underprovision (overprovision) in prior year	**11**	(11)
	937	2,219
Deferred tax	**(72)**	95
	865	2,314

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

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%.

6. DIVIDENDS

During the year, a final dividend of HK0.12 cents (2016: nil) per share amounting to approximately HK$1,248,000 (2016: nil) was paid to the shareholders in respect of the year ended 31 March 2016 (2016: in respect of 31 March 2015).

The directors of the Company do not recommend the payment of any final dividend for the year ended 31 March 2017.

On 2 October 2015, the Hong Kong Subsidiaries declared an interim dividend in an aggregate amount of HK$51,000,000 to their then shareholder.

7. LOSS PER SHARE

	2017	2016
	HK$'000	*HK$'000*
Loss for the purpose of calculating basic loss per share for the year	**(4,261)**	(2,256)
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**996,548**	780,000

The weighted average number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the Reorganisation and the Capitalisation Issue had been effective on 1 April 2015.

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

8. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	2017	2016
	HK$'000	*HK$'000*
Accounts receivables	**7,791**	9,598
Other receivables		
— Other receivables	**4,990**	4,199
— Prepayments	**947**	3,465
— Rental and utility deposits	**2,311**	1,523
Total accounts and other receivables	**16,039**	18,785
Less: Receivables within twelve months shown under current assets	**(11,432)**	(18,133)
Rental deposits and other receivables shown under non-current assets	**4,607**	652
Presented in the consolidated statement of financial position:		
— Rental deposits	**2,295**	652
— Other receivables	**2,312**	–
	4,607	652

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 or banks within 60 to 90 days from the invoice dates.

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

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**3,759**	4,092
31 to 60 days	**3,024**	3,615
61 to 90 days	**892**	1,046
91 to 180 days	**116**	845
	7,791	9,598

9. ACCOUNTS AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Accounts payables	**6,676**	9,032
Other payables	**769**	925
Receipt in advance	**11,024**	9,534
Accrued expenses	**3,266**	5,059
	21,735	24,550

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

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

	2017	2016
	HK$'000	*HK$'000*
Within 30 days	**3,452**	3,479
31 to 60 days	**3,069**	2,889
61 to 90 days	**127**	2,485
91 to 180 days	**28**	179
	6,676	9,032

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

MediNet is one of the corporate healthcare solutions providers in Hong Kong for more than 20 years, we are principally engaged in the provision of corporate medical and dental solutions to our contract customers. Our MediNet Network comprises of more than 400 points of services across Hong Kong, including our MediNet Centres and Dental Clinics, as well as the affiliated clinics and affiliated auxiliary services providers at which a range of medical and dental services are provided by our doctors, dentists, dental hygienists, affiliated services providers and other medical and dental professionals. Besides, we operate our two MediNet Centres and five Dental Clinics offering services to both plan members and self- paid patients.

The Group was successfully listed on GEM on 31 May 2016, the listing (the "Listing") of the shares of the Company on GEM provided additional capital to the Group to implement its corporate plan of expanding Medical Centre and Dental Clinic, for example. As a result, we relocated our MediNet Centre at Central to the new premises and set up two more surgery rooms for our dental clinics in Central and Kwun Tong during FY2016/17. The Listing also strengthened the financial position and enhanced the competitiveness of the Group.

For FY2016/17, the Group achieved an increase in turnover of approximately HK$6.6 million or 7.2% to approximately HK$99.2 million compared with FY2015/16. Such growth was mainly attributable to (i) established long-term business relationships with our existing contract customers, as well as revenue generated from new contract customers; and (ii) the consistent demand for healthcare services in Hong Kong during the year.

We recorded a net loss of approximately HK$4.5 million for FY2016/17, including the non-recurring Listing expenses of approximately HK$4.2 million, representing an increase in net loss of approximately HK$2.2 million or 99.6% from net loss of approximately HK$2.3 million in FY2015/16. Such increase in net loss was primarily due to increase in staff cost, additional legal and professional fee and start-up cost in relation to the exploration of business opportunities in the PRC. During FY2016/17, there was an increase of staff head count mainly due to the set-up of our new sales and marketing team and customer services team so as to enhance our customer services and to provide the quality healthcare services, as well as to establish an additional channel for understanding our customers' need. In addition, the Group is currently setting up a new online e-commerce business in relation to the sale of healthcare-related products and services, which is expect to be launched during the third quarter of 2017.

Going forward, while the Group will continue to leverage on its competitive advantages and competencies to foster its core business of medical and dental solutions and services in Hong Kong, the Group is also tapping into the market of the provision of medical and dental services in the PRC. In light of the announced plan of the PRC government to systematically improve the PRC healthcare system, the PRC government has encouraged greater private sector participation to provide a more diverse scope of healthcare services to the growing middle-class population thereby reducing overcrowding in public facilities, so the Group has established a representative office in Shenzhen to explore these business opportunities.

Moreover, the Group has (i) rented a clinic in Jiangmen with gross floor area of over 16,000 sq.ft. for the new integrated medical centre and plans to provide general practice services, specialist practice services, dental services, aesthetics services and etc; and (ii) rented a dental clinic in Shenzhen with gross floor area of over 3,000 sq.ft..

With reference to the Company's announcement dated 21 June 2017, the Group has obtained the relevant approval 設置醫療機構批准書 (transliterated as the approval for establishment of medical institution) (the "**Approval**") from the Department of Health of Guangdong Province in mid-May 2017 for the establishment of the dental clinic in Shenzhen, which is expected to commence operations in late 2017. In late June 2017, the Group also obtained the Approval for the establishment of the clinic in Jiangmen, which is also expected to commence operations in around late 2017. The Group believes that the middle-class population has strong purchasing power and health consciousness would be our target customers, so we will provide high-end dental and medical services to this type of target customers and we will replicate the Group's business model in Jiangmen and Shenzhen.

With our experienced management team and reputation in the market, the Directors believe that our Group is well-positioned to remain competitive despite any future challenges that are commonly faced by all market players. As mentioned above, the Group will not only continue to pursue the strategies to further strengthen our position as an established service provider in the medical and dental industry in Hong Kong and also explore more opportunities in relation to the medical and dental services in the PRC market.

FINANCIAL REVIEW

Revenue

The Group's revenue increased from approximately HK$92.6 million for FY2015/16 to approximately HK$99.2 million for FY2016/17, representing a growth of approximately 7.2%. The increase was mainly attributable to an increase in the medical solutions to Contract Customers, medical services to self-paid patients and dental services to self-paid patients. The following table sets forth a breakdown of our revenue during FY2015/16 and FY2016/17:

	FY2015/16		**FY2016/17**	
	HK$'000	*%*	***HK$'000***	***%***
Medical solutions to Contract Customers	53,395	57.7	**57,321**	**57.8**
Medical services to self-paid patients	15,230	16.5	**17,586**	**17.7**
Dental solutions to Contract Customers	7,839	8.5	**6,936**	**7.0**
Dental services to self-paid patients	16,112	17.3	**17,363**	**17.5**
	92,576	100.0	**99,206**	**100.0**

Except for dental solutions to Contract Customers, all the revenue generated for FY2016/17 including the provision of medical services to Contract Customers, medical services and dental services to self-paid patients increased approximately 7.4%, 15.5% and 7.8% respectively when compared with FY2015/16. Dental solutions to Contract Customers decreased by approximately 11.5% from approximately HK$7.8 million for FY2015/16 to approximately HK$6.9 million for FY2016/17 due to a decreased number of Contract Customers from 131 for FY2015/16 to 118 for FY2016/17 and individuals for dental solutions from 5,959 for FY2015/16 to 5,446 for FY2016/17.

Other income

Other income decreased by approximately 56.6% from approximately HK$2.3 million for FY2015/16 to approximately HK$981,000 for FY2016/17. This situation was attributable by a decrease in other services income from laboratory and other healthcare services provider, as well as imputed interest income and dividend income from listed equity securities in Hong Kong.

Other gains and losses

Other gains and losses turned from a loss of approximately HK$1.3 million for FY2015/16 to a gain of approximately HK$114,000 for FY2016/17, primarily due to (i) decrease in loss on fair value change of the Group's held-for-trading investment (being listed equity securities in Hong Kong; and (ii) a gain on disposal of a motor vehicle amounted to approximately HK$140,000.

Medical and dental professional services expenses

The Group's medical and dental professional services expenses increased by approximately 11.9% from approximately HK$44.8 million for FY2015/16 to approximately HK$50.1 million for FY2016/17, mainly as a result of the combined effect of the following:

(i) The aggregate amount of fees to affiliated doctors and affiliated auxiliary services providers and reimbursements to plan members of the Group's Contract Customers amounted to approximately HK$34.6 million for FY2015/16 and approximately HK$36.3 million for FY2016/17, representing an increase of approximately 4.9%. Such increase was mainly due to an increase in the amount of medical services received by plan members through our MediNet Network or reimbursed by us as a result of an increase usage by the active member of Contract Customers. The approximately 4.9% increase in the aggregate amount of fees to affiliated doctors and affiliated auxiliary services providers and reimbursements to plan members was also generally in line with the approximately 7.4% increase in the Group's revenue from the provision of medical solutions to Contract Customers during the relevant period.

(ii) Fees for engaging external dentists increased by approximately 59.1% from approximately HK$2.2 million for FY2015/16 to approximately HK$3.5 million for FY2016/17 as we experienced (i) an increase in demand from self-paid patients for certain secondary dental care services which were carried out by external dentists with relevant expertise and (ii) change in the employment arrangement between the Group and one of our dentists for FY2016/17 which resulted in the fees to the Group's dentist of approximately HK$1.1 million recognized in "Medical and dental professional services expense" instead of "Staff Cost".

(iii) Laboratory charges slightly increased by approximately 1.7% from approximately HK$6.4 million for FY2015/16 to approximately HK$6.5 million for FY2016/17, primarily due to an increase in demand from self-paid patients for certain body check up.

(iv) Fees to our doctors increased from approximately HK$1.6 million for FY2015/16 to approximately HK$3.9 million for FY2016/17 due to the change in employment arrangements between our Group and our Group's doctors pursuant to the MediNet Doctor Agreement effective from 1 November 2015, as defined in the Prospectus. Therefore fees to our Group's doctors were recognised in "Staff cost" and "Medical and dental professional services expenses" before and after such effective date respectively.

Staff cost

Staff cost increased by approximately 28.6% from approximately HK$19.5 million for FY2015/16 to approximately HK$25.1 million for FY2016/17. Due to the changes in employment arrangements between the Group and the Group's doctors and dentist as discussed above. As a result, if the Group's doctor fee of approximately HK$3.9 million and HK$1.1 million for FY2016/17 and HK$1.6 million for FY15/16 has been recognised under "Staff cost", then the staff cost will increase by approximately HK$9 million. The increase was mainly attributable by (i) an increase in staff cost paid to Directors and Company secretary; (ii) a general increase in salaries for the staff; (iii) an increase in staff for establishing a representative office in Shenzhen for exploration of business opportunities, and for establishing services centres for the provision of medical and dental clinic in the PRC and (iv) an increase in the number of staff in Hong Kong mainly due to the set-up of a new sales and marketing and customer services team in connection with the Group's expansion and enhancement of our customer services. In addition, the total number of staff increased from 68 as at 31 March 2016 to 95 as at 31 March 2017.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment decreased by approximately 34.6% from approximately HK$2.2 million for FY2015/16 to approximately HK$1.5 million for FY2016/17, primarily as a result of the decrease in the carrying amount of property, plant and equipment due to the disposal of a leasehold property which was completed on 15 October 2015, details of which have been discussed in the prospectus of the Company dated 24 May 2016 (the "**Prospectus**") under section "Business — Properties — Owned property during the Track Record Period".

Cost of medical and dental supplies

Cost of medical and dental supplies increased by approximately 39.2% from approximately HK$2.9 million for FY2015/16 to approximately HK$4.0 million for FY2016/17 due to the increase in demand from Contract Customers and self-paid patients.

Rental expenses

Rental expenses increased by approximately 54.4% from approximately HK$4.4 million for FY2015/16 to approximately HK$6.8 million for FY2016/17, mainly due to (i) an increase in rental for those existing premises for which leases were renewed; (ii) new tenancy agreement entered for MediNet Centre in Central during the relevant period; and (iii) rental expenses from representative office and dental clinic in Shenzhen.

Other expenses

Other expenses increased by 41.4% from approximately HK$8.7million for FY2015/16 to approximately HK$12.3 million for FY2016/17, primarily due to additional legal and professional fees incurred to ensure ongoing compliance with relevant rules and regulation after Listing and other general administrative expenses.

Finance costs

Finance costs decreased from approximately HK$0.5 million for FY2015/16 to nil for FY2016/17 as the result of the full repayment of the mortgage loan and finance lease obligation in November 2015 and June 2015 respectively.

Listing expenses

The Group recognised non-recurring Listing expenses of approximately HK$10.4 million and HK$4.2 million for FY2015/16 and FY2016/17 respectively as expenses in connection with the Listing.

Income tax expenses

Income tax expenses for the Group decreased from approximately HK$2.3 million for FY2015/16 to approximately HK$0.9 million for FY2016/17. The decrease was mainly due to decrease in tax assessable income.

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

Due to the combined effect of the factors mentioned above including in particular the recognition of significant non-recurring Listing expenses of approximately HK$4.2 million for FY2016/17, we recorded a total comprehensive expense attributable to the owners of the Company for the year of approximately HK$4.3 million, which increased by approximately HK$3.7 million as compared with total comprehensive expense for the year of approximately HK$0.6 million in FY2015/16.

Such increase in total comprehensive expenses attributable to the owners of the Company was primary attributable to the combined effects of (i) the increase in revenue of approximately HK$6.6 million for the FY2016/17 but offset by (ii) the increase in staff costs and other operation expenses to support the Group's business development in Hong Kong such as set-up of a new sales and marketing and customer services team in connection with the Group's expansion and to enhance our customer services; (iii) additional cost incurred for the exploration of business opportunities in the PRC through our representative office in Shenzhen, applied for licences to establish an integrated medical centre in Jiangmen and dental clinic in Shenzhen and as well as to explore other business opportunities for tapping into the medical and dental service market in PRC; and (iv) additional legal and professional fees incurred to ensure ongoing compliance with relevant rules and regulation after Listing.

Liquidity and financial resources

As at 31 March 2017, the Group had total assets of approximately HK$100.9 million (2016: approximately HK$47.7 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$21.8 million (2016: approximately HK$25.2 million) and approximately HK$79.1 million (2016: approximately HK$22.6 million), respectively.

The current ratio as at 31 March 2017 was approximately 3.6 times (2016: approximately 1.8 times).

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout FY2016/17. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group can meet its funding requirements from time to time.

Foreign exchange exposure

All of the revenue-generating operations and borrowings of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. For FY2016/17, there was no significant exposure to foreign exchange rate fluctuations and the Group had not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

Capital structure

The shares of the Company were successfully listed on the GEM Board of the Stock Exchange on 31 May 2016. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 March 2017, 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.

Commitments

The contractual commitments of the Group were primarily related to the leases of its office premises. The Group's operating lease commitments amounted to approximately HK$24.5 million as at 31 March 2017 (31 March 2016: approximately HK$6.4 million). As at 31 March 2017, the Group did not have any capital commitment.

Segment information

Segmental information is presented for the Group as disclosed in note 4 to the consolidated financial statements in this announcement.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During FY2016/17, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures saved for those related to the reorganization (as stated in the note 2 to the consolidated financial statements in this announcement).

Contingent liabilities

As at 31 March 2017, the Group did not have any material contingent liabilities (2016: Nil).

Significant investments held

On 20 July 2016, the Group entered into a placing letter with Convoy Asset Management Limited, as placing agent, in relation to the subscription of the Jun Yang Notes and First Credit Notes (as defined in the Company's announcement dated on 20 July 2016) in principal amount of HK$5 million and HK$8 million respectively, which bear an annual interest rate of 8% and 4.5% respectively and both with a term of 2 years, details of which have been discussed in the Company's announcement dated on 20 July 2016.

Save as disclosed above, the Group did not have other significant investments held, future plans for material investment and capital assets as at 31 March 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group had a total of 95 employees, the table below is a breakdown of the number of our employees by functions as at 31 March 2016 and 31 March 2017:

	As at 31 March	
	2016	**2017**
Directors and senior management	6	**9**
Dental Clinics operation:		
— Dentists	10	**10**
— Dental Hygienists	3	**5**
— Dental Nurse	14	**16**
— Other supporting staff	12	**16**
MediNet Centres operation:		
— Nurses	7	**8**
— Other supporting staff	3	**3**
Other supporting staff *(Note 1)*	15	**24**
PRC operation:		
— Nurse	–	**1**
— Other supporting staff	–	**4**
Total *(Note 2)*	68	**95**

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

Note 2: The number of employees in each category does not add up to the total number because 1 (2016: 2) of our employees, who were senior management and our Dentists, were included in both categories "Director and senior management" and "Dentists".

The Group remunerates its employees based on their qualification, position, experience, performance and seniority. In addition to salaries, our Dentists 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 provided. Their remuneration package are normally renewed on 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 according to the relevant Director's 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.

Use of proceeds and future plans

The net proceeds from the Listing, after deducting Listing related expenses were approximately HK$47.36 million. The unused amount of the net proceeds from the Listing as at 31 March 2017 was approximately HK$42.96 million.

An analysis of the planned amount utilised up to 31 March 2017 is set out below:

	Planned amount utilised up to 31 March 17 *HK$ million*	**Actual utilised amount as at 31 March 17** *HK$ million*	**Unutilised amount out of the planned amount as at 31 March 17** *HK$ million*
Expand the operation of MediNet Centre and dental clinic in Central and Dental Clinic in Tsim Sha Tsui	6.30	4.16	2.14
Expand our MediNet Network	0.12	0.12	0.00
General working capital	0.12	0.12	0.00
	6.54	4.40	2.14

As disclosed in the Prospectus, one of the Group's business strategies is to purchase a property for operation of Dental Clinic in Causeway Bay during the financial year ending 31 March 2018. With reference to the Company's announcement dated 21 June 2017, due to the unavailability of suitable target premises to be purchased by the Group, the Board resolved to enter into a new rental agreement for a term of three years in relation to the lease of new premises for the relocation and expansion of the Group's existing Dental Clinic in Causeway Bay, while the Group shall postpone the portion of the net proceeds earmarked for the acquisition. The Directors shall continue to identify suitable target premises for the acquisition as and when appropriate and consider such postponement in use of net proceeds is in the interests of the Company and the Shareholders as a whole.

DIVIDEND

The Board does not recommend the payment of any dividend for the FY2016/17 (2015/16: HK$0.12).

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Friday, 11 August 2017, the notice of which shall be sent to the shareholders of the Company in accordance with the articles of association of the Company, the GEM Listing Rules and other applicable laws and regulations.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from 9 August 2017 to 11 August 2017, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 8 August 2017.

CORPORATE GOVERNANCE PRACTICE

The Board is responsible for coordinating and supervising the Company and identifying its deviations so as to achieve the success of the Company. The Board has established board committees, and delegated their respective duties in accordance terms and references to board committees. Details of the respective committee's terms of reference are available at the Company's and the Stock Exchange's websites. All Directors have carried out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Board reserves discretion to decide on all major matters relating to policy matters, strategies and budgets, internal control and risk management, discloseable transactions and connected transactions, nomination of Directors and company secretary (or joint company secretaries) and other material financial and operation matters. All Directors contributed precious business experience, 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 the Code provisions D.3.1 concerning corporate governance and has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. The Board has reviewed and discussed the corporate governance policy of the Group, and was satisfied with the performance of the corporate governance policy.

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. As the shares of the Company were not yet listed on GEM until the Listing Date, the Model Code was not applicable to the Company during the year before the Listing Date. 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 since the Listing Date and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the Listing Date and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

EVENT AFTER THE REPORTING PERIOD

Saved as disclosed elsewhere in this announcement, no significant events have taken place subsequent to 31 March 2017 and up to the date of this announcement.

APPRECIATION

The Board would like to extend its sincere thanks to the shareholders of the Company, business partners and customers of the Group for their utmost support to the Group. The Board would also like to take this opportunity to thank all management members and staff for their hard work and dedication throughout the year.

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

Hong Kong, Wednesday, 28 June 2017

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

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk, and in the case of the announcement, on the "Latest Company Announcements" page for at least 7 days from the day of its posting. This announcement will also be published on the Company's website at www.MediNetGroup.com.