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MediNet Group Limited
醫匯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8161)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given that companies listed on GEM are generally small and mid-sized, 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 2018

- The revenue of the Company and its subsidiaries (collectively the "**Group**") amounted to approximately HK$97.8 million for the year ended 31 March 2018 representing a slight decrease of approximately HK$1.4 million or 1.4% as compared with the year ended 31 March 2017.

- The loss of the Group is approximately HK$12.7 million for the year ended 31 March 2018, representing an increase in net loss of approximately HK$8.2 million from net loss of approximately HK$4.5 million for the year ended 31 March 2017.

- The Board does not recommend the payment of any dividend for the year ended 31 March 2018.

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 2018 ("**FY2017/18**") together with the comparative figures for the financial year ended 31 March 2017 ("**FY2016/17**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31 March 2018

	NOTES	**2018** **HK$'000**	2017 *HK$'000*
Revenue	3	**97,830**	99,206
Other income		**1,941**	981
Other gains and losses		**(253)**	114
Medical and dental professional services expenses		**(48,512)**	(50,125)
Staff costs		**(31,749)**	(25,064)
Depreciation of property, plant and equipment		**(1,953)**	(1,454)
Cost of medical and dental supplies		**(3,928)**	(4,036)
Rental expenses		**(10,154)**	(6,787)
Other expenses		**(16,400)**	(12,283)
Listing expenses		**–**	(4,190)
Loss before taxation		**(13,178)**	(3,638)
Income tax credit (expense)	4	**474**	(865)
Loss for the year		**(12,704)**	(4,503)
Other comprehensive income for the year			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		**537**	–
Total comprehensive expense for the year		**(12,167)**	(4,503)
Loss for the year attributable to:			
Owners of the Company		**(12,704)**	(4,261)
Non-controlling interest		**–**	(242)
		(12,704)	(4,503)
Total comprehensive expense attributable to:			
Owners of the Company		**(12,167)**	(4,261)
Non-controlling interest		**–**	(242)
		(12,167)	(4,503)
Loss per share – Basic (Hong Kong cents)	6	**(1.22)**	(0.43)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**8,281**	4,635
Loan receivables		**–**	13,000
Rental deposits	7	**3,314**	2,295
Other receivables	7	**1,457**	2,312
Deferred tax assets		**1,036**	180
		14,088	22,422
Current assets			
Inventories		**723**	465
Accounts and other receivables	7	**11,659**	11,432
Amount due from a director		**–**	142
Amounts due from related parties		**169**	–
Amount due from a non-controlling interest		**–**	5
Tax recoverable		**1,031**	1,394
Short-term bank deposits		**35,000**	35,000
Loan receivable		**5,000**	–
Bank balances and cash		**23,272**	30,002
		76,854	78,440
Current liabilities			
Accounts and other payables	8	**23,771**	21,735
Net current assets		**53,083**	56,705
Total assets less current liabilities		**67,171**	79,127
Non-current liability			
Deferred tax liabilities		**–**	26
Net assets		**67,171**	79,101
Capital and reserves			
Share capital		**10,400**	10,400
Reserves		**56,771**	68,938
Equity attributable to owners of the Company		**67,171**	79,338
Non-controlling interest		**–**	(237)
Total equity		**67,171**	79,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended 31 March 2018

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 Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 31 May 2016. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report. The Company's immediate and ultimate holding company is Medinet International Limited, 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. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 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 on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs and interpretations in issued but not yet effective

The Group has not early applied the following new and revised 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]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
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 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

[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 2021

HKFRS 9 Financial Instruments

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

The key requirement of HKFRS 9 which is relevant to the Group is 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 Financial Instruments: Recognition and Measurement. 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 assessment by the directors of the Company, if the expected credit loss model were to be applied by the Company, the accumulated amount of impairment loss to be recognised by Company as at 1 April 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on accounts receivables. Such further impairment recognised under the expected credit loss model would increase the opening accumulated losses at 1 April 2018.

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. Upon application of 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 by the Group.

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 2018, the Group has non-cancellable operating lease commitments of approximately HK$24,736,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of HK$3,314,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. REVENUE AND SEGMENT INFORMATION

Information reported to Mr. Chan, chief executive director 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 2018

	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	**23,364**	**74,466**	**97,830**	**–**	**97,830**
Inter-segment revenue	**1,164**	**–**	**1,164**	**(1,164)**	**–**
Segment revenue	**24,528**	**74,466**	**98,994**	**(1,164)**	**97,830**
Segment loss	**(5,265)**	**(304)**	**(5,569)**		**(5,569)**
Unallocated expenses					**(9,174)**
Unallocated income					**1,799**
Unallocated loss					**(234)**
Loss before taxation					**(13,178)**
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Depreciation	**1,064**	**889**	**1,953**		**1,953**
Loss on disposal of property, plant and equipment	**–**	**(4)**	**(4)**		**(4)**
Loss on written off of property, plant and equipment	**(15)**	**–**	**(15)**		**(15)**

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

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

	2018	2017
	HK$'000	*HK$'000*
Provision of healthcare solutions to contract customers, which mainly comprise of corporations and insurance companies:		
Medical solutions		
– Insurance companies	**34,134**	34,858
– Corporations	**19,979**	22,463
	54,113	57,321
Dental solutions	**6,044**	6,936
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	**20,353**	17,586
Dental services	**17,320**	17,363
	97,830	99,206

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.

4. INCOME TAX (CREDIT) EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax	**408**	926
Under provision in prior year	**–**	11
	408	937
Deferred tax	**(882)**	(72)
	(474)	865

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%.

5. DIVIDENDS

The directors of the Company do not recommend any dividend for the year ended 31 March 2018.

During the year ended 31 March 2017, a final dividend of HK$0.12 cents per share amounting to approximately HK$1,248,000 was paid to the shareholders in respect of the retained earning for the year ended 31 March 2016.

6. LOSS PER SHARE

	2018	2017
	HK$'000	*HK$'000*
Loss for the purpose of calculating basic loss per share for the year	**(12,704)**	(4,261)
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**1,040,000**	996,548

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

7. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	2018	2017
	HK$'000	*HK$'000*
Accounts receivables	**7,383**	7,791
Other receivables		
– Other receivables	**3,952**	4,990
– Prepayments	**1,747**	947
– Rental and utility deposits	**3,348**	2,311
Total accounts and other receivables	**16,430**	16,039
Less: Receivables within twelve months shown under current assets	**(11,659)**	(11,432)
Rental deposits and other receivables shown under non-current assets	**4,771**	4,607
Presented in the consolidated statement of financial position:		
– Rental deposits	**3,314**	2,295
– Other receivables	**1,457**	2,312
	4,771	4,607

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:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**3,211**	3,759
31 to 60 days	**2,998**	3,024
61 to 90 days	**951**	892
91 to 180 days	**223**	116
	7,383	7,791

8. ACCOUNTS AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Accounts payables	**8,531**	6,676
Other payables	**600**	769
Receipt in advance	**11,127**	11,024
Accrued expenses	**3,513**	3,266
	23,771	21,735

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:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**3,044**	3,452
31 to 60 days	**2,751**	3,069
61 to 90 days	**2,718**	127
91 to 180 days	**18**	28
	8,531	6,676

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

MediNet is principally engaged in the provision of corporate medical and dental solutions to corporates and insurance companies through the design and administration of tailored medical and/or dental benefits plan to provide the provision of different combinations of medical and/or dental services through the MediNet Network and/or our self-operated MediNet Centres and Dental Clinics so as to deliver the value for money and a comprehensive suite of healthcare solutions to our customer.

During FY2017/18, we recorded a significant net loss of approximately HK$12.7 million was primary attributable to (i) additional cost on the development of the business in the PRC which has not yet generated any revenue; (ii) increase in staff costs and other operating expenses to support the expansion of Group's existing medical and dental services segments and our newly established MediNet Privilege e-commerce business and DNA genetic laboratory centre in Hong Kong; (iii) increase in rental expense as the Group has relocated our dental clinic to a grade A building in Causeway Bay with higher rental costs and increase in rental for existing premises with renewed leases; and (iv) slight decrease in revenue recognised by the Group due to decrease in number of contract customers for dental services and number of visit by contract customers for medical solutions services.

Meanwhile, our Shenzhen Clinic has successfully obtained the approval of operation of medical institution (醫療機構執業許可證) from the Health and Family Planning Commission of Shenzhen Municipality and opened in June 2018, being our first dental clinic in the PRC, the Group will replicate the Hong Kong clinic-style operation model and management to provide high standard dental services to attract the middle-class population customer with strong purchasing power. In addition, our Shenzhen representative office has been continuously seeking strategic sites to establish or acquire the smaller dental clinics so as to expand our dental network in PRC for the following years.

In order to provide comprehensive healthcare services to our customers, the Group has set up a new DNA genetic laboratory centre during the year. As a result we can provide more specific and sensitive result and infections may be detected at an early stage. Besides, customers have become increasingly health conscious and willing to pay for more convenient medical access and the Directors believe that the DNA genetic laboratory centre will provide us the competitive advantages and broaden our income stream.

Apart from exploring business opportunities, the Group is also dedicated to economize on expenses. We will streamline our operation flow and manpower to achieve cost-saving and improve efficiency. The management team believe that based on our 20 years significant experience in healthcare industry, we have been able to overcome the challenges and strengths our core business to deliver well-priced and comprehensive healthcare to our customer and also create return for our shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue slightly decreased from approximately HK$99.2 million for FY2016/17 to approximately HK$97.8 million for FY2017/18. The following table sets forth a breakdown of the Group's revenue during FY2016/17 and FY2017/18:

	FY2016/17	**FY2017/18**	
	HK$'000	***HK$'000***	%
Medical solutions to contract customers	57,321	**54,113**	**(5.6%)**
Medical services to self-paid patients	17,586	**20,353**	**15.7%**
Dental solutions to contract customers	6,936	**6,044**	**(12.9%)**
Dental services to self-paid patients	17,363	**17,320**	**(0.2%)**
	99,206	**97,830**	

The revenue of medical solutions to contract customers slightly decreased by approximately 5.6% from approximately HK$57,321 million for FY2016/17 to approximately HK$54,113 million for FY2017/18, primarily due to the decrease usage by the active member of contract customers of the Group.

The revenue of medical services to self-paid patients increased by approximately 15.7% from approximately HK$17.6 million for FY2016/17 to approximately HK$20.4 million for FY2017/18 primarily due to the increase in demand from self-paid patients for certain body check up, other testing procedures and vaccination services etc.

The revenue of dental solutions to contract customers also decreased by approximately 12.9% from approximately HK$6.9 million for FY2016/17 to approximately HK$6.0 million for FY2017/18, which was mainly attributable to the decrease in the number of contract customer and individual for dental solutions.

The revenue of dental services to self-paid patients remained relatively stable at approximately HK$17.3 million for FY2016/17 and FY2017/18.

Other income

Other income increased by approximately 97.9% from approximately HK$981,000 for FY2016/17 to approximately HK$1.9 million for FY2017/18, primarily due to rental income from the sub-lease of certain areas in market rate at our new Dental Clinic in Causeway Bay and MediNet Centre in Central since September 2017 and October 2017 respectively and also the increase in interest income on loan receivables, and bank interest income from short-term fixed bank deposit.

Other gains and losses

Other gains and losses turned from a gain of approximately HK$114,000 for FY2016/17 to a loss of approximately HK$253,000 for FY2017/18 mainly due to the combined effect of (i) gain on disposal of a motor vehicle amounted to approximately HK$140,000 in May 2016; (ii) the disposal of a subsidiary in May 2017; and (iii) the loss on written off of fixed assets of the previous Dental Clinic in Causeway Bay in October 2017.

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 through our MediNet Network; (ii) external dentists engaged by the Group; (iii) laboratories services; and (iv) the Group's doctors and dentist.

The Group's medical and dental professional services expenses decreased by approximately 3.3% from approximately HK$50.1 million for FY2016/17 to approximately HK$48.5 million for FY2017/18 which was in line with the approximately 5.6% decrease in the Group's revenue from the provision of medical solutions to contract customers during the relevant period.

Staff cost

Staff cost increased by approximately HK$6.6 million or 26.7% from approximately HK$25.1 million for FY2016/17 to approximately HK$31.7 million for FY2017/18. Due to change in employment arrangements between the Group and the Group's doctors and dentists so fees to the Group's doctors of approximately HK$1.8 million was recognised in "staff cost" and fees to dentists approximately HK$1 million was recognised in "medical and dental professional services expenses". Without taking into account the abovementioned reclassification, the staff costs increased by approximately HK$5.9 million. The increase was attributable by (i) the increase in staff costs paid to Directors; (ii) annual increase in salaries for the staff; (iii) the increase in number of staff and full-period recognition of staff cost for a representative office in Shenzhen and clinical staff for our Shenzhen Clinic; (iv) full-period recognition of staff cost for our sales and marketing team, customer services team, nurse and dentists etc. in connection with the Group's expansion.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by approximately 34.3% from approximately HK$1.5 million for FY2016/17 to approximately HK$2.0 million for FY2017/18, which was primarily due to the purchase of specialized equipment and renovation of the new Dental Clinic in Causeway Bay and Shenzhen Clinic respectively.

Cost of medical and dental supplies

Cost of medical and dental supplies remain relatively stable at approximately HK$4.0 million for FY2016/17 and FY2017/18, respectively.

Rental expenses

Rental expenses increased by approximately 49.6% from approximately HK$6.8 million for FY2016/17 to approximately HK$10.2 million for FY2017/18, which was mainly due to (i) the increase in rental expenses on newly relocated Dental Clinic in Causeway Bay and the DNA genetic laboratory centre in Wong Chuk Hang; (ii) the full-period recognition of rental expenses from Shenzhen Clinic and Shenzhen office; and (iii) the increase in rent for those existing premises with renewed leases.

Other expenses

Other expenses increased by 33.5% from approximately HK$12.3 million for FY2016/17 to approximately HK$16.4 million for FY2017/18, primarily due to (i) the increase in general administrative expenses such as utilities, repair and maintenance for our business in Hong Kong and in the PRC; (ii) website development of our new MediNet Privilege's e-commerce business; (iii) full-period recognition of professional fee incurred to ensure ongoing compliance with relevant rules and regulation.

Income tax credit (expense)

Income tax credit (expense) for the Group turned from income tax expenses of approximately HK$0.9 million for FY2016/17 to income tax credit of approximately HK$0.5 million for FY2017/18. 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, we recorded a loss and total comprehensive expense for FY2017/18 of approximately HK$12.2 million, which represented an increase of approximately HK$7.7 million as compared with FY2016/17 of approximately HK$4.5 million. If the expenses in relation to the listing (the "**Listing**") of the shares of the Company on GEM of approximately HK$4.2 million recognised in FY2016/17 were excluded, the loss increased by approximately HK$11.9 million accordingly.

Such increase was primary attributable to the combined effects of (i) the slight decrease in revenue of approximately HK$1.4 million for the FY2017/18; (ii) the increase in staff costs and other operation expenses to support the expansion of the Group's existing medical and dental services business, as well as the newly established MediNet Privilege e-commerce business and DNA genetic laboratory centre in Hong Kong; (iii) additional cost incurred during the FY2017/18 on development for our Shenzhen Clinic and Jiangmen Medical Centre which mainly represented rent paid, during the period of such clinic's application, renovation and staff cost and also the operating cost of the representative office in Shenzhen;

(iv) recognition of effective rent of high-end dental clinic in Causeway Bay which was newly opened in October 2017 and newly established DNA genetic laboratory centre in Wong Chuk Hang and also increase in rental for existing premises with renewed leases.

Liquidity and financial resources

As at 31 March 2018, the Group had total assets of approximately HK$90.9 million (2017: approximately HK$100.9 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK$23.8 million (2017: approximately HK$21.7 million) and approximately HK$67.2 million (2017: approximately HK$79.1 million), respectively.

The current ratio as at 31 March 2018 was approximately 3.2 times (2017: approximately 3.6 times).

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout FY2017/18. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group can meet its funding requirements from time to time.

Foreign exchange exposure

All of the revenue-generating operations of the Group were transacted in Hong Kong Dollars which is the presentation currency of the Group. For FY2017/18, 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 2018, 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$24.7 million as at 31 March 2018 (31 March 2017: approximately HK$24.5 million). As at 31 March 2018, the Group did not have any capital commitment.

Segment information

Segmental information is presented for the Group as disclosed in note 3 to the consolidated financial statements in this announcement.

Significant investments held

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. In November 2017, the Group early redeemed the subscription of First Credit Notes in principal amount of HK$8 million.

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 2018.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During FY2017/18, the Group did not have any material acquisitions but disposal of 51% equity interest in POM Healthcare Management Limited in May 2017 which incurred a loss of approximately HK$234,000.

Contingent liabilities

As at 31 March 2018, the Group did not have any material contingent liabilities (2017: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group had a total of 91 employees, the table below is a breakdown of the number of our employees by functions as at 31 March 2017 and 31 March 2018:

	As at 31 March	
	2017	**2018**
Directors and senior management	9	**9**
Dental Clinics operation:		
– Dentists	10	**9**
– Dental Hygienists	5	**3**
– Dental Nurse	16	**12**
– Other supporting staff	16	**12**
MediNet Centres operation:		
– Doctors	–	**1**
– Nurses	8	**6**
– Other supporting staff	3	**3**
Other supporting staff *(Note 1)*	24	**24**
PRC operation:		
– Dentists	–	**3**
– Nurses	1	**4**
– Other supporting staff	4	**6**
Total *(Note 2)*	95	**91**

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 (2017: 1) of our employees, who was senior management and our dentist was 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 (the "**Remuneration Committee**") 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 2018 was approximately HK$36.63 million.

An analysis of the planned amount utilised up to 31 March 2018 is set out below:

	Planned amount utilised up to 31 March 2018	**Actual utilised amount as at 31 March 2018**	**Unutilised amount out of the planned amount as at 31 March 2018**
	HK$ million	*HK$ million*	*HK$ million*
Expand the operation of MediNet Centre and Dental Clinic in Central, Tsim Sha Tsui and Causeway Bay	12.42	10.24	2.18
Purchase a property for operation of Dental Clinic in Causeway Bay	34.20	–	34.20
Expand our MediNet Network	0.24	0.24	0.00
General working capital	0.24	0.24	0.00
	47.10	10.72	36.38

As disclosed in the prospectus of the Company dated 24 May 2016, 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 FY2017/18 (2016/17: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting to be held on for 13 August 2018. 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 2018 to 13 August 2018, 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 7 August 2018.

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. 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 year ended 31 March 2018.

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

During the year ended 31 March 2018, 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 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 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

On 18 April 2018, the Group had entered into a Memorandum of Understanding agreement with Tradewide Investments Ltd., an independent third party of the Group, to acquire a company which is mainly engaged in provision of dental services. The transaction has not yet completed 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, Thursday, 28 June 2018

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.