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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 2019

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

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

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

*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

	FY2018/19 <i>HK\$000</i>	FY2017/18 <i>HK\$000</i>	Increase/ (decrease)
Revenue	140,834	97,830	44.0%
Loss before tax	(12,311)	(13,178)	(6.6)%
Depreciation and amortization	4,504	1,953	130.6%
EBITDA ⁽¹⁾	(7,807)	(11,225)	(30.4)%
Net loss	(13,437)	(12,704)	5.8%

Note:

(1) EBITDA represents earnings before interest, tax, depreciation and amortization

The Board does not recommend the payment of any dividend for FY2018/19.

ANNUAL RESULTS

The board (the “**Board**”) of Directors is pleased to announce the audited annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 March 2019 (“**FY2018/19**”) together with the comparative figures for the corresponding period in 2018 (“**FY2017/18**”).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the Year ended 31 March 2019

	<i>NOTES</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	3	140,834	97,830
Other income		1,320	1,941
Other gains and losses		(2,119)	(253)
Medical and dental professional services expenses		(62,850)	(48,512)
Staff costs		(37,932)	(31,749)
Depreciation of property, plant and equipment		(3,325)	(1,953)
Cost of medical and dental supplies		(13,921)	(3,928)
Rental expenses		(12,538)	(10,154)
Other expenses		(20,601)	(16,400)
Amortisation of other intangible assets		(1,179)	–
Loss before taxation		(12,311)	(13,178)
Income tax (expense) credit	4	(1,126)	474
Loss for the year		(13,437)	(12,704)
Other comprehensive (expense) income for the year <i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation		(482)	537
Total comprehensive expense for the year		(13,919)	(12,167)
Loss per share — Basic (Hong Kong cents)	6	(1.29)	(1.22)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment		11,014	8,281
Goodwill		19,483	–
Other intangible assets		6,287	–
Contingent consideration receivable		2,800	–
Rental deposits	7	3,268	3,314
Other receivables	7	317	1,457
Deferred tax assets		1,155	1,036
		<u>44,324</u>	<u>14,088</u>
Current assets			
Inventories		750	723
Accounts and other receivables	7	12,965	11,659
Amounts due from related parties		506	169
Tax recoverable		88	1,031
Short-term bank deposits		–	35,000
Loan receivable		–	5,000
Bank balances and cash		27,486	23,272
		<u>41,795</u>	<u>76,854</u>
Current liabilities			
Accounts and other payables	8	17,291	23,771
Contract liabilities		14,327	–
		<u>31,618</u>	<u>23,771</u>
Net current assets		<u>10,177</u>	<u>53,083</u>
Total assets less current liabilities		<u>54,501</u>	<u>67,171</u>
Non-current liability			
Deferred tax liabilities		1,249	–
Net assets		<u>53,252</u>	<u>67,171</u>
Capital and reserves			
Share capital		10,400	10,400
Reserves		42,852	56,771
Total equity		<u>53,252</u>	<u>67,171</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. GENERAL

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

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

3. REVENUE AND SEGMENT INFORMATION

A. Revenue for the year ended 31 March 2019

Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 March 2019		
	Dental business HK\$'000	Medical business HK\$'000	Total HK\$'000
Types of service			
Dental business			
Solutions	5,532	–	5,532
Services	59,516	–	59,516
	<hr/>	<hr/>	<hr/>
Sub-total	65,048	–	65,048
	<hr/>	<hr/>	<hr/>
Medical business			
Solutions to insurance companies	–	32,317	32,317
Solutions to corporations	–	19,954	19,954
Services	–	23,515	23,515
	<hr/>	<hr/>	<hr/>
Sub-total	–	75,786	75,786
	<hr/>	<hr/>	<hr/>
Total	65,048	75,786	140,834
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Geographical markets			
Hong Kong	64,010	75,786	139,796
Mainland China	1,038	–	1,038
	<hr/>	<hr/>	<hr/>
Total	65,048	75,786	140,834
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

B. Revenue for the year ended 31 March 2018

	2018 HK\$'000
Dental business	
Solutions	6,044
Services	17,320
	<hr/>
Sub-total	23,364
	<hr/>
Medical business	
Solutions to insurance companies	34,134
Solutions to corporations	19,979
Services	20,353
	<hr/>
Sub-total	74,466
	<hr/>
Total	97,830
	<hr/> <hr/>

C. Segment information

Information reported to Mr. Chan, chief executive officer of the Group, being the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of service provided. The Group’s operating segments are classified as (i) dental solutions and dental services (“Dental business”); and (ii) medical solutions and medical services (“Medical business”) which based on the nature of the operations carried out by the Group. The details of the Group’s operating segments are as follows:

- (i) Dental business Provision of dental solutions and dental services to corporations, insurance companies and individual customers by dental clinics owned and operated by the Group

- (ii) Medical business Provision of medical solutions and operation of medical centres offering outpatient general services and men’s health treatments to corporations, insurance companies and individual customers 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 revenue and results

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

Year ended 31 March 2019

	Dental business HK\$'000	Medical business HK\$'000	Segment total HK\$'000	Eliminations HK\$'000	Total HK\$'000
SEGMENT REVENUE					
External revenue	65,048	75,786	140,834	-	140,834
Inter-segment revenue	1,232	-	1,232	(1,232)	-
Segment revenue	<u>66,280</u>	<u>75,786</u>	<u>142,066</u>	<u>(1,232)</u>	<u>140,834</u>
Segment (loss) profit	<u>(2,795)</u>	<u>2,237</u>	<u>(558)</u>		(558)
Unallocated expenses					(11,414)
Unallocated income					1,162
Unallocated loss					<u>(1,501)</u>
Loss before taxation					<u>(12,311)</u>
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Addition to property, plant and equipment	2,600	1,118	3,718		3,718
Depreciation	2,526	799	3,325		3,325
Amortisation	1,179	-	1,179		1,179
Loss on written off of property, plant and equipment	<u>(132)</u>	<u>(62)</u>	<u>(194)</u>		<u>(194)</u>

Year ended 31 March 2018

	Dental business HK\$'000	Medical business 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	<u>1,164</u>	<u>–</u>	<u>1,164</u>	<u>(1,164)</u>	<u>–</u>
Segment revenue	<u>24,528</u>	<u>74,466</u>	<u>98,994</u>	<u>(1,164)</u>	<u>97,830</u>
Segment loss	<u>(5,265)</u>	<u>(304)</u>	<u>(5,569)</u>		(5,569)
Unallocated expenses					(9,174)
Unallocated income					1,799
Unallocated loss					<u>(234)</u>
Loss before taxation					<u>(13,178)</u>
OTHER SEGMENT INFORMATION					
Amounts included in the measure of segment profit or loss:					
Addition to property, plant and equipment	4,823	702	5,525		5,525
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	<u>(15)</u>	<u>–</u>	<u>(15)</u>		<u>(15)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned/loss incurred by each segment without allocation of unallocated expenses, income and loss mainly including certain depreciation, general office expenses, other income (excluding credit card rebate), interest income, other gains and losses and finance costs. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

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

Segment assets and liabilities

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

Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC").

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

	Revenue from external customers for the year		Non-current assets at 31 March	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
Hong Kong	139,796	97,830	37,645	9,222
The PRC	1,038	–	2,407	2,373
	<u>140,834</u>	<u>97,830</u>	<u>40,052</u>	<u>11,595</u>

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

4. INCOME TAX EXPENSE (CREDIT)

	2019 HK\$'000	2018 HK\$'000
Current tax:		
Hong Kong	1,158	408
Underprovision in prior year:		
Hong Kong	<u>206</u>	<u>–</u>
	1,364	408
Deferred tax (note 22)	<u>(238)</u>	<u>(882)</u>
	<u>1,126</u>	<u>(474)</u>

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

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

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

The Group's subsidiaries operating in Hong Kong are eligible for certain tax concessions. The maximum tax concessions eligible for each subsidiary is HK\$20,000 (2018: HK\$30,000).

5. DIVIDENDS

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

6. LOSS PER SHARE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share for the year	<u>13,437</u>	<u>12,704</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of calculating basic loss per share	<u>1,040,000</u>	<u>1,040,000</u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Accounts receivables	8,094	7,383
Other receivables		
— Other receivables	2,102	3,952
— Prepayments	2,630	1,747
— Rental and utility deposits	<u>3,724</u>	<u>3,348</u>
Total accounts and other receivables	16,550	16,430
Less: Receivables within twelve months shown under current assets	<u>(12,965)</u>	<u>(11,659)</u>
Rental deposits and other receivables shown under non-current assets	<u>3,585</u>	<u>4,771</u>
Presented in the consolidated statement of financial position:		
— Rental deposits	3,268	3,314
— Other receivables	<u>317</u>	<u>1,457</u>
	<u>3,585</u>	<u>4,771</u>

As at 1 April 2018, accounts receivables from contracts with customers amounted to HK\$7,383,000.

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

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	4,362	3,211
31 to 60 days	2,199	2,998
61 to 90 days	1,409	951
91 to 180 days	124	223
	<u>8,094</u>	<u>7,383</u>

8. ACCOUNTS AND OTHER PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Accounts and other payables		
Accounts payables	10,892	8,531
Other payables	377	600
Receipt in advance	–	11,127
Accrued expenses	6,022	3,513
	<u>17,291</u>	<u>23,771</u>

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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	5,194	3,044
31 to 60 days	3,011	2,751
61 to 90 days	2,520	2,718
91 to 120 days	167	18
	<u>10,892</u>	<u>8,531</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of medical and dental solutions to corporates and insurance companies through the tailor-made design to provide different combination of medical and/or dental services. Currently, we operate two MediNet centres (“**MediNet Centres**”), seven dental clinics (“**Dental Clinics**”) and one DNA genetic laboratory centre (the “**DNA laboratory centre**”) in Hong Kong. In addition, the Group established one dental clinic in Shenzhen (the “**Shenzhen Dental Clinic**”) in June 2018 so as to develop dental business in the People’s Republic of China (the “**PRC**”).

Furthermore, the Group also changed the proposed use of proceeds from the listing of the Company’s shares on GEM (the “**Listing**”) to acquire the dental business (the “**Acquired Business**”) held by Master Clever Ltd on 12 July 2018, a company which is principally engaged in the business of operation of dental clinics for the provision of dental services including invisalign treatment, implant surgery, teeth whitening etc. As a result, the Acquired Business has boosted our revenue significantly for FY2018/19. In addition, the Group also expects the acquisition will expand the capacity and diversify the range of its existing dental services, in particular for more specialized dental services such as invisalign treatment.

The Group’s revenue significantly increased by approximately 44.0% from approximately HK\$97.8 million FY2017/18 to approximately HK\$140.8 million for FY2018/19. However we also recorded a net loss of approximately HK\$13.4 million for FY2018/19, which represented an increase of approximately HK\$730,000 as compared with FY2017/18. Our EBITDA also improved from a loss of approximately HK\$11.2 million for FY2017/18 to a loss of approximately HK\$7.8 million for FY2018/19. Such increase in net loss was primary attributable to (i) additional cost on the development of the business in the PRC and the Shenzhen Dental Clinic is still at its early stage of development, hence it has not yet generated profit; (ii) our increase in amount of professional fee incurred for the Acquired Business and to ensure ongoing compliance with relevant rules and regulations; (iii) exchange loss due to the depreciation of Chinese Yuan; (iv) change of fair value of contingent consideration receivable; and (v) annual increase in salaries for the staff.

In order to improve our financial performance, our management team will continue to leverage our competitive advantages and competencies (i) further expand our medical network for inviting various kinds of specialists, affiliated clinics and affiliated auxiliary service providers to provide comprehensive and caring services to our customer; (ii) we will through the strategic acquisition to acquire a majority interest in a reputable small dental clinics in the PRC to explore the PRC dental market; and (iii) to grasp any business opportunities to broaden our income stream. At the same time, we will not only continue to streamline our operation flow and manpower to achieve 3E (economy, efficiency and effectiveness) but also to maximise the interest for our shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue significantly increased from approximately HK\$97.8 million for FY2017/18 to approximately HK\$140.8 million for FY2018/19. The following table sets forth a breakdown of the Group's revenue with comparative figure:

	FY2017/18 <i>HK\$'000</i>	FY2018/19 <i>HK\$'000</i>	%
Medical solutions to contract customers	54,113	52,271	(3.4%)
Medical services to self-paid patients	20,353	23,515	15.5%
Dental solutions to contract customers	6,044	5,532	(8.5%)
Dental services to self-paid patients	17,320	59,516	243.6%
	<u>97,830</u>	<u>140,834</u>	

The revenue of medical solutions to contract customers slightly decreased by approximately 3.4% from approximately HK\$54.1 million for FY2017/18 to approximately HK\$52.3 million for FY2018/19, which was primarily due to the decrease in the number of visits by patients to our affiliated doctors and affiliated auxiliary services providers.

The revenue of medical services to self-paid patients increased by approximately 15.5% from approximately HK\$20.4 million for FY2017/18 to approximately HK\$23.5 million for FY2018/19 which was 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 8.5% from approximately HK\$6.0 million for FY2017/18 to approximately HK\$5.5 million for FY2018/19, which was mainly attributable to the decrease in the number of contract customers and individuals for dental solutions services.

In particular, the revenue of dental services to self-paid patients increased significantly by approximately 243.6% from approximately HK\$17.3 million for FY2017/18 to approximately HK\$59.5 million for FY2018/19 which was primarily due to revenue generated from the Acquired Business and the establishment of the Shenzhen Dental Clinic in June 2018.

Other income

Other income decreased by approximately 32.0% from approximately HK\$1.9 million for FY2017/18 to approximately HK\$1.3 million for FY2018/19 which was due to a decrease in interest income on loan receivables which were redeemed in November 2017 and July 2018 respectively and bank interest income.

Other losses

Other losses significantly increased from approximately HK\$253,000 for FY2017/18 to approximately HK\$2.1 million for FY2018/19, which was primarily due to the depreciation of Chinese Yuan and fair value change of contingent consideration receivable.

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 dentists.

The Group's medical and dental professional services expenses increased by approximately 29.6% from approximately HK\$48.5 million for FY2017/18 to approximately HK\$62.9 million for FY2018/19 which was primarily due to the increase in aggregate amount paid to external and internal dentists of the Acquired Business and laboratories which correlates with the increase in demand from self-paid patients for certain body check ups and other testing procedures.

Staff cost

Staff cost increased by approximately 19.5% from approximately HK\$31.7 million for FY2017/18 to approximately HK\$37.9 million for FY2018/19. The increase was attributable by (i) the increase in staff costs paid to the Directors; (ii) annual increase in salaries for the staff; (iii) the staff cost paid to the Acquired Business, the Shenzhen Dental clinic and our new DNA laboratory centre in Wong Chuk Hang.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by approximately 70.3% from approximately HK\$2.0 million for FY2017/18 to approximately HK\$3.3 million for FY2018/19, which was primarily due to the purchase of specialized equipment and renovation of the new Dental Clinic in Causeway Bay, the Shenzhen Dental Clinic as well as the DNA Laboratory Centre and the consolidation of depreciation expenses of the Acquired Business.

Cost of medical and dental supplies

Cost of medical and dental supplies significantly increased by approximately 254.4% from approximately HK\$3.9 million for FY2017/18 to approximately HK\$13.9 million for FY2018/19, which was principally due to the increase in the amount of other medical and dental consumables such as drugs and medicine, vaccination and invisalign clear-aligner treatment for the provision of medical services and dental services to self-paid patients. Such increase was generally in line with the increase in revenue from medical services and dental services to self-paid patients.

Rental expenses

Rental expenses increased by approximately 23.5% from approximately HK\$10.2 million for FY2017/18 to approximately HK\$12.5 million for FY2018/19, which was mainly due to rental expenses for the DNA Laboratory Centre as well as consolidation of rental expenses of the Acquired Business and the increase in rent for those existing premises with renewed leases.

Other expenses

Other expenses increased by approximately 25.6% from approximately HK\$16.4 million for FY2017/18 to approximately HK\$20.6 million for FY2018/19, which was mainly due to the combined effect of (i) the increase in cost of other general administrative expenses for the DNA Laboratory Centre and the Shenzhen Dental Clinic; (ii) the consolidation of other expenses of the Acquired Business; and (iii) the increase in the amount of professional fee incurred for the Acquired Business and to ensure ongoing compliance with relevant rules and regulations.

Income tax expense

Income tax credit turned to the tax expense from approximately HK\$474,000 for FY2017/18 to tax expenses approximately HK\$1.1 million for FY2018/19. The increase was mainly due to the increase in tax assessable income.

Amortisation of intangible assets

The Group recorded amortisation of intangible asset of an amount of approximately HK\$1.2 million for FY2018/19, which was primarily due to the right to use trade names and customer who will continue to visit dental clinic for the dental services of the Acquired Business.

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 expenses for FY2018/19 of approximately HK\$13.9 million, which represented an increase of approximately HK\$1.7 million as compared with FY2017/18 of approximately HK\$12.2 million. However, the EBITDA of the Group increased by approximately 30.4% from a loss of approximately HK\$11.2 million for FY2017/18 to a loss of approximately HK\$7.8 million for FY2018/19.

The loss was primarily attributable to combined effect of (i) the significant increase in revenue of approximately HK\$43.0 million for the FY2018/19 which was offset by additional cost incurred on the development of the PRC market which mainly comprises staff cost, operating costs and administrative costs from our representative office and dental clinic in Shenzhen; (ii) the increase in the amount of professional fee incurred for the Acquired Business and to ensure ongoing compliance with relevant rules and regulations; (iii) exchange loss due to the depreciation of Chinese Yuan and fair value change of contingent consideration receivable; and (iv) the increase in staff costs.

Liquidity and financial resources

As at 31 March 2019, the Group had total assets of approximately HK\$86.1 million (2018: approximately HK\$90.9 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$32.9 million (2018: approximately HK\$23.8 million) and approximately HK\$53.3 million (2018: approximately HK\$67.2 million), respectively.

The current ratio as at 31 March 2019 was approximately 1.3 times (2018: approximately 3.2 times).

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout FY2018/19. 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 FY2018/19, the depreciation of Chinese Yuan incurred the exchange loss and the Group had not maintained any hedging policy against the foreign currency risk. The management will consider hedging significant currency exposure should the need arise.

Capital structure

As at 31 March 2019, 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\$19.4 million as at 31 March 2019 (31 March 2018: approximately HK\$24.7 million). As at 31 March 2019, 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, future plans for material investments and capital assets

On 20 July 2016, the Group entered into a placing letter with Convoy Asset Management Limited, who acts as placing agent in relation to the subscription of the Jun Yang Notes and First Credit Notes (as defined in the announcement of the Company dated 20 July 2016 (the "**Announcement**") in the 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 Announcement.

In November 2017, the Group early redeemed the subscription of First Credit Notes (as defined in the Announcement) in the principal amount of HK\$8 million and also redeemed the subscription of Jun Yang Notes (as defined in the Announcement) in the principal amount of HK\$5 million in July 2018.

Save as disclosed above, the Group did not have other significant investment held, future plans for material investment and capital assets as at 31 March 2019.

Material acquisitions and disposal of subsidiaries, associated and joint ventures

The Group entered into an acquisition agreement in relation to the acquisition of Master Clever Limited from Tradewide Investments Limited at a total consideration HK\$32 million on 5 July 2018. Completion of the said acquisition took place on 12 July 2018. Details of the acquisition has been disclosed in the Company's announcement dated 5 July 2018.

Contingent liabilities

As at 31 March 2019, the Group did not have any material contingent liabilities (2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group had a total of 106 employees, the table below is a breakdown of the number of our employees by functions as at 31 March 2018 and 31 March 2019:

	2018	2019
Directors and senior management	9	9
Dental Clinics operation:		
— Dentists	9	8
— Dental Hygienists	3	3
— Dental Nurse	12	29
— Other supporting staff	12	17
MediNet Centres operation:		
— Doctors	1	1
— Nurses	6	6
— Other supporting staff	3	1
Other supporting staff (<i>Note 1</i>)	24	20
PRC operation:		
— Dentists	3	3
— Nurses	4	5
— Other supporting staff	6	5
	<hr/>	<hr/>
Total (<i>Note 2</i>)	<u>91</u>	<u>106</u>

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 (2018: 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 packages are normally renewed on an annual basis based on performance appraisals and other relevant factors.

The remuneration packages of the Directors are reviewed by the remuneration committee of the Company according to the relevant Directors’ experience, responsibility, workload and the time devoted to the Group and recommend to the Board from time to time the remuneration and compensation of the Directors and senior management of the Group.

USE OF PROCEEDS AND FUTURE PLANS

The net proceeds from the Listing on 31 May 2016, after deducting Listing related expenses were approximately HK\$47.36 million. The Group has used up the net proceeds from the listing as at 31 March 2019, analysis of the planned amount utilised up to 31 March 2019 is set out below:

	Planned amount utilised up to 31 March 2019 <i>HK\$ million</i>	Actual utilised amount as at 31 March 2019 <i>HK\$ million</i>
Expand the operation of MediNet Centre and Dental Clinic in Central, Tsim Sha Tsui and Causeway Bay	14.62	14.62
Payment for consideration of the Acquired Business	32.00	32.00
Expand our MediNet Network	0.37	0.37
General working capital	0.37	0.37
	<u>47.36</u>	<u>47.36</u>

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 5 July 2018, the Board had resolved to change the proposed use of the IPO proceeds as the Company had not been able to identify any suitable premises for the acquisition and the substantial increase in the general property price over the relevant period has resulted in the IPO proceeds earmarked for the acquisition of property not being sufficient to meet the intended purpose. Furthermore the Board considered that the original plan was not in the best interest of the Company and its shareholders for the time being. In order to better deploy the resources of the Group, the Board considered that the Group should apply the unutilized amount of the IPO proceeds originally intended for the purchase of property to expand the Group's capacity and scope of its existing dental services by way of acquisition. By so doing, the Group can increase its revenue and profit margin as well as achieve long term development of the Group's business.

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

During the FY2018/19, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIVIDEND

The Board does not recommend the payment of any dividend for the FY2018/19 (FY2017/18: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting will be held on 12 August 2019. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from 7 August 2019 to 12 August 2019, 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 (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from Thursday, 11 July 2019) not later than 4:30 p.m. on 6 August 2019.

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 provision 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 FY2018/19.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) comprises the three independent non-executive Directors, namely Dr. Lieu Geoffrey Sek Yiu, Mr. Leung Po Hon and Mr. Wong Wai Leung. Mr. Leung Po Hon currently serves as the chairman of the Audit Committee. The Audit Committee has reviewed the audited financial results of the Group for the FY2018/19.

EVENT AFTER THE REPORTING PERIOD

No significant events have taken place since the FY2018/19.

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, 24 June 2019

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.