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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2016

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 and its subsidiaries. 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 “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and on the Company’s website at www.MediNetGroup.com.

FINANCIAL HIGHLIGHT

- The revenue of the Company and its subsidiaries (collectively the “Group”) amounted to approximately HK\$25.6 million for the three-month period ended 30 June 2016, representing an increase of approximately HK\$4.0 million or approximately 18.5% as compared with the three-month period ended 30 June 2015.
- The loss for the period of the Group is approximately HK\$1.9 million for the three-month period ended 30 June 2016, representing a decrease in loss of approximately HK\$157,000 or approximately 7.5% as compared with the three-month period ended 30 June 2015.
- The Board does not recommend the payment of interim dividend for the three-month period ended 30 June 2016.

FIRST QUARTERLY RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three-month period ended 30 June 2016, together with the unaudited comparative figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three-month period ended 30 June 2016

		Three-month period ended 30 June	
		2016	2015
		HK\$'000	HK\$'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenue	3	25,569	21,576
Other income	4	83	502
Other gains and losses	5	114	132
Medical and dental professional services expenses		(12,272)	(10,161)
Staff costs		(5,589)	(5,321)
Depreciation of property, plant and equipment		(274)	(974)
Cost of medical and dental supplies		(1,009)	(903)
Rental expenses		(1,389)	(1,019)
Other expenses		(2,581)	(1,661)
Finance costs	6	–	(240)
Listing expenses		(4,190)	(3,688)
Loss before taxation		(1,538)	(1,757)
Income tax expense	7	(388)	(326)
Loss for the period		(1,926)	(2,083)
Other comprehensive income (expense)			
Items that will not be subsequently reclassified to profit or loss:			
Surplus on revaluation of a land and building		–	458
Deferred tax arising from revaluation of a land and building		–	(29)
Other comprehensive income for the period		–	429
Total comprehensive expense for the period attributable to owners of the Company		(1,926)	(1,654)
Loss per share — Basic (Hong Kong cent)	9	(0.19)	(0.27)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 30 June 2016

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(note a)</i>	Special reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Retained profit (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2015 (audited)	20,510	-	(1,253)	-	44,767	1,991	66,015
Loss for the period	-	-	-	-	-	(2,083)	(2,083)
Surplus on revaluation of a land and building	-	-	-	-	458	-	458
Deferred tax arising from revaluation of a land and building	-	-	-	-	(29)	-	(29)
Total comprehensive income (expense) for the period	-	-	-	-	429	(2,083)	(1,654)
At 30 June 2015 (unaudited)	<u>20,510</u>	<u>-</u>	<u>(1,253)</u>	<u>-</u>	<u>45,196</u>	<u>(92)</u>	<u>64,361</u>
At 1 April 2016 (audited)	- ⁺	-	(1,253)	20,515	-	3,332	22,594
Loss and total comprehensive expense for the period	-	-	-	-	-	(1,926)	(1,926)
Issue of shares (note b)	2,600	67,600	-	-	-	-	70,200
Capitalisation issue (note c)	7,800	(7,800)	-	-	-	-	-
Transaction costs attributable to issue of shares	-	(7,947)	-	-	-	-	(7,947)
At 30 June 2016 (unaudited)	<u>10,400</u>	<u>51,853</u>	<u>(1,253)</u>	<u>20,515</u>	<u>-</u>	<u>1,406</u>	<u>82,921</u>

+ Less than HK\$1,000

Notes:

- (a) In November 2012, the Group advanced a three-year unsecured, interest-free loan with principal amount of HK\$13,663,000 to MediNet Holdings Limited (“MediNet Holdings”), the then holding company of Well Being Dental Services Limited (“Well Being”), Medinet Services Limited (“Medinet Services”) and Medinet Health Centre Limited (“Medinet Health Centre”) of which Mr. Chan Chi Wai, Nelson (“Mr. Chan”) was the ultimate owner and the controlling shareholder (“Controlling Shareholder”). The interest-free loan was initially measured at its fair value of HK\$12,410,000 at an effective interest rate of 3.25% per annum and subsequently carried at amortised cost using effective interest method, resulting in an imputed interest income of HK\$134,000 recognised in profit or loss for the three-month period ended 30 June 2016. The fair value adjustment of HK\$1,253,000 at initial recognition of the interest-free loan were recognised in equity as deemed distribution to shareholder. The loan has been settled during the year ended 31 March 2016.
- (b) On 31 May 2016, the Company placed 260,000,000 new shares at HK\$0.27 per share for a total gross proceeds of HK\$70,200,000 (the “Placing”). The proceeds (after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Placing) will be used to finance the implementation plan as set forth in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 24 May 2016 (the “Prospectus”). The proceeds of HK\$2,600,000 representing the par value of the shares of the Company, were credited to the Company’s share capital and the remaining proceeds of HK\$67,600,000 before issuing expenses, were credited to share premium account.
- (c) Pursuant to the written resolutions passed by the shareholders of the Company on 19 May 2016, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the Placing, the directors of the Company were authorised to capitalise the amount of approximately HK\$7,800,000 from the amount standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 779,999,900 ordinary shares of HK\$0.01 each for allotment and issue to the persons whose names appeared on the register of members of the Company at the close of business on 19 May 2016 in proportion (or as nearly as possible without fractions) to their then respective shareholdings of the Company (the “Capitalisation Issue”).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month ended 30 June 2016

1. GENERAL

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 GEM of the Stock Exchange since 31 May 2016. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and principal place of business of the Company is at 7/F, KP Tower, 93 King's Road, North Point, Hong Kong. The Company's immediate and ultimate holding company is Medinet International Limited ("Medinet International"), a company incorporated in the British Virgin Islands ("BVI") which is controlled by the Controlling Shareholder.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of dental solutions and dental services and medical solutions and medical services.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three-month period ended 30 June 2016 and 2015 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the GEM Listing Rules.

The basis of preparation and accounting policies adopted in preparing these unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's audited consolidated financial statements for the year ended 31 March 2016, except for the adoption of the new and revised HKFRSs that have become effective for its accounting period beginning on 1 April 2016.

The adoption of the new and revised HKFRSs has no significant effect on these unaudited condensed consolidated financial statements.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective for the current accounting period of the Group.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

3. REVENUE

	Three-month period ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Medical solutions and medical services income	18,968	16,180
Dental solutions and dental services income	6,601	5,396
	<u>25,569</u>	<u>21,576</u>

4. OTHER INCOME

	Three-month period ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Other service income (<i>note</i>)	40	310
Credit card rebate	40	36
Bank interest income	2	–
Imputed interest income	–	134
Dividend income	–	21
Others	1	1
	<u>83</u>	<u>502</u>

Note: Other service income mainly comprised of marketing income from laboratory and other healthcare service providers for the provision of marketing services by the Group as well as other service income for the provision of administrative and other miscellaneous services by the Group to such laboratory and other healthcare service providers.

5. OTHER GAINS AND LOSSES

	Three-month period ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Gain on disposal of property, plant and equipment	140	–
(Loss) gain on fair value change of held-for-trading investments	(26)	132
	<u>114</u>	<u>132</u>

6. FINANCE COSTS

	Three-month period ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on:		
Bank borrowings	–	134
Mortgage loan	–	105
Finance lease	–	1
	<u>–</u>	<u>1</u>
	<u>–</u>	<u>240</u>

7. INCOME TAX EXPENSE

	Three-month period ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax	391	368
Deferred tax	(3)	(42)
	<u>388</u>	<u>326</u>

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

8. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the three-month period ended 30 June 2016 (three-month period ended 30 June 2015: Nil).

9. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issued for the three-month period ended 30 June 2016 and 2015.

	Three-month period ended 30 June	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss:		
Loss for the purpose of calculating basic loss per share	<u>(1,926)</u>	<u>(2,083)</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>780,000</u>

Note: The calculation of basic loss per share for the three-month period ended 30 June 2016 and 2015 is based on the loss for the period attributable to owners of the Company and the weighted average number of approximately 1,040,000,000 (2015: 780,000,000) ordinary shares of the Company in issue during the three-month period ended 30 June 2016 after taking into account the shares issued pursuant to the capitalisation issue and the Placing on the Stock Exchange.

The number of ordinary shares for the purpose of calculating basic loss per share for the three-month period ended 30 June 2015 has been determined on the assumption that the Capitalisation Issue had been effective on 1 April 2015.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by approximately 18.5% from approximately HK\$21.6 million for the three-month period ended 30 June 2015 to approximately HK\$25.6 million for the three-month period ended 30 June 2016. Revenue derived from all types of services provided by the Group increased, the following table sets forth a breakdown of the Group's revenue:

	Three-month period ended 30 June 2016		Three-month period ended 30 June 2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Medical solutions to contract customer	14,294	55.9	12,692	58.8
Medical services to self-paid patients	4,674	18.3	3,488	16.2
Dental solutions to contract customer	2,350	9.2	1,855	8.6
Dental services to self-paid patients	4,251	16.6	3,541	16.4
	25,569	100	21,576	100

Other income

Other income decreased by approximately 83.5% from approximately HK\$502,000 for the three-month period ended 30 June 2015 to approximately HK\$83,000 for the three-month period ended 30 June 2016 due to decrease in other services income which included other service income from laboratory and other healthcare services provider, imputed interest income and dividend income from listed equity securities in Hong Kong.

Other gains and losses

Other gains and losses decreased by approximately 13.6% from HK\$132,000 for the three-month period ended 30 June 2015 to approximately HK\$114,000 for the three-month period ended 30 June 2016, primarily due to (i) loss on fair value change of the Group's held-for-trading investments (being listed equity securities in Hong Kong) amounted to approximately HK\$(26,000) and (ii) gain on disposal of a motor vehicle amounted to approximately HK\$140,000 in May 2016.

Medical and dental professional services expenses

The Group's medical and dental professional services expenses increased by approximately 20.8% from approximately HK\$10.2 million for the three-month period ended 30 June 2015 to HK\$12.3 million for the three-month period ended 30 June 2016, 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 reimbursement to plan members of the Group's contract customers amounted to approximately HK\$9.2 million for the three-month period ended 30 June 2016 and approximately HK\$8.2 million for the three-month period ended 30 June 2015, representing an increase of approximately 12.2%. Such increase was mainly due to an increase in the amount of medical services received by plan members through our MediNet Network as defined in the prospectus of the Company dated 24 May 2016 (the "Prospectus") or reimbursed by us as a result of an increase usage by the active member of contract customers of the Group. The approximate 12.2% increase in the aggregate amount of fees to affiliated doctors and affiliated auxiliary services providers and reimbursement to plan members also increased in line with the approximate 12.6% increase in the Group's revenue from the provision of medical solutions to contract customer during the period.
- (ii) Fees for engaging external dentists increased by approximately 37.8% from approximately HK\$370,000 for the three-month period ended 30 June 2015 to approximately HK\$510,000 for the three-month period ended 30 June 2016 as the Group experienced an increase in demand from self-paid patient for certain secondary dental care services which were carried out by external dentists with relevant expertise.
- (iii) Laboratory charges slightly decreased by approximately 12.5% from approximately HK\$1.6 million for the three-month period ended 30 June 2015 to approximately HK\$1.4 million for the three-month period ended 30 June 2016, primarily due to further discount provided by laboratory centres.
- (iv) Fee to the Group's doctors increased from nil for the three-month period ended 30 June 2015 to approximately HK\$1.15 million for the three-month period ended 30 June 2016 due to the changes in employment arrangement between the Group and the Group's doctors pursuant to the MediNet Doctor Agreement effective from 1 November 2015, as defined in the Prospectus. Therefore, fees to the 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 slightly increased by approximately 5.6% from approximately HK\$5.3 million for the three-month period ended 30 June 2015 to HK\$5.6 million for the three-month period ended 30 June 2016 mainly due to the change in employment arrangements between the Group and the Group's doctors pursuant to the MediNet Doctor Agreement effective from 1 November 2015 as discussed above. As a result, fees to MediNet Doctors were recognised in "Staff cost" and "Medical and dental professional services expenses" before and after such effective date respectively. If the Group's doctors fee of HK\$1.15 million had been recognised under staff cost, then the staff cost will increase by approximately HK\$1.4 million. The increase was attributable by the increase in staff costs paid to directors, staff for business expansion and general increase in salaries for the staff.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment decreased by approximately 71.9% from approximately HK\$974,000 for the three-month period ended 30 June 2015 to HK\$274,000 for the three months ended 30 June 2016 primarily as a result of the decrease of 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.

Cost of medical and dental supplies

Cost of medical and dental supplies increased by approximately 11.7% from approximately HK\$903,000 for the three-month period ended 30 June 2015 to HK\$1.0 million for the three-month period ended 30 June 2016 as the Group experienced an increase in demand from contract customers and self-paid patients, resulting in an increase in cost of medical and dental supplies.

Rental expenses

Rental expenses increased by approximately 36.3% from approximately HK\$1.0 million for the three-month period ended 30 June 2015 to HK\$1.4 million for the three-month period ended 30 June 2016, mainly due to increase in rental expenses for the Tsim Sha Tsui MediNet Centre, office and Kwun Tong Dental Clinic as a result of renewal of the respective tenancy agreements and the new tenancy agreement entered for the MediNet Centre at Central during the period.

Other expenses

Other expenses increased by 55.4% from approximately HK\$1.7 million for the three-month period ended 30 June 2015 to HK\$2.6 million for the three-month period ended 30 June 2016, primarily due to increase in professional fees and other general administrative expenses.

Finance costs

Finance costs decreased to nil for the three-month period ended 30 June 2016 from approximately HK\$240,000 for the three-month period ended 30 June 2015, mainly due to the full repayment of the mortgage loan and finance lease obligation in November 2015 and June 2015, respectively.

Listing expenses

For each of the three-month period ended 30 June 2016 and 30 June 2015, the Group recognised non-recurring listing expenses of approximately HK\$4.2 million and HK\$3.7 million respectively as expenses in connection with the listing of the Company.

Income tax expense

Income tax expense for the Group increased by approximately 19.0% from approximately HK\$0.3 million for the three-month period ended 30 June 2015 to approximately HK\$0.4 million for the three-month period ended 30 June 2016. The increase was mainly due to the increase in tax assessable income.

Loss and total comprehensive expense for the period

Due to the combined effect of the factors mentioned above, we recorded a loss for the three-month period ended 30 June 2016 of approximately HK\$1.9 million, which decreased by approximately HK\$157,000 as compared with loss for the period of approximately HK\$2.1 million in the three-month period ended 30 June 2015. If the listing expenses of approximately HK\$4.2 million and HK\$3.7 million were excluded, we would have recorded a profit for the first quarter of approximately HK\$2.3 million and HK\$1.6 million for three-month period ended 30 June 2016 and 30 June 2015 respectively which was slightly higher than the profit for the three-month period ended 30 June 2015 of approximately HK\$0.7 million. Such increase was primarily attributable to (i) increase in revenue of approximately HK\$4.0 million for the three-month period ended 30 June 2016 and partially offset by (ii) the increase in medical and dental professional services, staff cost, rental expenses, cost of medical and dental supplies for the three-month period ended 30 June 2016 as compared to the respective period in 2015.

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of corporate medical and dental solutions to contract customers (which mainly comprise insurance companies and corporations in terms of revenue) through (i) the design and administration of tailored medical and/or dental benefits plans for the contract customers and the provision of different combinations of medical and/or dental services through the MediNet Network to the plan members (including members and employees of contract customers); and (ii) the operation of MediNet Centres and Dental Clinics offering services to both plan members and self-paid patients (which generally refer to patients who visit the MediNet Centres and/or Dental Clinics and pay out of their own expenses).

The MediNet Network comprised more than 400 points of services across Hong Kong, including the 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 doctors, dentists, dental hygienists, affiliated services providers and other medical and dental professionals. The Group's competitive strengths include (i) well established presence in the corporate medical solutions industry in Hong Kong and well-established MediNet Network; (ii) the long-term rapport with major customers and suppliers and (iii) the experienced and dedicated management team of the Group. Throughout its operating history, the Directors believe that the Group has established a strong presence in the corporate medical solutions industry in Hong Kong which may give it an advantage in terms of maintaining existing contract customers and securing new business opportunities.

The listing of the Company provided additional capital to the Group to implement the corporate plans as set out in the Prospectus. Furthermore, the listing of the Company also strengthened the financial position and enhanced the competitiveness of Group.

Looking forward, the Directors consider that the future opportunities and challenges of the Group will be related to the macroeconomic environment which affects the demand for secondary dental services in Hong Kong as well as the potential rising of operating costs. The Directors believe that the Group will benefit from certain industry drivers, including but not limited to (i) increasing average life expectancy and aging population in Hong Kong; (ii) increasing demand from patients due to increasing health awareness and subsidies from the government; and (iii) higher demand for corporate medical solutions services in Hong Kong due to increasing number of companies and more regional offices set up by multinational companies.

With the Group's experienced management team and reputation in the market, the Directors believe that the Group is well-positioned to compete against the competitors under such future challenges that commonly faced by all market players. As mentioned above, the Group will continue to pursue the strategies to further strengthen the Group's position as an established service provider in the medical and dental industry in Hong Kong.

DISCLOSURE OF INTERESTS

A. Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company

As at 30 June 2016, the interests and short positions of the each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in ordinary shares of the Company

Name of Director	Capacity/ Nature of interest	Number of shares held	Approximate % of the Company's issued share capital
Mr. Chan Chi Wai Nelson	Interest of controlled company (<i>Note 1</i>)	585,000,000 (L)	56.25%
Ms. Jiang Jie	Interest of spouse (<i>Note 2</i>)	585,000,000 (L)	56.25%

L: Long position

Notes:

1. Medinet International is wholly and beneficially owned by Mr. Chan. Therefore, Mr. Chan is deemed to be interested in the shares of the Company held by Medinet International under Part XV of the SFO. Mr. Chan is the sole director of Medinet International.
2. Ms. Jiang Jie ("Ms. Jiang") is the spouse of Mr. Chan. Accordingly, Ms. Jiang is deemed to be interested in the shares of the Company in which Mr. Chan is deemed to be interested under Part XV of the SFO.

Save as disclosed above, as at 30 June 2016, none of the Directors nor chief executive of the Company has registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

B. Substantial shareholders' and other persons' interests and short positions in shares, underlying shares and debentures of the Company

As at 30 June 2016, so far as is known to the Director, the following person (other than the Directors or chief executive of the Company) had interest or short positions in the shares or underlying shares of the Company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of substantial shareholder	Capacity/ Nature of interest	Number of shares held/ interested in	Percentage of total issued share capital of the Company
Medinet International	Beneficial owner (<i>Note 1</i>)	585,000,000 (L)	56.25%
NSD Capital	Beneficial owner	195,000,000 (L)	18.75%
Convoy Fund Management Limited (formerly known as DRL Capital Investment Management Limited "CFM")	Interest of a controlled corporation (<i>Note 2</i>)	195,000,000 (L)	18.75%
Convoy Financial Holdings Limited ("Convoy Financial")	Interest of a controlled corporation (<i>Note 2</i>)	195,000,000 (L)	18.75%

L: Long position

Notes:

1. Medinet International is wholly and beneficially owned by Mr. Chan. Therefore, Mr. Chan is deemed to be interested in the Shares held by Medinet International under Part XV of the SFO. Mr. Chan is the sole director of Medinet International.
2. NSD Capital is an exempted company incorporated in the Cayman Islands with limited liability, the management shares of which are wholly owned by CFM, a wholly owned subsidiary of Convoy Financial (a company listed on the Main Board of the Stock Exchange (stock code: 1019)). Therefore, each of CFM and Convoy Financial is deemed to be interested in the Shares held by NSD Capital under the SFO.

Save as disclosed above, as at 30 June 2016 and so far as is known to the Directors, no person (other than the Directors and chief executive of the Company whose interests are set out in the section "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company" above) who had an interest or short position in the shares or underlying shares of the Company that was required to be entered in the register of the Company pursuant to section 336 of the SFO.

COMPETING AND CONFLICTS OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the Controlling Shareholder nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the period ended 30 June 2016.

INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Messis Capital Limited, as at 30 June 2016, save for the compliance adviser agreement dated 20 November 2015 and entered into between the Company and Messis Capital Limited, neither Messis Capital Limited, its directors, employees and associates had any interests in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

PURCHASE, SALES OF REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2016.

CORPORATE GOVERNANCE CODE

Pursuant to the code provision A.2.1 of the Corporate Governance Code ("CG Code") as set out in Appendix 15 of the GEM Listing Rules, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Chan currently assumes the role of both chairman of the Company and chief executive of the Company. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies. The Board will review the need of appointing suitable candidate to assume the role of chief executive when necessary.

As at 30 June 2016, save as disclosed above, the Company has complied with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standards of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors throughout the period ended 30 June 2016.

DIVIDEND

The Board does not recommend the payment of interim dividend for the three-month period ended 30 June 2016.

AUDIT COMMITTEE

The Company established an audit committee (“Audit Committee”) with its written terms of reference in compliance with the GEM Listing Rules, in accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the internal control and risk management systems, the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company’s annual report and interim financial reports before submission to the Board. The Audit Committee consists of three members, namely Dr. Lieu Geoffrey Sek Yiu, Mr. Leung Po Hon and Mr. Wong Wai Leung, all being independent non-executive Directors of the Company. Mr. Leung Po Hon currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the three-month period ended 30 June 2016.

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

Hong Kong, 13 August 2016

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.