

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

MediNet Group Limited

醫匯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8161)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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.

Given that the 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 “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 HIGHLIGHTS

- The revenue of the Group amounted to approximately HK\$62.2 million for the six months ended 30 September 2018, representing an increase of approximately HK\$13.3 million as compared with the six months ended 30 September 2017.
- The loss for the period of the Group is approximately HK\$6.4 million for the six months ended 30 September 2018, representing an increase of approximately HK\$1.1 million as compared with the six months ended 30 September 2017.
- The board of Directors does not recommend the payment of interim dividend for the six months ended 30 September 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

		Six months ended	
		30 September	
		2018	2017
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	62,227	48,889
Other income	4	841	948
Other losses	5	(132)	(238)
Medical and dental professional services expenses		(28,069)	(23,515)
Staff costs		(18,037)	(15,571)
Depreciation of property, plant and equipment		(1,442)	(803)
Cost of medical and dental supplies		(5,148)	(2,065)
Rental expenses		(5,843)	(4,902)
Other expenses		(10,217)	(7,604)
Amortisation of intangible assets		(393)	–
Loss before taxation	6	(6,213)	(4,861)
Income tax expense	7	(216)	(468)
Loss for the period		(6,429)	(5,329)
Other comprehensive expense for the period			
<i>Item that may be subsequently reclassified to profit or loss</i>			
Exchange differences arising on translation		(683)	–
Total comprehensive expense for the period		(7,112)	(5,329)
Loss per share – Basic (Hong Kong cents)	9	(0.62)	(0.51)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

		At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	10,929	8,281
Rental deposits	11	3,400	3,314
Other receivables	11	887	1,457
Deferred tax assets		1,036	1,036
Intangible assets		7,073	–
Contingent consideration receivable	15	4,590	–
Goodwill	15	19,483	–
		47,398	14,088
Current assets			
Inventories		837	723
Accounts and other receivables	11	12,595	11,659
Amounts due from related parties		127	169
Tax recoverable		1,031	1,031
Short-term bank deposits		–	35,000
Loan receivable	12	–	5,000
Bank balances and cash		29,200	23,272
		43,790	76,854
Current liabilities			
Accounts and other payables	13	18,189	23,771
Contract liabilities	13	11,151	–
Tax payable		486	–
		29,826	23,771

		At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Net current assets		<u>13,964</u>	<u>53,083</u>
Total assets less current liabilities		<u>61,362</u>	<u>67,171</u>
Non-current liability			
Deferred tax liability		<u>1,303</u>	<u>–</u>
Net assets		<u>60,059</u>	<u>67,171</u>
Capital and reserves			
Share capital	14	<u>10,400</u>	10,400
Reserves		<u>49,659</u>	<u>56,771</u>
		<u>60,059</u>	<u>67,171</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(note)</i>	Special reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Subtotal <i>HK\$'000</i>	Non- controlling interest <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018 (audited)	10,400	51,853	(1,253)	20,515	537	(14,881)	67,171	-	67,171
Loss for the period	-	-	-	-	-	(6,429)	(6,429)	-	(6,429)
Exchange differences arising on translation	-	-	-	-	(683)	-	(683)	-	(683)
Total comprehensive expense for the period	-	-	-	-	(683)	(6,429)	(7,112)	-	(7,112)
At 30 September 2018 (unaudited)	<u>10,400</u>	<u>51,853</u>	<u>(1,253)</u>	<u>20,515</u>	<u>(146)</u>	<u>(21,310)</u>	<u>60,059</u>	<u>-</u>	<u>60,059</u>
At 1 April 2017 (audited)	10,400	51,853	(1,253)	20,515	-	(2,177)	79,338	(237)	79,101
Loss and total comprehensive expense for the period	-	-	-	-	-	(5,329)	(5,329)	-	(5,329)
Disposal of a subsidiary	-	-	-	-	-	-	-	237	237
At 30 September 2017 (unaudited)	<u>10,400</u>	<u>51,853</u>	<u>(1,253)</u>	<u>20,515</u>	<u>-</u>	<u>(7,506)</u>	<u>74,009</u>	<u>-</u>	<u>74,009</u>

+ Less than HK\$1,000

Note: 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, the then holding company of Well Being Dental Services Limited, Medinet Services Limited and Medinet Health Centre Limited of which Mr. Chan Chi Wai, Nelson was the ultimate owner and the 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. 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 a shareholder. The loan was settled during the year ended 31 March 2016.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended	
	30 September	
<i>Note</i>	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	<u>(2,831)</u>	<u>(5,209)</u>
INVESTING ACTIVITIES		
Deposits paid for purchase of property, plant and equipment	–	(2,407)
Purchase of property, plant and equipment	(1,737)	(1,665)
Repayment from (advances to) related parties	42	(180)
Interest received	215	380
Repayment from a director	–	161
Repayment from a non-controlling interest	–	5
Proceeds from disposal of property, plant and equipment	–	2
Withdrawal of short-term bank deposits	35,000	–
Proceeds from settlement of a loan receivable	5,000	–
Acquisition of a subsidiary	15 (29,253)	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>9,267</u>	<u>(3,704)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,436	(8,913)
Effect of foreign exchange rate changes	(508)	–
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>23,272</u>	<u>30,002</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	<u><u>29,200</u></u>	<u><u>21,089</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for contingent consideration receivable, which is measured at fair value, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and adoption of new and revised accounting policies, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Company and its subsidiaries’ (the “Group”) annual financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group’s condensed consolidated financial statements:

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

Dental solutions and dental services consists of (i) dental solutions provided to corporations, insurance companies and individual customers; and (ii) dental services and invisalign treatment services provided to self-paid patients who pay out of their own expense below.

Dental solutions

The Group’s dental solutions services represent annual retainer fee derived from annual retainer contracts entered with corporations, insurance companies and individual customers. The customers would generally pay a fixed amount of annual fee per plan member and each plan member would generally be entitled to certain dental services free of charge or at specified prices with or without additional payments when visiting to the Group’s dental clinics throughout a year. The performance obligations of the provision of dental solutions services to the customers are to provide dental solutions services to these customers, while these customers are entitled to consume the dental services simultaneously.

The Group satisfied the performance obligation by providing dental solutions services to corporations, insurance companies and individual customers within the agreed contract period and these customers would be entitled to consume dental services throughout the contract period. As the directors of the Group considered the Group has fulfilled its performance obligations throughout a period of time and revenue is therefore recognised throughout the service period.

Dental services

The Group's general dental services represent dental care services such as scaling and polishing, fillings, intra-oral X-rays and routine oral examination to patients. Generally, the Group charges one-off general dental service fee based on an agreed pricing for a specific dental service. The Group is obliged to perform the general dental service carried out by dentists or hygienists to patients. Upon completion of the performance of general dental services at dental clinics, the Group has fulfilled its performance obligations and revenue is therefore recognised at a point in time.

For invisalign treatment services, the Group satisfies the performance obligation by performing consultation services to move and align patients' teeth under dentists' instruction and control. Revenue is recognised over the time where the patient received and consumed the benefits of the movement and alignment of patients' teeth simultaneously. As the directors considered the Group has fulfilled its performance obligations throughout a period of time and revenue is therefore recognised throughout the service period.

Medical solutions services consist of (i) medical solutions services provided to corporations and insurance companies; and (ii) medical services provided to self-paid patients who pay out of their own expense below.

Medical solutions services

The Group satisfies the performance obligation by providing continuous medical solutions services to corporations' employees and insurance companies within the agreed contract period and corporations' employees and insurance companies' plan members would be entitled to consume the medical solutions services throughout the contract period. As the directors considered the Group has fulfilled its performance obligations throughout a period of time and revenue is therefore recognised throughout the service period.

Medical services

The Group operates medical clinics to provide general medical and men's health medical services to patients mainly general practitioner consultation services, immunization services, body checkup and men's health medical services. Upon completion of the performance of general medical and men's health services at medical clinics, the Group has fulfilled its performance obligations and revenue is therefore recognised at a point in time.

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

Six months ended 30 September 2018

	Dental solutions and dental services <i>HK\$'000</i> (Unaudited)	Medical solutions and medical services <i>HK\$'000</i> (Unaudited)	Segment total <i>HK\$'000</i> (Unaudited)	Eliminations <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
SEGMENT REVENUE					
External revenue	25,166	37,061	62,227	–	62,227
Inter-segment revenue	521	–	521	(521)	–
Segment revenue	<u>25,687</u>	<u>37,061</u>	<u>62,748</u>	<u>(521)</u>	<u>62,227</u>
Segment (loss) profit	<u>(2,290)</u>	<u>2,039</u>	<u>(251)</u>		(251)
Unallocated expenses					(6,582)
Unallocated income					752
Unallocated losses					<u>(132)</u>
Loss before taxation					<u>(6,213)</u>

Six months ended 30 September 2017

	Dental solutions and dental services <i>HK\$'000</i> (Unaudited)	Medical solutions and medical services <i>HK\$'000</i> (Unaudited)	Segment total <i>HK\$'000</i> (Unaudited)	Eliminations <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
SEGMENT REVENUE					
External revenue	12,702	36,187	48,889	–	48,889
Inter-segment revenue	469	–	469	(469)	–
Segment revenue	<u>13,171</u>	<u>36,187</u>	<u>49,358</u>	<u>(469)</u>	<u>48,889</u>
Segment (loss) profit	<u>(209)</u>	<u>2,068</u>	<u>1,859</u>		1,859
Unallocated expenses					(7,354)
Unallocated income					872
Unallocated losses					<u>(238)</u>
Loss before taxation					<u>(4,861)</u>

Revenue from type of services

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision of healthcare solutions to contract customers, which mainly comprise of corporations and insurance companies:		
Medical solutions		
– Insurance companies	15,417	16,400
– Corporations	11,614	10,975
	<u>27,031</u>	<u>27,375</u>
Dental solutions	2,666	3,130
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	10,030	8,812
Dental services	22,500	9,572
	<u>62,227</u>	<u>48,889</u>

4. OTHER INCOME

	Six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income on loan receivables	12	366
Interest income on bank deposits	100	167
Bank interest income	103	2
Rental income	358	238
Others	268	175
	<u>841</u>	<u>948</u>

5. OTHER LOSSES

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss on written off of property, plant and equipment	(132)	–
Loss on disposal of property, plant and equipment	–	(4)
Net loss on disposal of a subsidiary	–	(234)
	<u>(132)</u>	<u>(238)</u>

6. LOSS BEFORE TAXATION

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging:		
Cost of inventories recognised as an expense	<u>5,148</u>	<u>2,065</u>

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – Hong Kong Profits Tax	281	468
Deferred tax	(65)	–
	<u>216</u>	<u>468</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 any interim dividend for the six months ended 30 September 2018 (six months ended 30 September 2017: nil).

9. LOSS PER SHARE

	Six months ended 30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss for the purpose of calculating basic loss per share for the period	<u>(6,429)</u>	<u>(5,329)</u>
	'000	'000
Number of shares:		
Weighted average 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 period was presented as there were no dilutive potential ordinary shares in issue.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2018, the Group has written off certain property, plant and equipment resulting in a loss on written off of property, plant and equipment of HK\$132,000 (six months ended 30 September 2017: nil).

During the six months ended 30 September 2017, the Group disposed of certain property, plant and equipment for cash proceeds of HK\$2,000, resulting in a loss on disposal of HK\$4,000.

In addition, the Group spent HK\$1,737,000 during the six months ended 30 September 2018 (six months ended 30 September 2017: HK\$1,665,000) on acquisition of property, plant and equipment for the purpose of expanding and upgrading the Group's capacity for operation.

11. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Accounts receivables	7,827	7,383
Other receivables		
– Other receivables	2,800	3,952
– Prepayments	2,337	1,747
– Rental and utility deposits	3,918	3,348
	<hr/>	<hr/>
Total accounts and other receivables	16,882	16,430
Less: Receivables within twelve months shown under current assets	(12,595)	(11,659)
	<hr/>	<hr/>
Rental deposits and other receivables shown under non-current assets	4,287	4,771
	<hr/> <hr/>	<hr/> <hr/>
Presented in the condensed consolidated statement of financial position		
– Rental deposits	3,400	3,314
– Other receivables	887	1,457
	<hr/>	<hr/>
	4,287	4,771
	<hr/> <hr/>	<hr/> <hr/>

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:

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Within 30 days	1,722	3,211
31 to 60 days	2,898	2,998
61 to 90 days	2,423	951
91 to 180 days	784	223
	<hr/>	<hr/>
	7,827	7,383
	<hr/> <hr/>	<hr/> <hr/>

12. LOAN RECEIVABLE

During the current period, the Group redeemed a debt security at a cost of HK\$5,000,000.

13. ACCOUNTS AND OTHER PAYABLES AND CONTRACT LIABILITIES

(A) Accounts and other payables

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Accounts payables	10,550	8,531
Other payables (<i>note</i>)	2,082	600
Accrued expenses	5,557	3,513
Receipt in advance	–	11,127
	<u>18,189</u>	<u>23,771</u>

Note: Amount of HK\$1,061,000 included in the other payables represents amount due to I-Teeth Limited (“**I-Teeth**”), a company wholly-owned by Dr. Chiu Chong Po (“**Dr. Chiu**”) who is the director of Master Clever Limited (“**Master Clever**”) acquired by the Group in July 2018.

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 at the end of each period:

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Within 30 days	2,045	3,044
31 to 60 days	4,132	2,751
61 to 90 days	1,350	2,718
91 to 180 days	3,023	18
	<u>10,550</u>	<u>8,531</u>

(B) Contract liabilities

Contract liabilities represent advance payments from customers which would be expected to be fully recognised as revenue within twelve months from the end of reporting period.

14. SHARE CAPITAL

The share capital of the Group at 30 September 2018 represented the issued and fully paid share capital of the Company up to 30 September 2018:

	Number of shares	Share capital HK\$
Ordinary share of HK\$0.01 each		
Authorised:		
At 1 April 2017, 31 March 2018 and 30 September 2018	<u>5,000,000,000</u>	<u>50,000,000</u>
Issued and fully paid:		
At 1 April 2017, 31 March 2018 and 30 September 2018	<u>1,040,000,000</u>	<u>10,400,000</u>

15. ACQUISITION OF A SUBSIDIARY

Pursuant to an acquisition agreement entered into among a wholly-owned subsidiary of the Company (“**Subsidiary**”), Tradewide Investments Limited (the “**Vendor**”) and Mr. Chau Kai Man as guarantor, independent third parties to the Group, the Subsidiary agreed to acquire the entire equity interest of Master Clever, a wholly-owned subsidiary, of the Vendor, at a cash consideration of HK\$32,000,000. The transaction was completed in July 2018 and the fair value of the identifiable assets acquired and liabilities recognised for Master Clever at date of acquisition was amounted to HK\$7,927,000. Master Clever is engaged in the provision of dental services mainly including orthodontic treatment, dental laser implant surgery, teeth whitening and other general dental services. Master Clever was acquired so as to continue the expansion of the Group’s dental services.

Consideration transferred

	HK\$’000
Cash	32,000
Contingent consideration receivable (<i>note</i>)	<u>(4,590)</u>
Total	<u>27,410</u>

Note: The contingent consideration receivable is classified as financial assets at fair value through profit or loss and measured at fair value.

Acquisition-related costs amounting to HK\$697,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the other expenses line item in the condensed consolidated statement of profit or loss and other comprehensive income.

Pursuant to the acquisition agreement, each of Dr. Chiu and I-Teeth, jointly and severally guarantees to the Group that Master Clever’s net profit before taxation after adjusting certain costs and expenses (the “**Adjusted Net Profit**”) shall not be less than HK\$7,000,000 (“**Guaranteed Net Profit**”) for each of the three financial years ending 31 December 2020. In the event that the Adjusted Net Profit for a financial year is less than the Guaranteed Net Profit, I-Teeth and Dr. Chiu shall pay the shortfall to the Group.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	2,660
Intangible assets	7,466
Accounts and other receivables	1,270
Bank balances and cash	2,747
Accounts and other payables	(1,415)
Deferred tax liability	(1,368)
Contract liabilities	(2,167)
Amount due to a related party – I-Teeth	(1,061)
Tax payable	(205)
	<u>7,927</u>

The fair value of accounts and other receivables at the date of acquisition amounted to HK\$1,270,000. The gross contractual amounts of those accounts and other receivables acquired amounted to HK\$1,270,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

Goodwill arising on acquisition:

	<i>HK\$'000</i>
Consideration transferred	27,410
Less: net assets acquired	<u>(7,927)</u>
Goodwill arising on acquisition	<u>19,483</u>

Goodwill arose in the acquisition of Master Clever because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Master Clever. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Master Clever

	<i>HK\$'000</i>
Cash consideration paid	32,000
Less: cash and cash equivalent balances acquired	<u>(2,747)</u>
	<u>29,253</u>

Included in the profit for the period is approximately HK\$1,421,000 attributable to the additional business generated by Master Clever. Revenue for the period includes approximately HK\$13,997,000 generated from Master Clever.

Had the acquisition been completed on 1 April 2018, total group revenue for the period would have been approximately HK\$87,934,000, and loss for the period would have been approximately HK\$6,072,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2018, nor is it intended to be a projection of future results.

16. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 September	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Short-term benefits	3,234	2,171
Post-employments benefits	45	41
	<u>3,279</u>	<u>2,212</u>

Other than the above, a subsidiary had entered into the following transaction with a related party during the period:

Related party	Relationship	Nature of transaction	Six months ended 30 September	
			2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Face Factor Limited	Related company	Rental income	<u>460</u>	<u>304</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Company is one of the corporate healthcare solutions providers in Hong Kong for more than 20 years, principally engaged in the provision of medical and dental solutions to corporates and insurance companies through the tailor-made design and administration of medical and/or dental benefit plans to provide different combination of medical and/or dental services. We also operate our own MediNet centres, dental clinics and DNA laboratory centre to deliver the value for money, high quality services and a comprehensive suite of healthcare solutions to our customer.

BUSINESS REVIEW AND OUTLOOK

The Group's revenue increased by approximately 27.3% from approximately HK\$48.9 million for the six months ended 30 September 2017 to approximately HK\$62.2 million for the six months ended 30 September 2018. The increase in revenue was mainly attributable to the Acquired Business (as defined below) and dental clinic in Shenzhen (the "**Shenzhen Dental Clinic**"). However, we also recorded a net loss of approximately HK\$6.4 million during the period under review.

As disclosed in the Company's announcement dated 5 July 2018, in order to achieve the long term development of the Group's business and expand the capacity and diversify the range of our existing dental services, the Board has resolved to change the proposed use of the IPO proceeds to acquire the dental business held by Master Clever Limited which is principally engaged in the business of operation of dental clinics for the provision of dental services including orthodontic treatment, implant surgery, teeth whitening and other general dental services (the "**Acquired Business**"). As a result, the revenue of dental services to self-paid patients increased significantly by approximately 135% from approximately HK\$9.6 million for the six months ended 30 September 2017 to approximately HK\$22.5 million for the six months ended 30 September 2018. The Group expects these acquisition will not only contribute significantly to our financial performance but also enhance the synergistic effect of our dental services.

Furthermore, our first dental clinic in the People's Republic of China (the "**PRC**") opened in June 2018, which increased our revenue generated from dental services to self-paid patient but also led to increase the operation cost and resulting the loss for period. In addition, the development of private healthcare in the PRC is a slow and long process, as it requires time and significant capital investment, therefore our management team has decided to terminate the development of integrated medical centre in Jiangmen so we will continuously focus on establish or acquire the small dental clinics in our strategic sites.

Meanwhile, in order to improve our financial performance, the Group also economize on expenses on our existing operation by streamlining our operation flow and manpower to achieve cost-saving and improve operation efficiency. Our management team is confident that the Group will become a well-known healthcare services provider in both Hong Kong and the PRC in delivering high quality services to our customers and also high return for our shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue significantly increased from approximately HK\$48.9 million for the six months ended 30 September 2017 to approximately HK\$62.2 million for the six months ended 30 September 2018. The following table sets forth a breakdown of the Group's revenue with comparative figure:

	Six months ended 30 September 2018 <i>HK\$'000</i>	Six months ended 30 September 2017 <i>HK\$'000</i>	Increase/ (decrease) %
Medical solutions to contract customers	27,031	27,375	(1.3%)
Medical services to self-paid patients	10,030	8,812	13.8%
Dental solutions to contract customers	2,666	3,130	(14.8%)
Dental services to self-paid patients	22,500	9,572	135.1%
	<u>62,227</u>	<u>48,889</u>	

The revenue of medical solutions to contract customers remained relatively stable at approximately HK\$27.0 million and HK\$27.4 million for both of six months ended 30 September 2018 and 30 September 2017 respectively.

The revenue of medical services to self-paid patients increased by approximately 13.8% from approximately HK\$8.8 million for the six months ended 30 September 2017 to approximately HK\$10.0 million for the six months ended 30 September 2018, primarily due to the increase in demand from self-paid patients for certain body check-up services. Other testing procedures and vaccination services etc.

The revenue of dental solutions to contract customers decreased by approximately 14.8% from approximately HK\$3.1 million for the six months ended 30 September 2017 to approximately HK\$2.7 million for the six months ended 30 September 2018, which was mainly attributable to the decrease in the number of contract customer and individual for dental solutions.

In particular, the revenue of dental services to self-paid patients increased significantly by approximately 135.1% from approximately HK\$9.6 million for the six months ended 30 September 2017 to approximately HK\$22.5 million for the six months ended 30 September 2018, which was primarily due to revenue from the new acquired business and revenue from our Shenzhen Dental Clinic.

Other income

Other income decreased by approximately 11.3% from approximately HK\$948,000 for the six months ended 30 September 2017 to approximately HK\$841,000 for the six months ended 30 September 2018 because of the decrease in interest income on loan receivables which were redeemed in November 2017 and July 2018 respectively.

Other losses

Other losses decreased by approximately 44.5% from approximately HK\$238,000 for the six months ended 30 September 2017 to approximately HK\$132,000 for the six months ended 30 September 2018 mainly due to disposal of a subsidiary in May 2017 and loss on write-off of fixed assets in April 2018.

Medical and dental professional services expenses

Medical and dental professional services expenses primarily comprised of fees paid to (i) affiliated doctors and affiliated auxiliary services providers rendered within the MediNet Network; (ii) engaging external dentist; (iii) laboratories for services rendered to the Group; and (iv) the Group's doctors and dentists.

The Group's medical and dental professional services expenses increased by approximately 19.4% from approximately HK\$23.5 million for the six months ended 30 September 2017 to HK\$28.1 million for the six months ended 30 September 2018, which was primarily due to the increase in the aggregate amount paid to external and internal dentists of the Acquired Business.

Staff costs

Staff costs increased by approximately 15.8% from approximately HK\$15.6 million for the six months ended 30 September 2017 to HK\$18.0 million for the six months ended 30 September 2018. The increase was mainly attributable to (i) an increase in staff costs paid to the Directors; (ii) annual increase in salaries for the staff; and (iii) an increase in number of staff from Shenzhen Dental Clinic and our new DNA genetic laboratory centre as well as the Acquired Business.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by approximately 79.6% from approximately HK\$803,000 for the six months ended 30 September 2017 to HK\$1.4 million for the six months ended 30 September 2018, which was primarily due to the purchase of specialized equipment and decoration for dental clinic in Shenzhen, dental clinic in Causeway Bay, the new DNA genetic 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 149.3% from approximately HK\$2.1 million for the six months ended 30 September 2017 to HK\$5.1 million for the six months ended 30 September 2018, which was principally due to the result of increase in the amount of other dental consumables by the patients which was in line with the increase in the Group's revenue.

Rental expenses

Rental expenses increased by approximately 19.2% from approximately HK\$4.9 million for the six months ended 30 September 2017 to approximately HK\$5.8 million for the six months ended 30 September 2018, which was mainly due to rental expenses for our new DNA genetic laboratory centre in Wong Chuk Hang, the Acquired Business and increase in rent for those existing premises for which leases were renewed.

Other expenses

Other expenses increased by 34.4% from approximately HK\$7.6 million for the six months ended 30 September 2017 to HK\$10.2 million for the six months ended 30 September 2018, which was primarily due to (i) increase in the amount of professional fee for acquisition of the Acquired Business and to ensure ongoing compliance with relevant rules and regulations; (ii) the increase in cost of other general administrative expenses such as utilities, repair, maintenance and website development of our DNA genetic laboratories centre and Shenzhen Dental Clinic; and (iii) the consolidation of other expenses of the Acquired Business.

Income tax expense

Income tax expense for the Group decreased from approximately HK\$468,000 for the six months ended 30 September 2017 to approximately HK\$216,000 for the six months ended 30 September 2018. The decrease was mainly due to the decrease 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 six months ended 30 September 2018 of approximately HK\$6.4 million, which represented an increase of approximately HK\$1.1 million as compared with loss for the period of approximately HK\$5.3 million for the six months ended 30 September 2017.

Such increase was primarily attributable to the combined effect of (i) the increase in revenue of approximately HK\$13.3 million for the six months ended 30 September 2018 and partially offset by; (ii) the increase in staff costs, other operation expenses and professional fee to support and expand the Group's existing business as well as the newly established DNA genetic laboratory centre and the Acquired Business; (iii) additional cost incurred on the development for the PRC market which mainly represented staff costs, operating cost and administrative cost from our representative office and dental clinic in Shenzhen; and (iv) amortisation of intangible asset due to the Acquired Business.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group as at 30 September 2018 was 1.5 times as compared to that of 3.2 times as at 31 March 2018.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group since 31 May 2016. The share capital only comprises of ordinary shares. As at 30 September 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.

SEGMENT INFORMATION

Segment information for the Group is presented in note 3 of the notes to the unaudited condensed consolidated financial statements.

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 (as defined in the Company's announcement (the "**Announcement**") dated 20 July 2016) and First Credit Notes (as defined in the Announcement), 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 Announcement.

In November 2017, the Group early redeemed the subscription of First Credit Notes in principal amount of HK\$8 million and also redeemed the subscription of Jun Yang Notes in 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 30 September 2018.

Material acquisitions and disposal of subsidiaries, associated and joint ventures

The Group has 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 on 5 July 2018.

CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any material contingent liabilities (30 September 2017: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2018, the Group had a total of 115 employees (30 September 2017: 95 employees). The staff costs including directors' remuneration in the form of salaries and other benefits was approximately HK\$18.0 million for the six months ended 30 September 2018 (30 September 2017: approximately HK\$15.6 million). Remuneration is determined with reference to market terms, performance, position, experience and seniority. The remuneration packages are normally renewed on annual basis based on performance appraisals and other relevant factors to ensure that the pay levels of our employees are competitive and are rewarded on a performance related basis.

In addition, the remuneration of the Directors are reviewed by the remuneration committee of the Company and approved by the Board, according to the relevant Director's experience, responsibility, workload and time devoted to the Group.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 24 May 2016 (the "**Prospectus**") with the Group's actual business progress for the period from the date of listing of the Company's shares on GEM on 31 May 2016 to 30 September 2018 is set out below:

Business objectives as set out in the Prospectus	Actual business progress
Expand the operation of MediNet Centres and dental clinics in Central and Tsim Sha Tsui	The Group has used approximate HK\$12.01 million to expand the operation of MediNet Centres and dental clinics
Purchase a property for operation of dental clinic in Causeway Bay	The Group has used HK\$32 million to acquire a dental company – Master Clever Limited
Expand our MediNet Network	The Group has used approximated HK\$0.30 million for the expansion of MediNet Network
General working capital	The Group has used approximated HK\$0.30 million for general working capital

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 30 September 2018 was approximately HK\$2.74 million.

An analysis of the planned amount utilized up to 30 September 2018 is set out below:

	Planned amount utilized up to 30 September 2018 <i>HK\$ million</i>	Actual utilized amount as at 30 September 2018 <i>HK\$ million</i>	Unutilised amount out of the planned amount as at 30 September 2018 <i>HK\$ million</i>
Expand the operation of MediNet Centres and dental clinics in Tsim Sha Tsui and Causeway Bay	12.42	12.01	0.41
Purchase a property for operation of dental clinic in Causeway Bay	34.20	0.00	34.20
Acquisition	0.00	32.00	(32.00)
Expand our MediNet Network	0.30	0.30	0.00
General Working capital	0.30	0.30	0.00
	47.22	44.61	2.61

As disclosed in the Prospectus, one of the Group's business strategies is to purchase a property for operation of dental clinic in Causeway Bay during the financial year ending 31 March 2018. With reference to the Company's announcement dated 5 July 2018, the Board has resolved to change the proposed used of the IPO proceeds due to the Company has 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 considers that the original plan is 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.

DISCLOSURE OF INTERESTS

A. Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations

As at 30 September 2018, 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 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:

(a) Long position in the ordinary shares of the Company

Name of Director	Capacity/Nature of interest	Number of ordinary shares held, capacity and nature of interest	
		Number of share held (Note 1)	Approximate percentage of the Company's issued share capital
Mr. Chan Chi Wai, Nelson	Interest of controlled company (Note 2)	585,000,000 (L)	56.25%
Ms. Jiang Jie	Interest of spouse (Note 3)	585,000,000 (L)	56.25%

Notes:

1. The letter “L” denotes to long position in the shares of the Company.
2. MediNet International Limited is wholly and beneficially owned by Mr. Chan Chi Wai, Nelson (“**Mr. Chan**”). Therefore, Mr. Chan is deemed to be interested in the Shares held by Medinet International Limited under Part XV of the SFO. Mr. Chan is the sole director of MediNet International Limited.
3. Ms. Jiang Jie (“**Ms. Jiang**”) is the spouse of Mr. Chan. Accordingly, Ms. Jiang is deemed to be interested in the Shares 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.

(b) Long position in the shares of associated corporation of the Company

Name of associated corporation	Name of Director	Capacity/ Nature of interest	Number of shares held <i>(Note 1)</i>	Percentage of issued share capital
MediNet International Limited <i>(Note 2)</i>	Mr. Chan	Beneficial owner	5 (L)	100%
MediNet International Limited <i>(Note 2)</i>	Ms. Jiang	Interest of spouse <i>(Note 3)</i>	5 (L)	100%

Notes:

1. The letter “L” denotes to the long position in the shares of the Company.
2. The entire issued share capital of MediNet International Limited is legally and beneficially owned by Mr. Chan.
3. Ms. Jiang is the spouse of Mr. Chan. Ms. Jiang is deemed to be interested in all the shares in which Mr. Chan is interested under Part XV of the SFO.

Save as disclosed above, as at 30 September 2018, 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 September 2018, so far as is known to the Directors, the following persons (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 Shareholder	Capacity and nature of interest	Number of ordinary shares held (Note 1)	Approximate percentage of the Company's issued share capital
MediNet International Limited	Beneficial owner (Note 2)	585,000,000 (L)	56.25%
NSD Capital Limited ("NSD Capital")	Beneficial owner (Note 3)	195,000,000 (L)	18.75%
Convoy Asset Management Limited ("CAM")	Interest of a controlled corporation (Note 3)	195,000,000 (L)	18.75%
Convoy Global Holdings Limited (formerly known as Convoy Financial Holdings Limited) ("Convoy Global")	Interest of a controlled corporation (Note 3)	195,000,000 (L)	18.75%

Notes:

1. The letter "L" denotes to long position in the shares of the Company.
2. MediNet International Limited 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 Limited under Part XV of SFO. Mr. Chan is the sole director of MediNet International Limited.
3. NSD Capital is an exempted company incorporated in the Cayman Island with limited liability, the management shares of which are wholly owned by CAM, a wholly-owned subsidiary of Convoy Global (a company listed on the Main Board of the Stock Exchange (stock code: 1019)). Therefore, each of CAM and Convoy Global is deemed to be interested in the Shares held by NSD Capital under the SFO.

Save as disclosed above, as at 30 September 2018, none of the substantial shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the section headed “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations” above, had any interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

COMPETING AND CONFLICTS OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company 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 September 2018.

INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Messis Capital Limited, as at 30 September 2018, 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 September 2018.

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 September 2018, save as disclosed above, the Company has complied with the applicable code provisions of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) 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. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Model Code during the six months ended 30 September 2018.

DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2018.

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place since the interim period for the six months ended 30 September 2018.

AUDIT COMMITTEE

The Company established an audit committee (“**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 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. 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 six months ended 30 September 2018.

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

Hong Kong, 14 November 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.