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*This report, 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 report 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 report misleading.*

This report 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.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Chi Wai, Nelson (*Chairman*)

Ms. Jiang Jie

Independent non-executive Directors

Dr. Lieu Geoffrey Sek Yiu

Mr. Leung Po Hon

Mr. Wong Wai Leung

AUDIT COMMITTEE MEMBERS

Mr. Leung Po Hon (*Chairman*)

Dr. Lieu Geoffrey Sek Yiu

Mr. Wong Wai Leung

NOMINATION COMMITTEE MEMBERS

Mr. Leung Po Hon (*Chairman*)

Mr. Wong Wai Leung

Mr. Chan Chi Wai, Nelson

REMUNERATION COMMITTEE MEMBERS

Mr. Wong Wai Leung (*Chairman*)

Mr. Leung Po Hon

Mr. Chan Chi Wai, Nelson

COMPLIANCE OFFICER

Mr. Chan Chi Wai, Nelson

COMPANY SECRETARY

Mr. Leung Man Fai

AUTHORISED REPRESENTATIVES

Mr. Chan Chi Wai, Nelson

Mr. Leung Man Fai

COMPLIANCE ADVISER

Messis Capital Limited

LEGAL ADVISER

As to Hong Kong Law

Michael Li & Co

Solicitors, Hong Kong

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16/F, 101 King's Road,

North Point, Hong Kong



CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

PRINCIPAL BANKER

Nanyang Commercial Bank, Limited

COMPANY'S WEBSITE

www.MediNetGroup.com
(information of this website does not form
part of this report)

STOCK CODE

8161



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.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF MEDINET GROUP LIMITED

醫匯集團有限公司

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of MediNet Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 7 to 41, which comprise the condensed consolidated statement of financial position as of 30 September 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

14 November 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Notes	Six months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (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 HK\$'000 (Unaudited)	At 31 March 2018 HK\$'000 (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
Net current assets		13,964	53,083
Total assets less current liabilities		61,362	67,171

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

		At 30 September 2018 HK\$'000 (Unaudited)	At 31 March 2018 HK\$'000 (Audited)
Non-current liability			
Deferred tax liabilities		1,303	–
Net assets		60,059	67,171
Capital and reserves			
Share capital	14	10,400	10,400
Reserves		49,659	56,771
		60,059	67,171

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital	Share premium	Other reserve	Special reserve	Exchange reserve	Accumulated losses	Subtotal	Non-controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000 (note)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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)	10,400	51,853	(1,253)	20,515	(146)	(21,310)	60,059	-	60,059
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)	10,400	51,853	(1,253)	20,515	-	(7,506)	74,009	-	74,009

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	
	Note	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(2,831)	(5,209)
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		9,267	(3,704)
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		23,272	30,002
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash		29,200	21,089

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

In addition, the Group has applied amendments to HKFRS 9 “Prepayment Features with Negative Compensation” in advance of the effect date, i.e. 1 April 2019.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers”

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The Group recognises revenue from the provision of medical solutions and medical services and the provision of dental solutions and dental services.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers” *(Continued)*

HKFRS 15 introduces a 5-step approach when recognising revenue:

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

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers” *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met.

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group’s performance in transferring control of goods or services.

The Group has performed an assessment on the impact of the adoption of HKFRS 15 and concluded that there is no material financial impact on the timing and amounts of revenue recognised in prior and current periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers” *(Continued)*

Summary of effects arising from initial application of HKFRS 15

Prior to the application of HKFRS 15, the Group recognised receipt in advance at the end of the reporting period based on consideration already received by the Group while the provision of medical and dental solution services had not yet been rendered to contract customers. The following adjustment was made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018 HK\$'000	Reclassification HK\$'000	Carrying amounts under HKFRS 15 at 1 April 2018 HK\$'000
Current liabilities			
Contract liabilities	–	11,127	11,127
Accounts and other payables	23,771	(11,127)	12,644

The following table summarises the impacts of applying HKFRS 15 on the Group’s condensed consolidated statement of financial position as at 30 September 2018 for the line item affected. Line items that were not affected by the changes have not been included.

	As reported HK\$'000	Adjustment HK\$'000	Amounts without application of HKFRS 15 HK\$'000
Current liabilities			
Contract liabilities	11,151	(11,151)	–
Accounts and other payables	18,189	11,151	29,340

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application of HKFRS 9 “Financial Instruments” and the related amendments

In the current period, the Group has applied HKFRS 9 “Financial Instruments”, Amendments to HKFRS 9 “Prepayment Features with Negative Compensation” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 April 2018. The difference between carrying amounts at 31 March 2018 and the carrying amounts at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

Classification and measurement of financial assets

Accounts receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application of HKFRS 9 “Financial Instruments” *(Continued)*

Classification and measurement of financial assets *(Continued)*

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The directors of the Company reviewed and assessed the Group’s financial assets at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that the Group’s financial assets are to continue to be measured at amortised cost upon adoption of HKFRS 9, which is the same as the method of measurement used under HKAS 39.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, loan receivables, amounts due from an associate/related companies, short-term bank deposit and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-months’ ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application of HKFRS 9 “Financial Instruments” *(Continued)*

Impairment under ECL model *(Continued)*

The Group always recognises lifetime ECL for accounts receivables without any significant financing component. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application of HKFRS 9 “Financial Instruments” *(Continued)*

Significant increase in credit risk *(Continued)*

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of “investment grade” as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application of HKFRS 9 “Financial Instruments” *(Continued)*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 and have concluded that no material financial impact exists, and therefore no adjustment to the opening accumulated losses at 1 April 2018 has been recognised.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Application of revised accounting policy for business combination in respect of contingent consideration receivable

Pursuant to the completion of acquisition of a subsidiary in July 2018, the Group has recognised the contingent consideration receivable of HK\$4,590,000 during the six months ended 30 September 2018. Accordingly the Group has applied the following treatments under the accounting policy of “Business combination”.

“When a consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the “measurement period” (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provision amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.”



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Application of new accounting policy in respect of intangible assets acquired in a business combination

Intangible assets

"Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised."

In addition, the existing accounting policy of "Impairment losses" of the Group that is applicable to the tangible assets is also applicable to the intangible assets.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Dental services *(Continued)*

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. REVENUE AND SEGMENT INFORMATION (Continued)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. REVENUE AND SEGMENT INFORMATION (Continued)

Six months ended 30 September 2017

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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
	27,031	27,375
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
	62,227	48,889

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

4. OTHER INCOME

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

5. OTHER LOSSES

	Six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (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)
	(132)	(238)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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	5,148	2,065
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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)	–

	216	468
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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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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	(6,429)	(5,329)
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	1,040,000	1,040,000

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

11. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	At 30 September 2018 HK\$'000 (Unaudited)	At 31 March 2018 HK\$'000 (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
Total accounts and other receivables	16,882	16,430
Less: Receivables within twelve months shown under current assets	(12,595)	(11,659)
Rental deposits and other receivables shown under non-current assets	4,287	4,771
Presented in the condensed consolidated statement of financial position		
– Rental deposits	3,400	3,314
– Other receivables	887	1,457
	4,287	4,771

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

11. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

(Continued)

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

	At 30 September 2018 HK\$'000 (Unaudited)	At 31 March 2018 HK\$'000 (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
	7,827	7,383

12. LOAN RECEIVABLE

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

13. ACCOUNTS AND OTHER PAYABLES AND CONTRACT LIABILITIES

(A) Accounts and other payables

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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

13. ACCOUNTS AND OTHER PAYABLES AND CONTRACT LIABILITIES

(Continued)

(A) Accounts and other payables *(Continued)*

The following is an aged analysis of accounts payables based on the invoice date at the end of each period:

	At 30 September 2018 HK\$'000 (Unaudited)	At 31 March 2018 HK\$'000 (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
	10,550	8,531

(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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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	5,000,000,000	50,000,000
Issued and fully paid:		
At 1 April 2017, 31 March 2018 and 30 September 2018	1,040,000,000	10,400,000

15. ACQUISITION OF A SUBSIDIARY

Pursuant to the acquisition agreement entered into among Medinet (BVI) Limited ("Medinet BVI"), a wholly-owned subsidiary of the Company, Tradewide Investments Limited (the "Vendor") and Mr. Chau Kai Man (the guarantor), of which the latter two parties are independent third parties of the Group, Medinet BVI agreed to acquire the entire equity interest of Master Clever, the then 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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

15. ACQUISITION OF A SUBSIDIARY (Continued)

Consideration transferred

	HK\$'000
Cash	32,000
Contingent consideration receivable (note)	(4,590)
Total	27,410

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, Dr. Chiu and I-Teeth shall pay the shortfall to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

15. ACQUISITION OF A SUBSIDIARY (Continued)

Assets acquired and liabilities recognised at the date of acquisition (determined on a provisional basis):

	HK\$'000
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 liabilities	(1,368)
Contract liabilities	(2,167)
Amount due to a related party – I-Teeth	(1,061)
Tax payable	(205)
	<hr/>
	7,927

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 (determined on a provisional basis):

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

15. ACQUISITION OF A SUBSIDIARY (Continued)

Goodwill arising on acquisition (determined on a provisional basis):

(Continued)

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

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

Included in the loss for the interim period is a profit of HK\$1,421,000 attributable to the additional business generated by Master Clever. Revenue for the period includes 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial asset that is measured at fair value on a recurring basis

A financial asset of the Group is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of this financial asset is determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value at 30 September 2018 HK\$'000 (unaudited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
	31 March 2018 HK\$'000 (audited)			

Financial Asset

Contingent consideration receivable (note 15)	4,590	-	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration.	Discount rate of 14%
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

17. 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	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	3,234	2,171
Post-employments benefits	45	41
	3,279	2,212

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	2017
			HK\$'000	HK\$'000
			(Unaudited)	(Unaudited)
Face Factor Limited	Related company	Rental income	460	304



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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 HK\$'000	Six months ended 30 September 2017 HK\$'000	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%
	62,227	48,889	

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 fees 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 fees 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 costs incurred on the development for the PRC market which mainly represented staff costs, operating costs and administrative costs from our representative office and dental clinic in Shenzhen; and (iv) amortisation of intangible assets 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Planned amount utilized up to 30 September 2018 HK\$ million	Actual utilized amount as at 30 September 2018 HK\$ million	Unutilised amount out of the planned amount as at 30 September 2018 HK\$ million
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 use 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 (Note 1)	Percentage of issued share capital
MediNet International Limited (Note 2)	Mr. Chan	Beneficial owner	5 (L)	100%
MediNet International Limited (Note 2)	Ms. Jiang	Interest of spouse (Note 3)	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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.



OTHER INFORMATION

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



MediNet

Group Ltd

醫匯集團有限公司