

MediNet

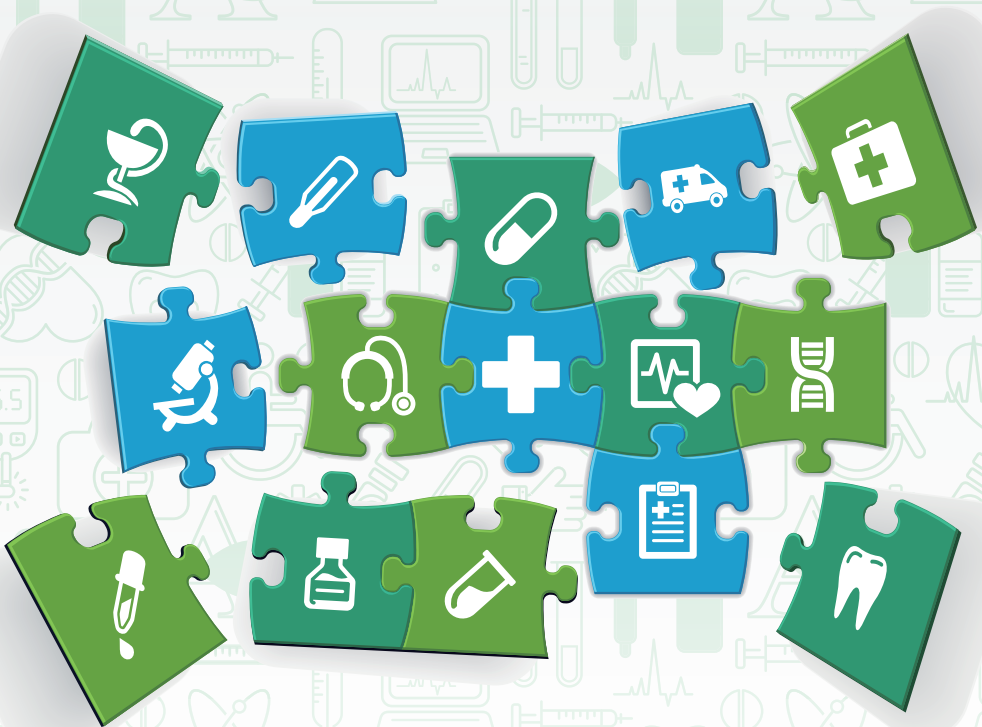
Group Ltd

醫匯集團有限公司

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 8161



INTERIM REPORT 中期報告

2016

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, 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 report.

*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.*

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN 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

STOCK CODE

8161

FINANCIAL HIGHLIGHTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2016, together with the unaudited comparative figures for the corresponding period in 2015, as follows:

	For the six months ended 30 September		
	2016 HK\$'000	2015 HK\$'000	Change %
Revenue	48,630	44,114	10.2%
Loss for the period	(2,525)	(1,990)	26.9%

- The Group’s revenue amounted to approximately HK\$48.6 million for the six months ended 30 September 2016, representing an increase of approximately HK\$4.5 million or approximately 10.2% as compared with the six months ended 30 September 2015.
- The loss for the period of the Group is approximately HK\$2.5 million for the six months ended 30 September 2016, representing an increase of approximately HK\$0.5 million or approximately 26.9% as compared with the six months ended 30 September 2015.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2016.

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 4 to 20, which comprise the condensed consolidated statement of financial position as of 30 September 2016 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 Growth Enterprise Market 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.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 September 2015 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

10 November 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

	Notes	Six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	48,630	44,114
Other income	4	448	1,339
Other gains and losses	5	114	(767)
Medical and dental professional services expenses		(23,956)	(20,489)
Staff costs		(11,439)	(10,233)
Depreciation of property, plant and equipment		(630)	(1,650)
Cost of medical and dental supplies		(1,881)	(1,695)
Rental expenses		(2,957)	(2,041)
Other expenses		(5,740)	(3,674)
Finance costs		–	(474)
Listing expenses		(4,190)	(5,165)
Loss before taxation	6	(1,601)	(735)
Income tax expense	7	(924)	(1,255)
Loss for the period		(2,525)	(1,990)
Other comprehensive income <i>Item that will not be subsequently reclassified to profit or loss:</i>			
Surplus on revaluation of a land and building		–	1,652
Other comprehensive income for the period		–	1,652
Total comprehensive expense for the period		(2,525)	(338)
Loss for the period attributable to:			
Owners of the company		(2,391)	(1,990)
Non-controlling interest		(134)	–
		(2,525)	(1,990)
Total comprehensive expense attributable to:			
Owners of the Company		(2,391)	(338)
Non-controlling interest		(134)	–
		(2,525)	(338)
Loss per share — Basic (Hong Kong cents)	9	(0.25)	(0.26)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	Notes	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	3,755	1,896
Rental deposits	11	1,557	652
Deferred tax assets		83	83
Loans and receivables	12	13,000	–
		18,395	2,631
Current assets			
Inventories		503	504
Held-for-trading investments		–	3,413
Accounts and other receivables	11	14,461	18,133
Amount due from a director		43	660
Amounts due from related parties		30	352
Amount due from a non-controlling interest		5	–
Bank balances and cash		67,296	22,054
		82,338	45,116
Current liabilities			
Accounts and other payables	13	18,422	24,550
Taxation payable		1,231	602
		19,653	25,152
Net current assets		62,685	19,964
Total assets less current liabilities		81,080	22,595
Non-current liability			
Deferred tax liability		1	1
Net assets		81,079	22,594
Capital and reserves			
Share capital	14	10,400	– ⁺
Reserves		70,808	22,594
Equity attributable to owners of the Company		81,208	22,594
Non-controlling interest		(129)	–
Total equity		81,079	22,594

⁺ Less than HK\$1,000.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note a)	Special reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profit (accumulated losses) HK\$'000	Subtotal HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
At 1 April 2016 (audited)	- ⁺	-	(1,253)	20,515	-	3,332	22,594	-	22,594
Loss and total comprehensive expense for the period	-	-	-	-	-	(2,391)	(2,391)	(134)	(2,525)
Capitalisation Issue (note c)	7,800	(7,800)	-	-	-	-	-	-	-
Issue of new shares (note d)	2,600	67,600	-	-	-	-	70,200	-	70,200
Transaction costs attributable to issued shares	-	(7,947)	-	-	-	-	(7,947)	-	(7,947)
Capital contribution to a non-wholly owned subsidiary	-	-	-	-	-	-	-	5	5
Dividend declared	-	-	-	-	-	(1,248)	(1,248)	-	(1,248)
At 30 September 2016 (unaudited)	10,400	51,853	(1,253)	20,515	-	(307)	81,208	(129)	81,079
At 1 April 2015 (audited)	20,510	-	(1,253)	-	44,767	1,991	66,015	-	66,015
Loss for the period	-	-	-	-	-	(1,990)	(1,990)	-	(1,990)
Surplus on revaluation of a land and building	-	-	-	-	1,652	-	1,652	-	1,652
Total comprehensive income (expense) for the period	-	-	-	-	1,652	(1,990)	(338)	-	(338)
Arising from reorganisation (note b)	(20,502)	-	-	20,507	-	-	5	-	5
Reversal of previously recognised deferred tax of a property upon change of tax base	-	-	-	-	8,178	-	8,178	-	8,178
At 30 September 2015 (unaudited)	8	-	(1,253)	20,507	54,597	1	73,860	-	73,860

⁺ Less than HK\$1,000

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

Notes:

- (a) In November 2012, the Group advanced a three-year unsecured, interest-free loan with principal amount of HK\$13,663,000 to MediNet Holdings Limited, the then holding company of Well Being Dental Services Limited (“**Well Being**”), Medinet Services Limited (“**Medinet Services**”) and Medinet Health Centre Limited (“**Medinet Health Centre**”) of which Mr. Chan Chi Wai, Nelson (“**Mr. Chan**”) was the ultimate owner and the controlling shareholder. The interest-free loan was initially measured at its fair value of HK\$12,410,000 at an effective interest rate of 3.25% per annum and subsequently carried at amortised cost using effective interest method, resulting in an imputed interest income of HK\$267,000 recognised in profit or loss for the six months ended 30 September 2015. 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 has been settled during the year ended 31 March 2016.
- (b) Amount represents the difference between the nominal value of the share capital issued by Medinet (BVI) Limited (“**Medinet BVI**”) for the acquisitions of the entire equity interests in Well Being, Medinet Services, Medinet Health Centre and Men’s Health Solutions Limited (collectively referred to as the “**Hong Kong Subsidiaries**”) and the nominal value of the share capital of the Hong Kong Subsidiaries.
- (c) Pursuant to the written resolutions passed by the shareholders of the Company on 19 May 2016, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the placing as described as (d) below, the directors of the Company were authorised to capitalise the amount of approximately HK\$7,800,000 from the amount standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 779,999,900 ordinary shares of HK\$0.01 each for allotment and issue to the persons whose names appeared on the register of members of the Company at the close of business on 19 May 2016 in proportion (or as nearly as possible without fractions) to their then respective shareholdings of the Company (the “**Capitalisation Issue**”).
- (d) On 31 May 2016, the Company placed 260,000,000 new shares at HK\$0.27 per share for a total gross proceeds of HK\$70,200,000. The proceeds of HK\$2,600,000 representing the par value of the shares of the Company, were credited to the Company’s share capital and the remaining proceeds of HK\$67,600,000 before issuing expenses, were credited to share premium account of the Company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(1,557)	3,223
INVESTING ACTIVITIES		
Purchase of loans and receivables	(13,000)	–
Purchase of property, plant and equipment	(2,489)	(485)
Net repayment from a director	617	115
Repayments from related parties	322	–
Interest received	204	–
Proceeds from disposal of property, plant and equipment	140	–
Advances to related parties	–	(3,704)
NET CASH USED IN INVESTING ACTIVITIES	(14,206)	(4,073)
FINANCING ACTIVITIES		
Proceeds from issue of new shares upon listing	70,200	–
Share issue expenses	(7,947)	–
Dividend paid	(1,248)	–
Advance from a director	–	255
Issue of shares	–	5
Repayments of bank borrowings	–	(2,202)
Repayment to a director	–	(1,362)
Interest paid	–	(474)
Repayment of finance lease obligation	–	(88)
Repayments to related parties	–	(37)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	61,005	(3,903)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	45,242	(4,753)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	22,054	10,525
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash	67,296	5,772

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

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 Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market 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 a property and certain financial instruments which are measured at revalued amount or fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2016.

(i) Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

During the period, the Group has applied, for the first time, the following new amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle

The adoption of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in and/or disclosures set out in this condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(ii) Application of new accounting policy in respect of non-controlling interests

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. REVENUE AND SEGMENT INFORMATION

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

Six months ended 30 September 2016

	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	11,978	36,652	48,630	-	48,630
Inter-segment revenue	342	-	342	(342)	-
Segment revenue	12,320	36,652	48,972	(342)	48,630
Segment profit	981	4,387	5,368		5,368
Unallocated expenses					(3,262)
Unallocated income					509
Unallocated loss					(26)
Listing expenses					(4,190)
Loss before taxation					(1,601)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Six months ended 30 September 2015

	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	11,683	32,431	44,114	–	44,114
Inter-segment revenue	280	–	280	(280)	–
Segment revenue	11,963	32,431	44,394	(280)	44,114
Segment profit	1,094	4,665	5,759		5,759
Unallocated expenses					(1,352)
Unallocated income					1,264
Unallocated loss					(767)
Finance costs					(474)
Listing expenses					(5,165)
Loss before taxation					(735)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue from type of services

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Provision of healthcare solutions to contract customers, which mainly comprise of corporations and insurance companies:		
Medical services	27,854	25,483
Dental services	3,537	3,712
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	8,798	6,948
Dental services	8,441	7,971
	48,630	44,114

4. OTHER INCOME

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Dividend income	–	115
Imputed interest income from the then shareholder of the Hong Kong Subsidiaries	–	267
Interest income on loan and receivable	152	–
Interest income on bank deposits	50	–
Bank interest income	2	1
Others	244	956
	448	1,339

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Gain on disposal of property, plant and equipment	140	–
Loss on fair value change of held-for-trading investments	(26)	(767)
	114	(767)

6. LOSS BEFORE TAXATION

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss before taxation has been arrived at after charging:		
Cost of inventories recognised as an expense	1,881	1,695

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current tax	924	1,111
Deferred tax	–	144
	924	1,255

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

8. DIVIDENDS

The directors of the Company does not recommend any interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: nil).

During the current period, a final dividend of HK0.12 cents (six months ended 30 September 2015: nil) per share amounting to approximately HK\$1,248,000 (six months ended 30 September 2015: nil) was declared and paid to the shareholders in respect of the year ended 31 March 2016.

9. LOSS PER SHARE

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Loss for the purpose of calculating basic loss per share for the period	(2,391)	(1,990)
	'000	'000
Number of shares: Weighted average number of ordinary shares for the purpose of calculating basic loss per share	953,333	780,000

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the six months ended 30 September 2016 and 2015 has been determined on the assumption that the Capitalisation Issue had been effective on 1 April 2015.

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

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain fully depreciated property, plant and equipment (six months ended 30 September 2015: nil) for cash proceeds of approximately HK\$140,000 (six months ended 30 September 2015: nil), resulting in a gain on disposal of approximately HK\$140,000 (six months ended 30 September 2015: nil).

In addition, the Group spent approximately HK\$2,489,000 (six months ended 30 September 2015: HK\$485,000), during the period 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 2016

11. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Accounts receivables	7,760	9,598
Other receivables		
— Other receivables	4,703	4,199
— Prepayments	1,477	3,465
— Rental and utility deposits	2,078	1,523
Total accounts and other receivables	16,018	18,785
Less: Receivables within twelve months shown under current assets	(14,461)	(18,133)
Rental deposits shown under non-current assets	1,557	652

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 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Within 30 days	3,787	4,092
31 to 60 days	2,456	3,615
61 to 90 days	1,261	1,046
91 to 180 days	256	845
	7,760	9,598

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

12. LOANS AND RECEIVABLES

During the period, the Group purchased debt securities that are issued by listed companies in Hong Kong, and carried fixed interest rate at 4.5% to 8% per annum, payable quarterly, and will mature in 2018.

13. ACCOUNTS AND OTHER PAYABLES

	At 30 September 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Accounts payables	9,204	9,032
Other payables	596	925
Receipt in advance	6,920	9,534
Accrued expenses	1,702	5,059
	18,422	24,550

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 2016 HK\$'000 (Unaudited)	At 31 March 2016 HK\$'000 (Audited)
Within 30 days	3,709	3,479
31 to 60 days	2,799	2,889
61 to 90 days	2,544	2,485
91 to 180 days	152	179
	9,204	9,032

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

14. SHARE CAPITAL

The share capital of the Group at 30 September 2016 represented the issued and fully paid share capital of the Company and details of movements of authorised and issued capital of the Company upto 30 September 2016 are as follow:

	Number of shares	Share capital HK\$
Ordinary share of HK\$0.01 each		
Authorised:		
At incorporation and 31 March 2016 (note i)	39,000,000	390,000
Increase during the period (note ii)	4,961,000,000	49,610,000
At 30 September 2016	5,000,000,000	50,000,000
Issued and fully paid:		
At incorporation	1	0.01
Allotment of shares (note iii)	99	0.99
At 31 March 2016	100	1
Capitalisation Issue	779,999,900	7,799,999
Issue of new shares upon listing	260,000,000	2,600,000
At 30 September 2016	1,040,000,000	10,400,000

Notes:

- (i) The Company was incorporated on 20 August 2015 with an authorised share capital of HK\$390,000 dividend into 39,000,000 ordinary shares of HK\$0.01 each.
- (ii) On 19 May 2016, the Company passed written resolution pursuant to which the authorised share capital of the Company was increased by HK\$49,610,000 by the creation of 4,961,000,000 shares of par value HK\$0.01 each.
- (iii) On 11 November 2015, the Company issued 74 shares and 25 shares to Medinet International Limited and NSD Capital Limited respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

15. 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	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Short-term benefits	2,035	1,468
Post-employments benefits	36	36
	2,071	1,504

INTRODUCTION

The Group is principally engaged in the provision of corporate medical and dental solutions to our contract customers (which mainly comprise insurance companies and corporations in terms of revenue) through (i) design and administration of tailored medical and/or dental benefit plans for the contract customers and the provision of different combinations of medical and/or dental services through the MediNet Network, as defined in the prospectus of the Company dated 24 May 2016 (the “**Prospectus**”), to the plan members (including members and employees of contract customers); and (ii) the operation of our MediNet Centres, as defined in the Prospectus, and Dental Clinics, as defined in the Prospectus, offering services to both plan members and self-paid patients (which generally refer to patients who visit our MediNet Centres and/or Dental Clinics and pay out their own expenses).

BUSINESS REVIEW AND OUTLOOK

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

For the six months ended 30 September 2016, the Group recorded a revenue growth, mainly due to the increased revenue generated from the medical solutions segment. The Group possess the expertise and experience to deliver medical and dental services and solutions to its customers and the demand for the Group’s services increased and thus the revenue of the Group recorded a growth in the current year.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

FINANCIAL REVIEW

Revenue

Our revenue increased from approximately HK\$44.1 million for the six months ended 30 September 2015 to approximately HK\$48.6 million for the six months ended 30 September 2016, representing a growth of approximately 10.2%. The following table sets forth a breakdown of the Group's revenue:

	Six-month period ended 30 September 2016		Six-month period ended 30 September 2015	
	HK\$'000	%	HK\$'000	%
Medical solutions to contract customers	27,854	57.3	25,483	57.8
Medical services to self-paid patients	8,798	18.1	6,948	15.7
Dental solutions to contract customers	3,537	7.3	3,712	8.4
Dental services to self-paid patients	8,441	17.3	7,971	18.1
	48,630	100	44,114	100

The Listing provided additional capital to the Group to implement the corporate plans as set out in the Prospectus under the heading of “Business — Business Strategies” and “Statement of Business Objectives and Use of Proceeds — Implementation Plans”. Therefore, we have expanded our Dental Clinic located in Central from 3 surgery rooms to 4 surgery rooms so the revenue derived from provision of dental services to self-paid patients increased by approximately 5.9% from approximately HK\$8.0 million for the six-month period ended 30 September 2015 to HK\$8.4 million for the six-month period ended 30 September 2016. We also relocated our MediNet Centre in Central so as to provide better services quality and capacity to our customers, resulting in an increase the revenue derived from provision of medical services to self-paid patients by approximately 26.6% from approximately HK\$6.9 million for the six-month period ended 30 September 2015 to HK\$8.8 million for the six-month period ended 30 September 2016. The revenue of dental solutions to contract customers slightly decreased by approximately 4.7% from approximately HK\$3.7 million for the six-month period ended 30 September 2015 to approximately HK\$3.5 million for the six-month period ended 30 September 2016, primarily due to decreased number of contract customers.

Other income

Other income decreased by approximately 66.5% from approximately HK\$1.3 million for the six-month period ended 30 September 2015 to approximately HK\$0.4 million for the six-month period ended 30 September 2016 due to decrease in other services income which included other services income from laboratory and other healthcare services provider, bank interest income and dividend income from listed equity securities in Hong Kong.

Medical and dental professional services expenses

The Group’s medical and dental professional services expenses increased by approximately 16.9% from approximately HK\$20.5 million for the six-month period ended 30 September 2015 to approximately HK\$24.0 million for the six-month period ended 30 September 2016, mainly as a result of the combined effect of the following:

- (1) The aggregate amount of fees to affiliated doctors and affiliated auxiliary services providers and reimbursement to plan members of the Group’s contract customers amounted to approximately HK\$17.6 million for the six-month period ended 30 September 2016 and approximately HK\$16.4 for the six-month period ended 30 September 2015, representing an increase of approximately 7.2%. Such increase was mainly due to an increase in the amount of medical services received by plan members through our MediNet Network or reimbursed by us as a result of an increase usage by the active member of contract customers of the Group. The approximate 7.2% increase in the aggregate amount of fees to affiliated doctors and affiliated auxiliary services providers and reimbursement to plan members also increased in line with the approximate 8.2% increase in the Group’s revenue from the provision of medical solutions to contract customer during the relevant period.

MANAGEMENT DISCUSSION AND ANALYSIS

- (2) Fees for engaging external dentists increased by approximately 12.5% from approximately HK\$978,000 for the six-month period ended 30 September 2015 to approximately HK\$1.1 million for the six-month period ended 30 September 2016 as the Group experienced an increase in demand from self-paid patients for certain secondary dental care services which were carried out by external dentists with relevant expertise.
- (3) Laboratory charges increased by approximately 25.6% from approximately HK\$3.1 million for the six-month period ended 30 September 2015 to approximately HK\$3.9 million for the six-month period ended 30 September 2016, primarily due to increase in demand from self-paid patients for certain body check up and other testing procedures.
- (4) Fees to the Group's doctors increased from nil for the six-month period ended 30 September 2015 to approximately HK\$1.4 million for the six-month period ended 30 September 2016 due to the change in employment arrangement between the Group and the Group's doctors pursuant to the MediNet Doctor Agreement, as defined in the Prospectus, effective from 1 November 2015. Therefore, fees to the Group's doctors were recognised in "Staff Costs" and "Medical and dental professional services expenses" before and after such effective date respectively.

Staff costs

Staff cost increased by approximately 11.8% from approximately HK\$10.2 million for the six-month period ended 30 September 2015 to approximately HK\$11.4 million for the six-month period ended 30 September 2016. Besides, due to change in employment arrangements between the Group and the Group's doctors pursuant to the MediNet Doctor Agreement effective from 1 November 2015 as discussed above. If the Group's doctor fee of HK\$1.4 million had been recognised under staff costs, then the staff costs will increase by approximately HK\$2.6 million. The increase was attributable by (i) increase in staff costs paid to directors; (ii) general increase in salaries for the staff; and (iii) increase of staff head count mainly due to the set up of a new sales, marketing and customer service team. Therefore total number of staff increased from 61 to 82 as at 30 September 2015 and 30 September 2016 respectively.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment decreased by approximately 61.8% from approximately HK\$1.7 million for the six-month period ended 30 September 2015 to approximately HK\$0.6 million for the six-month period ended 30 September 2016 primarily as a result of the decrease of the carrying amount of property, plant and equipment due to the disposal of a leasehold property which was completed on 15 October 2015, details of which have been discussed in the Prospectus.

Cost of medical and dental supplies

Cost of medical and dental supplies increased by approximately 11.0% from approximately HK\$1.7 million for the six-month period ended 30 September 2015 to approximately HK\$1.9 million for the six-month period ended 30 September 2016 as the Group experienced an increase in demand from contract customers and self-paid patients, resulting in an increase in cost of medical and dental supplies.

Rental expenses

Rental expenses increased by approximately 44.9% from approximately HK\$2.0 million for the six-month period ended 30 September 2015 to approximately HK\$3.0 million for the six-month period ended 30 September 2016, mainly due to increase in rental expenses for the Tsim Sha Tsui MediNet Centre, head office, Dental Clinics in Central and Kwun Tong as a result of renewal of the respective tenancy agreements and the new tenancy agreement entered for the MediNet Centre at Central during the six-month period ended 30 September 2016.

Other expenses

Other expenses increased by approximately 56.2% from approximately HK\$3.7 million for the six-month period ended 30 September 2015 to approximately HK\$5.7 million for the six-month period ended 30 September 2016, primarily due to increase in professional fees and other general administrative expenses.

Finance cost

Finance cost decreased to nil for the six-month period ended 30 September 2016 from approximately HK\$0.5 million for the six-month period ended 30 September 2015, mainly due to the full repayment of the mortgage loan and finance lease obligation in November 2015 and June 2015 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Listing expenses

For each of the six-month period ended 30 September 2016 and 30 September 2015, the Group recognised non-recurring listing expenses of approximately HK\$4.2 million and HK\$5.2 million respectively as expenses in connection with the Listing.

Income tax expense

Income tax expense for the Group decreased by approximately 26.4% from approximately HK\$1.3 million for the six-month period ended 30 June 2015 to approximately HK\$0.9 million for the six-month period ended 30 June 2016. The decrease was mainly due to the decrease in tax assessable income.

Loss and total comprehensive expense for the period attributable to the owners of the Company

Due to the combined effect of the factors mentioned above, we recorded a loss for the six-month period ended 30 September 2016 of approximately HK\$2.4 million, which increased by approximately HK\$2.1 million as compared with loss for the period of approximately HK\$338,000 for the six-month period ended 30 September 2015. If the listing expenses of approximately HK\$4.2 million and HK\$5.2 million for the six-month period ended 30 September 2016 and 30 September 2015 and surplus on revaluation of a land and building for the six-month period ended 30 September 2015 were excluded, we would have recorded a profit of approximately HK\$1.7 million and HK\$3.2 million for the six-month period ended 30 September 2016 and 30 September 2015 respectively which was lower than the profit for the six-month period ended 30 September 2015 of approximately HK\$1.4 million.

Such decrease was primarily attributable to (i) increase in revenue of approximately HK\$4.5 million for the six-month period ended 30 September 2016 and (ii) offset by the increase in medical and dental professional services, staff costs, rental expenses, cost of medical and dental supplies for the six-month period ended 30 September 2016 as compared to the corresponding period in 2015.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group as at 30 September 2016 was 4.19 times as compared to that of 1.79 times as at 31 March 2016. The increase was mainly due to the increased bank balance and cash from net proceeds from the Listing on 31 May 2016.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM Board of the Stock Exchange on 31 May 2016. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 30 September 2016, the Company's issued share capital was HK\$10,400,000 and the number of its issued ordinary shares was 1,040,000,000 of HK\$0.01 each.

SEGMENTAL INFORMATION

Segmental information is presented for the Group as disclosed on 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 placing letter with Convoy Asset Management Limited, as placing agent, in relation to the subscription of the Jun Yang Notes and First Credit Notes (as defined in the Company's announcement dated 20 July 2016) in principal amount of HK\$5 million and HK\$8 million respectively, which bear an annual interest rate of 8% and 4.5% respectively and both with a term of 2 years, details of which have been discussed in the Company's announcement dated 20 July 2016.

Save as disclosed above and in the Prospectus, the Group did not have other significant investments held, future plans for material investments and capital assets as at 30 September 2016.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 September 2016, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies saved for those related to the Group's reorganisation (as stated in the note b to the unaudited condensed consolidated financial statements of changes in equity).

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 30 September 2016, the Group did not have any material contingent liabilities (31 March 2016: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2016, the Group employed a total of 82 employees (30 September 2015: 61 employees). The staff costs, including Directors' emoluments, of the Group were approximately HK\$11.4 million for the six months ended 30 September 2016 (30 September 2015: approximately HK\$10.2 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the date of Listing on 31 May 2016 to 30 September 2016 is set out below:

Business objectives as set out in the Prospectus	Actual business progress
Expand the operation of MediNet Centre and Dental Clinic in Central	The Group has used approximately HK\$1.75 million to expand the operation of MediNet Centre and Dental Clinic in Central.
Expand our MediNet Network	The Group has used approximately HK\$0.06 million for the sales and marketing expenses to expand its MediNet Network.

USE OF PROCEEDS

The net proceeds from the Listing on 31 May 2016, after deducting listing related expenses, were approximately HK\$47.36 million. After the Listing, these proceeds were used for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus. The unused amount of the net proceeds from the Listing as at 30 September 2016 was approximately HK\$45.49 million.

An analysis of the planned amount utilised up to 30 September 2016 is set out below:

	Planned amount utilised up to 30 September 2016	Actual utilised amount as at 30 September 2016	Unutilised amount out of the planned amount as at 30 September 2016
	HK\$'million	HK\$'million	HK\$'million
Expand the operation of MediNet Centre and Dental Clinic in Central	5.10	1.75	3.35
Expand our MediNet Network	0.06	0.06	0.00
General working capital	0.06	0.06	0.00
	5.22	1.87	3.35

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 period from the date of Listing to 30 September 2016, the Company was in the process of identifying suitable and strategic location for the purchase of property for the relocation of our current Dental Clinic in Causeway Bay.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 September 2016, the interests and short positions of the each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any 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 positions in ordinary shares of the Company

Name of Director	Capacity/ Nature of interest	Number of shares held (Note 1)	Approximate % 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 of the Company 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 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)	Mr. Jiang	Interest of spouse (Note 3)	5 (L)	100%

Notes:

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

OTHER INFORMATION

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

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

Name of Shareholder	Capacity/Nature of interest	Number of Shares held/ interested in (Note 1)	Percentage of total issued share capital of the Company
MediNet International Limited	Beneficial owner (Note 2)	585,000,000 (L)	56.25%
NSD Capital	Beneficial owner (Note 3)	195,000,000 (L)	18.75%
Convoy Fund Management Limited (formerly known as DRL Capital Investment Management Limited "CFM")	Interest of a controlled corporation (Note 3)	195,000,000 (L)	18.75%
Convoy Financial Holdings Limited ("Convoy Financial")	Interest of a controlled corporation (Note 3)	195,000,000 (L)	18.75%

Notes:

- The letter "L" denotes to long position in the shares of the Company.
- 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.
- NSD Capital is an exempted company incorporated in the Cayman Islands with limited liability, the management shares of which are wholly owned by CFM, a wholly owned subsidiary of Convoy Financial (a company listed on the Main Board of the Stock Exchange (stock code: 1019)). Therefore, each of CFM and Convoy Financial is deemed to be interested in the shares of the Company held by NSD Capital under the SFO.

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

COMPETING AND CONFLICTS OF INTERESTS

The Directors are not aware of any business or interest of the Directors, the controlling shareholder of the Company and any of their respective close 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 six-month period ended 30 September 2016.

INTERESTS OF COMPLIANCE ADVISER

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

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

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

CORPORATE GOVERNANCE CODE

Pursuant to the code provision A.2.1 of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules, the roles of chairman and chief executive should be separate 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 Chi Wai Nelson 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 2016, 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 a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all the Directors and the Company and was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors throughout the six-month period ended 30 September 2016.

DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2016.

AUDIT COMMITTEE

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

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

Hong Kong, 10 November 2016

MediNet Group Limited
醫匯集團有限公司