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 2019

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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

LEGAL ADVISER

As to Hong Kong Law
Michael Li & Co
Solicitors, Hong Kong

INDEPENDENT AUDITOR

D & PARTNERS CPA LIMITED
Certified Public Accountants

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Hutchins Drive
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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$77.4 million for the six months ended 30 September 2019, representing an increase of approximately HK$15.2 million as compared with the six months ended 30 September 2018.

- The loss for the period of the Group is approximately HK$3.1 million for the six months ended 30 September 2019, representing a decrease of approximately HK$3.3 million as compared with the six months ended 30 September 2018.

- The board of Directors does not recommend the payment of interim dividend for the six months ended 30 September 2019.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

D & PARTNERS
CERTIFIED PUBLIC ACCOUNTANTS

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 43, which comprise the condensed consolidated statement of financial position as of 30 September 2019 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.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

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, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 30 September 2018 and the relevant explanatory notes included 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'.

D & PARTNERS CPA LIMITED
Certified Public Accountants
Hong Kong
14 November 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Notes	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue	4	**77,377**	62,227
Other income	5	**609**	841
Other gain and losses, net	6	**(34)**	(132)
Medical and dental professional services expenses		**(33,743)**	(28,069)
Staff costs		**(19,885)**	(18,037)
Depreciation of property, plant and equipment		**(1,903)**	(1,442)
Depreciation of right-of-use assets		**(4,830)**	–
Cost of medical and dental supplies		**(7,977)**	(5,148)
Rental expenses		**(1,072)**	(5,843)
Finance costs		**(336)**	–
Other expenses		**(9,845)**	(10,217)
Amortisation of intangible assets		**(786)**	(393)
Loss before taxation	7	**(2,425)**	(6,213)
Income tax expense	8	**(700)**	(216)
Loss for the period		**(3,125)**	(6,429)
Other comprehensive expense for the period			
Item that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		**(286)**	(683)
Reclassification adjustment from foreign currencies translation reserves:			
— release upon liquidation of a subsidiary		**273**	–
Total comprehensive expense for the period		**(3,138)**	(7,112)
Loss per share — Basic (Hong Kong cents)	10	**(0.30)**	(0.62)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	**9,500**	11,014
Right-of-use assets	11	**14,225**	–
Goodwill	15	**19,483**	19,483
Other intangible assets		**5,501**	6,287
Contingent consideration receivable	16	**2,960**	2,800
Other receivables	12	**–**	317
Rental deposits	12	**1,181**	3,268
Deferred tax assets		**1,202**	1,155
		54,052	44,324
Current assets			
Inventories		**781**	750
Accounts and other receivables	12	**13,506**	12,965
Amounts due from related parties		**315**	506
Tax recoverable		**–**	88
Bank balances and cash		**23,727**	27,486
		38,329	41,795

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Current liabilities			
Accounts and other payables	13	**15,275**	17,291
Contract liabilities	13	**11,092**	14,327
Lease liabilities		**4,612**	–
Tax payable		**725**	–
		31,704	31,618
Net current assets		**6,625**	10,177
Total assets less current liabilities		**60,677**	54,501
Non-current liability			
Lease liabilities		**8,730**	–
Provision for reinstatement cost		**650**	–
Deferred tax liabilities		**1,183**	1,249
		10,563	1,249
Net assets		**50,114**	53,252
Capital and reserves			
Share capital	14	**10,400**	10,400
Reserves		**39,714**	42,852
		50,114	53,252

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (note)	Special reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2019 (audited)	**10,400**	**51,853**	**(1,253)**	**20,515**	**55**	**(28,318)**	**53,252**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(3,125)**	**(3,125)**
Exchange differences arising on translation	**–**	**–**	**–**	**–**	**(286)**	**–**	**(286)**
Reclassification adjustments from foreign currencies translation reserves:							
— Release upon liquidation of a subsidiary	**–**	**–**	**–**	**–**	**273**	**–**	**273**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**(13)**	**(3,125)**	**(3,138)**
At 30 September 2019 (unaudited)	**10,400**	**51,853**	**(1,253)**	**20,515**	**42**	**(31,443)**	**50,114**
At 1 April 2018 (audited)	10,400	51,853	(1,253)	20,515	537	(14,881)	67,171
Loss for the period	–	–	–	–	–	(6,429)	(6,429)
Exchange differences arising on translation	–	–	–	–	(683)	–	(683)
Total comprehensive expense for the period	–	–	–	–	(683)	(6,429)	(7,112)
At 30 September 2018 (unaudited)	10,400	51,853	(1,253)	20,515	(146)	(21,310)	60,059

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 2019

	Note	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**2,588**	(2,831)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(613)**	(1,737)
Repayment from related parties		**191**	42
Interest received		**15**	215
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 (USED IN) FROM INVESTING ACTIVITIES		**(407)**	9,267
FINANCING ACTIVITY			
Repayment of lease liabilities		**(5,664)**	–
CASH USED IN FINANCING ACTIVITY		**(5,664)**	–
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(3,483)**	6,436
Effect of foreign exchange rate changes		**(276)**	(508)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**27,486**	23,272
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash		**23,727**	29,200

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 2019 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 2019.

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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in current interim period. HKFRS 16 superseded HKAS 17 Leases ("**HKAS 17**") and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of clinics that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee (Continued)

Right-of-use assets *(Continued)*

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 *(Continued)*

As a lessee (Continued)

Lease liabilities *(Continued)*

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities *(Continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 Revenue from Contracts with Customers ("**HKFRS 15**") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sub-lease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

As a lessor

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee (Continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$18,885,000 and right-of-use assets of HK$18,241,000.

When recognising the lease liabilities for lease previously classified as operating lease, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The Group incremental borrowing rate applied by the relevant entities of approximately 5.13%.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 *(Continued)*

As a lessee (Continued)

	At 1 April 2019 HK$'000
Operating lease commitments disclosed as at 31 March 2019	19,419
Add: Lease liabilities resulting from lease modifications of existing leases (note)	2,164
Less: Recognition exemption — short-term leases	(1,668)
	19,915
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 and as at 1 April 2019	18,885
Of which are:	
Current lease liabilities	10,155
Non-current lease liabilities	8,730
	18,885

Note: The Group renewed the leases of certain clinics by entering into new lease contracts which commence after date of initial application, these new contracts are accounted as lease modifications of the existing contracts upon application of HKFRS 16.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	NOTES	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		18,885
Adjustments on rental deposits at 1 April 2019	(a)	254
Less: Accrued lease liabilities relating to rent free period at 1 April 2019	(b)	(898)
		18,241

NOTES:

(a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$254,000 was adjusted to refundable rental deposits paid and right-of-use assets.

(b) Rent free period

These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities as at 1 April 2019 was adjusted to right-of-use assets at transition.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, except for sub-leases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's condensed consolidated statement of financial position as at 1 April 2019. However, effective on 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Effective on 1 April 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

The initial application of HKFRS 16 as a lessor has no material impact on the Group's condensed consolidated statement of financial position as at 1 April 2019 and 30 September 2019 and its condensed consolidated statement of profit or loss and other comprehensive income and statement of cash flows for the current interim period.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs *(Continued)*

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 April 2019 HK$'000
Non-current assets			
Right-of-use assets	–	18,241	18,241
Rental deposits	3,268	(254)	3,014
Current liabilities			
Trade and other payables			
— Accrued expenses	(6,022)	898	(5,124)
Lease liabilities	–	(10,155)	(10,155)
Non-current liabilities			
Lease liabilities	–	(8,730)	(8,730)

Note: For the purpose of reporting cash flows for the six months ended 30 September 2019, movements have been computed based on opening statement of financial position as at 1 April 2019 as disclosed above.

3. KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the condensed consolidated financial statements for the six months ended 30 September 2019, the key sources of estimation uncertainty made by the directors of the Company were the same as those applied in the preparation of the Group's annual financial statements for the year ended 31 March 2019, except for the following key source of estimation uncertainty which is newly applied during the current interim period:

Lease term and discount rate determination

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstance occurs which affects this assessment and that is within the control of the lessee.

In determining the discount rate, the Group is required to exercise considerable judgement in relation to determining the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

4. 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.

4. 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.

4. 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 2019

	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	41,119	36,258	77,377	–	77,377
Inter-segment revenue	458	–	458	(458)	–
Segment revenue	41,577	36,258	77,835	(458)	77,377
Segment profit	462	2,650	3,112		3,112
Unallocated expenses					(5,820)
Unallocated income					477
Unallocated losses					(194)
Loss before taxation					(2,425)

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

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)

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue from type of services

	Six months ended 30 September	
	2019	2018
	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	**15,625**	15,417
— Corporations	**8,542**	11,614
	24,167	27,031
Dental solutions	**3,010**	2,666
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	**12,091**	10,030
Dental services	**38,109**	22,500
	77,377	62,227

5. OTHER INCOME

	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Interest income on loan receivable	–	12
Interest income on bank deposits	–	100
Bank interest income	**15**	103
Rental income	**461**	358
Others	**133**	268
	609	841

6. OTHER GAIN AND LOSSES, NET

	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Loss on written off of property, plant and equipment	**(144)**	(132)
Loss on liquidation of a subsidiary	**(50)**	–
Fair value change of contingent consideration receivable	**160**	–
	(34)	(132)

7. LOSS BEFORE TAXATION

	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Loss before taxation has been arrived at after charging:		
Directors' remuneration	**2,238**	2,088
Salaries and allowance for staff excluding directors	**16,910**	15,192
Retirement benefit scheme contributions for staffs excluding directors	**737**	757
Total staff costs	**19,885**	18,037
Medical and dental professional services expenses	**33,743**	28,069
Cost of inventories recognised as an expense	**7,977**	5,148
Operating lease rentals	**1,072**	5,843
Auditor's remuneration	**200**	250

8. INCOME TAX EXPENSE

	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Current tax — Hong Kong Profits Tax	**829**	281
Deferred tax	**(129)**	(65)
	700	216

8. INCOME TAX EXPENSE *(Continued)*

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

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

9. DIVIDENDS

The directors of the Company do not recommend any interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: nil).

10. LOSS PER SHARE

	Six months ended 30 September	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the purpose of calculating basic loss per share for the period	**(3,125)**	(6,429)

	'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.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 September 2019, the Group has written off certain property, plant and equipment resulting in a loss on written off of property, plant and equipment of approximately HK$144,000 (six months ended 30 September 2018: HK$132,000).

In addition, the Group spent approximately HK$613,000 (six months ended 30 September 2018: HK$1,737,000), during the period on acquisition of property, plant and equipment for the purpose of expanding and upgrading the Group's capacity for operation.

The Group obtains rights to control the use of office and clinics for terms ranging from 1–4 years lease. On 1 April 2019, the date of initial application of HKFRS 16, the Group recognised right-of-use assets of HK$18,241,000 (unaudited) and lease liabilities of HK$18,885,000 (unaudited).

12. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Accounts receivables	**7,486**	8,094
Other receivables		
— Other receivables	**1,266**	2,102
— Prepayments	**2,466**	2,630
— Rental and utility deposits	**3,469**	3,724
Total accounts and other receivables	**14,687**	16,550
Less: Receivables within twelve months shown under current assets	**(13,506)**	(12,965)
Rental deposits and other receivables shown under non-current assets	**1,181**	3,585

12. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS *(Continued)*

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Presented in the condensed consolidated statement of financial position		
— Rental deposits	**1,181**	3,268
— Other receivables	**–**	317
	1,181	3,585

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 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Within 30 days	**4,891**	4,362
31 to 60 days	**2,054**	2,199
61 to 90 days	**463**	1,409
91 to 180 days	**78**	124
	7,486	8,094

13. ACCOUNTS AND OTHER PAYABLES AND CONTRACT LIABILITIES

(A) Accounts and other payables

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Accounts payables	**9,858**	10,892
Other payables (note)	**1,365**	377
Provision for reinstatement cost	**939**	–
Accrued expenses	**3,763**	6,022
	15,925	17,291
Less:		
Non-current portion of provision for reinstatement cost	**(650)**	–
	15,275	17,291

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

The credit period of accounts payables is from 30 to 120 days.

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

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Within 30 days	**5,770**	5,194
31 to 60 days	**1,561**	3,011
61 to 90 days	**2,045**	2,520
91 to 180 days	**482**	167
	9,858	10,892

13. ACCOUNTS AND OTHER PAYABLES AND CONTRACT LIABILITIES *(Continued)*

(B) Contract liabilities

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

14. SHARE CAPITAL

The share capital of the Group at 30 September 2019 represented the issued and fully paid share capital of the Company up to 30 September 2019:

	Number of shares	Share capital HK$
Ordinary share of HK$0.01 each		
Authorised:		
At 1 April 2018, 31 March 2019 and 30 September 2019	5,000,000,000	50,000,000
Issued and fully paid:		
At 1 April 2018, 31 March 2019 and 30 September 2019	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.

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.

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)
	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)
Goodwill arising on acquisition	19,483

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)
	29,253

Included in the loss for the interim period of 2018 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.

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 2019 HK$'000 (unaudited)	31 March 2018 HK$'000 (audited)	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input(s)**
Financial Asset					
Contingent consideration receivable (note 15)	**2,960**	2,800	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow into the Group arising from the contingent consideration.	Discount rate of 14%

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 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Short-term benefits	**3,460**	3,234
Post-employments benefits	**45**	45
	3,505	3,279

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 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Face Factor Limited	Related company	Rental income	**461**	460

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Group is one of the corporate healthcare solutions providers and has been serving in Hong Kong since 1994. We are principally engaged in the provision of medical and dental solutions to corporates and insurance companies through the tailor-made design to provide value for money and comprehensive suite of healthcare solutions to our customers. Currently, we operate two MediNet Centres, seven dental clinics and one DNA genetic laboratory centre in Hong Kong to provide medical and dental services as well as laboratory services to self-paid patients. In addition, the Group also established one dental clinic in Shenzhen (the "**Shenzhen Dental Clinic**") in June 2018 so as to capture the rapid growth and booming medical market in the People's Republic of China (the "**PRC**").

BUSINESS REVIEW AND OUTLOOK

The Group changed the proposed use of proceeds from the listing of the Company's shares on GEM (the "**Listing**") to acquire the dental business (the "**Acquired Business**") held by Master Clever Limited in July 2018, which is principally engaged in the business of operation of dental clinics for the provision of dental services including invisalign treatment, implant surgery and teeth whitening etc. Together with the establishment of the Shenzhen Dental Clinic, the Group's revenue from dental services to self-paid patients increased by approximately 69.4%, representing an increase of approximately HK$15.6 million as compared with the six months ended 30 September 2018. Moreover, due to effective cost control of the administration costs and operation costs, our net loss for the period also improved from approximately HK$6.4 million for the six months ended 30 September 2018 to approximately HK$3.1 million for the six months ended 30 September 2019.

Notwithstanding the Shenzhen Dental Clinic has led to a decrease in our profit, the Group will continue its efforts to actively develop its market and also cost control on the operation and administration costs in our PRC representative office and Shenzhen Dental Clinic. Based on our 25 years' experience in the healthcare industry in Hong Kong, we are confident that the PRC business will perform well in the future.

Despite the significant political and economic uncertainties in Hong Kong, our management team will foster our core business of the provision of medical and dental solutions and services and also seize new opportunities for growth.

FINANCIAL REVIEW

Revenue

The Group's revenue significantly increased from approximately HK$62.2 million for the six months ended 30 September 2018 to approximately HK$77.4 million for the six months ended 30 September 2019. The following table sets forth a breakdown of the Group's revenue with comparative figure:

	Six months ended 30 September 2019 HK$'000	Six months ended 30 September 2018 HK$'000	Increase/ (decrease) %
Medical solutions to contract customers	**24,167**	27,031	(10.6%)
Medical services to self-paid patients	**12,091**	10,030	20.5%
Dental solutions to contract customers	**3,010**	2,666	12.9%
Dental services to self-paid patients	**38,109**	22,500	69.4%
	77,377	62,227	

The revenue of medical solutions to contract customers decreased by approximately 10.6% from approximately HK$27.0 million for the six months ended 30 September 2018 to approximately HK$24.2 million for the six months ended 30 September 2019, which was primarily due to the decrease in the number of contract customers for medical solutions.

The revenue of medical services to self-paid patients increased by approximately 20.5% from approximately HK$10.0 million for the six months ended 30 September 2018 to approximately HK$12.1 million for the six months ended 30 September 2019, 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 increased by approximately 12.9% from approximately HK$2.7 million for the six months ended 30 September 2018 to approximately HK$3.0 million for the six months ended 30 September 2019, which was mainly attributable to the increase in the number of contract customers and individuals for dental solutions.

In particular, the revenue of dental services to self-paid patients increased significantly by approximately 69.4% from approximately HK$22.5 million for the six months ended 30 September 2018 to approximately HK$38.1 million for the six months ended 30 September 2019, which was primarily due to revenue from the Acquired Business, Shenzhen Dental Clinic and the increase in the number of visits from patients seeking secondary dental services.

Other income

Other income decreased by approximately 27.6% from approximately HK$841,000 for the six months ended 30 September 2018 to approximately HK$609,000 for the six months ended 30 September 2019 because of the decrease in interest income on loan receivables which was redeemed in July 2018 and bank interest income.

Other gain and losses, net

Other gain and loss, net decrease by approximately 74.2% from approximately HK$132,000 for the six months ended 30 September 2018 to approximately HK$34,000 for the six months ended 30 September 2019 mainly due to loss of liquidation of a subsidiary and loss on write-off of fixed assets as well as fair value change of contingent consideration receivable.

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 20.2% from approximately HK$28.1 million for the six months ended 30 September 2018 to HK$33.7 million for the six months ended 30 September 2019, which was primarily due to the increase in the aggregate amount paid to external and internal dentists of the Acquired Business and laboratories which was in line with the increase in demand from self-paid patients for certain body check-ups and testing procedures.

Staff costs

Staff costs increased by approximately 10.2% from approximately HK$18.0 million for the six months ended 30 September 2018 to HK$19.9 million for the six months ended 30 September 2019. The increase was mainly attributable to (i) annual increase in salaries for the staff; and (ii) the staff cost paid to the Acquired Business and the Shenzhen Dental Clinic.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by approximately 32.0% from approximately HK$1.4 million for the six months ended 30 September 2018 to approximately HK$1.9 million for the six months ended 30 September 2019, primarily due to (i) the consolidation of depreciation expenses of the Acquired Business; and (ii) the purchase of specialized equipments for dental clinics.

Depreciation of right-of-use assets and finance costs

Due to the adoption of HKFRS 16 "Leases" effective from the annual periods beginning on 1 April 2019, the Group has recorded depreciation of right-of-use assets and finance costs amount to approximately HK$4.8 million and HK$336,000 respectively for the six months ended 30 September 2019.

Cost of medical and dental supplies

Cost of medical and dental supplies significantly increased by approximately 55.0% from approximately HK$5.1 million for the six months ended 30 September 2018 to HK$8.0 million for the six months ended 30 September 2019, which was principally due to the result of increase in the amount of other medical and dental consumables such as drugs and medicine, vaccination and invisalign clear-aligner treatment by the patients which was in line with the increase in revenue from medical and dental services to self-paid patients.

Rental expenses

Rental expense decreased by approximately 81.7% from approximately HK$5.8 million for the six months ended 30 September 2018 to approximately HK$1.1 million for the six months ended 30 September 2019. Without taking into account the adoption of HKFRS 16 "Leases", the rental expenses increased by approximately HK$732,000 as compared with the six months ended 30 September 2018. The increase in rental expenses primarily due to full-period recognition of rental expense from the Acquired Business and the increase in rent for those existing premises with renewed leases.

Other expenses

Other expenses decreased by 3.6% from approximately HK$10.2 million for the six months ended 30 September 2018 to HK$9.8 million for the six months ended 30 September 2019, primarily due to decrease in the amount of professional fees for the Acquired Business incurred in July 2018.

Income tax expense

Income tax expense for the Group increased from approximately HK$216,000 for the six months ended 30 September 2018 to approximately HK$700,000 for the six months ended 30 September 2019, primarily due to the increase in tax assessable income.

Loss and total comprehensive expense for the period

The Group recorded a loss and total comprehensive expense for the six months ended 30 September 2019 for approximately HK$3.1 million which decreased by approximately HK$4.0 million as compared with loss for the period of approximately HK$7.1 for the six months ended 30 September 2018. Although the Group recorded the significant increase in revenue of approximately HK$15.2 million which was offset by (i) the loss incurred on the development of the PRC market; and (ii) annual increase in salaries for the staff

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group as at 30 September 2019 was 1.2 times as compared to that of 1.3 times as at 31 March 2019.

CAPITAL STRUCTURE

As at 30 September 2019, the Company's issued share capital was HK$10,400,000 and the number of its ordinary shares was 1,040,000,000 of HK$0.01 each.

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

The Group did not have other significant investment held, future plans for material investment and capital assets as at 30 September 2019.

Material acquisitions and disposal of subsidiaries, associated and joint ventures

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

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any material contingent liabilities (30 September 2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group had a total of 108 employees (30 September 2018: 115 employees). The staff costs including directors' remuneration in the form of salaries and other benefits was approximately HK$19.9 million for the six months ended 30 September 2019 (30 September 2018: approximately HK$18.0 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.

USE OF PROCEEDS AND FUTURE PLANS

The net proceeds from the Listing on 31 May 2016, after deducting Listing related expenses were approximately HK$47.36 million. The Group has used up the net proceeds from the listing, analysis of the planned amount utilised up to 30 September 2019 is set out below:

	Planned amount utilised up to 30 September 2019 HK$ million	Actual utilised amount as at 30 September 2019 HK$ million
Expand the operation of MediNet Centre and Dental Clinic in Central, Tsim Sha Tsui and Causeway Bay	14.62	14.62
Payment for consideration of the Acquired Business	32.00	32.00
Expand our MediNet Network	0.37	0.37
General working capital	0.37	0.37
	47.36	47.36

As disclosed in the prospectus of the Company dated 24 May 2016 one of the Group's business strategies is to purchase a property for operation of dental clinic in Causeway Bay during the financial year ending 31 March 2018. With reference to the Company's announcement dated 5 July 2018, the Board had resolved to change the proposed used of the IPO proceeds as the Company had not been able to identify any suitable premises for the acquisition and the substantial increase in the general property price over the relevant period has resulted in the IPO proceeds earmarked for the acquisition of property not being sufficient to meet the intended purpose. Furthermore the Board considered that the original plan was not in the best interests of the Company and its shareholders for the time being. In order to better deploy the resources of the Group, the Board considered that the Group should apply the unutilized amount of the IPO proceeds originally intended for the purchase of property to expand the Group's capacity and scope of its existing dental services by way of acquisition. By so doing, the Group can increase its revenue and profit margin as well as achieve long term development of the Group's business.

DISCLOSURE OF INTERESTS

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

As at 30 September 2019, 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

		Number of ordinary shares held, capacity and nature of interest	
Name of Director	Capacity/ 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 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)	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 2019, none of the Directors nor chief executive of the Company has registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 September 2019, 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%
Favour Sino Holdings Limited ("**Favour Sino**")	Interest of a controlled Corporation (Note 3)	195,000,000 (L)	18.75%
Convoy (BVI) Limited ("**Convoy (BVI)**")	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 Favour Sino. Favour Sino is a wholly-owned subsidiary of Convoy (BVI), which is 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, Favour Sino, Convoy (BVI) and Convoy Global 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 2019, 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.

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 2019.

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 2019.

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 2019, save as disclosed above, the Company has complied with the applicable code provisions of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") on terms no less exacting than the required standards of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings set out in the Model Code during the six months ended 30 September 2019.

OTHER INFORMATION

DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2019.

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place since the interim period for the six months ended 30 September 2019.

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 2019.

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

Hong Kong, 14 November 2019

MediNet
Group Ltd
醫匯集團有限公司