MediNet Group Limited
醫匯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8161)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") of MediNet Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk, and in the case of the announcement, on the "Latest Company Announcements" page for at least seven days from the date of its publication and the Company's website at www.medinetgroup.com.

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 2017, together with the unaudited comparative figures for the corresponding period in 2016, as follows:

	For the six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
Revenue	**48,889**	48,630
Loss for the period	**5,329**	2,525

- The revenue of the Group amounted to approximately HK$48.9 million for the six months ended 30 September 2017, representing a slight increase of approximately HK$259,000 as compared with the six months ended 30 September 2016.
- The loss for the period of the Group is approximately HK$5.3 million for the six months ended 30 September 2017, representing an increase of approximately HK$2.8 million as compared with the six months ended 30 September 2016.
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**48,889**	48,630
Other income	*4*	**948**	448
Other losses and gains	*5*	**(238)**	114
Medical and dental professional services expenses		**(23,515)**	(23,956)
Staff costs		**(15,571)**	(11,439)
Depreciation of property, plant and equipment		**(803)**	(630)
Cost of medical and dental supplies		**(2,065)**	(1,881)
Rental expenses		**(4,902)**	(2,957)
Other expenses		**(7,604)**	(5,740)
Listing expenses		**–**	(4,190)
Loss before taxation	*6*	**(4,861)**	(1,601)
Income tax expense	*7*	**(468)**	(924)
Loss and total comprehensive expense for the period		**(5,329)**	(2,525)
Loss and total comprehensive expense for the period attributable to:			
Owners of the Company		**(5,329)**	(2,391)
Non-controlling interest		**–**	(134)
		(5,329)	(2,525)
Loss per share — Basic (Hong Kong cents)	*9*	**(0.51)**	(0.25)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2017

	Notes	**At 30 September 2017** *HK$'000* **(Unaudited)**	At 31 March 2017 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment	*10*	**5,491**	4,635
Loan receivables	*12*	**–**	13,000
Rental deposits	*11*	**2,922**	2,295
Deposits paid for property, plant and equipment		**2,407**	–
Other receivables	*11*	**2,027**	2,312
Deferred tax assets		**180**	180
		13,027	22,422
Current assets			
Inventories		**640**	465
Accounts and other receivables	*11*	**11,653**	11,432
Amount due from a director		**–**	142
Amounts due from related parties		**180**	–
Amount due from a non-controlling interest		**–**	5
Tax recoverable		**926**	1,394
Short-term bank deposits		**35,000**	35,000
Loan receivables	*12*	**13,000**	–
Bank balances and cash		**21,089**	30,002
		82,488	78,440
Current liabilities			
Accounts and other payables	*13*	**21,461**	21,735
Amount due to a director		**19**	–
		21,480	21,735

	Notes	At **30 September 2017** *HK$'000* (Unaudited)	At 31 March 2017 *HK$'000* (Audited)
Net current assets		**61,008**	56,705
Total assets less current liabilities		**74,035**	79,127
Non-current liability			
Deferred tax liability		**26**	26
Net assets		**74,009**	79,101
Capital and reserves			
Share capital	*14*	**10,400**	10,400
Reserves		**63,609**	68,938
Equity attributable to owners of the Company		**74,009**	79,338
Non-controlling interest		**–**	(237)
Total equity		**74,009**	79,101

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

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 as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2017.

(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 HKAS 7	Disclosure Initiative
Amendments to HKAS 2	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of Annual Improvements to HKFRS 2014–2016 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.

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 2017

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

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)

Revenue from type of services

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Provision of healthcare solutions to contract customers, which mainly comprise of corporations and insurance companies:		
Medical services	**27,375**	27,854
Dental services	**3,130**	3,537
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	**8,812**	8,798
Dental services	**9,572**	8,441
	48,889	48,630

4. OTHER INCOME

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income on loan receivables	**366**	152
Interest income on bank deposits	**167**	50
Bank interest income	**2**	2
Rental income	**238**	–
Others	**175**	244
	948	448

5. OTHER LOSSES AND GAINS

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) gain on disposal of property, plant and equipment	**(4)**	140
Net loss on disposal of a subsidiary	**(234)**	–
Loss on fair value change of held-for-trading investments	**–**	(26)
	(238)	114

6. LOSS BEFORE TAXATION

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging:		
Cost of inventories recognised as an expense	**2,065**	1,881

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax	**468**	924

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

8. DIVIDENDS

The directors of the Company do not recommend any interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: nil).

During the prior period, a final dividend of HK0.12 cents per share amounting to approximately HK$1,248,000 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	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the purpose of calculating basic loss per share for the period	**(5,329)**	(2,391)
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**1,040,000**	953,333

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 depreciated property, plant and equipment for cash proceeds of approximately HK$2,000, resulting in a loss on disposal of approximately HK$4,000 (six months ended 30 September 2016: gain on disposal of approximately HK$140,000).

In addition, the Group spent approximately HK$1,665,000 (six months ended 30 September 2016: HK$2,489,000), during the period on acquisition of property, plant and equipment for the purpose of expanding and upgrading the Group's capacity for operation.

11. ACCOUNTS AND OTHER RECEIVABLES, RENTAL DEPOSITS

	At 30 September 2017 *HK$'000* (Unaudited)	At 31 March 2017 *HK$'000* (Audited)
Accounts receivables	**8,126**	7,791
Other receivables		
— Other receivables	**4,354**	4,990
— Prepayments	**1,012**	947
— Rental and utility deposits	**3,110**	2,311
Total accounts and other receivables	**16,602**	16,039
Less: Receivables within twelve months shown under current assets	**(11,653)**	(11,432)
Rental deposits and other receivables shown under non-current assets	**4,949**	4,607
Presented in the condensed consolidated statement of financial position		
— Rental deposits	**2,922**	2,295
— Other receivables	**2,027**	2,312
	4,949	4,607

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 2017 *HK$'000* (Unaudited)	At 31 March 2017 *HK$'000* (Audited)
Within 30 days	**4,368**	3,759
31 to 60 days	**2,440**	3,024
61 to 90 days	**1,305**	892
91 to 180 days	**13**	116
	8,126	7,791

12. LOAN RECEIVABLES

During the prior 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 July 2018.

13. ACCOUNTS AND OTHER PAYABLES

	At 30 September 2017 *HK$'000* (Unaudited)	At 31 March 2017 *HK$'000* (Audited)
Accounts payables	**9,183**	6,676
Other payables	**1,975**	769
Receipt in advance	**7,846**	11,024
Accrued expenses	**2,457**	3,266
	21,461	21,735

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 2017 *HK$'000* (Unaudited)	At 31 March 2017 *HK$'000* (Audited)
Within 30 days	**5,387**	3,452
31 to 60 days	**759**	3,069
61 to 90 days	**2,581**	127
91 to 180 days	**456**	28
	9,183	6,676

14. SHARE CAPITAL

The share capital of the Group at 30 September 2017 represented the issued and fully paid share capital of the Company and details of movements of authorised and issued capital of the Company up to 30 September 2017 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 31 March 2017 and 30 September 2017	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 31 March 2017 and 30 September 2017	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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

MediNet is one of the corporate healthcare solutions providers in Hong Kong for more than 20 years. Our MediNet Network comprises of more than 400 points of services across Hong Kong, including our MediNet Centres and Dental Clinics, as well as the affiliated clinics and affiliated auxiliary services providers to provide the tailored medical and/or dental services to our customers. In order to deliver the value for money and a comprehensive suite of healthcare solutions to our customers, we devote ourselves to understand our clients and to meet their needs.

For the six months ended 30 September 2017, we recorded a significant increase in net loss which was mainly attributable to the following reasons:

(i) additional pre-opening expenses incurred in our business in the People's Republic of China (the "**PRC**"), including rental costs, licence application fee, staff costs and renovation costs for our dental clinic in Shenzhen and integrated medical clinic in Jiangmen as well as operating cost for our Shenzhen representative office. Nevertheless, the PRC business has not yet generated any revenue and will no doubt result in short to medium term operating losses. The management of the Group believes that the PRC is our target market as there is significant market demand for healthcare services so we are confident that we will perform well in the long run;

(ii) increase in staff cost and other operating expenses to support the Group's expansion and business development in Hong Kong. Therefore we have recruited more dentists, nurses and hygienists to expand our medical and dental services segments. Besides, we have set up the sales and marketing team and customer service team to develop our new MediNet Privilege e-commerce business and to enhance our customer services; and

(iii) additional rental expenses due to the expansion and relocation of our medical and dental clinics. A new MediNet Centre has been set up in Central in July 2016 and the Group also entered into a new tenancy agreement for relocation of our Dental Clinic in Causeway Bay in June 2017. As a result, we have an extra surgery room and advanced dental equipment, such as orthopantogram, dental CT Scans, digital X-Ray, etc. to provide quality services to our customers.

In addition, as the renovation of the dental clinic in Shenzhen has been completed, the Group is currently applying for the relevant licence, namely the approval of operation of medical institution (醫療機構執業許可證) from the Department of Health of Guangdong Province. We expect that the dental clinic in Shenzhen will commence its operation in late 2017. Meanwhile, the integrated medical clinic in Jiangmen is still under renovation and we expect it to be completed in the first quarter of 2018. Moreover, our Shenzhen representative office has been continuously seeking further business opportunities in major cities in the PRC in connection with the Group's PRC business. With our MediNet Privilege e-commerce business being launched in September 2017, our members will enjoy exclusive offers for our healthcare-related products and service including health assessment, dental treatment and health supplements. Members can earn points based on the amount spent on the services provided by the Group or at our website, and can in turn redeem points to enjoy different types of treatment. The Group believes that the redemption programme will build up the customer loyalty and confidence in our brand as well as generate additional sources of income and broaden our income stream.

It is the incubation period for our Group's PRC business that temporarily decreased its operating profit. However, as the Group has accumulated significant experience over the past 20 years in the healthcare industry, the management team is confident to face challenges and is confident that it will become a well-known healthcare services provider in both Hong Kong and the PRC.

FINANCIAL REVIEW

Revenue

The Group's revenue slightly increased from approximately HK$48.6 million for the six months ended 30 September 2016 to approximately HK$48.9 million for the six months ended 30 September 2017. The following table sets forth a breakdown of the Group's revenue with comparative figure:

	Six months ended 30 September 2017	Six months ended 30 September 2016	Increase/ (decrease)
	HK$'000	*HK$'000*	%
Medical solutions to contract customers	**27,375**	27,854	(1.7%)
Medical services to self-paid patients	**8,812**	8,798	0.2%
Dental solutions to contract customers	**3,130**	3,537	(11.5%)
Dental services to self-paid patients	**9,572**	8,441	13.4%
	48,889	48,630	

The revenue of medical solutions to contract customers slightly decreased by approximately 1.7% from approximately HK$27.9 million for the six months ended 30 September 2016 to approximately HK$27.4 million for the six months ended 30 September 2017, which was primarily due to the decreased usage by the active member of contract customers of the Group. The revenue of dental solutions to contract customers also decreased by approximately 11.5% from approximately HK$3.5 million for the six months ended 30 September 2016 to approximately HK$3.1 million for the six months ended 30 September 2017, which was mainly attributable to the decrease in the number of contract customer and individual for dental solutions. Furthermore, the revenue of medical services to self-paid patients remained constant, which accounted for approximately HK$8.8 million for both of the six months ended 30 September 2016 and 30 September 2017. The revenue of dental services to self-paid patients increased by approximately 13.4% from approximately HK$8.4 million for the six months ended 30 September 2016 to approximately HK$9.6 million for the six months ended 30 September 2017, which was primarily due to (i) the expansion of our Dental Clinic located in Central and Kwun Tong with 2 additional surgery rooms and (ii) the recruitment of 2 additional dentists and 2 additional dental hygienists during the period of 30 September 2017.

Other income

Other income increased by approximately 112% from approximately HK$448,000 for the six months ended 30 September 2016 to approximately HK$948,000 for the six months ended 30 September 2017 because of the increase in interest income on loan receivables as well as bank interest income from short-term fixed bank deposit and rental income from the sub-lease of certain area in market rate at our new dental clinic in Causeway Bay.

Other losses and gains

Other losses and gains changed from net gain of approximately HK$114,000 for the six months ended 30 September 2016 to net loss of approximately HK$238,000 for the six months ended 30 September 2017 mainly due to gain on disposal of a motor vehicle amounted to approximately HK$140,000 in May 2016 and disposal of a subsidiary in May 2017.

Medical and dental professional services expenses

Medical and dental professional services expenses primarily comprise 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 dentist.

The Group's medical and dental professional services expenses slightly decreased by approximately 1.8% from approximately HK$24.0 million for the six months ended 30 September 2016 to HK$23.5 million for the six months ended 30 September 2017, which was primarily due to decrease the aggregate amount to affiliated doctors and affiliated services provider.

Staff cost

Staff cost increased by approximately 36.1% from approximately HK$11.4 million for the six months ended 30 September 2016 to HK$15.6 million for the six months ended 30 September 2017. Due to the change in employment arrangement between the Group and Group's doctor and dentists so fees to the Group's doctor approximately HK$900,000 were recognized in "Staff cost" and fees to the dentist approximately HK$560,000 were recognized in "Medical and dental professional services expenses". Without taking into account the abovementioned reclassification, the staff costs increased by approximately HK$3.9 million. The increase was mainly attributable to (i) an increase in staff costs paid to Directors; (ii) annual increase in salaries for the staff; (iii) an increase in number of staff and full-period recognition of staff cost from Shenzhen office; and (iv) an increase in number of staff in Hong Kong such as dentists, hygienists; sales and marketing team and customer services team in connection with the Group's expansion and enhancement of our customer services. As a result, the Group's total number of staff increased from 83 to 95 as at 30 September 2016 and 30 September 2017 respectively.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment increased by approximately 27.5% from approximately HK$630,000 for the six months ended 30 September 2016 to HK$803,000 for the six months ended 30 September 2017, which was primarily due to the purchase of specialized equipment, the renovation of the medical centre and dental clinic in Central and Causeway Bay, as well as the Shenzhen representative office, the Shenzhen Dental clinic and the refurbishment of existing clinics in Hong Kong.

Cost of medical and dental supplies

Cost of medical and dental supplies increased by approximately 9.8% from approximately HK$1.9 million for the six months ended 30 September 2016 to HK$2.1 million for the six months ended 30 September 2017, which was primarily due to the increase in the amount of drugs and other medical consumables for the provision of medical services and dental services to self-paid patients which was in line with the increase in revenue from medical services and dental services to self-paid patients.

Rental expenses

Rental expenses increased by approximately 65.8% from approximately HK$3.0 million for the six months ended 30 September 2016 to HK$4.9 million for the six months ended 30 September 2017, which was mainly due to rental expenses on the Shenzhen dental clinic, Shenzhen representative office, full-period recognition of medical centre in Central and newly relocated dental clinic in Causeway Bay. Furthermore, there was increase in rent for those existing premises for which leases were renewed.

Other expenses

Other expenses increased by 32.5% from approximately HK$5.7 million for the six months ended 30 September 2016 to HK$7.6 million for the six months ended 30 September 2017, which was primarily due to full-period recognition of professional fees incurred to ensure ongoing compliance with relevant rules and regulation and other general administrative expenses such as utilities, repair, maintenance and website development of our new MediNet Privilege's e-commerce business.

Income tax expense

Income tax expense for the Group decreased by approximately 49.4% from approximately HK$924,000 for the six months ended 30 September 2016 to approximately HK$468,000 for the six months ended 30 September 2017. The decrease was mainly due to a decrease in estimated tax assessable profit.

Loss and total comprehensive expense for the period

Due to the combined effect of the factors mentioned above, we recorded a loss for the six months ended 30 September 2017 of approximately HK$5.3 million, which represented an increase of approximately HK$2.8 million as compared with loss for the period of approximately HK$2.5 million for the six months ended 30 September 2016. If the expenses in connection with the listing (the "**Listing**") of approximately HK$4.2 million were excluded, the loss increased approximately HK$7 million accordingly.

Such increase was primarily attributable to the combined effect of (i) the slight increase in revenue of approximately HK$259,000 for the six months ended 30 September 2017; (ii) to seize development opportunities in China's healthcare market, the Group incurred initial start-up expenses to establish the integrated medical clinic in Jiangmen, the high-end dental clinic in Shenzhen and the representative office in Shenzhen; and (iii) the increase in staff cost and other operation expenses to support the Group's business development in Hong Kong such as recruitment of more dentists, hygienists, setting up of a sales and marketing team and customer services team in connection with the Group's expansion and enhancement of our customer services.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group as at 30 September 2017 was 3.8 times as compared to that of 3.6 times as at 31 March 2017.

CAPITAL STRUCTURE

There has been no change in the capital structure of the Group since 31 May 2016. The share capital only comprises of ordinary shares. As at 30 September 2017, The Company's issued share capital was HK$10,400,000 and the number of its ordinary shares was 1,040,000,000 of HK$0.01 each.

SEGMENT INFORMATION

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

SIGNIFICANT INVESTMENTS HELD, FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

On 20 July 2016, the Group entered into a placing letter with Convoy Asset Management Limited, who acts as placing agent in relation to the subscription of the Jun Yang Notes and First Credit Notes (as defined in the Company's announcement dated on 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 on 20 July 2016.

Save as disclosed above, the Group did not have other significant investment held, future plans for material investment and capital assets as at 30 September 2017.

Material acquisitions and disposal of subsidiaries, associated and joint ventures

During the six months ended 30 September 2017, the Group did not have any material acquisitions but disposal of 51% equity interest in POM Healthcare Management Limited in May 2017 which incurred a loss of approximately HK$234,000.

CONTINGENT LIABILITIES

As at 30 September 2017, the Group did not have any material contingent liabilities (30 September 2016: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group had a total of 95 employees (30 September 2016: 83 employees). The staff costs including directors' remuneration in the form of salaries and other benefits was approximately HK$15.6 million for the six months ended 30 September 2017 (30 September 2016: approximately HK$11.4 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 is reviewed by the remuneration committee of the Company and approved by the Board, according to the relevant Director's experience, responsibility, workload and time devoted to the Group.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the date of Listing on 31 May 2016 to 30 September 2017 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 and Tsim Sha Tsui	The Group has used approximate HK$6.8 million to expand the operation of MediNet Centre and Dental Clinic in Central and Tsim Sha Tsui
Purchase a property for operation of Dental Clinic in Causeway Bay	Nil
Expand our MediNet Network	The Group has used approximated HK$0.18 million for the expansion of MediNet Network
General working capital	HK$0.18 million

Use of proceeds and future plans

The net proceeds from the listing after deducting listing related expenses were approximately HK$47.36 million. The unused amount of the net proceeds from the listing as at 30 September 2017 was approximately HK$40.38 million.

An analysis of the planned amount utilized up to 30 September 2017 is set out below:

	Planned amount utilized up to 30 September 2017 *HK$ million*	**Actual utilized amount as at 30 September 2017** *HK$ million*	**Unutilised amount out of the planned amount as at 30 September 2017** *HK$ million*
Expand the operation of MediNet Centre and Dental Clinic in Tsim Sha Tsui and Causeway Bay	10.67	6.84	3.83
Purchase a property for operation of Dental Clinic in Causeway Bay	33.20	0.00	33.20
Expand our MediNet Network	0.18	0.18	0.00
General Working capital	0.18	0.18	0.00
	44.23	7.20	37.03

As disclosed in the Prospectus, one of the Group's business strategies is to purchase a property for operation of Dental Clinic in Causeway Bay during the financial year ended 31 March 2018. With reference to the Company's announcement dated 21 June 2017, due to the unavailability of suitable target premises to be purchased by the Group, the Board resolved to enter into a new rental agreement for a term of three years in relation to the lease of new premises for the relocation and expansion of the Group's existing Dental Clinic in Causeway Bay, while the Group shall postpone the portion of the net proceeds earmarked for the acquisition. The Directors shall continue to identify suitable target premises for the acquisition as and when appropriate and consider such postponement in use of net proceeds is in the interests of the Company and the shareholders of the Company as a whole.

OTHER INFORMATION

COMPETING AND CONFLICTS OF INTERESTS

The Directors are not aware of any business or interest of the Directors nor the Controlling Shareholder nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the period ended 30 September 2017.

INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Messis Capital Limited, as at 30 September 2017, save for the compliance adviser agreement dated 20 November 2015 and entered into between the Company and Messis Capital Limited, neither Messis Capital Limited, its directors, employees and associates had any interests in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 September 2017.

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 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 2017, 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 2017.

DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2017.

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 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 months ended 30 September 2017.

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

Hong Kong, 14 November 2017

As at the date of this announcement, the executive Directors are Mr. Chan Chi Wai Nelson and Ms. Jiang Jie and the independent non-executive Directors are Dr. Lieu Geoffrey Sek Yiu, Mr. Leung Po Hon and Mr. Wong Wai Leung.