

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

2016

第三季度業績報告
Third Quarterly Report

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

This report will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and on the Company’s website at www.MediNetGroup.com.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Ms. Jiang Jie

Independent non-executive Directors

Dr. Lieu Geoffrey Sek Yiu

Mr. Leung Po Hon

Mr. Wong Wai Leung

AUDIT COMMITTEE MEMBERS

Mr. Leung Po Hon (*Chairman*)

Dr. Lieu Geoffrey Sek Yiu

Mr. Wong Wai Leung

NOMINATION COMMITTEE MEMBERS

Mr. Leung Po Hon (*Chairman*)

Mr. Wong Wai Leung

Mr. Chan Chi Wai, Nelson

REMUNERATION COMMITTEE MEMBERS

Mr. Wong Wai Leung (*Chairman*)

Mr. Leung Po Hon

Mr. Chan Chi Wai, Nelson

COMPLIANCE OFFICER

Mr. Chan Chi Wai, Nelson

COMPANY SECRETARY

Mr. Leung Man Fai

AUTHORISED REPRESENTATIVES

Mr. Chan Chi Wai, Nelson

Mr. Leung Man Fai

COMPLIANCE ADVISER

Messis Capital Limited

LEGAL ADVISER

As to Hong Kong Law

Michael Li & Co

Solicitors, Hong Kong

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16/F, 101 King's Road

North Point, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East, Hong Kong

PRINCIPAL BANKER

Nanyang Commercial Bank, Limited

COMPANY'S WEBSITE

www.MediNetGroup.com

STOCK CODE

8161

FINANCIAL HIGHLIGHT

- The revenue of the Company and its subsidiaries (collectively the “**Group**”) amounted to approximately HK\$72.9 million for the nine months ended 31 December 2016, representing an increase of approximately HK\$5.6 million or approximately 8.3% as compared with the nine months ended 31 December 2015.
- The loss for the period of the Group is approximately HK\$3.3 million for the nine months ended 31 December 2016, representing a decrease of approximately HK\$0.7 million or approximately 17.6% as compared with the nine months ended 31 December 2015.
- The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2016.

THIRD QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the nine months ended 31 December 2016, together with the audited comparative figures for the corresponding period in 2015, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2016

	NOTES	Three months ended		Nine months ended	
		31 December		31 December	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Audited) HK\$'000
Revenue	3	24,290	23,219	72,920	67,333
Other income		311	543	759	1,882
Other gains and losses		–	(189)	114	(956)
Medical and dental professional services expenses		(12,340)	(11,330)	(36,296)	(31,819)
Staff costs		(7,101)	(5,287)	(18,540)	(15,520)
Depreciation of property, plant and equipment		(387)	(256)	(1,017)	(1,906)
Cost of medical and dental supplies		(843)	(1,021)	(2,723)	(2,716)
Rental expenses		(1,653)	(1,053)	(4,610)	(3,094)
Other expenses		(2,766)	(2,138)	(8,506)	(5,812)
Finance costs		–	(60)	–	(534)
Listing expenses		–	(4,040)	(4,190)	(9,205)
Loss before taxation		(489)	(1,612)	(2,089)	(2,347)
Income tax expense	4	(262)	(374)	(1,186)	(1,629)
Loss for the period		(751)	(1,986)	(3,275)	(3,976)
Other comprehensive income					
<i>Items that will not be subsequently reclassified to profit or loss:</i>					
Surplus on revaluation of a land and building		–	–	–	1,652
Other comprehensive income for the period		–	–	–	1,652
Total comprehensive expense for the period		(751)	(1,986)	(3,275)	(2,324)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 31 December 2016

	NOTES	Three months ended 31 December		Nine months ended 31 December	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Audited) HK\$'000
Loss for the period attributable to:					
Owners of the Company		(644)	(1,986)	(3,034)	(3,976)
Non-controlling interest		(107)	–	(241)	–
		(751)	(1,986)	(3,275)	(3,976)
Total comprehensive expense attributable to:					
Owners of the Company		(644)	(1,986)	(3,034)	(2,324)
Non-controlling interest		(107)	–	(241)	–
		(751)	(1,986)	(3,275)	(2,324)
Loss per share — Basic (Hong Kong cents)	6	(0.06)	(0.25)	(0.31)	(0.51)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2016

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note a)	Special reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits (accumulated losses) HK\$'000	Subtotal HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
At 1 April 2015 (audited)	20,510	-	(1,253)	-	44,767	1,991	66,015	-	66,015
Loss for the period	-	-	-	-	-	(3,976)	(3,976)	-	(3,976)
Surplus on revaluation of a land and building	-	-	-	-	1,652	-	1,652	-	1,652
Total comprehensive income (expense) for the period	-	-	-	-	1,652	(3,976)	(2,324)	-	(2,324)
Issue of shares of Medinet (BVI)	5	-	-	-	-	-	5	-	5
Effect of reorganisation (note b)	(20,515)	-	-	20,515	-	-	-	-	-
Reversal of previously recognised deferred tax of a property upon change of tax base	-	-	-	-	8,178	-	8,178	-	8,178
Realisation of property revaluation reserve upon disposal of a land and building	-	-	-	-	(54,597)	54,597	-	-	-
Dividend (Note 5)	-	-	-	-	-	(51,000)	(51,000)	-	(51,000)
At 31 December 2015 (audited)	- ⁺	-	(1,253)	20,515	-	1,612	20,874	-	20,874
At 1 April 2016 (audited)	- ⁺	-	(1,253)	20,515	-	3,332	22,594	-	22,594
Loss and total comprehensive expense for the period	-	-	-	-	-	(3,034)	(3,034)	(241)	(3,275)
Capitalisation issue (note c)	7,800	(7,800)	-	-	-	-	-	-	-
Issue of new shares (note d)	2,600	67,600	-	-	-	-	70,200	-	70,200
Transaction costs attributable to issued shares	-	(7,947)	-	-	-	-	(7,947)	-	(7,947)
Capital contribution to a non-wholly owned subsidiary	-	-	-	-	-	-	-	5	5
Dividend	-	-	-	-	-	(1,248)	(1,248)	-	(1,248)
At 31 December 2016 (unaudited)	10,400	51,853	(1,253)	20,515	-	(950)	80,565	(236)	80,329

⁺ Less than HK\$1,000

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2016

Notes:

- (a) In November 2012, the Group advanced a three-year unsecured, interest-free loan with principal amount of HK\$13,663,000 to MediNet Holdings Limited (“MediNet Holdings”), the then holding company of Well Being Dental Services Limited (“Well Being”), Medinet Services Limited (“Medinet Services”) and Medinet Health Centre Limited (“Medinet Health Centre”) of which Mr. Chan Chi Wai, Nelson (“Mr. Chan”) was the ultimate owner and the controlling shareholder (“Controlling Shareholder”). The interest-free loan was initially measured at its fair value of HK\$12,410,000 at an effective interest rate of 3.25% per annum and subsequently carried at amortised cost using effective interest method, resulting in an imputed interest income of HK\$312,000 recognised in profit or loss for the nine months ended 31 December 2015. The fair value adjustment of HK\$1,253,000 at initial recognition of the interest-free loan were recognised in equity as deemed distribution to shareholder. The loan has been settled during the year ended 31 March 2016.
- (b) Amount represents (1) the difference between the nominal value of the share capital issued by Medinet (BVI) Limited (“Medinet (BVI)”) for the acquisition of the entire equity interests Well Being, Medinet Services, Medinet Health Centre and Men’s Health Solutions Limited (collectively referred to as the “Hong Kong Subsidiaries”) and the nominal value of share capital of the Hong Kong Subsidiaries; and (2) the difference between the nominal value of the share capital issued by the Company for the acquisition of the entire equity interests in Medinet (BVI) and the nominal value of share capital of Medinet (BVI).
- (c) Pursuant to the written resolutions passed by the shareholders of the Company on 19 May 2016, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the placing as described as (d) below, the directors of the Company were authorised to capitalise the amount of approximately HK\$7,800,000 from the amount standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 779,999,900 ordinary shares of HK\$0.01 each for allotment and issue to the persons whose names appeared on the register of members of the Company at the close of business on 19 May 2016 in proportion (or as nearly as possible without fractions) to their then respective shareholdings of the Company (the “Capitalisation Issue”).
- (d) On 31 May 2016, the Company placed 260,000,000 new shares at HK\$0.27 per share for a total gross proceeds of HK\$70,200,000. The proceeds of HK\$2,600,000 representing the par value of the shares of the Company, were credited to the Company’s share capital and the remaining proceeds of HK\$67,600,000 before issuing expenses, were credited to share premium account of the Company.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2016

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 20 August 2015. The shares of the Company have been listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 31 May 2016. The addresses of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KYI-1111, Cayman Islands and principal place of business of the Company is at 16/F, 101 King’s Road, North Point, Hong Kong. The Company’s immediate and ultimate holding company is Medinet International Limited (“Medinet International”), a company incorporated in the British Virgin Islands (“BVI”) which is controlled by the Controlling Shareholder.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of dental solutions and dental services and medical solutions and medical services.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2016 and audited consolidated financial statements of the Group for the nine months ended 31 December 2015 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of the GEM Listing Rules.

The basis of preparation and accounting policies adopted in preparing these unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s audited consolidated financial statements for the year ended 31 March 2016, except for the adoption of the new and revised HKFRSs that have become effective for its accounting period beginning on 1 April 2016.

The adoption of the new and revised HKFRSs has no significant effect on these unaudited condensed consolidated financial statements.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective for the current accounting period of the Group.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2016

3. REVENUE

	Three months ended 31 December		Nine months ended 31 December	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Audited) HK\$'000
	Provision of healthcare solutions to contract customers, which mainly comprise of corporations and insurance companies:			
Medical services	14,275	13,335	42,129	38,818
Dental services	1,677	1,729	5,214	5,441
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	4,150	3,947	12,948	10,895
Dental services	4,188	4,208	12,629	12,179
	24,290	23,219	72,920	67,333

4. INCOME TAX EXPENSE

	Three months ended 31 December		Nine months ended 31 December	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Audited) HK\$'000
	Current tax	262	448	1,186
Deferred tax	-	(74)	-	70
	262	374	1,186	1,629

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2016

5. DIVIDENDS

The Board does not recommend any interim dividend for the nine months ended 31 December 2016.

During the current 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.

On 2 October 2015, the Hong Kong Subsidiaries declared an interim dividend in an aggregate amount of HK\$51,000,000 to their then shareholder.

6. LOSS PER SHARE

	Three months ended 31 December		Nine months ended 31 December	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Audited) HK\$'000
Loss for the purpose of calculating basic loss per share for the period	(644)	(1,986)	(3,034)	(3,976)
	'000	'000	'000	'000
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	1,040,000	780,000	982,327	780,000

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the three months and nine months ended 31 December 2016 and 2015 has been determined on the assumption that the Capitalisation Issue had been effective on 1 April 2015.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased from approximately HK\$67.3 million for the nine months ended 31 December 2015 to approximately HK\$72.9 million for the nine months ended 31 December 2016, representing a growth of approximately 8.3%. The following table sets forth a breakdown of the Group's revenue:

	Nine months ended 31 December 2016		Nine months ended 31 December 2015	
	HK\$'000	%	HK\$'000	%
Medical solutions to contract customer	42,129	57.8	38,818	57.6
Medical services to self-paid patients	12,948	17.8	10,895	16.2
Dental solutions to contract customer	5,214	7.1	5,441	8.1
Dental services to self-paid patient	12,629	17.3	12,179	18.1
	72,920	100%	67,333	100%

Other income

Other income decreased by approximately 59.7% from approximately HK\$1.9 million for the nine months ended 31 December 2015 to approximately HK\$759,000 for the nine months ended 31 December 2016 due to decrease in other services income which included other services income from laboratory and other healthcare services provider, imputed interest income and dividend income from listed equity securities in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

Medical and dental professional services expenses

The Group's medical and dental professional services expenses increased by approximately 14.1% from approximately HK\$31.8 million for the nine months ended 31 December 2015 to approximately HK\$36.3 million for the nine months ended 31 December 2016, mainly as a result of the combined effect of the following:

- (1) The aggregate amount of fees to affiliated doctors and affiliated auxiliary services providers and reimbursement to plan members of the Group's contract customers amounted to approximately HK\$26.3 million for the nine months ended 31 December 2016 and approximately HK\$24.4 million for the nine months ended 31 December 2015, representing an increase of approximately 7.9%. Such increase was mainly due to an increase in the amount of medical services received by plan members through our MediNet Network, as defined in the prospectus of the Company dated 24 May 2016 (the "**Prospectus**"), or reimbursed by us as a result of an increase usage by the active member of contract customers of the Group. The approximate 7.9% increase in the aggregate amount of fees to affiliated doctors and affiliated auxiliary services providers and reimbursement to plan members also increased in line with the approximate 8.5% increase in the Group's revenue from the provision of medical solutions to contract customer during the relevant period.
- (2) Fees for engaging external dentists slightly decreased by approximately 2.2% from approximately HK\$1.7 million for the nine months ended 31 December 2015 to approximately HK\$1.66 million for the nine months ended 31 December 2016 as slightly decrease in demand from self-paid patients for certain secondary dental care services which were carried out by external dentists with relevant expertise.
- (3) Laboratory charges increased by approximately 15.2% from approximately HK\$5.5 million for the nine months ended 31 December 2015 to approximately HK\$6.4 million for the nine months ended 31 December 2016, primarily due to increase in demand from self-paid patients for certain body check up and other testing procedures.
- (4) Fees to the Group's doctors increased from approximately HK\$200,000 for the nine months ended 31 December 2015 to approximately HK\$2.0 million for the nine months ended 31 December 2016 due to the change in employment arrangement between the Group and the Group's doctors pursuant to the MediNet Doctor Agreement, as defined in the Prospectus, effective from 1 November 2015. Therefore, fees to the Group's doctors were recognised in "Staff Cost" and "Medical and dental professional services expenses" before and after such effective date respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Staff cost

Staff cost increased by approximately 19.5% from approximately HK\$15.5 million for the nine months ended 31 December 2015 to approximately HK\$18.5 million for the nine months ended 31 December 2016. Besides, due to change in employment arrangements between the Group and the Group's doctors pursuant to the MediNet Doctor Agreement effective from 1 November 2015 as discussed above. If the Group's doctor fee of HK\$200,000 and HK\$2.0 million had been recognised under staff cost, then the staff cost will increase by approximately HK\$4.8 million. The increase was attributable by (i) increase in staff costs paid to Directors; (ii) general increase in salaries for the staff; and (iii) increase in staff head count mainly due to the set-up of a new sales and marketing and customer services team. Therefore total number of staff increased from 61 to 90 as at 31 December 2015 and 31 December 2016 respectively.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment decreased by approximately 46.6% from approximately HK\$1.9 million for the nine months ended 31 December 2015 to approximately HK\$1.0 million for the nine months ended 31 December 2016 primarily as a result of the decrease of the carrying amount of property, plant and equipment due to the disposal of a leasehold property which was completed on 15 October 2015, details of which have been discussed in the Prospectus under section "Business — Properties — Owned property during the Track Record Period".

Rental expenses

Rental expenses increased by approximately 49.0% from approximately HK\$3.1 million for the nine months ended 31 December 2015 to approximately HK\$4.6 million for the nine months ended 31 December 2016, mainly due to increase in rental expenses for the Tsim Sha Tsui MediNet Centre, head office, Dental Clinics in Central and Kwun Tong as a result of renewal of the respective tenancy agreements and the new tenancy agreement entered for the MediNet Centre at Central during the relevant period.

Other expenses

Other expenses increased by approximately 46.4% from approximately HK\$5.8 million for the nine months ended 31 December 2015 to approximately HK\$8.5 million for the nine months ended 31 December 2016, primarily due to increase in professional fees and other general administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance cost

Finance cost decreased from approximately HK\$534,000 for the nine months ended 31 December 2015 to nil for the nine months ended 31 December 2016, mainly due to the full repayment of the mortgage loan and finance lease obligation in November 2015 and June 2015 respectively.

Listing expenses

For each of the nine months ended 31 December 2016 and 31 December 2015, the Group recognised non-recurring listing expenses of approximately HK\$4.2 million and HK\$9.2 million respectively as expenses in connection with the listing (the "Listing") of at the shares of the Company on GEM on 31 May 2016.

Income tax expense

Income tax expense for the Group decreased by approximately 27.2% from approximately HK\$1.6 million for the nine months ended 31 December 2015 to approximately HK\$1.2 million for the nine months ended 31 December 2016. The decrease was mainly due to the decrease in tax assessable income.

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

Due to the combined effect of the factors mentioned above, we recorded a total comprehensive expense for the nine months ended 31 December 2016 of approximately HK\$3.3 million, which increased by approximately HK\$951,000 as compared with total comprehensive expense for the nine months ended 31 December 2015 of approximately HK\$2.3 million. If the listing expenses of approximately HK\$4.2 million, HK\$9.2 million and surplus on revaluation of a land and building for the nine months ended 31 December 2016 were excluded, we would have recorded a profit approximately HK\$915,000 and HK\$5.2 million for the nine months ended 31 December 2016 and 31 December 2015 respectively which was lower than the profit for the nine months ended 31 December 2015 of approximately HK\$4.3 million.

Such decrease was primarily attributable to (i) increase in revenue of approximately HK\$5.6 million for the nine months ended 31 December 2016 but offset by (ii) the increase in payroll and other operating costs to support the Group's business development in Hong Kong; (iii) the start-up costs for tapping into the market of the provision of medical and dental services market in the People's Republic of China (the "PRC"); and (iv) increase in professional expenses for the nine months ended 31 December 2016 as compared to the respective period in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of corporate medical and dental solutions to contract customers (which mainly comprise insurance companies and corporations in terms of revenue) through (i) the design and administration of tailored medical and/or dental benefits plans for the contract customers and the provision of different combinations of medical and/or dental services through the MediNet Network to the plan members (including members and employees of contract customers); and (ii) the operation of 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 the MediNet Centres and/or Dental Clinics and pay out of their own expenses).

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

The Listing provided additional capital to the Group to implement the corporate plans as set out in the Prospectus. Furthermore, the Listing also strengthened the financial position and enhanced the competitiveness of Group.

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

MANAGEMENT DISCUSSION AND ANALYSIS

With the Group's experienced management team and reputation in the market, the Directors believe that the Group is well-positioned to compete against the competitors under such future challenges that commonly faced by all market players. As mentioned above, the Group will continue to pursue the strategies to further strengthen the Group's position as an established service provider in the medical and dental industry in Hong Kong.

In light of the announced plan of the PRC government to systematically improve the PRC healthcare system, as reflected in various pronouncements and public documents, including the Opinions on Promoting Further Reform of the Healthcare System (中共中央國務院關於深化醫藥衛生體制改革的意見) and Certain Opinion on Promoting Further Reform of the Healthcare System (國務院深化醫藥衛生體制改革領導小組關於進一步推廣深化醫藥衛生體制改革經驗的若干意見) jointly issued by the Central Committee of the Communist Party of China and the PRC State Council in March 2009 and November 2016 respectively, together with Mainland China and Hong Kong Closer Economic Partner Arrangement and its six Annexes, the Group has been exploring the business opportunities to establish medical institutions in the PRC.

In order to generate additional source of income and broaden its income stream, the Directors is currently tapping into the market of the provision of medical and dental services in the PRC. The Group has established a representative office in Shenzhen and is in the process of applying two licences to establish an integrated medical centre in Jiangmen and a dental clinic in Shenzhen, which are expected to be established in late 2017, subject to the approval by the relevant government departments of the PRC. The Group has rented a clinic in Jiangmen with gross floor area of over 16,000 sq. ft. for the new integrated medical centre and plans to provide general practice services, dental services, physiotherapy services and aesthetics services. Moreover, the Group has rented a clinic in Shenzhen with gross floor area of over 3,000 sq. ft. for the new dental clinic. Furthermore, with the aim of better serve its customers, the Group is currently setting up a new online e-commerce business in relation to the sales of healthcare-related products and services. The Group has established sales and marketing team and customer services team for the e-commerce business and it is expected to be launched during the second quarter of 2017.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As at 31 December 2016, the interests and short positions of the each of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any its associated corporations (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 in which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in ordinary shares of the Company

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

L: Long position

Notes:

1. MediNet International 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 under Part XV of the SFO. Mr. Chan is the sole director of MediNet International.
2. 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.

OTHER INFORMATION

(b) Long position in the shares of associated corporations

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

L: Long position

Notes:

1. The entire issued share capital of Medinet International is legally and beneficially owned by Mr. Chan.
2. 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 31 December 2016, none of the Directors nor chief executive of the Company has registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

OTHER INFORMATION

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

As at 31 December 2016, so far as is known to the Directors, the following person (other than the Directors or chief executive of the Company) had interest or short positions in the shares or underlying shares of the Company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

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

L: Long position

Notes:

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

OTHER INFORMATION

Save as disclosed above, as at 31 December 2016 and so far as is known to the Directors, no person (other than the Directors and chief executive of the Company whose interests are set out in the section “Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures of the Company” and its associated corporations above) who had an interest or short position in the shares or underlying shares of the Company that was required to be entered in the register of the Company pursuant to Section 336 of the SFO.

COMPETING AND CONFLICTS OF INTERESTS

The Directors are not aware of any business or interest of the Directors 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 nine months ended 31 December 2016.

INTERESTS OF COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Messis Capital Limited, as at 31 December 2016, save for the compliance adviser agreement dated 20 November 2015 and entered into between the Company and Messis Capital Limited, neither Messis Capital Limited, its directors, employees and associates had any interests in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the nine months ended 31 December 2016.

OTHER INFORMATION

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 31 December 2016, save as disclosed above, the Company has complied with the CG Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors throughout the nine months ended 31 December 2016.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2016.

OTHER INFORMATION

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 December 2016.

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

Hong Kong, 14 February 2017

As at the date of this report, 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.

